



Audit Report



OIG-23-023

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Wings Air Helicopters, LLC

March 31, 2023

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 31, 2023

**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 – Wings
Air Helicopters, LLC

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications – Wings Air Helicopters, LLC* (Wings Air Helicopters) (OIG-23-023; dated March 31, 2023). Under a contract monitored by our office, Saggari & 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 Wings Air Helicopters' 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 Wings Air Helicopters incorrectly included corporate officer compensation in the Awardable Amounts section of the PSP1 Application, resulting in a \$ [REDACTED] overstatement. Treasury's awards to passenger air carriers under PSP1 included a 78.2 percent pro rata distribution of application amounts. Applying this formula, Wings Air Helicopters received a \$ [REDACTED] overpayment from Treasury.

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 Wings Air Helicopters' 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
Victoria Collin, Chief Compliance and Finance Officer, Office of Recovery Programs, Department of the Treasury
Jeff Davis, Partner, Saggart & Rosenberg, P.C.

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Abbreviations

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
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
S&R	Saggar & Rosenberg P.C.
Treasury	Department of the Treasury
Wings Air Helicopters	Wings Air Helicopters, LLC

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March 31, 2023

Jacob Leibenluft
Chief Recovery Officer
Department of the Treasury

This report presents the results of our audit of Wings Air Helicopters, LLC's (Wings Air Helicopters) 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) (hereinafter referred to as non-241 air carriers)³ and contractors.

Under a contract with Treasury OIG, Sagggar & Rosenberg P.C. (S&R) conducted this audit. Our audit objective was to assess the accuracy, completeness, and sufficiency of Wings Air Helicopters' 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,

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".

sworn financial statements, tax returns, and other documentation submitted to Treasury on March 31, 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 Wings Air Helicopters, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from September 2021 through March 2022. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that Wings Air Helicopters, a passenger air carrier, reported correct information for three of the four sections reviewed on their PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. However, we found that Wings Air Helicopters incorrectly reported information in the Awardable Amounts section, resulting in a \$ [REDACTED] overstatement in its requested amount. Specifically, we found that Wings Air Helicopters included unallowable corporate officer compensation in the awardable amount. Treasury's awards to passenger air carriers under PSP1 included a 78.2 percent pro rata distribution of application amounts. Applying this formula, we found that Wings Air Helicopters received a \$ [REDACTED] overpayment from Treasury. As a result, we question the costs totaling \$ [REDACTED] and recommend that the Chief Recovery Officer seek reimbursement of the \$ [REDACTED] overpayment to Wings Air

⁴ Wings Air Helicopters submitted the PSP1 Application and related support documentation on March 31, 2020.

⁵ 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.

Helicopters for PSP1. Additionally, we recommend that Treasury review Wings Air Helicopters' requested amount for unallowable expenses, under the Payroll Support Program Extension (PSP2)⁶ authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)⁷ authorized by the American Rescue Plan Act of 2021 and seek reimbursement for overpayment, if applicable.

Appendix 2 contains more details on questioned costs.

As part of our reporting process, we provided Wings Air Helicopters management an opportunity to comment on a draft of this report. Wings Air Helicopters management stated that at the time of its PSP1 application, their understanding was that compensation for everyone with an active role in the company would be included in the PSP1 Application. They believed this would include the company owner, who also acts as Chief Pilot and Director of Operations. Wings Air Helicopters management also stated that it was surprised to learn that the legislation governing the PSP1 program excludes corporate officers from receiving any payroll support. While this makes sense for large corporations where corporate officers collect large salaries and bonuses, management believes the situation is quite different for small businesses. On a small business level, there is no difference between a supervisor employee and a business owner who is actively involved in day-to-day operations. Wings Air Helicopters management requested Treasury to reconsider seeking repayment of PSP1 amounts awarded to small businesses.

Neither the PSP1 Application instructions (referred to as "Guidelines" in this report) nor the PSP1 Agreement between Treasury and Wings Air Helicopters, effective April 27, 2020, instructed applicants to exclude corporate officer compensation based on the size of the applicant. In addition, despite Wings Air Helicopters' owner simultaneously occupying multiple roles within

⁶ 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).

⁷ 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).

the small company, the owner's official title is "President" which met the definition of a corporate officer per the PSP1 Agreement. The PSP1 Agreement 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."* Wings Air Helicopters management's response, in its entirety, is included as appendix 3 of this report.

In a written response, Treasury management concurred with our recommendations 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 recommendations. 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),⁸ 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 had to 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 banking account number and routing number; and (2) the financial institution's name, address, and telephone number.

⁸ 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. Wings Air Helicopters is not a Large Certificated Air Carrier.

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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 Treasury.
 7. Additional Information — applicant’s verification of submitting its Internal Revenue Service (IRS) Form 941– *Employer’s Quarterly Federal Tax Return*⁹ 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 officials¹⁰ 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.

Treasury Disbursement Processes

In an effort to disburse PSP1 payments to passenger air carrier applicants as quickly as possible and prior to the application deadline of April 27, 2020, Treasury applied an initial estimated pro-rata rate of 76 percent to the awardable amount because not all applications had been submitted at the time. After the application deadline, Treasury determined the total amount requested by all passenger air carrier applicants was approximately

⁹ 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.

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.

\$31.8 billion, which exceeded the \$25 billion available financial assistance. Because its initial estimated pro-rata rate was low, Treasury calculated an additional 2.2 percent, the top-off amount, for passenger air carriers making the final pro-rate rate 78.2 percent. Generally, treasury disbursed an initial lump sum payment of one third of the awardable amount, followed by four equal subsequent payments to ensure it provided sufficient and timely financial assistance corresponding to the applicants' payroll schedule. In instances where Treasury needed to perform additional follow-up with passenger air carriers or needed additional time to approve applications, Treasury compressed the payment schedule on a case by case basis. Generally, Treasury disbursed the top-off amounts to passenger air carriers in September 2020. 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. If the need for recoupment was known prior to the top-off distribution then the recoupment was offset from the top-off payment. For recoupment amounts not known until after the top-off payment, Treasury has not made a decision how those funds will be collected and whether those funds will be reallocated at a later date.

PSP1 Interim Audit Report

In a prior audit report,¹¹ OIG identified two recurring issues affecting the payment amounts administered to all PSP1 recipients for non-241 carriers and contractors. Specifically, employer-side payroll taxes and corporate officer compensation were included 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 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.

¹¹ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

Wings Air Helicopters, LLC

Headquartered in Harrison, New York, Wings Air Helicopters provides a variety of transportation services, including ground transportation, luggage transfers, and helicopter charters.

Wings Air Helicopters, a passenger air carrier, submitted its PSP1 Application totaling \$ [REDACTED] on March 31, 2020. Treasury awarded \$205,672 to the company as a result of the 78.2 percent pro rata distribution to passenger air carriers. Treasury's disbursements to Wings Air Helicopters were as follows:

- April 30, 2020 – \$66,628.69
- June 4, 2020 – \$33,314.35
- July 7, 2020 – \$33,314.35
- August 6, 2020 – \$33,314.35
- September 4, 2020 – \$33,314.34
- Top-off: September 30, 2020 – \$5,786.18

In addition to PSP1, Treasury awarded Wings Air Helicopters \$139,131 under PSP2 and \$129,768 under PSP3. PSP2 and PSP3 were not the subject of this audit.

Audit Results

We found that Wings Air Helicopters reported correct information for three of the four sections reviewed on its 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 air carrier certifications, company sworn financial statements, tax forms, executive-level business charts, payroll registers, and third-party benefit invoices, among other items.

We also found that Wings Air Helicopters reported incorrect information in the Awardable Amounts section, which included compensation of \$ [REDACTED] paid to one corporate officer for

“Salaries and Wages”. Since Treasury disbursed PSP1 funds pro rata for passenger air carriers at 78.2 percent of the requested amount, Wings Air Helicopters received an overpayment of \$ [REDACTED].

Finding 1

Corporate Officer Compensation Was Included in the 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).”* In addition, the signed PSP1 Agreement, effective April 27, 2020, 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.”*

We identified one Wings Air Helicopters executive, the company President, through discussions with the company’s management and review of its 2019 organizational chart. We determined that this executive met the definition of a corporate officer per the PSP1 Agreement and that compensation related to this individual should have been excluded from the awardable amount on the PSP1 Application. Wings Air Helicopters included the corporate officer compensation, totaling \$ [REDACTED], in the requested amount. Table 1 illustrates a monthly breakdown of Wings Air Helicopters’ overstated awardable amount for the corporate officer compensation.

Table 1. Corporate Officer Inclusion

Month	Non-allowable Corporate Officer Compensation in the PSP1 Application
April 2019	\$ [REDACTED]
May 2019	\$ [REDACTED]
June 2019	\$ [REDACTED]
July 2019	\$ [REDACTED]
August 2019	\$ [REDACTED]
September 2019	\$ [REDACTED]
TOTAL	\$ [REDACTED]

Source: S&R Calculation of Awardable Amount

When we inquired about the reason that the corporate officer compensation was included in the PSP1 Application, Wings Air Helicopters management stated that the definition of corporate officer was unclear and it did not believe small companies, such as Wings Air Helicopters, employed corporate officers.

Since Treasury disbursed PSP1 funds pro rata for passenger air carriers at 78.2 percent of the requested awardable amount, Wings Air Helicopters received an overpayment of \$ [REDACTED].

To remedy the findings listed in the prior OIG audit report,¹² Treasury required PSP2 applicants to re-certify their PSP1 awardable amounts. Wings Air Helicopters certified to Treasury under PSP2, that its PSP1 Application did not include corporate officer compensation. 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; as a result, the company likely included corporate officer compensation in its PSP2 and PSP3 financial assistance request.

¹² OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

Recommendations

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

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

Management Response

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.

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.

2. Review Wings Air Helicopters' requested amount for unallowable expenses, under PSP2 and PSP3, and seek reimbursement for the overpayment, if applicable.

Management Response

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/

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Wings Air Helicopters, LLC (Wings Air Helicopters) 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 March 31, 2020.¹³

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 September 2021 through March 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);*¹⁴ and
 - 14 CFR, Part 241,¹⁵ *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, amended August 12, 2022.
- Reviewed Treasury's policies, procedures, and guidance related

¹³ Wings Air Helicopters submitted the PSP1 Application and related support documentation on March 31, 2020.

¹⁴ P.L. 116-136 (March 27, 2020).

¹⁵ 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 the Department of Transportation. Wings Air Helicopters is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

to PSP1:

- *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors*, 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); 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 Application, 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; and 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 consultants engaged by Treasury to aid in its evaluation of the air carriers' and the contractors' certified applications and other data.
 - Interviewed Wings Air Helicopters representatives responsible for 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 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, and organizational hierarchy information.
 - Reviewed Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹⁷ to identify the

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 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 Wings Air Helicopters payroll system, was significant to the audit objective.¹⁸ 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 Wings Air Helicopters' payroll system, we examined Wings Air Helicopters' response to a Data Supplier Questionnaire¹⁹ and interviewed Wings Air Helicopters 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*²⁰ 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. Wings Air Helicopters prepared the PSP1 Application using information from the payroll system of record. We compared payroll details generated from the 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 Wings Air Helicopters' response to a Data Supplier Questionnaire for the payroll system and interviewed Wings Air Helicopters management responsible for generating and using the data. Based on our assessment, we determined that the data was

¹⁸ The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

¹⁹ 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.

²⁰ GAO-20-283G (December 2019).

Appendix 1: Objective, Scope, and Methodology

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,²¹ 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. 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	\$ [REDACTED]

The questioned cost represents amounts provided by Treasury under the Payroll Support Program (PSP1). As discussed in Finding 1, Wings Air Helicopters, LLC overstated its PSP1 Application awardable amount to Treasury by \$ [REDACTED] due to the inclusion of corporate officer compensation. However, since Treasury disbursed PSP1 funds pro rata for passenger air carriers at 78.2 percent of the requested awardable amount, the questioned cost related to the overstated PSP1 Application is \$ [REDACTED].

²¹ 2 CFR § 200.84 – Questioned Cost.

Appendix 3: Wings Air Helicopters Management Response



136 Tower Road, West Harrison, NY 10604

March 8, 2023

Department of the Treasury

To Whom It May Concern:

In response to the PSP1 audit conducted on the records of Wings Air Helicopters LLC we would like to provide the following management response:

When we first applied for the Payroll Support Program for air carriers, during a very chaotic time at the height of the COVID-19 pandemic, the newly passed CARES Act had several gray areas. At the time it was our understanding that we needed to include compensation for everyone with an active role in the company. In our case, a small company of only 8-10 employees, this includes the owner, Javier Diaz, who also acts as our Chief Pilot and Director of Operations.

Please note: [REDACTED] His leadership during the pandemic and [REDACTED] has proven invaluable for our survival. As a result, it seemed only logical that his weekly draws be included in our PSP application.

During this audit we were surprised to learn that the legislation governing the PSP program actually excludes corporate officers from receiving any payroll support. While this makes sense for large corporations where corporate officers collect large salaries and bonuses: the situation is quite different for small businesses. In addition, on a small business level, there is virtually no difference between a supervisor employee and a business owner who is actively involved in day-to-day operations.

We respectfully ask the Treasury to reconsider its position on the repayment of any PSP amounts awarded to small businesses. As our records show, the funds received from this program were put to the best use possible: supporting our people and their families. Following the unprecedented devastation of COVID-19, our industry is still facing numerous challenges on the road to recovery.

Thank you very much for your time and attention to this matter!

A handwritten signature in blue ink that reads "Anna Macsai".

Sincerely,

Anna Macsai
General Manager
Wings Air Helicopters

Appendix 4: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 24, 2023

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 *Audit of Air Carrier Worker Support Certifications* regarding Wings Air Helicopters, LLC (the Recipient), a recipient of funds under Treasury's Payroll Support Program (Draft Report). 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. In less than one month, Treasury entered into agreements to disburse tens of billions of dollars under the program. 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 payroll support payments to entities that participated in PSP2 (PSP3). Treasury has 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 under PSP1. For the largest air carriers, which received approximately 89% of the total PSP assistance, the 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 these 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, or (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.

OIG's Findings and Recommendations

The Draft Report describes the work performed by OIG's contractor 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 September 2021 and March 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 corporate officer compensation. OIG recommends that Treasury (1) seek reimbursement of \$ [REDACTED] of overpayments of PSP1 assistance, and (2) review any requested amounts from the Recipient for PSP2 and PSP3 assistance to determine whether overpayments occurred.

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. 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 recovery programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Leibenluft', written in a cursive style.

Jacob Leibenluft
Chief Recovery Officer

Appendix 5: Report Distribution

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