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Audit Report



OIG-26-025

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications – IBC Airways, Inc.

March 13, 2026

Office of Inspector General
Department of the Treasury

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Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
DOT	Department of Transportation
Guidelines	Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act
IRS	Internal Revenue Service
IBC Airways	IBC Airways Inc.
OIG	Treasury Office of Inspector General
PSP1	Payroll Support Program, CARES Act
PSP2	Payroll Support Program Extension, Consolidated Appropriations Act, 2021
PSP3	Payroll Support Program 3, American Rescue Plan Act of 2021
SOC 1	System and Organizational Controls
Treasury	Department of the Treasury

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Audit Report

March 13, 2026

Jeffrey Stout
Acting Chief Program Officer
Department of the Treasury

This report presents the results of our audit of IBC Airways, Inc.'s (IBC Airways) certification made to the Department of the Treasury (Treasury) as part of its participation in the Air Carrier Payroll Support Program (PSP1). This audit was mandated by Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).¹ Under the CARES Act, Treasury was to provide \$32 billion in financial assistance to passenger air carriers, cargo air carriers, and certain contractors to be exclusively used for the continuation of payment of employee wages, salaries, and benefits, in response to the economic impact of the Coronavirus Disease 2019.² Furthermore, the Treasury Office of Inspector General (OIG) is required to audit certifications made by passenger and cargo air carriers that do not report salaries and benefits to the Department of Transportation (DOT) (hereinafter referred to as non-241 air carriers)³ and contractors.

Our audit objective was to assess the accuracy, completeness, and sufficiency of IBC Airways' sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by Treasury for PSP1. The scope of our audit covered the period from April 1, 2019, through September 30, 2019, and included the

¹ P.L. 116-136 (March 27, 2020)

² The financial assistance provided under the CARES Act was split between passenger air carriers (\$25 billion), cargo air carriers (\$4 billion), and contractors (\$3 billion).

³ Passenger and cargo air carriers that are not required to report salaries and wages to DOT under 14 CFR, Part 241, "Uniform System of Accounts and Reports for Large Certificated Air Carriers."

certified PSP1 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on April 3, 2020.⁴

To accomplish the objective, we reviewed applicable laws, regulations, and Treasury’s policies and procedures, including but not limited to, Title IV, Subtitle B, *Air Carrier Worker Support* of the CARES Act; *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act* (Guidelines); PSP1 Agreement; and *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*. We interviewed key personnel from IBC Airways, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from October 2020 through August 2022. Appendix 1 contains a more detailed description of our audit objective, scope, and methodology.

Results in Brief

We found that IBC Airways, a cargo air carrier, reported correct information for five of the six sections reviewed on its PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, (3) Financial Institution Information, (4) Additional Information, and (5) Certification; however, IBC Airways incorrectly reported information in the Awardable Amounts section of the PSP1 Application.

IBC Airways included unallowable employer-contribution portion of benefits to its corporate officers, resulting in \$ [REDACTED] overpayment. Treasury disbursed PSP1 funds to cargo air carriers at 100 percent of the requested amount. As a result, we questioned the costs totaling \$ [REDACTED] and recommend that Treasury seek reimbursement of the overpayment. Appendix 2 contains the schedule of monetary benefits.

⁴ IBC Airways submitted its PSP1 Application and related supporting documentation on April 3, 2020.

⁵ The PSP1 Application is comprised of eight sections. We did not review two sections because the Taxpayer Protection section generally does not apply to non-241 air carriers; and the Employment Levels section had no impact on Treasury’s determination of recipients’ award amounts.

As part of our reporting process, we provided IBC management with an opportunity to comment on a draft of this report. In a written response, IBC management stated they have reviewed the report and accepted the results. IBC management’s response, in its entirety, is included as appendix 3 of this report.

In a written response, Treasury management concurred with the recommendation and agreed that any overpayments of PSP funds should be recouped. Treasury stated that it will conduct a review of the findings, consider any response from the recipient, and seek recoupment of any amounts that Treasury determines have been overpaid. Treasury management will need to record an estimated completion date for these actions in the Joint Audit Management Enterprise System (JAMES). Management’s planned corrective actions meet the intent of our recommendations. Treasury management response, in its entirety, is included as appendix 4 of this report.

Background

Title IV, Subtitle B, of the CARES Act, *Air Carrier Worker Support*, requires Treasury to provide financial assistance to air carriers and contractors that must exclusively be used for the continuation of payments of employees’ wages, salaries, and benefits. Financial assistance is to be provided to:

- (1) passenger air carriers, in an aggregate amount up to \$25 billion;
- (2) cargo air carriers, in an aggregate amount up to \$4 billion; and
- (3) contractors, in an aggregate amount up to \$3 billion.

According to the CARES Act, Treasury is required to provide financial assistance to air carriers that report salaries and benefits to DOT (referred to as 241 air carriers),⁶ in an amount equal to the

⁶ 14 CFR Part 241, “Uniform System of Accounts and Reports for Large Certificated Air Carriers” defines “*Air carrier, large certificated*” as an air carrier holding a certificate issued under 49 U.S.C. 41102, as amended, that: (1) operates aircraft designed to have a maximum passenger capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of

salaries and benefits reported to DOT for the period April 1, 2019, through September 30, 2019. For air carriers that do not report such data to DOT (referred to as non-241 air carriers), and contractors, financial assistance is required to be in an amount that the air carrier or contractor certifies using sworn financial statements or other appropriate data as the amount of wages, salaries, benefits, and other compensation paid to employees during the period of April 1, 2019, through September 30, 2019. The amounts submitted on the application to Treasury were considered sworn financial statements. To be eligible for payments, air carriers and contractors must enter into agreements with Treasury certifying that they meet certain required assurances, terms, and conditions.

On March 30, 2020, Treasury posted on its website the Guidelines, which included the PSP1 Application. The PSP1 Application is comprised of eight sections:

1. Applicant Information – (1) applicant name; (2) taxpayer identification number and address; and (3) contact person’s name, title, phone number, and email address.
2. Applicant Type – selection of applicant type whether it is passenger air carrier, cargo air carrier, or contractor. Additionally, if the applicant is a contractor, this section would identify the contractor’s service functions and the name of the air carrier or airport to which services are provided. Finally, this section includes affiliate and parent company information.
3. Financial Institution Information – (1) the applicant’s account number and routing number; and (2) the financial institution’s name, address, and telephone number.
4. Employment Levels – applicant’s average number of employees for 2019 and number of involuntary reductions after March 1, 2020.

Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to DOT. IBC Airways is not a large, certificated air carrier.

-
5. Awardable Amounts – applicant’s sworn financial statement consisting of salaries, wages, benefits, and other compensation for the period April 1, 2019, through September 30, 2019.
 6. Taxpayer Protection – a table that outlines in detail the proposed financial instrument to be issued to the Treasury.
 7. Additional Information – applicant’s verification of submitting its Internal Revenue Service (IRS) Form 941, *Employer’s Quarterly Federal Tax Return*,⁷ covering the period April 1, 2019, through September 30, 2019, along with the PSP1 Application submitted to Treasury.
 8. Certification – names, titles, and signatures of two certifying officials⁸ and the applicant’s name and application submission date.

On April 18, 2020, Treasury published a sample PSP1 Agreement on its website, which provided definitions, terms, and conditions for participation in PSP1, and required applicants to submit completed applications by April 27, 2020. After Treasury reviewed and approved an application, both parties were required to sign the PSP1 Agreement.

PSP1 Interim Audit Report

In a prior audit report,⁹ OIG identified two systemic issues affecting the payment amounts administered to all PSP1 recipients for non-241 air carriers and contractors. Specifically, some of the recipients audited included unallowable employer-side payroll taxes and/or corporate officer compensation in their calculation of the awardable amounts on their PSP1 applications. Treasury management acknowledged these issues and agreed to (1) review payments issued under PSP1 to ensure awarded amounts are allowable per the CARES Act and Treasury guidance; and

⁷ IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employees’ paychecks.

⁸ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

⁹ Treasury OIG, *Interim Audit Update: Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, OIG-21-025 (March 31, 2021).

(2) remedy the incorrect amounts awarded under PSP1. Based on our recommendations, in March 2022, Treasury implemented a PSP1 recertification process whereby recipients had to certify whether they excluded employer-side payroll taxes and corporate officer compensation in their calculation of the awardable amounts on their PSP1 applications. Treasury's goal was to determine if overpayments were made to recipients based on inaccurate information included in PSP1 applications.

Treasury officials told us that if recoupment was necessary for an applicant's inclusion of unallowable expenses such as corporate officer compensation and employer-side payroll taxes in the application, the recoupment method was dependent on timing. Any overpayment was first offset against the approved top-off payment. If an overpayment remained, or the overpayment was identified after all PSP1 disbursements were made, and the recipient was entitled to Payroll Support Program Extension (PSP2)¹⁰ or Payroll Support Program 3 (PSP3)¹¹ funding, the overpayment was offset against the PSP2 and/or PSP3 awards prior to issuance. All remaining PSP1 overpayments not previously collected where the recipient did not qualify for, or apply for, PSP2 and PSP3 funding, were required to be repaid to Treasury.

IBC Airways, Inc.

Headquartered in Fort Lauderdale, Florida, IBC Airways is a cargo air carrier that specializes in transportation of hazardous materials to and from the Caribbean, Latin American, and the United States.

IBC Airways submitted its PSP1 Application requesting \$ [REDACTED] on April 3, 2020. The requested amount included two components of IBC Airways – IBC Airways and IBC Travel. On June 11, 2020, based on guidance from Treasury, IBC Airways submitted a revised PSP1 Application, removing the IBC Travel component. This resulted in a revised requested amount of

¹⁰ The Consolidated Appropriations Act, 2021 (P.L. 116–260), enacted on December 27, 2020, created the *Airline Worker Support Extension* for passenger air carriers and certain contractors. Treasury referred to this as Payroll Support Program Extension (PSP2).

¹¹ The American Rescue Plan of 2021 (P.L. 117–2), enacted on March 11, 2021, created the *Air Transportation Payroll Support Program Extension* authorizing Treasury to provide additional assistance to passenger air carriers and contractors that received financial assistance under PSP2. Treasury referred to this as Payroll Support Program 3 (PSP3).

\$3,222,391, all of which was awarded by Treasury. Treasury's disbursements to IBC Airways were as follows:

- June 17, 2020: \$1,611,195.50
- July 7, 2020: \$537,065.17
- August 6, 2020: \$537,065.17
- September 4, 2020: \$537,065.16

Audit Results

IBC Airways reported correct information for five of the six sections reviewed on the PSP1 Application. These sections are: (1) Applicant Information, (2) Applicant Type, (3) Financial Institution Information, (4) Additional Information, and (5) Certification. We compared information provided in each section of the PSP1 Application to supporting documentation including payroll reports, benefit statements, bank statements, IRS Form 941, among other things. We found the company incorrectly reported information in the Awardable Amounts section, resulting in a \$ [REDACTED] overpayment related to corporate officers' benefits.

Finding

Inaccurate Compilation of the PSP1 Application Awardable Amount

Both the CARES Act and Treasury's Guidelines define "employee" as "an individual, other than a corporate officer, who is employed by an air carrier or contractor in the United States (including its territories and possessions)."

The PSP1 Agreement defines corporate officer as:

with respect to the recipient, its president; any vice president in charge of a principal business unit, division, or function (such as sales, administration or finance); any other officer who performs a policy-making function; or any other person who performs similar policy making functions for the recipient. Executive officers of subsidiaries or parents of the recipient may be

deemed corporate officers of the recipient if they perform such policy-making functions for the recipient.

We found that IBC Airways has three executives: (1) President, (2) Vice President of Finance, and (3) Vice President of Corporate Development. All three executives met the definition of a corporate officer per Treasury's PSP1 Agreement, through discussions with management, and review of the IBC Airways 2019 organizational chart. IBC Airways properly excluded all three corporate officers' salaries; but included the employer-contribution portion of benefits (healthcare, dental, vision, and life insurance costs) for its corporate officers, resulting in a \$ [REDACTED] overpayment. IBC Airways management stated that the inclusion of unallowable benefits was an oversight.

To remedy the findings noted in the prior OIG audit report (see footnote 9), Treasury required cargo recipients to recertify their PSP1 awardable amounts. IBC Airways erroneously recertified to Treasury that it did not include corporate officer compensation in its PSP1 Application. Treasury stated it relies on applicants' certifications that they did not include unallowable expenses (i.e. corporate officer compensation and employer-side payroll taxes), and no further validation checks were performed.

Recommendation

We recommend that Treasury's Acting Chief Program Officer:

1. Seek reimbursement of \$ [REDACTED] overpayment of PSP1 financial assistance.

Management Response

Treasury will conduct a review of the finding, consider any response from the recipient, and seek recoupment of any amounts that Treasury determines have been overpaid.

OIG Comment

Managements planned corrective actions meet the intent of our recommendation. Treasury management will need to

record an estimated completion date for these actions in JAMES.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 439-6354, or Christopher Culbreath, Acting Audit Manager, at (202) 486-1983. Major contributors to this report are listed in appendix 5. A distribution list for this report is provided as appendix 6.

/s/

Julie Wong
Acting Deputy Assistant Inspector General for Audit

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of IBC Airways, Inc.'s (IBC Airways) sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by the Department of the Treasury (Treasury) for Payroll Support Program (PSP1).

The scope of our audit covered the period from April 1, 2019, through September 30, 2019, and included the certified PSP1 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on April 3, 2020.

To accomplish this objective, we performed the following activities during audit fieldwork conducted remotely from October 2020 through August 2022:

- Reviewed applicable laws and regulations, including:
 - Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), and
 - 14 CFR Part 241, *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, amended May 31, 2024.
- Reviewed Treasury's policies, procedures, and guidelines related to PSP1:
 - *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act*, which included the PSP1 Application, March 30, 2020;
 - PSP1 Agreement;
 - *Question and Answer: Payroll Support to Air Carriers and Contractors* (April 2, 2020, April 3, 2020, and April 20, 2020 versions);

Appendix 1: Objective, Scope, and Methodology

- *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*, April 3, 2020; and
- *Treasury’s Payroll Support Program to Air Carriers and Contractors Draft Internal Program Review Guide*, July 2020.
- Performed 100 percent testing for six of the eight sections in the PSP1 Application—specifically, the Applicant Information, Applicant Type, Financial Institution Information, Awardable Amounts, Additional Information, and Certification sections. The other two sections were not reviewed because the Taxpayer Protection section generally does not apply to non-241 air carriers; the Employment Levels section had no impact on Treasury’s determination of recipients’ award amount.
- Interviewed key Treasury personnel and contracted consultants engaged by Treasury to aid in its evaluation of air carriers’ and contractors’ certified applications and other data.
- Interviewed IBC Airways’ representatives responsible for the completion and submission of the sworn financial statement. The amounts submitted in the Awardable Amounts section of the PSP1 Application were considered the sworn financial statement.
- Reviewed sworn financial statement and documents to support the requested payroll support amount. The documentation included, but was not limited to (1) PSP1 Application; (2) 2019 Internal Revenue Service Form 941, *Employer’s Quarterly Federal Tax Return*; (3) April through September 2019 payroll reports; (4) PSP1 Agreement; and (5) third-party benefit invoices.
- Reviewed Government Accountability Office’s *Standards for Internal Control in the Federal Government* to identify the components of internal control that are significant to the audit objective. Understanding internal control within the context of an entity’s internal control framework can help auditors determine whether internal control deficiencies exist. We concluded that one of the five internal control components, Control Activities, as related to IBC Airways’ payroll systems, was significant to the audit objective.¹² This component states

¹² The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Appendix 1: Objective, Scope, and Methodology

that control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. To assess the controls over IBC Airways' payroll systems, we examined IBC Airways' responses to Data Supplier Questionnaires,¹³ reviewed a System and Organizational Controls 1 (SOC 1)¹⁴ report, and interviewed IBC Airways' management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data is reported in the section below.

- Reviewed Government Accountability Office's *Assessing Data Reliability* guidance, which states that reliability determination does not involve attesting to the overall reliability of the data or database. For this audit, the audit team has only determined the reliability of the specific data sources needed to support the findings, conclusions, or recommendations in the context of the audit objective. IBC Airways used information generated from its payroll and accounting systems to complete the PSP1 Application. As such, we compared the payroll information to third-party vendor benefit invoices from April 2019 through September 2019, as well as to the information in the Awardable Amounts section of the PSP1 Application. Similarly, we compared the general ledger information to third-party vendor benefit invoices from April 2019 through September 2019, and the information in the Awardable Amounts section of the PSP1 Application.

To assess the reliability of IBC Airways' payroll and accounting systems, we (1) reviewed IBC Airways' completed Data Supplier Questionnaire; (2) reviewed the payroll system's SOC 1 report; and (3) interviewed IBC Airways' representatives knowledgeable about the data. Based on our assessment, we determined that the data were sufficiently reliable to support the findings and conclusions to answer the objective of this audit.

¹³ A Data Reliability Assessment is completed to assess the reliability of data originating from a system to determine if it is reliable for the purposes of the audit. The Data Supplier Questionnaire would be one of the tools used during the Data Reliability Assessment.

¹⁴ SOC 1 report addresses a company's internal control over financial reporting, which pertains to the application of checks-and-limits. Essentially, it is the audit of a third-party vendor's accounting and financial controls.

Appendix 1: Objective, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix 2: Schedule of Monetary Benefits

According to the Code of Federal Regulations,¹⁵ a questioned cost is an amount expended or received from a Federal award, that in the auditors judgment:

- (a) is noncompliant or suspected noncompliant with Federal statutes, regulations, or the terms and conditions of the Federal award;
- (b) at the time of the audit lacked adequate documentation to support compliance; or
- (c) appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System. The amount will also be included in the Treasury Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to OIG recommendations with monetary benefits in accordance with Section 405(c) of the Inspector General Act of 1978, as amended.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$ [REDACTED]

The questioned cost represents amounts provided by Treasury under the Payroll Support Program (PSP1). As discussed in Finding 1, IBC Airways, Inc. overstated its PSP1 Application awardable amount to Treasury by \$ [REDACTED] due to the inclusion of unallowable employer-contribution portion of benefits to its corporate officers.

¹⁵ 2 CFR § 200.1 – Questioned Cost.

Appendix 3: IBC Airways Management Response



November 24, 2025

US Department of Treasury
Office of Inspector General
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: Management Response – Audit of Air Carrier Worker Support Certification

CARES Audit Team:

IBC Airways, Inc. (IBC) acknowledges receipt of the Formal Draft Audit of the Air Carrier Worker Support Certification on November 11, 2024.

After careful review, IBC accepts the finding that the Awardable Amount was inadvertently overstated by \$ [REDACTED] due to the inclusion of the employer contribution of benefits for corporate officers.

IBC looks forward to the next steps to resolve the results of the audit.

Thank you,

[REDACTED]

VP, Finance

[REDACTED]

Direct: [REDACTED]

Appendix 4: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 27, 2026

Julie Wong
Acting Deputy Assistant Inspector General for Audit
U.S. Department of the Treasury – Office of Inspector General
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Ms. Wong:

I write regarding the Office of Inspector General's (OIG) draft *Audit of Air Carrier Worker Support Certifications* (Draft Report), regarding IBC Airways, Inc. (the Recipient), a recipient of funds under Treasury's Payroll Support Program (PSP). The U.S. Department of the Treasury (Treasury) appreciates OIG's efforts.

Background on the Payroll Support Program

PSP was part of an effort to provide emergency assistance in response to the unprecedented challenges presented by the COVID-19 public health emergency and had three iterations:

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, and established the Payroll Support Program (PSP1) to provide financial assistance to America's passenger air carriers, cargo air carriers, and certain aviation contractors. Treasury disbursed more than \$28 billion to over 600 businesses in PSP1, directly supporting more than 600,000 American jobs.
- In December 2020, the Consolidated Appropriations Act, 2021, created the Payroll Support Program Extension (PSP2) for eligible passenger air carriers and certain aviation contractors. Treasury disbursed over \$15 billion to over 480 passenger air carriers and contractors under PSP2.
- In March 2021, the American Rescue Plan Act of 2021 provided an additional \$15 billion for Treasury to make further payroll support payments to entities that participated in PSP2 (PSP3). Treasury disbursed over \$14.5 billion to over 480 passenger air carriers and contractors under PSP3.

The CARES Act set forth two different methodologies for calculating awardable amounts for the largest carriers and for smaller air carriers and aviation contractors. For the largest air carriers, which received approximately 89% of the total PSP assistance, PSP1 amounts were based on reports the carriers had filed with the U.S. Department of Transportation under 14 C.F.R. part 241. In contrast, the statute required Treasury to provide financial assistance to smaller air carriers and aviation contractors in an amount that the applicants certified, using sworn financial statements or other appropriate data, as the amount of wages, salaries, and benefits that they paid to their employees during the time period from April 1, 2019, through September 30, 2019.

For awards to the smaller companies, the PSP1 application and Treasury’s guidelines made clear that the awardable amounts should not include, inter alia, (1) any employer-side payroll taxes, which are not paid to employees, and (2) compensation paid to corporate officers and non-employee contractors. Before accepting PSP2 applications, Treasury published additional guidance further emphasizing that such amounts should not be included in the companies’ awardable amount calculations.¹ In both PSP1 and PSP2, Treasury required two officials of each applicant, including at least one corporate officer, to certify that the information provided in the application was correct and did not contain any materially false or fraudulent statements.

In April 2020, OIG began a series of audits of PSP1 recipients to determine whether they had properly calculated their requested awardable amounts. In March 2021, OIG issued an Interim Audit Update, notifying Treasury that a number of recipients being audited had impermissibly included, in their PSP1 applications, employer-side payroll taxes or corporate officer compensation in the calculation of the awardable amount, which may have resulted in an overstatement of the amount of PSP1 funds requested. In response, Treasury promptly took a series of remedial actions, including requiring that all PSP1 applicants receiving awards on the basis of self-certification re-certify whether their awardable amounts included employer-side payroll taxes or corporate officer compensation. Where a company informed Treasury that it had improperly included those amounts in its application, Treasury either withheld future PSP1 disbursements or began pursuing debt recoupment. Through this process, Treasury has successfully recouped more than \$147 million of PSP overpayments.

OIG’s Findings and Recommendations

The Draft Report describes the work performed by OIG to determine whether the Recipient’s requested awardable amount complied with the guidelines provided by Treasury. The Draft Report notes the extensive fieldwork conducted for this review between October 2020 and August 2022 to determine the accuracy of the information in the Recipient’s PSP1 application submitted to Treasury, including interviewing the Recipient’s management and collecting and reviewing a wide range of the company’s financial records and corporate documents. OIG found that the Recipient overstated its requested awardable amounts due to the improper inclusion of unallowable employer contribution portion of benefits to its corporate officers. OIG recommends that Treasury seek reimbursement of \$ [REDACTED] of overpayments of PSP1 assistance.

Treasury agrees with OIG that any overpayments of PSP funds should be reimbursed. Treasury will review OIG’s findings, consider any response from the Recipient, and seek recoupment of any amounts that Treasury determines have been overpaid.

¹ Because awardable amounts in PSP3 were calculated as a percentage of each company’s PSP2 award, companies were not required to calculate awardable amounts for PSP3.

Again, Treasury appreciates OIG's work on these engagements. We look forward to working with you to protect the integrity of the PSP and other recovery programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Stout', with a long horizontal flourish extending to the right.

Jeffrey Stout

Deputy Chief Program Officer for Small Business
and Community Investment Programs

Appendix 5: Major Contributors to This Report

Olivia Scott, Acting Audit Director
Christopher Culbreath, Acting Audit Manager
Adrienne Gilbert, Auditor-in-Charge
Emilie Kane, Auditor
Eduardo Coney, Referencer

Appendix 6: Report Distribution

Department of the Treasury

Treasury Secretary
Deputy Secretary
Treasury Audit Liaison
Office of Strategy, Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group

IBC Airways, Inc.

Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner

U.S. Senate

Committee on Homeland Security and Governmental Affairs
Committee on Finance
Committee on Banking, Housing, and Urban Affairs
Committee on Commerce, Science, and Transportation
Committee on Appropriations
Committee on the Budget

U.S. House of Representatives

Committee on Oversight and Government Reform
Committee on Financial Services
Committee on the Budget
Committee on Transportation and Infrastructure

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