



Audit Report



OIG-23-028

**CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF
PROGRAMS**

**Audit of Air Carrier Worker Support
Certifications – Ground Services
International, Inc.**

June 6, 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

June 6, 2023

MEMORANDUM FOR JESSICA MILANO
ACTING CHIEF RECOVERY OFFICER

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

SUBJECT: Audit of Air Carrier Worker Support Certifications – Ground
Services International, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications - Ground Services International, Inc.* (GSI) (OIG-23-028; dated June 6, 2023). 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 GSI'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.

The GSI PSP1 Application was comprised of four United States-based affiliate companies. These companies include 1) GSI,¹ 2) ALX Cargo Center IAH, LLC, 3) 121 Inflight Catering, LLC,² and 4) 121 At BNA, LLC. 121 Inflight Catering, LLC and 121 At BNA, LLC are under the same management referred to as Inflight Catering. GSI and ALX Cargo Center IAH, LLC, are under the same management referred to as GSI.

In its audit report, S&R found that GSI incorrectly compiled data used for the Awardable Amounts section of the PSP1 Application. Specifically, the:

¹ GSI conducts business under the name dNata.

² 121 Inflight Catering, LLC changed its legal name to dNata US Inflight Catering, LLC on February 20, 2019.

- Inclusion of GSI's unallowable corporate officer compensation, resulted in a [REDACTED] overstatement;
- Inclusion of Inflight Catering³ unallowable corporate officer compensation, resulted in a [REDACTED] overstatement;
- Differences between the PSP1 Application amounts and the actual amounts paid to company employees for salaries, wages, and benefits, resulted in a [REDACTED] overstatement;
- Data discrepancies related to Inflight Catering's benefits, resulted in an [REDACTED] overstatement;
- Voluntary exclusion of GSI's eligible gross pay, resulted in a [REDACTED] understatement; and
- Subsequent to initial application, self-reporting of the inclusion of GSI's unallowable corporate officer compensation, resulted in a [REDACTED] understatement.

The net result was \$261,799 understatement; as such, GSI did not receive an overpayment of PSP1 financial assistance. Due to unallowable expenses that were included in the PSP1 Application, S&R recommends that Treasury's Chief Recovery Officer:

- Review GSI and Inflight Catering's requested amount for unallowable expenses, under the Payroll Support Program Extension (PSP2)⁴ authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)⁵ authorized by the American Rescue Plan Act of 2021, and seek reimbursement for the overpayment, if applicable.⁶

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

³ Although Inflight Catering prepared its portion of the PSP1 Application separately from GSI, GSI assumed responsibility of the entire application by certifying on all affiliates behalf.

⁴ 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).

⁵ 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).

⁶ Although the GSI and Inflight Catering applications were merged for PSP1, they applied separately for PSP2. To be eligible for PSP3, participants must have participated in PSP2.

accepted government auditing standards, was not intended to enable us to express an opinion on GSI'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
Victoria Collin, Chief Compliance and Finance Officer, Office of Recovery
Programs, Department of the Treasury
Jeff Davis, Partner, Saggar & 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
GSI	Ground Services International, Inc. and ALX Cargo Center IAH, LLC

Inflight Catering	121 Inflight Catering, LLC and 121 At BNA, LLC
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
SOC 1	System and Organizational Controls
S&R	Saggar & Rosenberg, P.C.
Treasury	Department of the Treasury

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June 6, 2023

Jessica Milano
Acting Chief Recovery Officer
Department of the Treasury

This report presents the results of our audit of Ground Services International, Inc.'s (GSI) 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).⁷ 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).⁸ 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)⁹ 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 GSI'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

⁷ P.L. 116-136 (March 27, 2020).

⁸ 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).

⁹ 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 April 3, 2020.¹⁰

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 GSI, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from September 2021 through April 2022. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that GSI, a contractor, reported correct information for three of the four sections reviewed on its PSP1 Application.¹¹ These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. We also found that GSI reported incorrect information in the Awardable Amounts section, attributable to both GSI and Inflight Catering portions of the merged application. Specifically, we found that GSI (1) included unallowable corporate officer compensation, resulting in an overstatement of [REDACTED], and (2) differences between the PSP1 Application amounts and the actual amounts paid to company employees for salaries, wages, and benefits, resulting in an overstatement of [REDACTED]. The overstatement was partially offset by the company's exclusion of eligible gross pay from the awardable amount of [REDACTED], resulting in a net overstatement

¹⁰ GSI submitted its PSP1 Application and related supporting documentation on April 3, 2020. GSI's application was later merged with three company affiliates: (1) ALX Cargo Center IAH, LLC, (2) 121 Inflight Catering, LLC, and (3) 121 At BNA, LLC. GSI and ALX Cargo Center IAH, LLC are managed and operated by the same management group (referred to as GSI), while 121 Inflight Catering, LLC and 121 At BNA, LLC are operated by a separate management group (referred to as Inflight Catering). GSI certified the PSP1 Application on behalf of all affiliates.

¹¹ 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.

of [REDACTED]. However, GSI subsequently self-reported to Treasury the inclusion of unallowable corporate officer compensation of [REDACTED], resulting in a net understatement of \$1,113,810 for its portion of the merged PSP1 Application.

For Inflight Catering we found (1) the inclusion of unallowable corporate officer compensation, resulting in an overstatement of [REDACTED], and (2) data discrepancies related to benefits, resulting in an overstatement of [REDACTED]. As a result, Inflight Catering reported a total overstatement of \$852,011 for its portion of the merged PSP1 Application.

The \$1,113,810 understatement by GSI's portion and \$852,011 overstatement of Inflight Catering's portion of the merged PSP1 Application resulted in an aggregate understatement of \$261,799. As a result, GSI did not receive an overpayment of PSP1 financial assistance. Due to unallowable expenses that were included in the PSP1 Application, we recommend that Treasury review GSI and Inflight Catering's requested amounts for unallowable expenses under the Payroll Support Program Extension (PSP2)¹² authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)¹³ authorized by the American Rescue Plan Act of 2021, and seek reimbursement for overpayment, if applicable.¹⁴

As part of our reporting process, we provided GSI and Inflight Catering management an opportunity to comment on a draft of this report. In a written response, GSI management stated that it is in general agreement with the report findings as they apply to GSI and believe the report is a fair reflection of the application process and subsequent events. Specifically, GSI acknowledged that the speed of reaction needed to make a timely claim and the evolution of definitions and requirements made verification of the accuracy of the PSP1 Application difficult. GSI management also stated that

¹² 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 as Payroll Support Program Extension (PSP2).

¹³ 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 as Payroll Support Program 3 (PSP3).

¹⁴ Treasury did not merge the GSI and Inflight Catering applications under PSP2. To be eligible for PSP3, participants must have participated in PSP2.

while it did assume responsibility of Inflight Catering's portion of the PSP1 Application, GSI had no participation in the Inflight Catering application and strongly objected that Treasury merged the PSP1 applications of the affiliates. GSI defers to Inflight Catering for its formal response to those findings.

In a written response, Inflight Catering management stated that it holds itself to the highest standards and takes its compliance obligations seriously. However, Inflight Catering management believes that the audit report understates the lack of guidance that was available during the expedited PSP1 Application process, as well as the evolving definitions of certain items relating to the PSP1 Application, most importantly that of "corporate officers". Inflight Catering management also stated that while they understand Treasury's policy to treat individuals with a Vice President title as corporate officers, the company was undergoing significant change and rapid growth immediately prior to the COVID-19 pandemic and many of its new hires were given honorific Vice President titles. Additionally, Inflight Catering management stated that in some situations these individuals were not responsible for policy or executive-level decision making and they did not consider the employees to have authority over business units.

GSI and Inflight Catering management's responses are included as appendix 2 of this report.

In a written response, Treasury management concurred with our recommendation and stated that management 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 3 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),¹⁵ 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 air carriers), and contractors, financial assistance is required to be in an amount that the air carrier or contractor certifies using sworn financial statements or other appropriate data as the amount of wages, salaries, benefits, and other compensation paid to employees during the period of April 1, 2019 through September 30, 2019. The amounts submitted on the application to Treasury were considered sworn financial statements. To be eligible for payments, air carriers and contractors must enter into agreements with Treasury certifying that they meet certain required assurances, terms, and conditions.

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

- 1. Applicant Information — (1) applicant name; (2) taxpayer identification number and address; and (3) contact person's name, title, phone number, and email address.

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 DOT. GSI is not a Large Certificated Air Carrier.

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2. Applicant Type — selection of applicant type whether it is passenger air carrier, cargo air carrier, or contractor. Additionally, if the applicant is a contractor, this section would identify the contractor's service functions and the name of the air carrier or airport to which services are provided. Finally, this section includes affiliate and parent company information.
 3. Financial Institution Information — (1) the applicant's account number and routing number; and (2) the financial institution's name, address, and telephone number.
 4. Employment Levels — applicant's average number of employees for 2019 and 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*¹⁶ 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 officials¹⁷ 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.

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

Treasury Disbursement Process

In an effort to disburse PSP1 payments to contractor applicants as quickly as possible and prior to the application deadline of April 27, 2020, Treasury applied an initial estimated pro rata rate of 69.7 percent to the awardable amounts because not all applications had been submitted at the time. After the application deadline, Treasury determined the total amount requested by all contractors was approximately \$4.1 billion, which exceeded the \$3 billion available financial assistance. Because its initial estimated pro rata rate was low, Treasury calculated an additional 20.3 percent, the top-off amount, for contractors making the final pro rata rate 90 percent. Treasury explained that 17 contractors did not accept the top-off amount; as such, the final awardable amount for those contractors was 69.7 percent. 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 contractors 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 for contractors in February 2021. 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,¹⁸ OIG identified two recurring issues affecting the payment amounts administered to all PSP1 recipients for non-241 air carriers and contractors. Specifically, employer-side

¹⁸ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

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 amounts” 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.

Ground Services International, Inc.

GSI,¹⁹ a contractor, is headquartered in Orlando, Florida and provides aircraft ground handling and cleaning services for many international and domestic airlines at a number of airports across the United States.

The GSI PSP1 Application was comprised of four United States-based affiliate companies. These companies include 1) GSI, 2) ALX Cargo Center IAH, LLC, 3) 121 Inflight Catering, LLC,²⁰ and 4) 121 At BNA, LLC. GSI and ALX Cargo IAH, LLC are managed and operated by the same management group referred to as GSI, while 121 Inflight Catering, LLC and 121 At BNA, LLC are operated by a separate management group referred to as Inflight Catering. Initially, GSI, ALX Cargo, and Inflight Catering submitted separate PSP1 applications to Treasury; however, those applications were later merged under GSI.²¹ The GSI portion of the application was reduced by [REDACTED] prior to the certification of the merged applications. Table 1 illustrates a breakdown of the initial applications submitted to Treasury.

¹⁹ GSI conducts business under the name dNata.

²⁰ 121 Inflight Catering, LLC changed its legal name to dNata US Inflight Catering, LLC on February 20, 2019.

²¹ Inflight Catering’s initial application included merged amounts for 121 Inflight Catering, LLC and 121 At BNA, LLC. Although Inflight Catering prepared its portion of the PSP1 Application separately from GSI, GSI assumed responsibility of the entire application by certifying the merged PSP1 Application’s awardable amount to Treasury.

Table 1: PSP1 Application Requests

Company	Initial PSP1 Application	Revisions Prior to Merged Certification	Final Merged Application
GSI			
ALX Cargo			
Inflight Catering			
TOTAL			

Source: Initial PSP1 Applications submitted to Treasury

GSI submitted its PSP1 Application on April 3, 2020. After the application merger with its affiliates, the revised PSP1 Application totaled . However, prior to Treasury's final top-off disbursement in February 2021, GSI self-reported to Treasury that the amount requested on the PSP1 Application contained unallowable corporate officer compensation totaling , effectively reducing the merged application amount to . GSI received the contractor top-off for a total award of \$61,029,852, or 90 percent of the company's requested amount. Treasury's disbursements to GSI were as follows:

- July 13, 2020 - \$24,025,181.56
- August 03, 2020 - \$12,020,793.44
- September 4, 2020 - \$12,015,324.00
- February 16, 2021 - \$12,968,552.86

In addition to PSP1, Treasury awarded GSI \$15,324,430 under PSP2 and \$15,324,430 under PSP3. These amounts do not include financial assistance awarded to Inflight Catering, as Treasury separated the GSI and Inflight Catering applications for PSP2 and PSP3. Treasury awarded Inflight Catering \$5,025,490 under PSP2 and \$5,025,490 under PSP3. PSP2 and PSP3 were not the subject of this audit.

Audit Results

We found that GSI 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.²² We compared information provided in each section of the PSP1 Application to supporting documentation including contracts with air carriers, airport permits, general ledger data, company sworn financial statements, IRS Form 941, executive-level business charts, payroll registers, and third-party benefit invoices.

We also found that GSI reported incorrect information in the Awardable Amounts section, attributable to both GSI and Inflight Catering's portions of the merged application. In aggregate, the \$1,113,810 understatement by GSI's portion and \$852,011 overstatement of Inflight Catering's portion of the merged PSP1 Application resulted in a net understatement of \$261,799. As a result, GSI did not receive an overpayment of PSP1 financial assistance.

GSI and ALX Cargo

GSI and ALX Cargo (collectively referred to as GSI), included (1) unallowable corporate officer compensation, resulting in an overstatement of [REDACTED], and (2) differences between the PSP1 Application amounts and the actual amounts paid to company employees for salaries, wages, and benefits, resulting in an overstatement of [REDACTED]. However, the overstatement was partially offset by the company's exclusion of eligible gross pay from the awardable amount of [REDACTED], resulting in a net overstatement of [REDACTED].

On February 5, 2021, after the submission of the merged PSP1 Application, GSI self-reported to Treasury that unallowable corporate officer compensation of [REDACTED] was included in the

²² As GSI took ownership of the PSP1 Application, it only used GSI information for the Applicant Information, Applicant Type, and Certification sections of the application.

awardable amount on the PSP1 Application.²³ In aggregate, GSI reported an understatement of \$1,113,810 for its portion of salaries, wages, and benefits, as described in Table 2 below.

Table 2. Aggregate Understatement

Description	Amount
Compensation Paid to Corporate Officers	██████████
Voluntary Deductions not Requested	██████████
Data Discrepancies	██████████
Self-Reported Corporate Officer Inclusion	██████████
TOTAL - Aggregate Understatement	\$1,113,810

Source: S&R Calculation of Awardable Amounts

121 Inflight Catering and 121 At BNA

121 Inflight Catering and 121 At BNA (collectively referred to as Inflight Catering), included (1) unallowable corporate officer compensation, resulting in an ██████████ overstatement, and (2) data discrepancies related to benefits, resulting in a ██████████ overstatement. Table 3 illustrates a monthly breakdown of Inflight Catering's overstated amounts.

²³ GSI discovered the unallowable compensation during an internal company audit prior to applying for PSP2, and Treasury reduced GSI's final top-off payment under PSP1. GSI derived the self-reported amount from weekly estimates, not actual amounts paid.

Table 3. Inflight Catering Overstatement

Month	PSP1 Application	S&R Re-calculated Amount	Total Overstatement
April 2019			
May 2019			
June 2019			
July 2019			
August 2019			
September 2019			
Total			\$(852,011)

Source: S&R Calculation of Awardable Amounts

Finding 1

GSI Did Not Receive an Overpayment of PSP1 Financial Assistance Despite Partial Non-Compliance with Application Requirements

Ground Services International, Inc.

Corporate Officer Compensation

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 July 10, 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 fifteen GSI executives through discussions with management and review of GSI’s 2019 organizational chart. Six of

those executives met the definition of a corporate officer per the PSP1 Agreement. GSI included unallowable corporate officer compensation, resulting in an overstatement of [REDACTED]. The company included [REDACTED] paid to six corporate officers in its initial application, but reduced it by [REDACTED], to account for estimated corporate officer compensation, prior to the certification of the merged applications. The six executives were the Chief Executive Officer, Chief Financial Officer, Senior Vice President of Safety and Training, Executive Vice President of Central Region, Senior Vice President of Cargo, and head Legal Counsel. Table 4 illustrates GSI's inclusion of corporate officer compensation.

Table 4. Corporate Officer Inclusion

Category	Overstatement
Compensation Paid to Corporate Officers	[REDACTED]
Less: Initial Application Officer Reduction	[REDACTED]
Total Overstatement	[REDACTED]

Source: S&R Calculation of Awardable Amounts

GSI management stated that the definition of a corporate officer was initially unclear and that the term was not defined in the application guidance procedures. Management stated that it had reduced the initial application by [REDACTED] in a "good faith" attempt to estimate corporate officer compensation, but this amount was not the actual amounts paid to the company officers.

Application Compilation Assumptions for the Awardable Amounts

Treasury's Guidelines define wages, salaries, benefits, and other compensation as *"remuneration paid by the applicant to its employees for personal services and includes salaries, wages, overtime pay, cost-of-living differentials, and other similar compensation, as distinguished from per diem allowances or reimbursement for expenses incurred by personnel for the benefit of the applicant."* In addition, the Guidelines defines the Awardable Amounts as *"an amount that such contractor certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such contractor paid its employees during the time period."*

GSI made several assumptions in the application process that ultimately reduced the overall awardable amount. These assumptions led to (1) an overstatement of [REDACTED] due to differences between tax filings, payroll register data, benefit invoices general ledger data used to prepare the Awardable Amounts table, and (2) an understatement of [REDACTED] due to reducing the awardable amount by the employee portion of voluntary withholdings.

Compensation Differences

We found differences between the PSP1 Application amounts and the actual amounts paid to company employees for salaries, wages, benefits, and other compensation, resulting in a [REDACTED] overstatement. Table 5 illustrates the amount and description of each difference.

Table 5. Compensation Differences Due to Data Discrepancies

Category	Amount	Description
Salaries and Wages	████████	Compensation per company payroll register data exceeded the amounts reported on the "Wages, tips and other compensation" line on the Quarter 2 2019 IRS Form 941 by ██████████ and Quarter 3 2019 Form 941 by ██████████ which were used to prepare the PSP1 Application. However, the total amount requested on the PSP1 Application exceeded the cumulative amount of the Quarter 2 and Quarter 3 Form 941 by ██████████.
Benefits	████████	The "Benefits" amount requested on the PSP1 Application, which was generated from the company financial accounting system for medical benefit premiums, exceeded the amount supported by third party benefit invoices from April 1, 2019 through September 30, 2019.
Other Compensation	████████	The "Other Compensation" amount requested on the PSP1 Application, which represents the company portion for 401(k) matching payments and is derived from the company financial accounting system, exceeded the amount supported on company payroll register data from April 1, 2019 through September 30, 2019.
TOTAL	████████	Net Overstatement

Source: S&R Calculation of Awardable Amounts

GSI management stated that the discrepancies for salaries and wages were due to unintentional oversight or differences between payroll register data and quarterly IRS Form 941 tax filings used to prepare the PSP1 Application. In addition, management stated that it prepared the PSP1 Application using accrual-based data from its financial accounting system for benefits and other compensation because the information was readily available and served as a rational basis for its financial assistance request.

Employee Voluntary Deductions

GSI reduced the "Salaries and Wages" amount on the PSP1 Application by ██████████. This amount represents voluntary

deductions²⁴ from gross pay that were withheld from employees' paychecks and are eligible for PSP1 financial assistance, but not claimed on the PSP1 Application. Specifically, we found that GSI omitted eligible compensation related to employees' contribution to their individual 401K retirement plans totaling [REDACTED], and employees' portion of vision benefit premiums²⁵ totaling [REDACTED]. Table 6 illustrates a monthly breakdown of the understated amounts.

Table 6. Voluntary Deductions Not Requested

Month	401K Employee Withholding Amount	Employee Vision Premiums	Total Understatement
April 2019	[REDACTED]	[REDACTED]	[REDACTED]
May 2019	[REDACTED]	[REDACTED]	[REDACTED]
June 2019	[REDACTED]	[REDACTED]	[REDACTED]
July 2019	[REDACTED]	[REDACTED]	[REDACTED]
August 2019	[REDACTED]	[REDACTED]	[REDACTED]
September 2019	[REDACTED]	[REDACTED]	[REDACTED]
Understatement	[REDACTED]	[REDACTED]	[REDACTED]

Source: S&R Calculation of Awardable Amounts

GSI management stated since it used the quarterly IRS Form 941 tax returns as a basis for its portion of the PSP1 Application, non-taxable compensation categories were excluded from the awardable amount.

In total for GSI, the net overstatement reported on its portion of the merged PSP1 Application was [REDACTED], stemming from the [REDACTED] overstatement of unallowable corporate officer compensation, [REDACTED] overstatement for compensation differences, and [REDACTED] understatement from voluntary employee deductions.

²⁴ Employees may choose to have more money taken out of their paycheck to cover the cost of various benefits. These are known as voluntary payroll deductions and they can be withheld on a pretax basis (if allowed under Section 125 of the Internal Revenue Code) or post-tax basis.

²⁵ GSI did not request financial assistance for Vision benefits.

However, on February 5, 2021, subsequent to the merged PSP1 Application submission to Treasury, GSI self-reported [REDACTED] for non-compliance with PSP1 requirements related to the inclusion of corporate officer compensation in its portion of the combined Awardable Amounts. This amount was derived from weekly personnel compensation averages from the financial accounting system, not actual amounts paid, [REDACTED], between April 1, 2019 and September 30, 2019. The amount self-reported exceeded the amount paid to corporate officers by [REDACTED]. Treasury deducted the self-reported amount of [REDACTED] from GSI's final top-off payment on February 16, 2021. Overall, the self-reported amount offsets GSI's PSP1 overstatement of [REDACTED] and results in an aggregate understatement of \$1,113,810 for its portion of the PSP1 Application.

Inflight Catering

Corporate Officer Compensation

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 addition, the signed 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."*

We identified eleven Inflight Catering executives through discussions with management and review of Inflight Catering's 2019 organizational chart. Nine of those executives met the definition of a corporate officer per the PSP1 Agreement. Inflight Catering included unallowable compensation of [REDACTED] paid to all nine executives. These executives were the Chief Executive Officer, Chief Marketing Officer, Chief of Compliance and Regulatory Officer, Vice President of Operations, Commercial Vice President, Culinary Vice President, VIP Vice President, Vice President of Finance, and Vice President of Human Resources.

Table 7 illustrates a monthly breakdown of Inflight Catering’s overstated awardable amounts for corporate officer compensation.

Table 7. Corporate Officer Inclusion

Month	Unallowable 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 Amounts

Inflight Catering Management stated that the definition of a corporate officer was unclear and that the term was not defined in the application guidance procedures. Further, management stated that they did not always consider individuals with a title of “Vice President” as a corporate officer. Management stated that some of its employees were given honorific titles, but those individuals were not policy makers nor did they have authority over any business units.

Data Discrepancies

Treasury’s Guidelines defines wages, salaries, benefits, and other compensation as *“remuneration paid by the applicant to its employees for personal services and includes salaries, wages, overtime pay, cost-of-living differentials, and other similar compensation, as distinguished from per diem allowances or reimbursement for expenses incurred by personnel for the benefit of the applicant.”* In addition, the Guidelines defines the Awardable Amounts as *“an amount that such contractor certifies, using sworn financial statements or other appropriate data, as the amount of*

wages, salaries, benefits, and other compensation that such contractor paid its employees during the time period.”

Inflight Catering’s financial assistance request for benefits included several data discrepancies that overstated the awardable amount. Specifically, we found that the amounts requested on the PSP1 Application, which were derived from the company financial accounting system, exceeded the actual benefit compensation paid on behalf of company employees between April 1, 2019 and September 30, 2019 by [REDACTED], as described in Table 8 below. These differences stemmed from (1) data discrepancies for Life Insurance, Other Company Benefits, Transportation Benefits, Workers Compensation, and 401K employer matching payments, (2) excluding current period invoice adjustments for Medical Insurance, and (3) unsupported Flex Savings Plan and Consolidated Omnibus Budget Reconciliation Act²⁶ medical administration fees.

Table 8. PSP1 Application Request Differences

Benefit Category	Benefits Per Application	S&R Re-calculated Amount	Difference
Medical Insurance	[REDACTED]	[REDACTED]	[REDACTED]
Life Insurance	[REDACTED]	[REDACTED]	[REDACTED]
Other Company Benefits	[REDACTED]	[REDACTED]	[REDACTED]
Transportation Benefits	[REDACTED]	[REDACTED]	[REDACTED]
Workers Compensation	[REDACTED]	[REDACTED]	[REDACTED]
Flex Savings Administration Fee	[REDACTED]	[REDACTED]	[REDACTED]
Consolidated Omnibus Budget Reconciliation Act Medical Administration Fee	[REDACTED]	[REDACTED]	[REDACTED]
401K Employer Match	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OVERSTATEMENT	[REDACTED]	[REDACTED]	[REDACTED]

Source: S&R Calculation of Awardable Amounts

Inflight Catering management stated that data discrepancies in the application process were due to unintentional oversight. In addition,

²⁶ P.L. 99-272 (April 7, 1986).

management stated that it prepared the PSP1 Application using accrual-based data from its financial accounting system for benefits because the information was readily available. Specific to workers compensation premiums, management stated that they believe the amount requested at the time of the application was correct, however, the final amounts paid were subsequently adjusted based on final billings.

In total for Inflight Catering, the net overstatement reported on its portion of the merged PSP1 Application was \$852,011, stemming from the [REDACTED] overstatement of unallowable corporate officer compensation, and [REDACTED] overstatement from data discrepancies.

Although GSI and Inflight Catering each included corporate officer compensation and inaccurate data in their portions of the merged PSP1 Application, ultimately the actual eligible compensation amounts exceeded requested amounts. As such, GSI did not receive an overpayment of PSP1 financial assistance, as illustrated in Table 9 below.

Table 9. Aggregate Understatement

Description	Amount
GSI	
Compensation Paid to Corporate Officers	██████████
Voluntary Deductions not Requested	██████████
Data Discrepancies	██████████
Self-Reported Corporate Officer Inclusion	██████████
GSI Total - Understatement	\$1,113,810
Inflight Catering	
Compensation Paid to Corporate Officers	██████████
Data Discrepancies	██████████
Inflight Catering Total - Overstatement	\$(852,011)
Merged	
TOTAL - Aggregate Understatement	\$261,799

Source: S&R Calculation of Awardable Amounts.

To remedy the findings listed in the prior OIG audit report,²⁷ Treasury required PSP2 applicants to re-certify their PSP1 awardable amounts. Although the GSI and Inflight Catering applications were merged for PSP1, they applied separately for PSP2 and PSP3. GSI properly certified to Treasury under PSP2, that its portion of the PSP1 Application did include corporate officer compensation. However, Inflight Catering certified to Treasury under PSP2, that its portion of the 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. Due to instances of non-compliance in both GSI and Inflight Catering's portions of the PSP1 awardable amounts, both

²⁷ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

companies may have potentially included unallowable expenses in their PSP2 and PSP3 financial assistance requests.

Recommendation

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

1. Review GSI and Inflight Catering's requested amounts 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 4.

Saggar & Rosenberg, P.C. /s/

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Ground Services International, Inc.'s (GSI) sworn financial statements 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 April 3, 2020.²⁸

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 April 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);²⁹ and
 - 14 CFR, Part 241,³⁰ *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, August 12, 2022.

²⁸ GSI submitted its PSP1 Application and related supporting documentation on April 3, 2020. GSI's application was later merged with three company affiliates: (1) ALX Cargo Center IAH, LLC (2) 121 Inflight Catering, LLC and (3) 121 At BNA, LLC. GSI and ALX Cargo Center IAH, LLC are managed and operated by the same management group (referred to as GSI), while 121 Inflight Catering, LLC and 121 At BNA, LLC are operated by a separate management group (referred to as Inflight Catering).

²⁹ P.L. 116-136 (March 27, 2020).

³⁰ 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. GSI is not a Large Certified Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- 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;
 - 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; 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 consultant personnel engaged by Treasury to aid in its evaluation of the air carriers’ and the contractors’ certified applications and other data.
- Interviewed GSI and Inflight Catering representatives responsible for the completion and submission of the sworn financial statements in the Awardable Amounts section of the PSP1 Application.³¹
- Reviewed sworn financial statements and documents to support the requested payroll support amount. The documentation included general ledger data, company payroll registers, benefit invoices, organizational hierarchy, Internal Revenue Service

³¹ Although Inflight Catering prepared its portion of the PSP1 application separately from GSI, GSI assumed responsibility of the entire PSP1 Application by certifying the merged PSP1 Application totals to Treasury.

(IRS) Form 941 – *Employer’s Quarterly Federal Tax Return*,³² and 2019 IRS Form 851 – *Affiliation Schedule*.³³

- Reviewed Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*³⁴ 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 GSI and Inflight Catering payroll systems, was significant to the audit objective.³⁵ 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 GSI and Inflight Catering’s payroll systems, we examined GSI and Inflight Catering response to Data Supplier Questionnaires,³⁶ reviewed two System and Organizational Controls 1 (SOC 1),³⁷ and interviewed GSI and Inflight Catering management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data is reported in the sections below.
- Reviewed GAO’s *Assessing Data Reliability*³⁸ 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,

³² 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.

³³ 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.

³⁴ GAO-14-704G (September 2014).

³⁵ The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

³⁶ 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.

³⁷ SOC 1 reports 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.

³⁸ GAO-20-283G (December 2019).

conclusions, or recommendations in the context of the audit objective.

Ground Services International, Inc.

GSI prepared its portion of the PSP1 Application using “Wages, tips, and other compensation” amounts from the IRS Form 941 from April 2019 through September 2019, which included information developed from the company payroll system for Salaries and Wages and information from the company financial accounting system for Benefits and Other Compensation. S&R compared payroll details generated from payroll registers at the individual employee level, as well as third-party vendor benefit invoices from April 1, 2019 through September 30, 2019 to GSI’s portion of the amounts presented in the Awardable Amounts section of the PSP1 Application.

To assess data reliability of these sources, we examined GSI’s response to the Data Supplier Questionnaires for the payroll and financial accounting systems, reviewed the SOC 1 for the payroll system, and interviewed GSI 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.

Inflight Catering

Inflight Catering prepared its portion of the PSP1 Application using information from the company payroll system for Salaries and Wages, and information from the company financial accounting system for Benefits and Other Compensation. S&R compared payroll details generated from payroll registers at the individual employee level, as well as third-party vendor benefit invoices from April 1, 2019 through September 30, 2019 to Inflight Catering’s portion of the amounts presented in the Awardable Amounts section of the PSP1 Application.

To assess data reliability of these sources, we examined Inflight Catering’s response to Data Supplier Questionnaires for the payroll and accounting systems, reviewed the payroll system SOC 1, and interviewed Inflight Catering 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: GSI Management Response

Response from Ground Services International Management



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220
Attn: Deborah L. Harker
Assistant Inspector General for Audit

March 31, 2023

Dear Sirs,

Reference : CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS : Audit of Air Carrier Worker Support Certifications – Ground Services International, Inc.

We thank you for the draft copy of the above document that you have sent to ourselves for review and comment prior to issue. We would also like to thank Saggar and Rosenberg, P.C. and their Audit Lead Tyler Robertson for their work on this matter and in particular their flexible, informative and cooperative approach on this matter which greatly assisted in the process.

Having read through the draft audit report and discussed this with other members of the executive team I can confirm that the Ground Services International Inc. (GSI) team are in general agreement with the report findings as they apply to GSI and believe that this gives a fair reflection of the application process and subsequent events as far as we are aware.

We would note that whilst in note 2 on the covering letter from the Assistant Inspector General for Audit it does state that *"Although Inflight Catering prepared its portion of the PSP1 Application separately from GSI, GSI assumed responsibility of the entire application by certifying on all affiliates behalf."* The last minute nature of the joining of the applications by the treasury retrospective to the applications did mean that GSI's team had no participation in the preparation of the Inflight Catering application and little ability and time to assess the basis of preparation. Additionally we had no ability and knowledge to audit the preparation of the claim, nor their subsequent review and assessment process. We were therefore dependent upon the limitations of a desktop review of the claim basis and a reliance upon the veracity of the Inflight Catering team's responses and information provision.

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Incorporated, d/b/a dnata

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As mentioned above the joining of the GSI application with the Inflight Catering application was a Treasury decision which was made after the applications had been sent to Treasury which we strongly objected but were denied independence. We understand that Inflight Catering are being asked for a separate response to this draft report and we will therefore allow them to address the Inflight Catering matters. We would state that at no point did GSI or its team have input into the Inflight Catering application and their subsequent management and reviewing of it, other than the desktop review mentioned earlier in this letter. The only other inputs that we had on this matter with Inflight Catering was to

1. advise them that we were instructing an external audit firm (BDO) to review our application for, and usage of, the funds to ensure that we had some external verification that we were acting in a compliant manner in this process. We informed them it was something it may be advisable for them also to do. We are unaware if they sought such external verification.
2. Advise them that as a result of our continual review of our PSP application and usage processes and monitoring of Treasury advice and updates we had identified that our initial treatment of Officers Costs had not been compliant and that we were therefore re-assessing the data on this matter and self-declaring this matter to the Treasury. Again we advised them that they may wish to reassess their application in the light of our re-assessment and the updated advice from Treasury.

We acknowledge that in making our initial claim for GSI there were some officer costs which we failed to exclude and differences between application amounts and actual amounts paid to employees, however these were largely offset by our deliberately exclusion of certain legitimate expenses that we were uncertain upon their validity for inclusion, the net of these events was a small [REDACTED] overstatement of the claim. We would point out that the speed of reaction needed to make a timely claim and the need for treasury to evolve definitions, rules and responses to the many queries arising plus the need for this application to be prepared whilst teams were working remotely did contribute towards making the verification of the accuracy of our application data and its compliance with Treasuries requirements difficult.

We would additionally advise that throughout the three PSP processes we were constantly focused on ensuring compliance with the Treasury requirements where possible, updating our assessment of this with the latest advice and information from the Treasury and external sources. In support of this I would refer to our self-reporting of the inclusion of unallowable corporate officer compensation when we became aware of it and our subsequent detailed reassessment and provision of revised figures from this. Also to our engagement of external auditors, BDO, to carry out a detailed review of our application process and of our usage monitoring process and funds management and reporting to ensure that they were both accurate and compliant with expected Treasury requirements.

Whilst we will leave it to Inflight Catering to comment on the figures and comments made in the assessment and overstatement shown for them in the report, we can agree with the GSI figures and the net GSI understatement shown in the report of \$1,113,810. We also believe that given the initial unintentional small net discrepancy in our claim the report's recommendation to review GSI's PSP2 and PSP3 requested amount for unallowable expenses is a reasonable one. In assessing this we would expect our PSP1 understatement of \$1,113,810 to be taken into account.



Should the report recommendations be adopted and our PSP2 and PSP3 requested amounts be audited we would expect independent audit(s) to take place for GSI and Inflight Catering as these applications were allowed to be independent and separate by the treasury and not consolidated under GSI.

We hope that the above response is helpful and sufficient for your purposes for this audit report. Should you require any further information or additional response please do contact us.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Paul D Cole'.

Paul D Cole
Chief Financial Officer

Response from Inflight Catering Management



dnata US Inflight Catering LLC
50 Main Street, 14th Floor
White Plains, New York 10606

March 22, 2023

Via Email

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

**Re: Formal Response to Audit Report – Audit of Air Carrier Worker Support Certifications
Ground Services International, Inc.**

Dear Mr. Robertson:

Pursuant to your request, please allow this letter to serve as a written response from dnata US Inflight Catering LLC (formerly 121 Inflight Catering LLC) with respect to your discussion draft audit report regarding the Ground Services International, Inc. Payroll Support Program submission. As noted in the report, the GSI application comprised several affiliated entities, and this response is submitted on behalf of 121 Inflight Catering LLC and 121 at BNA LLC. Unless stated otherwise, we have adopted the definitions used in your report, and accordingly will refer to those entities collectively as "Inflight Catering." It is our understanding that GSI will be responding to your draft report separately.

Inflight Catering responds to the report as follows:

1. As was expressed throughout the audit process, Inflight Catering holds itself to the highest standards and takes its compliance obligations seriously. However, Inflight Catering believes that the report understates the lack of guidance that was available during the expedited PSP1 application process, as well as the evolving definitions of certain items relating to the PSP1 application, most importantly including that of "corporate officers." We believe this context is an important consideration.
2. Similarly, Inflight Catering was undergoing significant change and rapid growth immediately prior to the COVID-19 pandemic. Many of its new hires were given honorific titles – some of which included the term "VP" – but who were not in any manner responsible for policy or executive-level decision making. While we understand that Treasury's current policy is to treat individuals with the "Vice President" title as a corporate officer, that is simply not a level of authority that was given to a number of the individuals which the draft report considers to be corporate officers. These individuals were not policy makers within Inflight Catering, nor did they have authority over any business units.

If you have any further questions or require any further information, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Michele Savino".

Michele Savino

Appendix 3: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

May 26, 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 Ground Services International, Inc. (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. 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 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, 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.

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 April 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 while the Recipient did not overstate its requested awardable amount, it made errors in its submission that overstated its amount of allowable compensation that were offset by its exclusion of other eligible amounts. OIG recommends that Treasury 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 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 dark ink, appearing to read "Jessica Milano". The signature is fluid and cursive, with the first name "Jessica" and last name "Milano" clearly distinguishable.

Jessica Milano
Chief Program Officer

Appendix 4: Report Distribution

Department of the Treasury

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

Ground Services International, Inc.

Chief Financial Officer
Legal Counsel

Inflight Catering, LLC.

Chief Executive Officer
Chief of Compliance and Regulatory

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

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