



Audit Report



OIG-24-045

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Suburban Air Freight, Inc.

September 26, 2024

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 26, 2024

**MEMORANDUM FOR JESSICA MILANO
CHIEF PROGRAM OFFICER**

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

SUBJECT: Audit of Air Carrier Worker Support Certifications – Suburban
Air Freight, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certification – Suburban Air Freight, Inc.* (Suburban) (OIG-24-045; dated September 26, 2024). Under a contract monitored by our office, Saggar & Rosenberg, P.C. (S&R), a certified independent public accounting firm, performed the audit. The objective of this audit was to assess the accuracy, completeness, and sufficiency of Suburban'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). 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 The scope of this audit covered the period from April 1, 2019 through September 30, 2019, and included the certified PSP1 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury.

In its audit report, S&R found that Suburban, a cargo air carrier, incorrectly compiled data used for the Awardable Amounts section of the PSP1 Application,² resulting in a \$61,535 overstatement. Specifically, the:

- Inclusion of unallowable corporate officer compensation, resulted in a [REDACTED] overstatement;

¹ P.L. 116–136 (March 27, 2020).

² Suburban submitted the PSP1 Application and related supporting documentation on April 3, 2020.

- Usage of earned³ and accrual-based financial information instead of actual amounts paid during the applicable period from April 1, 2019 through September 30, 2019, resulted in a [REDACTED] overstatement.

On May 28, 2021, Suburban recertified to Treasury and acknowledged the inclusion of corporate officer compensation in its PSP1 Application totaling [REDACTED]. The money was returned to Treasury via a wire transfer on December 3, 2021. As a result, no additional amounts are owed back to 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 Suburban'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: Gregory Till, Chief Operating Officer, Office of Capital Access, Department of the Treasury
Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury
Jason Morrow, Attorney Advisor, Department of the Treasury
Jeff Davis, Partner, Saggar & Rosenberg, P.C.

³ Suburban used earned rather than paid salaries and wages in its awardable amount calculation. According to Treasury's PSP1 guidance, the awardable amount should consist of figures paid during April 1, 2019 through September 30, 2019. The use of salaries and wages earned results in compensation paid outside of the applicable period. For example, salaries and wages earned in September 2019 and paid in October 2019.

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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
S&R	Saggar & Rosenberg, P.C.
SOC 1	System and Organizational Controls
Suburban	Suburban Air Freight, Inc.
Treasury	Department of the Treasury

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September 26, 2024

Jessica Milano
Chief Program Officer
Department of the Treasury

This report presents the results of our audit of Suburban Air Freight, Inc.'s (Suburban) 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 OIG, Saggat & Rosenberg, P.C. (S&R) conducted this audit. Our audit objective was to assess the accuracy, completeness, and sufficiency of Suburban'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 statement,

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".

tax returns, and other documentation submitted to Treasury on April 3, 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 Suburban, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from August 2023 through November 2023. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that Suburban, a cargo air carrier, reported correct information for three of the four sections reviewed on its PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. However, Suburban incorrectly reported information in the Awardable Amounts section of the PSP1 Application.

Suburban overstated its awardable amount by \$61,535. Specifically, we found (1) the inclusion of unallowable corporate officer compensation, resulting in a [REDACTED] overstatement, (2) usage of earned⁶ and accrual-based financial information instead of actual amounts paid during the applicable period from

⁴ Suburban submitted the PSP1 Application and related supporting documentation on April 3, 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.

⁶ Suburban used earned rather than paid salaries and wages in its awardable amount calculation. According to Treasury's PSP1 guidance, the awardable amount should consist of figures paid during April 1, 2019 through September 30, 2019. The use of salaries and wages earned results in compensation paid outside of the applicable period. For example, salaries and wages earned in September 2019 and paid in October 2019.

April 1, 2019 through September 30, 2019, resulted in a [REDACTED] overstatement.

Suburban subsequently recertified to Treasury and acknowledged the inclusion of unallowable corporate officer compensation of [REDACTED] in its PSP1 Application and returned the excess funds. The amounts returned to Treasury exceed the non-compliance amount of \$61,535. As a result, no additional amounts are owed back to Treasury.

As part of our reporting process, we provided Suburban management with an opportunity to comment on a draft of this report. In a written response, Suburban management acknowledged that the initial PSP1 Application submission was overstated, but the company re-certified the application to correct the overstatement and returned the overstated amount in accordance with instructions received from Treasury. Suburban management's response, in its entirety, is included as appendix 2 of this report.

In a written response, Treasury management stated the draft report describes work performed by OIG's contractor to determine whether the recipient's requested awardable amounts complied with Treasury's program requirements. The draft report notes the extensive fieldwork conducted for this review between August 2023 and November 2023, including interviewing Suburban's management and reviewing a wide range of the company's financial records and corporate documents. In relation to Suburban, Treasury management noted that OIG's contractor found no amounts were owed back to Treasury. Treasury management appreciates the OIG's work on this engagement and looks forward to working with the OIG to protect the integrity of the PSP and other recovery programs. Treasury management's response, in its entirety, is included as appendix 3 of this report.

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 air carriers),⁷ in an amount equal to the salaries and benefits reported to DOT for the period April 1, 2019 through September 30, 2019. For air carriers that do not report such data to DOT (referred to as non-241 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 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

⁷ 14 CFR, Part 241 “Uniform System of Accounts and Reports for Large Certificated Air Carriers” defines “Air carrier, large certificated” as an air carrier holding a certificate issued under 49 U.S.C. 41102, as amended, that: (1) operates aircraft designed to have a maximum passenger capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to DOT. Suburban is not a Large, Certificated Air Carrier.

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 — table that outlines in detail the proposed financial instrument to be issued to the Treasury.
7. Additional Information — applicant’s verification of submitting its Internal Revenue Service (IRS) Form 941, *Employer’s Quarterly Federal Tax Return*,⁸ covering the period April 1, 2019 through September 30, 2019, along with the PSP1 Application submitted to Treasury.
8. Certification — names, titles, and signatures of two certifying officials⁹ and the applicant’s name and application submission date.

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

PSP1 Interim Audit Report

In a prior audit report,¹⁰ OIG identified two systemic issues affecting the payment amounts administered to all PSP1 recipients

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

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

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

for non-241 air carriers and contractors. Specifically, some of the recipients audited included unallowable employer-side payroll taxes and/or corporate officer compensation in their calculation of the awardable amounts on their PSP1 applications. Treasury management acknowledged these issues and agreed to (1) review payments issued under PSP1 to ensure awarded amounts are allowable per the CARES Act and Treasury guidance; and (2) remedy the incorrect amounts awarded under PSP1.

Suburban Air Freight, Inc.

Headquartered in Omaha, Nebraska, Suburban is a cargo air carrier that offers an all-weather fleet of turbine powered aircrafts for cargo transport on a charter basis.

Suburban submitted its PSP1 Application totaling \$1,194,590 on April 3, 2020, all of which was awarded by Treasury.

Disbursements to Suburban were as follows:

- July 16, 2020: \$597,295
- August 3, 2020: \$298,648
- September 1, 2020: \$298,647

Audit Results

We found that Suburban 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 general ledger data, company sworn financial statement, air carrier certificate, IRS Form 941, executive-level business charts, payroll registers, and third-party benefit invoices.

We also found that Suburban reported incorrect information in the Awardable Amounts section. The company included unallowable corporate officer compensation, resulting in a [REDACTED] overstatement. The company used earned and accrual-based financial information to prepare the salaries, wages, and benefit

amounts, resulting in a [REDACTED] overstatement. As a result, the aggregate overstatement is \$61,535 as illustrated in Table 1.

Table 1: Aggregate Overstatement by Month

Month	PSP1 Application	Awardable Amount Re-Calculated by S&R	Variance
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]
TOTAL	\$1,194,590	\$1,133,055	\$(61,535)

Source: S&R Calculation of Awardable Amount

However, on May 28, 2021, Suburban recertified to Treasury and acknowledged the inclusion of unallowable corporate officer compensation of [REDACTED] in its PSP1 Application and returned the excess funds. The amounts returned to Treasury exceed the non-compliance amount of \$61,535. As a result, no additional amounts are owed back to Treasury.

Finding 1

Inaccurate Compilation of the PSP1 Application Awardable Amounts

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 date July 14, 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 five Suburban executives through discussion with management and review of the company's 2019 organizational chart. Two of those executives met the definition of a corporate officer per the PSP1 Agreement. Suburban included unallowable compensation paid to both corporate officers, resulting in an overstatement of [REDACTED]. The two executives were the President and Treasurer. Suburban management stated that it was initially unaware of specific requirements to exclude corporate officers from the PSP1 Application.

Accrual-Based Application

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 define Awardable Amounts as:

an amount that such carrier certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation paid by such carrier during the time period.

Suburban used earned¹¹ and accrual-based financial information from its payroll and accounting systems, rather than actual paid amounts, to prepare the PSP1 Application. However, the actual amount of wages, salaries, and benefits paid to company

¹¹ Suburban used earned rather than paid salaries and wages in its awardable amount calculation. According to Treasury's PSP1 guidance, the awardable amount should consist of figures paid during April 1, 2019 through September 30, 2019. The use of salaries and wages earned results in compensation paid outside of the applicable period. For example, salaries and wages earned in September 2019 and paid in October 2019.

employees was [REDACTED], which is less than the requested amount of \$1,194,590. As a result, Suburban overstated the requested amount by [REDACTED], as illustrated in Table 2.

Table 2. PSP1 Application Compared to Actual Supported Costs

Category	Requested Amount	Actual Amount	Variance
Salaries/Wages	[REDACTED]	[REDACTED]	[REDACTED]
Benefits	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	\$1,194,590	[REDACTED]	[REDACTED]

Source: S&R Calculation of Eligible Compensation

Suburban management stated that they prepared the PSP1 Application using earned and accrual-based amounts from April 1, 2019 through September 30, 2019, rather than compensation paid, because that was their interpretation of the PSP1 requirements at the time of the application.

The inclusion of corporate officers and differences between actual amounts paid to employees and the application figures compiled using earned and accrual-based accounting information resulted in an aggregate overstatement of \$61,535.

To remedy the findings noted in the prior OIG audit report,¹² Treasury required cargo applicants to recertify their PSP1 awardable amounts via a recertification portal. On May 28, 2021, Suburban recertified to Treasury and acknowledged the inclusion of [REDACTED] unallowable corporate officer compensation in its PSP1 Application. The excess funds were returned to Treasury via a wire transfer on December 3, 2021. As a result, no additional amounts are owed back to Treasury.

* * * * *

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

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 Suburban Air Freight, Inc.'s (Suburban) 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 period from April 1, 2019 through September 30, 2019, and included the certified Payroll Support Program (PSP1) Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on April 3, 2020.¹³

To accomplish this objective, Saggar & Rosenberg, P.C. (S&R) performed the following activities during audit fieldwork conducted remotely from August 2023 through November 2023:

- Reviewed applicable Federal laws and regulations, 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 December 28, 2023.
- Reviewed Treasury's policies, procedures, and guidance related to PSP1:
 - *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors*, which included the PSP1 Application, March 30, 2020;
 - PSP1 Agreement;

¹³ Suburban submitted the PSP1 Application and related support documentation on April 3, 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. Suburban is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- *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 Suburban representatives responsible for the completion and submission of the sworn financial statement in the Awardable Amounts section of the PSP1 Application.
- Reviewed sworn financial statement 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 and organizational hierarchy information.
- Reviewed Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*¹⁷ 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 Suburban’s payroll system, was

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 employees’ paychecks.

¹⁷ GAO-14-704G (September 2014).

Appendix 1: Objective, Scope, and Methodology

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 Suburban's payroll system, we reviewed a System and Organizational Controls 1 (SOC 1) report,¹⁹ Data Supplier Questionnaire,²⁰ and interviewed Suburban management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data are reported in the section below.

- Reviewed GAO's *Assessing Data Reliability*²¹ 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. Suburban prepared the PSP1 Application using gross pay earned between April 1, 2019, and September 30, 2019, as well as company fringe benefit premiums and employer 401k match contributions, which included information developed from Suburban's payroll and financial accounting systems. We compared payroll details generated from payroll registers at the individual employee level, as well as third-party vendor benefit invoices from April 2019 through September 2019, to the amounts presented in the Awardable Amounts section of the PSP1 Application.

To assess data reliability of these sources, we reviewed the SOC 1 report and Data Supplier Questionnaires for the payroll and accounting systems and interviewed Suburban's management responsible for generating and using the data. Based on our assessment, we determined that the data was

¹⁸ The five components in GAO's Standards for Internal Control in the Federal Government are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

¹⁹ SOC 1 report addresses a company's internal control over financial reporting, which pertains to the application of checks-and-limits. Essentially, it is the audit of a third-party vendor's accounting and financial controls.

²⁰ A Data Reliability Assessment is completed to assess the reliability of data originating from a system to determine if it is reliable for the purposes of the audit. The Data Supplier Questionnaire would be one of the tools used during the Data Reliability Assessment.

²¹ 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: Suburban Management Response

SUBURBAN AIR FREIGHT, INC.

PO. Box 19090 • 4010 Amelia Earhart Plaza • Eppley Airfield • Omaha, NE 68119

August 29, 2024

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

RE: Final Report

Dear Mr. Robertson,

Please accept this as response to the Formal Draft Report for Management Comment.

The report accurately presents Suburban Air Freight, Inc., ("Suburban") participation in the program. As set forth, and as Suburban acknowledged, the initial submission was overstated, but upon clarification of eligible or in this case non-eligible officer compensation from our CPA, Suburban did re-certify to correct the overstatement and did return the overstated amount in accordance with instructions subsequently received.

We appreciate the re-computation to correct eligible amounts under cash basis ("as paid") rather than accrual method, ("as earned") which was the basis submitted.

We also appreciate the courtesy and professionalism extended throughout the audit process, and again wish to note the significant impact of the COVID response program.

With best regards,

[REDACTED]
Director/Treas.
Suburban Air Freight, Inc.

[REDACTED]
800.627.9346
402.344.4100
[REDACTED]

Appendix 3: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 20, 2024

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* (Draft Report), regarding Suburban Air Freight, Inc. (the Recipient), a recipient of funds under Treasury's Payroll Support Program (PSP). The U.S. Department of the Treasury (Treasury) appreciates OIG's efforts.

Background on the Payroll Support Program

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

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

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

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

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

OIG's Finding

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 August 2023 and November 2023 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 awardable amount due to the inclusion of unallowable corporate officer compensation and the usage of earned and accrual-based financial information instead of actual amounts paid during the applicable period. However, OIG also found that, as a result of Treasury's requirement that PSP1 recipients recertify their awardable amounts, the Recipient returned funds to Treasury that exceeded the overpayment. Therefore, no additional amounts are owed back to Treasury.

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

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

Sincerely,

A handwritten signature in black ink that reads "Jessica Milano". The signature is written in a cursive, flowing style.

Jessica Milano
Chief Program Officer

Appendix 4: Report Distribution

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