

SENSITIVE BUT UNCLASSIFIED (SBU)



SBU Cover Sheet

**For further information, refer to the
Treasury Security Manual (TD P 15-71) at
<http://intranet.treas.gov/security/>**

TD F 15-05.11 (3/07)



Audit Report



OIG-26-029

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Airline Worker Support Extension Certification – Panasonic Avionics Corporation

April 15, 2026

Office of Inspector General
Department of the Treasury

This Page Intentionally Left Blank



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 15, 2026

**MEMORANDUM FOR JEFFREY STOUT
ACTING CHIEF PROGRAM OFFICER**

FROM: Pauletta Battle /s/
Assistant Inspector General for Audit

SUBJECT: Audit of Airline Worker Support Extension Certification –
Panasonic Avionics Corporation

Attached is our audit report for the *Audit of Airline Worker Support Extension Certification – Panasonic Avionics Corporation* (PAC) (OIG-26-029; April 15, 2026). Under a contract monitored by our office, Saggar & Rosenberg, P.C. (S&R), a certified independent public accounting firm, performed the audit. The objective of this audit was to assess the accuracy, completeness, and sufficiency of PAC's 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 the Payroll Support Program Extension (PSP2). This audit was mandated by Title IV, Subtitle A, *Airline Worker Support Extension*, of the *Consolidated Appropriations Act, 2021*.¹ The scope of our audit covered the period from October 1, 2019, through March 31, 2020, and included the certified PSP2 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury.

In its audit report, S&R found that PAC, a contractor, incurred \$ [REDACTED] of eligible PSP2 compensation between October 1, 2019 and March 31, 2020, which exceeded the amount certified to Treasury on its PSP2 Application by \$ [REDACTED]. As a result, PAC did not over-request PSP2 financial assistance.

Our contract required that the audit be performed in accordance with generally accepted government auditing standards. In connection with the contract, we reviewed S&R's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on PAC's compliance with Treasury's PSP2 policies and procedures. S&R is

¹ P.L. 116-260 (December 27, 2020)

responsible for the attached auditor's report and the conclusions expressed therein. Our review found no instances in which S&R did not comply, in all material respects, with generally accepted government auditing standards.

We appreciate the courtesies and cooperation provided to S&R and our staff during the audit. If you have any questions or require further information, please contact me at (202) 927-5400, or a member of your staff may contact Julie Wong, Acting Deputy Assistant Inspector General for Audit, at (202) 439-6354.

Attachment

cc: Thao P. Tran, Acting Chief Operating Officer, Department of the Treasury
Danielle Christensen, Deputy Chief Program Officer for State and Local
Programs, Office of Capital Access, Department of the Treasury
Jason Morrow, Senior Counsel, Department of the Treasury
Jeff Davis, Partner, Saggat & Rosenberg, P.C.

Contents

Audit Report

Results in Brief2

Background.....3

 Treasury Disbursement Processes5

 Panasonic Avionics Corporation5

Audit Results.....6

 PAC Complied with PSP2 Application Requirements6

Appendices

Appendix 1: Objective, Scope, and Methodology9

Appendix 2: Panasonic Avionics Corporation Management Response 12

Appendix 3: Treasury Management Response 13

Appendix 4: Report Distribution 15

Abbreviations

CAA	Consolidated Appropriations Act
DOT	Department of Transportation
DUNS	Data Universal Numbering System
IRS	Internal Revenue Service
OIG	Treasury Office of Inspector General
PAC	Panasonic Avionics Corporation
PSP1	Payroll Support Program, Coronavirus Aid, Relief, and Economic Security Act
PSP2	Payroll Support Program Extension, Consolidated Appropriations Act, 2021
PSP2 Guidelines	Guidelines and Application Procedures for Payroll Support to Passenger Air Carriers and Contractors
S&R	Saggar & Rosenberg, P.C.
SOC 1	System and Organizational Controls
Treasury	Department of the Treasury

This Page Intentionally Left Blank

April 15, 2026

Jeffrey Stout
Acting Chief Program Officer
Department of the Treasury

This report presents the results of our audit of Panasonic Avionics Corporation's (PAC) certifications made to the Department of the Treasury (Treasury) as part of its participation in the Payroll Support Program Extension (PSP2). This audit was mandated by Title IV, Subtitle A, *Airline Worker Support Extension*, of the *Consolidated Appropriations Act, 2021* (CAA). Under the CAA, Treasury was to provide \$16 billion in financial assistance to passenger 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 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 PAC's sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by Treasury for PSP2. The scope of our audit covered the period from October 1, 2019, through March 31, 2020, and included the certified PSP2 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on January 14, 2021.

To accomplish the objective, we reviewed applicable federal laws and regulations; and Treasury's policies, procedures and guidance,

² The financial assistance provided under the CAA was split between passenger air carriers (\$15 billion) and contractors (\$1 billion).

³ Passenger 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."

including but not limited to, Title IV, Subtitle A, *Airline Worker Support Extension* of the CAA; *Guidelines and Application Procedures for Payroll Support to Passenger Air Carriers and Contractors* (PSP2 Guidelines); PSP2 Agreement; and *Question and Answer: Payroll Support Program Extension for Passenger Air Carriers and Contractors*. We interviewed key personnel from PAC and Treasury. We conducted our fieldwork from January 2025 through June 2025. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

We found that PAC, a contractor, reported correct information for all six sections reviewed on its PSP2 Application.⁴ These sections are: (1) Recipient Information, (2) Eligibility Questions, (3) Company Information, (4) Determining Awardable Amount (5) Affiliates, and (6) Certification. For the Determining Awardable Amount section, we found PAC incurred \$ [REDACTED] of eligible PSP2 compensation between October 1, 2019 and March 31, 2020, which exceeded the amount certified to Treasury on its PSP2 Application by \$ [REDACTED]. As a result, PAC did not over-request PSP2 financial assistance.

As part of our reporting process, we provided PAC management with an opportunity to comment on a draft of this report. In a written response, PAC management stated they have reviewed the report and agreed with the results. PAC management's response, in its entirety, is included as appendix 2 of this report.

In a written response, Treasury management noted that PAC understated its awardable amount; therefore no amounts are owed back to Treasury. Additionally, Treasury management appreciates the work on this engagement and looks forward to working with the OIG to protect the integrity of the PSP and other recovery programs. Treasury management's response, in its entirety, is included as appendix 3 of this report.

⁴ The PSP2 Application is comprised of ten sections. We did not review four sections because the Financial Information, Bankruptcy Information, and Employment Levels sections had no impact on Treasury's determination of recipients' award amounts; and the Validation of Payroll Support Program (PSP1) Award Amount section had no impact on PAC's PSP2 awarded amount because the company did not receive PSP1 financial assistance.

Background

Title IV, Subtitle A, of the CAA, *Airline Worker Support Extension*, 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 \$15 billion; and
- (2) contractors, in an aggregate amount up to \$1 billion.

According to the CAA, Treasury is required to provide financial assistance to contractors, in an amount equal to: (1) the amount such contractor was approved to receive (without taking into account any pro-rata reduction) under Payroll Support Program (PSP1);⁵ or (2) in the event such contractor did not receive financial assistance under PSP1, an amount that the contractor certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such contractor paid the employees of such contractor during the period from October 1, 2019, through March 31, 2020. The amounts submitted on the application to Treasury were considered sworn financial statements. To be eligible for payments, contractors must enter into agreements with Treasury certifying that they meet certain required assurances, terms, and conditions.

On December 29, 2020, Treasury posted on its website the PSP2 Guidelines. Afterwards, Treasury posted a web-based PSP2 Application for applicants to complete and submit. The PSP2 Application was comprised of ten sections:

1. Recipient Information — (1) indication of whether the applicant is an eligible passenger air carrier or an eligible contractor; (2) Form-41 filer indication;⁶ (3) applicant's

⁵ The *Coronavirus Aid, Relief, and Economic Security Act* (P.L. 116-136), enacted on March 27, 2020, created the *Air Carrier Worker Support*. The program provided payroll support to passenger air carriers, cargo air carriers, and certain contractors for the continuation of payment of employee wages, salaries, and benefits in response to the economic impact of Coronavirus Disease 2019. Treasury referred to this as Payroll Support Program (PSP1).

⁶ A Form-41 filer is a large certificated air carrier, who is required to report financial information to DOT.

name; (4) applicant's taxpayer identification number; and (5) PSP1 Applicant indication, if applicable, by listing the PSP1 Application number, whether PSP1 Application was approved, and financial assistance received.

2. Eligibility Questions — selection of whether the applicant is a direct passenger air carrier, an indirect passenger air carrier, a direct contractor, or a subcontractor.⁷
3. Company Information — (1) applicant's Data Universal Numbering System (DUNS) number;⁸ (2) indication of whether the applicant is registered with the System for Award Management;⁹ (3) applicant's entity type; (4) applicant's address; and (5) contact person name, title, phone number, and email address.
4. Financial Information — (1) the applicant's account type, number, and routing number; and (2) the financial institution's name, address, and telephone number.
5. Bankruptcy Information — applicant's indication as to whether they have taken or is contemplating taking action to commence bankruptcy, to include explanation, debtor name, bankruptcy court, case number, type of bankruptcy filing, and date of bankruptcy filing.
6. Employee Levels — (1) applicant's average number of employees for 2019 and 2020; (2) employee count as of the date of the PSP2 Application; (3) if applicant did not apply for PSP1, number of involuntary reductions after March 27, 2020; and (4) if applicant applied for PSP1, number of involuntary reductions after October 1, 2020.

⁷ Direct air carrier means a certificated commuter, foreign air carrier, an air taxi operator, or a Canadian charter air taxi operator; that directly engages in the operation of aircraft under a certificate, authorization, permit or exemption issued by DOT. Indirect air carriers are organizers and service providers who use services of a direct air carrier but do not operate or own the aircraft. A direct contractor is hired directly by the client to complete a project, whereas a subcontractor is hired by the contractor to complete tasks within the contract.

⁸ A DUNS number is a unique nine-digit identifier associated with a company's credit profile.

⁹ Entities registered on the System for Award Management, which is administered by the General Services Administration, are allowed to bid on government contracts and apply for federal assistance.

7. Determining Awardable Amount — applicant’s sworn financial statement consisting of salaries, wages, benefits, and other compensation for October 1, 2019, to March 31, 2020.
8. Validation of PSP1 Award Amount — applicant’s recertification to whether unallowable expenses were included in its PSP1 Application, to include corporate officer compensation, independent contractors, employer-side payroll taxes, and amounts other than wages, salaries, benefits, and other compensation.
9. Affiliates — (1) affiliate name; (2) affiliate applicant type; (3) affiliate taxpayer ID; and (4) affiliate DUNS number.
10. Certification — names, titles, and signatures of two certifying officials¹⁰ and application submission date.

Treasury Disbursement Processes

The total PSP2 requested amount (also referred to as awardable amount) by all contractor applicants exceeded the \$1 billion available financial assistance. As a result, Treasury applied a pro-rata rate of 30.4 percent to the requested amount. Generally, Treasury disbursed two payments—each half of the awarded amount.

Panasonic Avionics Corporation

Headquartered in Irvine, California, PAC is a contractor that provides a variety of services to commercial airlines including, but not limited to, ground handling and aircraft maintenance services.

PAC submitted its PSP2 Application totaling \$ [REDACTED] on January 14, 2021. The company received \$52,728,182, or

¹⁰ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

30.4 percent of the requested amount. Treasury's disbursements to PAC were as follows:

- February 3, 2021: \$26,364,091
- April 23, 2021: \$26,364,091

In addition to PSP2, Treasury awarded PAC \$52,728,182 under Payroll Support Program 3 authorized by the American Rescue Plan Act of 2021.¹¹ Payroll Support Program 3 was not the subject of this audit.

Audit Results

We found that PAC reported correct information for all six sections reviewed on its PSP2 Application. These sections are: (1) Recipient Information, (2) Eligibility Questions, (3) Company Information, (4) Determining Awardable Amount, (5) Affiliates, and (6) Certification. We compared information provided in each section of the PSP2 Application to supporting documentation, including general ledger data, company sworn financial statement, Internal Revenue Service (IRS) Form 941,¹² executive-level business charts, payroll registers, and third-party benefit claim and invoice data, among other items.

PAC Complied with PSP2 Application Requirements

Treasury's PSP2 Application instructs applicants to enter: (1) salaries and wages as an amount equal to Line 2 on its IRS Form 941 for October - December of tax year 2019 and January - March of tax year 2020, less amounts paid to corporate officers of the company; and (2) benefits in an amount equal to benefits paid to all individuals on payroll from October 1, 2019 through March 31, 2020, less benefits paid to corporate officers of the company.

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.

¹² 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.

According to the instructions for IRS Form 941, employers are to enter amounts on Line 2 that are equal to Box 1 [Wages, tips, other compensation] of the employees' IRS Forms W-2. The Form W-2 instructions requires that Box 1 excludes elective deferrals such as employee contributions to 401(k).

Treasury's PSP2 Guidelines defines:

salaries as without duplication of any amounts counted as benefits, a predetermined regular payment, typically paid on a weekly or less frequent basis but which may be expressed as an hourly, weekly, annual or other rate, as well as cost-of-living differentials, vacation time, paid time off, sick leave, and overtime pay, paid by a passenger air carrier or contractor to its employees, but excluding any federal, state, or local payroll taxes paid by the passenger air carrier or contractor.

wages as without duplication of any amounts counted as benefits, a payment, typically paid on an hourly, daily, or piecework basis, including cost-of-living differentials, vacation, paid time off, sick leave, and overtime pay, paid by a passenger air carrier or contractor to its employees, but excluding any federal, state, or local payroll taxes paid by the passenger air carrier or contractor.

PAC complied with PSP2 Application requirements. From October 1, 2019 through March 31, 2020, PAC incurred \$ [REDACTED] of eligible PSP2 compensation, which exceeded its PSP2 Application by \$ [REDACTED]. As such, PAC did not over-request PSP2 financial assistance. Table 1 illustrates the aggregate understatement.

Table 1: Awardable Amount Comparison

Description	Requested Amount	Recalculated Amount	Variance
Allowable Salaries and Wages	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Allowable Benefits	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Source: S&R Calculation of Awardable Amount.

The understatement variance was due to (1) Treasury's PSP2 Application instructed applicants to exclude elective deferrals, such

as employee contributions to 401(k) and health insurance, which are considered eligible expenses for PSP2 purposes; and (2) the company used actuarial estimates rather than actual medical benefit paid.¹³

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. A distribution list for this report is provided as Appendix 4.

Saggar & Rosenberg, P.C. /s/

¹³ An actuarial estimate is a mathematical model used to forecast uncertain variables or events for the purposes of calculating insurance premiums or benefits.

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Panasonic Avionics Corporation's (PAC) 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 the Payroll Support Program Extension (PSP2).

The scope of our audit covered the period from October 1, 2019, through March 31, 2020, and included the certified PSP2 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on January 14, 2021.

To accomplish this objective, Saggart & Rosenberg, P.C. performed the following activities during audit fieldwork from January 2025 through June 2025:

- Reviewed applicable federal laws and regulations, including:
 - *Title IV, Subtitle A, Airline Worker Support Extension, of the Consolidated Appropriations Act, 2021*; and
 - 14 CFR Part 241, *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, amended April 2, 2025.
- Reviewed Treasury's policies, procedures, and guidance related to PSP2:
 - *Guidelines and Application Procedures for Payroll Support to Passenger Air Carriers and Contractors*, December 29, 2020;
 - PSP2 Agreement;
 - *Question and Answer: Payroll Support Program Extension for Passenger Air Carriers and Contractors*, (January 19, 2021 and March 10, 2021 versions).
- Performed 100 percent testing for six of the ten sections of the PSP2 Application—specifically, the Company Information, Recipient Information, Eligibility Questions, Affiliates, Determining Awardable Amount, and Certification sections. The other four sections were not reviewed because the Financial Information, Bankruptcy Information, Employee Levels, and Validation of PSP1 Award Amount sections had no impact on

Appendix 1: Objective, Scope, and Methodology

Treasury's determination of PAC's PSP2 award amounts because the company did not receive PSP1 financial assistance.

- Interviewed key Treasury personnel.
- Interviewed PAC's management responsible for the completion and submission of the sworn financial statement in the Determine Awardable Amount section of the PSP2 Application.
- Reviewed sworn financial statement and documents to support the requested payroll support amount. The documentation included but was not limited to: (1) general ledger data, (2) company pay registers, (3) benefit claim information, (4) Internal Revenue Service Form 941 – *Employer's Quarterly Federal Tax Return*, and (5) organizational hierarchy.
- 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 PAC's payroll system, was significant to the audit objective.¹⁴ This component states 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 PAC's payroll system, we examined PAC's response to Data Supplier Questionnaires,¹⁵ reviewed a System and Organizational Controls 1 (SOC 1) report,¹⁶ and interviewed PAC's management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data are reported in the section below.

¹⁴ The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

¹⁵ 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 of a third-party vendor's accounting and financial controls. The Data Supplier Questionnaire would be one of the tools used during the Data Reliability Assessment.

¹⁶ 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

- Reviewed Government Accountability Office's *Assessing Data Reliability* guidance, which states that a data 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 needed to support the findings, conclusions, or recommendations in the context of the audit objective. PAC prepared the PSP2 Application using payroll and benefit information from PAC's payroll and financial accounting systems. We compared details generated from the payroll registers at the individual employee level, as well as third-party benefit data from October 1, 2019 through March 31, 2020 to the amounts presented in the Determine Awardable Amount section of the PSP2 Application.

To assess data reliability of these sources, we (1) reviewed the Data Supplier Questionnaires for the payroll and financial accounting systems, (2) reviewed the SOC 1 report for the payroll system, and (3) interviewed PAC's management responsible for generating and using the data. Based on our assessment, we determined that the data was sufficiently reliable to support the findings and conclusions to answer the objective of this audit.

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: Panasonic Avionics Corporation Management Response



10 March 2026

Tyler Robertson, CPA
Saggar & Rosenberg, P.C.
One Church Street Suite 700
Rockville, MD 20850

Re: Audit of Airline Worker Support Extension Certification – Panasonic Avionics Corporation

Mr. Robertson:

Panasonic Avionics Corporation (“PAC”) appreciates the opportunity to review and respond to the Saggar & Rosenberg, P.C. (“S&R”) audit report (“Audit Report”) regarding PAC’s certifications submitted to the Department of the Treasury in connection with the Payroll Support Program Extension (“PSP2”).

PAC acknowledges and appreciates the professional manner in which the audit was conducted and the clear articulation of the audit’s statutory basis, scope, and objectives. PAC recognizes the importance of the Office of Inspector General’s (“OIG”) oversight role in ensuring the integrity and transparency of the PSP2.

PAC also wishes to acknowledge the constructive and professional working relationship throughout the audit process with S&R. PAC appreciates S&R’s thoroughness, professionalism, and collaborative approach during the review, which facilitated an efficient audit process and clear communication while maintaining the independence and rigor required under applicable auditing standards.

PAC is pleased to note the audit’s conclusion that PAC reported correct information on its PSP2 Application. As reflected in the Audit Report, the audit confirmed that PAC’s certifications were supported by appropriate documentation and reconciled to relevant financial, payroll, tax, and benefits records.

PAC also acknowledges the audit’s finding that, during the period covered, PAC incurred eligible PSP2 compensation more than the amount requested in its application. PAC appreciates the audit’s clear articulation of this conclusion, which accurately reflects PAC’s conservative and compliance-focused approach to its PSP2 application and certifications.

PAC further notes the Audit Report’s confirmation that PAC complied with the PSP2 application requirements as set forth by Treasury, including the methodologies prescribed for calculating wages, salaries, and benefits. PAC values the audit’s recognition that the information provided in its PSP2 Application was accurate, complete, and sufficient for review and approval.

PAC remains committed to maintaining full compliance with all applicable statutory and regulatory requirements. If S&R or OIG has any follow-up questions, PAC stands ready to support.

Warm Regards,



Panasonic Avionics Corporation
Managing Counsel, Global Regulatory and Government Regulations

Appendix 3: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 9, 2026

Pauletta Battle
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. Battle:

I write regarding the Office of Inspector General's (OIG) draft *Audit of Air Carrier Worker Support Certifications* (Draft Report), regarding Panasonic Avionics Corporation (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.

Appendix 3: Treasury Management Response

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 Finding

The Draft Report describes the work performed by OIG to determine whether the Recipient's requested awardable amount for PSP2 complied with the guidelines provided by Treasury. The Draft Report notes the extensive fieldwork conducted for this review between January and June 2025 to determine the accuracy of the information in the Recipient's PSP2 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 understated its awardable amount, and therefore no amounts are owed back to Treasury.

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,



Jeffrey Stout
Deputy Chief Program Officer for Small Business
and Community Investment Programs

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.

Appendix 4: Report Distribution

Department of the Treasury

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

Panasonic Avionics Corporation

Chief Executive Officer
Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner

United States 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

United States House of Representatives

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

This Page Intentionally Left Blank



REPORT WASTE, FRAUD, AND ABUSE

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: <https://oig.treasury.gov/report-fraud-waste-and-abuse>

TREASURY OIG WEBSITE

Access Treasury OIG reports and other information online: <https://oig.treasury.gov/>