



Audit Report



OIG-24-039

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Freight Runners Express, 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 – Freight
Runners Express, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications – Freight Runners Express, Inc.* (Freight Runners Express) (OIG-24-039; 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 Freight Runners Express 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 Freight Runners Express, a cargo air carrier, incurred \$2,768,399 of eligible PSP1 compensation between April 1, 2019, and September 30, 2019, which exceeded the amount certified to Treasury on the PSP1 Application by \$708. As a result, Freight Runners Express did not over-request PSP1 financial assistance.

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

¹ P.L. 116-136 (March 27, 2020).

opinion on Freight Runners Express 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, Senior Counsel, Department of the Treasury
Jeff Davis, Partner, Saggat & Rosenberg, P.C.

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Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
COVID-19	Coronavirus Disease 2019
DOT	Department of Transportation
GAO	Government Accountability Office
Guidelines	Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors
IRS	Internal Revenue Service
OIG	Treasury Office of Inspector General
PSP1	Payroll Support Program, CARES Act
S&R	Saggar & Rosenberg, P.C.
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 Freight Runners Express, Inc.'s (Freight Runners Express) 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 Freight Runners Express' sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by Treasury for PSP1. The scope of our audit covered the time period from April 1, 2019 through September 30, 2019, and included the certified PSP1 Application,

¹ P.L. 116–136 (March 27, 2020).

² The financial assistance provided under the CARES Act was split between Passenger Air Carriers (\$25 billion), Cargo Air Carriers (\$4 billion), and Contractors (\$3 billion).

³ Passenger and cargo air carriers that are not required to report salaries and wages to DOT under 14 CFR, Part 241, "Uniform System of Accounts and Reports for Large Certificated Air Carriers".

sworn financial statement, 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 Freight Runners Express, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from August 2023 through December 2023. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that Freight Runners Express, a cargo air carrier, reported correct information for each of the four sections reviewed on PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, (3) Awardable Amounts, and (4) Certification. For the Awardable Amounts section, we found that Freight Runners Express incurred \$2,768,399 of eligible PSP1 compensation between April 1, 2019, and September 30, 2019, which exceeded the amount certified to Treasury on the PSP1 Application by \$708. As a result, Freight Runners Express did not over-request PSP1 financial assistance. We compared information provided in each section of the PSP1 Application to supporting documentation including air carrier certificate, general ledger data, sworn financial statement, tax returns, executive-level business charts, payroll registers, and third-party benefit invoices.

As part of our reporting process, we provided Freight Runners Express management with an opportunity to comment on a draft of

⁴ Freight Runners Express 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.

this report. In a written response, Freight Runners Express management acknowledged the audit report and stated that they agree with the reported results. Freight Runners Express 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 amount complied with Treasury's program requirements. The draft report notes the extensive fieldwork conducted for this review between August 2023 and December 2023, including interviewing Freight Runners Express' management and reviewing a wide range of the company's financial records and corporate documents. In relation to Freight Runners Express, Treasury management noted that OIG's contractor found no amounts were overpaid. 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),⁶ 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 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.

⁶ 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. Freight Runners Express is not a Large Certificated Air Carrier.

-
4. Employment Levels — applicant’s average number of employees for 2019 and involuntary reductions after March 1, 2020.
 5. Awardable Amounts — applicant’s sworn financial statement consisting of salaries, wages, benefits, and other compensation for the period April 1, 2019, through September 30, 2019.
 6. Taxpayer Protection — a table that outlines in detail the proposed financial instrument to be issued to the Treasury.
 7. Additional Information — applicant’s verification of submitting its Internal Revenue Service (IRS) Form 941, *Employer’s Quarterly Federal Tax Return*,⁷ 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 officials⁸ 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,⁹ OIG identified two systemic issues affecting the payment amounts administered to all PSP1 recipients 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

⁷ 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.

⁸ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

⁹ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

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.

Freight Runners Express, Inc.

Headquartered in Milwaukee, Wisconsin, Freight Runners Express is a cargo air carrier that offers both scheduled and on-demand cargo flights in the United States, Canada, Mexico, and the Caribbean.

Freight Runners Express submitted its PSP1 Application totaling \$2,767,691 on April 3, 2020, all of which was awarded by Treasury. Disbursements to Freight Runners Express were as follows:

- May 11, 2020: \$922,563
- June 2, 2020: \$461,282
- July 1, 2020: \$461,282
- August 3, 2020: \$461,282
- September 1, 2020: \$461,282

Audit Results

We found that Freight Runners Express reported correct information for all four sections reviewed on its PSP1 Application. These sections are: (1) Applicant Information, (2) Applicant Type, (3) Awardable Amounts, and (4) Certification. We compared information provided in each section of the PSP1 Application to supporting documentation including general ledger data, company sworn financial statement, IRS Form 941, executive-level business charts, payroll registers, and third-party benefit invoices.

Freight Runners Express Complied with PSP1 Application Requirements

Freight Runners Express complied with PSP1 Application requirements since the amount requested did not include

unallowable expenses. For salaries and wages, we found that Freight Runners Express incurred [REDACTED] in eligible compensation from April 2019 through September 2019. This amount was less than the requested amount of [REDACTED] on the PSP1 Application, resulting in a [REDACTED] overstatement. For benefits, we found that Freight Runners Express incurred [REDACTED] in eligible employer contributed expenses from April 2019 through September 2019. This amount exceeded the requested amount of [REDACTED] on the PSP1 Application, resulting in a [REDACTED] understatement. Freight Runners Express management stated that data compilation errors for salaries, wages, and benefits stemmed from unintentional oversight during the application process.

In aggregate, Freight Runners Express incurred \$2,768,399 of eligible PSP1 compensation which exceeded its PSP1 Application by \$708, as illustrated in Table 1. As such, Freight Runners Express did not over-request PSP1 financial assistance.

Table 1: Awardable Amount Comparison

Month	Requested Amount	Re-Calculated Amount	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	\$2,767,691	\$2,768,399	\$708

Source: S&R Calculation of Awardable Amounts

* * * * *

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 Freight Runners Express, Inc.'s (Freight Runners Express) 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, 2020.¹⁰

To accomplish this objective, Saggat & Rosenberg, P.C. (S&R) performed the following activities during audit fieldwork conducted remotely from August 2023 through December 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)*;¹¹ and
 - 14 CFR, Part 241,¹² *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* (Guidelines), which included the PSP1 Application, March 30 2020;

¹⁰ Freight Runners Express submitted the PSP1 Application and related support documentation on April 3, 2020.

¹¹ P.L. 116–136 (March 27, 2020).

¹² 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 Department of Transportation. Freight Runners Express is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- PSP1 Agreement;
 - *Question and Answer: Payroll Support to Air Carriers and Contractors*, (April 2, 2020, April 3, 2020, and April 20, 2020 versions); and
 - *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*, April 3, 2020.
- Performed 100 percent testing for four of the eight sections of the PSP1 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 Freight Runners Express 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*,¹³ and organizational hierarchy information.
 - Reviewed Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*¹⁴ 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

¹³ 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.

¹⁴ GAO-14-704G (September 2014).

concluded that one of the five internal control components, Control Activities, as related to Freight Runners Express' payroll system, was significant to the audit objective.¹⁵ 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 Freight Runners Express' payroll system, we reviewed a Data Supplier Questionnaire,¹⁶ and interviewed Freight Runners Express' management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data is reported in the section below.

- Reviewed GAO's *Assessing Data Reliability*¹⁷ 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. Freight Runners Express prepared the PSP1 Application using gross pay, less non-taxable employee-paid medical contributions and per diem reimbursements, from April 2019 through September 2019, which included information developed from Freight Runners Express' payroll system. We compared 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 this source, we reviewed the Data Supplier Questionnaire for the payroll system and interviewed Freight Runners Express management responsible for generating and using the data. Based on our assessment, we determined that the data were sufficiently reliable to support the findings and conclusions to answer the objective of this audit.

¹⁵ 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.

¹⁶ 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.

¹⁷ GAO-20-283G (December 2019).

Appendix 1: Objective, Scope, and Methodology

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: Freight Runners Express Management Response



Freight Runners Express, Inc. / Air Charter Express
General Mitchell International Airport
6024 S. Jasper Ave., Milwaukee WI 53207
414-744-5525 • 414-744-4850 Fax
freightrunners.com • fre-ace.com

August 29, 2024

**Freight Runners Express management response to
"Audit of Air Carrier Worker Support Certifications" report**

The management of Freight Runners Express, Inc. acknowledges the report conducted by Saggat & Rosenberg, P.C. (S&R). We are in complete agreement with the result, and we would like to compliment S&R staff for their professionalism.

On behalf of our employees, we want to thank the U.S. Department of the Treasury for administering the PSP program. The program was essential in preserving their air carrier jobs during the shutdowns caused by the unprecedented pandemic.

Regards,



Robert Sevier
Vice President/General Manager
Freight Runners Express, Inc.

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 Freight Runners Express, 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.

The Draft Report

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 December 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 reported correct information in its PSP1 application and did not overstate its requested awardable amount.

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,



Jessica Milano
Chief Program Officer

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

Appendix 4: Report Distribution

Department of the Treasury

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

Freight Runners Express, Inc.

Vice President/General Manager

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 Accountability
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