



Audit Report



OIG-22-042

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Alpine Aviation, Inc.

September 28, 2022

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 28, 2022

**MEMORANDUM FOR JACOB LEIBENLUFT
CHIEF RECOVERY OFFICER**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Audit of Air Carrier Worker Support Certifications – Alpine Aviation, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications – Alpine Aviation, Inc.* (Alpine) (OIG-22-042; dated September 28, 2022). Under a contract monitored by our office, Saggat & 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 Alpine'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 Air Carrier Payroll Support Program (PSP1). The scope of this audit covered the time period from April 1, 2019 through September 30, 2019 and included the certified PSP1 Application, sworn financial statements, tax returns, and other documentation submitted to Treasury.

In its audit report, S&R found Alpine incorrectly reported information in the Awardable Amounts section of the PSP1 Application, resulting in a \$165,586 overstatement. Specifically, the:

- Differences between accrual-based general ledger accounting data used to prepare the PSP1 Application and the actual compensation paid, resulted in a [REDACTED] overstatement; and
- Inclusion of unallowable corporate officer compensation in its PSP1 requested awardable amount, resulted in an [REDACTED] overstatement.

As a result, Alpine received a \$165,586 overpayment from Treasury.

Accordingly, S&R recommends that Treasury's Chief Recovery Officer:

- Seek reimbursement of the \$165,586 overpayment of PSP1 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 Alpine's compliance with Treasury's PSP1 policies and procedures. S&R is 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) 486-1420, or a member of your staff may contact Lisa DeAngelis, Deputy Assistant Inspector General for Audit, at (202) 487-8371.

Attachment

cc: Jason Morrow, Attorney Advisor, Department of the Treasury
Jeff Davis, Partner, Saggar & Rosenberg, P.C.

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Abbreviations

Alpine	Alpine Aviation, Inc.
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
COVID-19	Coronavirus Disease 2019
DOT	Department of Transportation
GAO	Government Accountability Office
Guidelines	Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
OIG	Treasury Office of Inspector General
PSP1	Payroll Support Program, CARES Act
S&R	Saggar & Rosenberg, P.C.
SOC 1	System and Organizational Controls
Treasury	Department of the Treasury

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September 28, 2022

Jacob Leibenluft
Chief Recovery Officer
Department of the Treasury

This report presents the results of our audit of Alpine Aviation, Inc.'s (Alpine) certifications 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 (COVID-19).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) (referred to as non-241 air carriers)³ and contractors.

Under a contract with OIG, Saggar & Rosenberg, P.C. (S&R) conducted this audit. Our audit objective was to assess the accuracy, completeness, and sufficiency of Alpine's 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 time period from April 1, 2019 through September 30, 2019 and included the certified PSP1 Application, sworn financial

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".

statements, tax returns, and other documentation submitted to Treasury on May 4, 2020.⁴

To accomplish the objective, we reviewed applicable laws and regulations; and Treasury's policies and procedures, including but not limited to, the Title IV, Subtitle B, *Air Carrier Worker Support* of the CARES Act, *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors* (Guidelines), PSP1 Agreement, and *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*. We interviewed key personnel from Alpine, Treasury, and contracted consultants⁵ engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from October 2021 through February 2022. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that Alpine, a cargo air carrier, reported correct information for three of the four sections reviewed on their PSP1 Application.⁶ These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. We also found that Alpine incorrectly reported information in the Awardable Amounts section, resulting in a \$165,586 overstatement of the awarded amount. Specifically, we found (1) differences between accrual-based general ledger accounting data used to prepare the PSP1 Application and the actual compensation paid, and (2) inclusion of corporate officer compensation. As a result, we question costs totaling \$165,586 comprised of:

- [REDACTED] of excess compensation requested using accrual-based general ledger accounting data; and
- [REDACTED] of compensation paid to corporate officers.

⁴ Alpine submitted the PSP1 Application and related supporting documentation on May 4, 2020.

⁵ Summit Consulting, LLC.

⁶ The PSP1 Application is comprised of eight sections. Four sections - Financial Institution Information, Employment Levels, Taxpayer Protection, and Additional Information, were not subject to audit procedures. Details regarding the sections not reviewed can be found in appendix 1.

Accordingly, we recommend that the Chief Recovery Officer seek reimbursement of the \$165,586 overpayment to Alpine.

Appendix 2 contains more details on questioned costs.

As part of our reporting process, we provided Alpine management an opportunity to comment on a draft of this report. In a written response, Alpine management challenged the audit finding related to the inclusion of unallowable corporate officer compensation in its PSP1 requested amount. Management stated that the application instructions did not indicate that corporate officers needed to be excluded from the Awardable Amounts calculation. Alpine management also noted that the application instructions did not define the term “corporate officers”, and that a corporate officer could be defined as an individual who is not employed by an air carrier, such as a board member or other investor, based on a reasonable interpretation of the definition of “Employee” in the application instructions. In addition, Alpine management stated that Section 4004 of the CARES Act places executive compensation limits for any officer or employee who received “total compensation” more than \$425,000 in 2019.

Both the CARES Act and Treasury’s Application instructions (referred to as “Guidelines” throughout this report) define “employee” as “an individual, other than a corporate officer, who is employed by an air carrier or contractor.” The employee definition is relevant and clearly excludes corporate officers. While the PSP1 Application instructions did not explicitly define corporate officers, the PSP1 Agreement between Treasury and Alpine, effective August 17, 2020, provided additional information regarding the treatment of corporate officers, which is detailed further in the Audit Results section of this report. In this case, the corporate officers included were the Chief Executive Officer and the Chief Financial Officer, which are typically defined as corporate officers in most every business. We do not agree with Alpine management’s statement that a corporate officer could be reasonably defined as an individual who is not employed by an air carrier, such as a board member or other investor. Additionally, Section 4004 of the CARES Act referenced in Alpine management’s response refers to a separate financial assistance program administered under the CARES Act. Specifically, this section relates to legislation authorizing Treasury to make loans,

loan guarantees, and other investments in support of eligible businesses, States, and municipalities under Title IV, Subtitle A, *Coronavirus Economic Stabilization Act of 2020*, not Title IV, Subtitle B, *Air Carrier Worker Support* of the CARES Act which was the scope of our audit. Alpine management's response, in its entirety, is included as appendix 3 of this report.

In a written response, Treasury management concurred with our recommendation and agreed that any overpayments of PSP funds should be recouped. Treasury stated 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. Also, Treasury will review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate. 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 recommendation. Treasury management's 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 the DOT (referred to as 241 carriers),⁷ in an amount equal to the 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 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. Application 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 its 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 banking account number and routing number; and (2) the financial institution's name, address, and telephone number.

⁷ 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 Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to DOT. Alpine is not a Large, Certificated Air Carrier.

-
4. Employment Levels — applicant’s average number of employees for 2019 and involuntary reductions after March 1, 2020.
 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*⁸ 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 officials⁹ and the applicant 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,¹⁰ OIG identified two recurring issues affecting the payment amounts administered to all PSP1 recipients for non-241 air carriers and contractors. Specifically, the inclusion of employer-side payroll taxes and corporate officer compensation in the awardable amounts for some recipients. Treasury management acknowledged that the recipients audited included unallowable employer-side payroll taxes or corporate officer compensation in their calculation of the “awardable amount” on

⁸ IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employee paychecks.

⁹ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

¹⁰ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

their PSP1 applications and agreed to (1) review payments issued under PSP1 to ensure awarded amounts are allowable per the CARES Act and Treasury guidance; and (2) remedy the incorrect amounts awarded under PSP1.

Alpine Aviation, Inc.

Located in Provo, Utah, Alpine holds multiple contracts with the United States Postal Service and with United Parcel Service servicing the western United States. Alpine transports mail packages and other time-sensitive cargo as one of the largest regional air-cargo providers in the United States.

Alpine, a cargo air carrier, submitted its PSP1 Application totaling [REDACTED] on May 4, 2020. Treasury disbursed \$4,460,112 to Alpine as follows:

- August 19, 2020 - \$2,230,056
- September 1, 2020 - \$2,230,056

Audit Results

Alpine reported correct information for three of the four sections reviewed on their PSP1 Application. These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. We compared information provided in each section of the PSP1 Application to supporting documentation including bank statements, air carrier certificates, tax forms, and executive-level business charts, among other items.

We also found that Alpine reported incorrect information in the Awardable Amounts section, resulting in a \$165,586 overstatement of the awarded amount. Specifically, there were differences between Alpine's accrual-based general ledger accounting data used to prepare the PSP1 Application and the actual amount of compensation paid to its employees totaling [REDACTED]; and the inclusion of unallowable corporate officer compensation of [REDACTED] in calculating the awardable amount. Table 1 illustrates a monthly breakdown of Alpine's overstated amounts.

Table 1: Aggregate Overstatement by Month

Month	PSP1 Application	Awardable Amount Re-Calculated by S&R	Variance
April 2019	████████	████████	████████
May 2019	████████	████████	████████
June 2019	████████	████████	████████
July 2019	████████	████████	████████
August 2019	████████	████████	████████
September 2019	████████	████████	████████
TOTAL	████████	████████	\$(165,586)

Source: S&R Calculation of Awardable Amount

Finding 1

Incorrect Compilation of the PSP1 Application Awardable Amount

Accrual-Based Application

Alpine prepared the PSP1 Application using data from its accrual-based financial accounting system, Sage. Creating the PSP1 Application using accrual-based general ledger accounting data was not a prohibited compilation method under Treasury's PSP1 Application guidelines, however, the actual amount of wages, salaries, benefits, and other compensation paid to company employees was less than the amounts requested in the PSP1 Application. As a result, Alpine's election to prepare the PSP1 Application using accrual-based general ledger accounting data, as opposed to actual compensation paid to its employees, overstated the awardable amount by ██████, as illustrated in Table 2.

Table 2: PSP1 Accrual-Based Application Compared to Actual Supported Costs

Category	PSP1 Application	Actual Supported Compensation	Variance
Salaries/Wages	██████████	██████████	██████████
Benefits	██████████	██████████	██████████
Other Compensation	██████████	██████████	██████████
TOTAL OVERSTATEMENT	██████████	██████████	██████████

Source: S&R Calculation of Awardable Amount

Treasury’s Guidelines define Awardable Amount as *“an amount that such carrier certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation paid by such carrier during the time period”*.

Alpine management stated that the PSP1 Application was prepared using accrual-based general ledger accounting data from its financial accounting system because the information was readily available and served as a rational basis for its financial assistance request.

Corporate Officer Compensation

Alpine included non-allowable compensation of ██████████ paid to two corporate officers in the awardable amount table of the PSP1 Application for “Salaries and Wages”, “Benefits”, and “Other Compensation”. Specifically, compensation paid to the Chief Executive Officer and Chief Financial Officer was included in the awardable amount table on the PSP1 Application. Table 3 illustrates a monthly breakdown of Alpine’s overstated amounts for corporate officer compensation.

Table 3. Corporate Officer Inclusion

Month	Non-allowable Corporate Officer Compensation in the PSP1 Application
April 2019	████████
May 2019	████████
June 2019	████████
July 2019	████████
August 2019	████████
September 2019	████████
TOTAL OVERSTATEMENT	████████

Source: S&R Calculation of 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.” The PSP1 Agreement subsequently defines a 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.”

Alpine management stated that it believed that the criteria for corporate officer consideration was compensation that exceeded \$425,000 annually. Since no employees exceeded that compensation threshold, no amounts were withheld from the PSP1 Application. However, this amount is the threshold expressed in

the “Limitations on Certain Compensation”¹¹ section of the PSP1 Agreement, not guidelines or criteria for the PSP1 Application.

Recommendation

S&R recommends that the Chief Recovery Officer seek reimbursement of the \$165,586 overpayment of PSP1 financial assistance.

Management Response

Treasury management concurred with our recommendation and agreed that any overpayments of PSP funds should be recouped. Treasury stated 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. Also, Treasury will review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate.

S&R Comment

Management’s 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. A distribution list for this report is provided as appendix 5.

Saggar & Rosenberg, P.C. /s/

¹¹ The “Limitations on Certain Compensation” section states “Beginning March 24, 2020, and ending March 24, 2022, the Recipient and its Affiliates shall not pay any of the Recipient's Corporate Officers or Employees whose Total Compensation exceeded \$425,000 in calendar year 2019 (other than an Employee whose compensation is determined through an existing collective bargaining agreement entered into before March 27, 2020): (a) total Compensation which exceeds, during any 12 consecutive months of such two-year period, the Total Compensation the Corporate Officer or Employee received in calendar year 2019; or (b) severance Pay or Other Benefits in connection with a termination of employment with the Recipient which exceed twice the maximum Total Compensation received by such Corporate Officer or Employee in calendar year 2019.”

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Alpine Aviation, Inc.'s (Alpine) 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).

The scope of our audit covered the time period from April 1, 2019 through September 30, 2019 and included the certified Payroll Support Program (PSP1) Application, sworn financial statements, tax returns, and other documentation submitted to Treasury on May 4, 2020.¹²

To accomplish this objective, Saggart & Rosenberg, P.C. (S&R) performed the following activities during audit fieldwork conducted remotely, due to the Coronavirus Disease 2019 (COVID-19) pandemic from October 2021 through February 2022:

- Reviewed applicable Federal laws, regulations, and guidance, including:
 - Title IV, Subtitle B, Air Carrier Worker Support, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act);¹³ and
 - 14 CFR, Part 241,¹⁴ Uniform System of Accounts and Reports for Large Certificated Air Carriers, amended August 12, 2022.
- Reviewed Treasury's policies, procedures, and guidance related to PSP1:
 - *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors* (Guidelines), which included the PSP1 Application, March 30, 2020;

¹² Alpine submitted the PSP1 Application and related support documentation on May 4, 2020.

¹³ P.L. 116-136 (March 27, 2020).

¹⁴ 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 Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to DOT. Alpine is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- PSP1 Agreement;
 - *Question and Answer: Payroll Support to Air Carriers and Contractors*, (April 2, 2020, April 3, 2020, and April 20, 2020 versions); and
 - *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*, April 3, 2020.
- Performed 100 percent testing for four of the eight sections of the PSP1, specifically, the Applicant Information, Applicant Type, Awardable Amounts, and Certification sections. The other four sections were not reviewed because the Taxpayer Protection section generally applied to 241 air carriers, with exceptions; the Employment Levels, Financial Institution Information, and Additional Information sections had no impact on Treasury's determination of recipients' award amounts.
 - Interviewed key Treasury personnel and contracted consultants¹⁵ engaged by Treasury to aid in its evaluation of the air carriers' and the contractors' certified applications and other data.
 - Interviewed Alpine representatives responsible for the completion and submission of the sworn financial statements in the Awardable Amounts section of the PSP1 Application.
 - Reviewed sworn financial statements and documents to support the requested payroll support amount. The documentation included general ledger data, company pay registers, benefit invoices, Internal Revenue Service (IRS) Form 941 – *Employer's Quarterly Federal Tax Return*,¹⁶ filings, 2019 IRS Form 851 - *Affiliation Schedule*,¹⁷ and organizational hierarchy information.
 - Reviewed Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹⁸ to identify the

¹⁵ Summit Consulting, LLC.

¹⁶ IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employee paychecks.

¹⁷ IRS Form 851 is a tax form that a parent corporation of an affiliated group files with its consolidated income tax return to (1) identify the common parent corporation and each member of the affiliated group; (2) report the amount of overpayment credits, estimated tax payments, and tax deposits attributable to each corporation; and (3) determine that each subsidiary corporation qualifies as a member of the affiliated group.

¹⁸ GAO-14-704G (September 2014).

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 Alpine's payroll systems, was significant to the audit objective.¹⁹ 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 Alpine's payroll systems, we examined Alpine's response to Data Supplier Questionnaires,²⁰ reviewed a System and Organizational Controls 1 (SOC 1),²¹ and interviewed Alpine's 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 GAO's *Assessing Data Reliability*²² 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 sources needed to support the findings, conclusions, or recommendations in the context of the audit objective. Alpine prepared the PSP1 Application using information from the accrual-based accounting system of record, Sage. We compared payroll details generated from ADP, LLC (ADP) payroll registers at the individual employee level, as well as third-party vendor benefit invoices, to the amounts presented in the Awardable Amounts section of the PSP1 Application.

To assess data reliability of these sources, we examined Alpine's response to Data Supplier Questionnaires for Sage and ADP, reviewed the ADP SOC 1, and interviewed Alpine's

¹⁹ The five components in GAO's Standards for Internal Control in the Federal Government are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

²⁰ 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.

²¹ SOC 1 report address 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.

²² GAO-20-283G (December 2019).

Appendix 1: Objective, Scope, and Methodology

management responsible for generating and using 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.

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,²³ a questioned cost is a cost that is questioned by the auditor because of an audit finding:

- (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) where the costs, at the time of the audit, are not supported by adequate documentation; or
- (c) where the costs incurred appear unreasonable and do 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 (JAMES). The amount will also be included in the 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 recommendations with monetary benefits in accordance with Section 5(b) of the Inspector General Act of 1978, as amended.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$165,586

The questioned cost represents amounts provided by Treasury under the Payroll Support Program (PSP1). As discussed in Finding 1, \$165,586 is the amount Treasury overpaid Alpine Aviation, Inc. due to the (1) differences between accrual-based general ledger accounting data and actual compensation and (2) inclusion of corporate officer compensation in the awardable amount on the PSP1 Application.

²³ 2 CFR § 200.84 – Questioned Cost

Appendix 3: Alpine Management Response



September 13, 2022

TO: Office of Inspector General

From: Alpine Aviation, Inc. DBA Alpine Air

Subject: Audit of Air Carrier Worker Support Certifications – Alpine Management Response

Alpine Aviation, Inc. DBA Alpine Air challenges the “unallowable corporate officer compensation in its PSP1 requested,” as stated in the audit findings.

The 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 served as the main resource for completing the PSP1 application. In this document, the language and treatment of “corporate officers” in the PSP1 application was vague and/or not defined.

Alpine Air’s three (3) reasons for challenging the aforementioned findings are as follows:

1. The application instructions did not indicate that corporate officers needed to be excluded from the calculation. Under the section, Awardable Amounts, the Awardable Amount is determined in one of three ways. None of these three ways indicated such a restriction.
2. Section 4004 of the CARES act places executive compensation limits for any officer or employee who received “total compensation” more than \$425,000 in 2019. No such individuals were included in Alpine Air’s PSP1 application.
3. In the application instructions, “corporate officers” are not defined. There is a small definition for “Employee.” An “employee means an individual, other than a corporate officer, who is employed by an air carrier or a contractor in the United States (including its territories and possessions).” According to this definition, a reasonable understanding of a corporate officer could be defined as an individual who is NOT employed by an air carrier, like a board member or other investor. No such individuals were included in Alpine Air’s PSP1 application.

Sincerely

A handwritten signature in black ink, appearing to read "Kevin Wade", is written over a horizontal line.

Kevin Wade

CFO – Alpine Aviation, Inc.

801-373-1508 • 1177 ALPINE AIR WAY PROVO, UTAH 84601

Appendix 4: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 23, 2022

Deborah L. Harker
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. Harker:

I write regarding the Office of Inspector General's (OIG) draft Audits of Air Carrier Worker Support Certifications (Draft Reports) regarding three recipients under Treasury's Payroll Support Program: (1) XOJET Aviation, LLC, (2) Pegasus Elite Aviation, Inc., and (3) Alpine Aviation, Inc. The U.S. Department of the Treasury (Treasury) appreciates OIG's efforts.

Background on the Payroll Support Program

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, to provide emergency assistance in response to the unprecedented challenges presented by the COVID-19 public health emergency. The CARES Act established the Payroll Support Program (PSP1) to provide financial assistance to America's passenger air carriers, cargo air carriers, and certain aviation contractors.

In light of the emergency circumstances, Treasury acted with extraordinary speed to implement PSP1, publishing program guidelines and application procedures just one business day after the enactment of the CARES Act. Only three days later, Treasury published additional guidance about the application process. Treasury has 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 issued public guidance regarding PSP2 just two days after the statute was enacted, and Treasury has 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 payments to entities that participated in PSP2 (PSP3).

The CARES Act set forth two different methodologies for calculating awardable amounts under PSP1. For the largest air carriers, which received 90% of the total funds disbursed under PSP, 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, smaller air carriers and aviation contractors were required to certify, using sworn financial statements or other appropriate data, the amount for wages, salaries, benefits, and other compensation that they paid to their employees during the period from April 1 to September 30, 2019. For these smaller companies, the PSP1 application

and Treasury guidance made clear that awardable amounts should not include, *inter alia*, (1) 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 one corporate officer, to certify that the information provided in its application was correct and does 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 on their PSP1 application the employer-side payroll taxes or corporate officer compensation in their calculation of the awardable amount, which would 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 recipients re-certify whether their awardable amounts included employer-side payroll taxes or corporate officer compensation. Where companies informed Treasury that they had improperly included those amounts, Treasury either withheld future disbursements or began pursuing debt recoupment.

OIG's Findings and Recommendations

The Draft Reports describe the work performed by OIG's contractor to determine whether the requested awardable amounts complied with Treasury's program requirements. The Draft Reports note the extensive fieldwork conducted for this review between September 2021 and February 2022, including interviewing the PSP1 recipients' management and reviewing a wide range of the companies' financial records and corporate documents. With respect to the companies listed above, OIG found that the recipients had overstated their awardable amounts due to the improper inclusion of corporate officer compensation, employer-side payroll taxes, or both. In addition, OIG questioned one recipient's use of accrual-based general ledger accounting data rather than actual compensation paid. OIG recommends that Treasury (1) seek reimbursement of \$1,367,211 of overpayments of PSP1 assistance, and (2) review any requested amounts from these recipients for PSP2 and PSP3 assistance to determine whether any additional overpayments occurred.

Treasury agrees with OIG that any overpayments of PSP funds should be recouped. Treasury 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 will also review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate.

* * *

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.

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

Sincerely,

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

Jacob Leibenluft
Chief Recovery Officer

Appendix 5: Report Distribution

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