



Office of Inspector General | United States Postal Service

## Audit Report

# Fiscal Year 2021 Selected Financial Activities and Accounting Records

Report Number 21-113-R22 | January 18, 2022



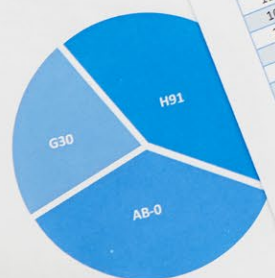
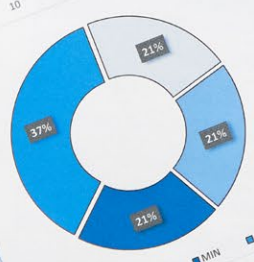
2	230,79
3	505,64
4	93,28
5	113,53
6	520,99
7	326,19
8	606,71
9	450,70
10	85,44
11	731,60
12	238,75
13	15,42
14	157,03
15	500,31
16	96,20
17	381,74



	August	September	October	November	December
1209		440	971	666	895
959		406	1013	582	718
1081		929	821	19	1058
525		943	1133	1131	902

Transaction Detail Report			
Date	Status	Num	Memo
	Act	2100951	
	Act	5540	NW - 101
	Act	430001	
	Act	2100952	
	Act	2100953	
	Act	430002	ACC - 130
	Act	3205	
	Act	100287	
	Act	3206	ABCD - 13429
	Act	430003	
	Act	430004	

start value	MAX	MIN	close value
16545175	16764848	16321179	3200692
6475457	6727907	6511507	1723913
6201224	6575164	6308720	7849214
9562997	9632709	9158210	22755823
14910255	14931465	14545763	12574906
20265857	20697346	20631946	6549481
18386113	18729125	18575324	7883319
13820324	10987089	11258306	1527779
10967413	11641875	10534319	4574354
11482144	10718010	23356780	21511914
10435950	23649422	10677567	19634653
23416303	10813556	21236797	18596902
10576354	21338088	23591103	22424765
21312260			
23598492	23633912		



result	reference	last	current	predict	graph 1	graph 2
update	SO-23-6005	2 133 020,20	10 030 850,93	2 418 094,79		
ff	DCS-NT	758 655,93	3 540 360,06	6 195 077,69		
en	DCPSTT-56023-00	179,37	3 327 271,08	1 385 286,68		
red	FB#SO-30981A	11 551 579,32	11 592 043,97	7 858 394,24		
audit		11 010,44	6 955 194,57	3 819 116,12		
144-7589		3 310,77	11 021 618,31	3 395 272,39		
		1 319 620,77	4 730 434,50	1 791 925,70		
		6 810 324,57	3 117 795,83	3 609 953,92		
		10 407 031,92	4 730 434,50	3 609 953,92		
		3 524 300,75	124 447,68	5 994 066,04		
		5 847 795,06	1053,94	10 118 985,64		
		9 745 393,81	5 38,32	11 172 988,52		
		5 519 306,85	3 604,99	11 710 287,66		
		7 983 760,33	2 234 310,99	7 808 409,75		
		6 522 171,75	4 197 467,53	5 269 199,59		
		7 425 034,24	9 460 872,66	10 123 152,71		
		6 629 330,81	3 574 464,18	12 308 207,70		
		6 412 703,59	11 071 568,77	7 065 414,24		
		8 043 178,07	1 335 017,04	2 270 192,89		
		9 385 973,07	1 226 855,08	8 896 252,99		
		11 964 531,60	11 490 777,71	4 706 886,84		
		4 997 369,39	11 349 970,69	5 661 849,89		
		1 136 068,09	4 409 775,45	9 873 493,43		
		1 973 896,50	4 796 474,21	2 004 434,15		
		1 762 596,46	11 888 187,01	6 098 430,00		
		8 241 132,59	10 238 997,59	8 403 252,14		
		9 956 823,86	9 188 901,79	6 640 078,67		
		2 079 384,35	3 953 221,59	1 888 478,74		
		5 750 974,58	1 200 141,94	10 391 660,19		
			6 347 394,44	2 740 593,51		



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# Highlights

## Objective

The Postal Reorganization Act of 1970 requires annual audits of the U.S. Postal Service's financial statements. In addition, the Postal Accountability and Enhancement Act of 2006 requires the Postal Service to comply with Section 404 of the Sarbanes-Oxley Act. This section requires the Postal Service to report the scope and adequacy of its internal control structure and procedures and assess their effectiveness.

The U.S. Postal Service Board of Governors contracted with an independent public accounting (IPA) firm to express audit opinions on the Postal Service's fiscal year 2021 financial statements and internal controls over financial reporting (an integrated audit). The IPA firm maintained overall responsibility for testing and reviewing significant Postal Service accounts, processes, and internal controls. We coordinated audit efforts with the IPA firm to ensure adequate coverage.

Our audit objectives were to determine whether the Postal Service:

- Fairly stated accounting transactions in the general ledger and whether selected key controls surrounding those transactions were designed and operating effectively.
- Properly tested, documented, and reported its examination of selected key financial reporting controls related to Postal Service Headquarters (HQ) and the Accounting Service Centers.

## Finding

We tested 31 key financial reporting controls, traced selected accounting transactions, and reviewed supporting documentation for 15 accounting processes and determined the Postal Service fairly stated accounting transactions in the general ledger, and selected key controls over those transactions were operating effectively.

In addition, the Postal Service properly tested, documented, and reported its examination of selected key financial reporting controls related to HQ and the Accounting Service Centers.

We did not propose any adjustments or identify any issues or control deficiencies that were material to the financial statements or that would affect the overall adequacy of internal controls. However, we identified issues related to the approval of journal vouchers (JV). We reviewed 267 JVs that were manually recorded into the general ledger and found seven instances where information on the JV entry form differed from the supporting documentation. Specifically:

- Five JV entry forms had general ledger account numbers that differed from supporting documentation.
- Two JV entry forms had dollar amounts that differed from supporting documentation.

The seven JV entry forms were signed by the transaction's approver, signifying they were reviewed for completeness and accuracy.

When approvers do not adequately review manually recorded JVs to ensure supporting documentation is complete and accurate, there is an increased risk of misstated financial statements.

## Recommendation

We recommended management strengthen internal controls over the preparation and approval of manually recorded journal vouchers, specifically with respect to employee transition periods.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

January 18, 2022

**MEMORANDUM FOR:** CARA M. GREENE  
VICE PRESIDENT, CONTROLLER

*Lorie Nelson*

**FROM:** Lorie Nelson  
Acting Deputy Assistant Inspector General  
for Finance and Pricing

**SUBJECT:** Audit Report – Fiscal Year 2021 Selected Financial  
Activities and Accounting Records  
(Report Number 21-113-R22)

This report presents the results of our audit of selected financial activities and accounting records at U.S. Postal Service Washington, D.C. Headquarters; the Accounting Service Centers in Eagan, MN, and St. Louis, MO; and the St. Louis Accounting Service Center Satellite Office located in San Mateo, CA, for the fiscal year ending September 30, 2021.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Luisa Gierbolini, Acting Director, Finance, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our audit of selected financial activities and accounting records at U.S. Postal Service Headquarters (HQ); the Accounting Service Centers in Eagan, MN, and St. Louis, MO; and the St. Louis Accounting Service Center Satellite Office located in San Mateo, CA,<sup>1</sup> for the fiscal year (FY) ending September 30, 2021 (Project Number 21-113). The HQ Controller's group establishes accounting policies and provides guidelines for recording and reporting Postal Service financial transactions. Accounting Services function as large, centralized accounting centers, to process and record the financial transactions of the Postal Service:

- Eagan Accounting Services processes payroll and disbursements, maintains the general ledger, reconciles retail payments and banking data, and maintains cash and receivable accounts.
- St. Louis Accounting Services is responsible for money orders, real property, transportation, international mail, field sales, and accounts payable.<sup>2</sup>
- St. Louis Accounting Services Satellite Office is responsible for accounts payable,<sup>3</sup> centralized postage payments under the Centralized Account Payment System,<sup>4</sup> capital property, motor vehicles, and supply inventory payments.

Our audit objectives were to determine whether the Postal Service:

- Fairly stated accounting transactions in the general ledger and whether selected controls surrounding those transactions were designed and operating effectively.

- Properly tested, documented, and reported its examination of selected key financial reporting controls<sup>5</sup> at HQ and the Accounting Service Centers.

See [Appendix A](#) for additional information about this audit.



## Background

The Postal Reorganization Act of 1970,<sup>6</sup> as amended, requires annual audits of the Postal Service's financial statements. In addition, the Postal Accountability and Enhancement Act of 2006<sup>7</sup> requires the Postal Service to comply with The Sarbanes-Oxley Act (SOX).<sup>8</sup> Section 404 of SOX, which was enacted to strengthen public confidence in the accuracy and reliability of financial reporting, requires management to report the scope and adequacy of its internal control structure and procedures for financial reporting and assess the effectiveness of such internal controls and procedures. Section 404 also requires the independent auditor issue a report on management's assessment of internal controls over financial reporting.

<sup>1</sup> Effective August 14, 2021, the San Mateo Accounting Service Center has been renamed the St. Louis Accounting Service Center Satellite Office.

<sup>2</sup> Includes accounting for rents and leases, contract stations, uniform allowance, indemnity claims, tort claims, and travel.

<sup>3</sup> Includes accounting for miscellaneous disbursements, contractual payments, and HQ and field office payables.

<sup>4</sup> The Centralized Account Processing System is an electronic postage payment system that gives business mailers a way to pay postage at multiple post offices through a centralized account.

<sup>5</sup> A key control is designed to prevent or detect financial statement misstatements.

<sup>6</sup> Public Law 91-375, enacted August 12, 1970.

<sup>7</sup> Public Law 109-435, enacted December 20, 2006.

<sup>8</sup> Public Law 107-204, enacted July 30, 2002.

The SOX Compliance Testing Team<sup>9</sup> (Testing Team) tests components of financial processes to support management’s annual and quarterly SOX certifications. The Testing Team evaluates the effectiveness of internal controls within financial processes. These include day-to-day activities such as those related to payroll, procurement, and revenue. The Testing Team follows a written test plan outlining the steps and evidence necessary to evaluate each control’s effectiveness.

The U.S. Postal Service Board of Governors (Board) contracted with an independent public accounting (IPA) firm to express opinions on the Postal Service’s financial statements and internal controls over financial reporting. The IPA firm maintains overall responsibility for testing and reviewing significant Postal Service accounts, processes, and internal controls. We coordinate audit work with the IPA firm to ensure adequate coverage.

In addition to the overall opinions on the Postal Service’s financial statements and internal controls over financial reporting, the Board’s IPA firm issued a separate report on its consideration of the Postal Service’s internal controls and its test of compliance with certain provisions of laws, regulations, contracts, and other matters.<sup>10</sup> The purpose of that report is to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, not to provide an opinion on internal controls over financial reporting or on compliance.<sup>11</sup>

## Findings Summary

We tested 31 key financial reporting controls, traced selected accounting transactions, and reviewed supporting documentation for 15 accounting processes<sup>12</sup> and determined the Postal Service fairly stated accounting transactions in the general ledger and selected key controls over those transactions were operating effectively. In addition, the Postal Service properly

---

***“We tested 31 key financial reporting controls, traced selected accounting transactions, and reviewed supporting documentation for 15 accounting processes and determined the Postal Service fairly stated accounting transactions in the general ledger and selected key controls over those transactions were operating effectively.”***

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tested, documented, and reported its examination of selected key financial reporting controls related to HQ and the Accounting Service Centers.

We did not propose any adjustments or identify any issues or control deficiencies that were material to the financial statements or that would affect the overall adequacy of internal controls. However, we identified issues related to the approval of manually recorded journal vouchers<sup>13</sup> (JVs).

### **Finding #1: Approval of Manually Recorded Journal Vouchers**

We reviewed 267 manually recorded JVs and identified seven JVs related to revenue where the supporting documentation differed from the approved JV. In five of the seven instances, the general ledger account numbers on PS Forms 824 were different from those in the supporting documentation, and the other two had dollar amounts that differed from the supporting documentation. The seven JVs were signed by the transaction’s approver,<sup>14</sup> signifying the JVs were reviewed for completeness and accuracy.

<sup>9</sup> The Postal Service uses an external contractor to test controls.

<sup>10</sup> In addition to the IPA firm’s work, these reports encompass work the OIG performed at HQ and the Accounting Service Centers.

<sup>11</sup> *Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, dated November 10, 2021.

<sup>12</sup> Including but not limited to contractual payables, payroll, and workers’ compensation.

<sup>13</sup> The Postal Service uses Postal Service (PS) Form 824, *Journal Entry Vehicle Form* to manually record journal entries into its General Ledger Accounting and Financial Reporting System.

<sup>14</sup> The approver is the employee who reviews and signs the PS Form 824 Approved By field.

The approver stated that the long-time preparer<sup>15</sup> of the monthly JV entries retired and a temporary preparer assumed the responsibility. The approver explained that the new preparer did not save the final version of the support, resulting in several last-minute changes not being documented. The approver further stated that the amounts on the PS Forms 824 were correct and no errors were made when recording the JVs in the general ledger. However, the approver did not adequately review the JVs to ensure completeness and accuracy based on supporting documentation before signing off. When we brought this issue to management's attention, they took corrective action by providing training to current systems accountants<sup>16</sup> reiterating the requirement for information on the JV entry form to exactly match that contained in the supporting documentation before it can be approved.

Postal Service policy<sup>17</sup> states that maintaining good accounting controls is a prerequisite of reliable internal control, which includes the proper explanation and approval of JVs. It further states that Accounting Services, Eagan, assures proper journalization of deposits to the Postal Service master account.<sup>18</sup>

When personnel do not adequately prepare and review manually recorded JVs to ensure supporting documentation is complete and accurate, there is an increased risk of misstated financial reporting.

### **Recommendation #1:**

We recommend the **Vice President, Controller**, strengthen internal controls over the preparation and approval of manually recorded journal vouchers, specifically with respect to employee transition periods.

## **Management's Comments**

Management agreed with the finding and recommendation. They stated they will host annual refresher training on both the preparation and approval of journal entries, and the review of supporting documentation. Management also stated they will provide the training to new journal entry preparers and approvers throughout the year.

Additionally, for manual journal entries over a certain net threshold, a second reviewer will be required to evaluate entries and related supporting documentation following the same protocols and criteria as the initial reviewer. Management planned to implement these actions by December 31, 2021. In subsequent correspondence, management provided documentation showing they conducted the first annual refresher training sessions for HQ and Accounting Service Center personnel on January 4 and January 13, 2022, respectively. Additionally, they implemented a second level review requirement for journal entries over a certain net threshold.

See [Appendix B](#) for management's comments in their entirety.

## **Evaluation of Management's Comments**

The OIG considers management's comments responsive to the recommendation in the report and actions taken should resolve the issue identified. We consider the recommendation closed with the issuance of this report.

<sup>15</sup> The preparer is the employee who prepares and signs the PS Form 824 Prepared By filed.

<sup>16</sup> Systems accountants review and approve manually recorded JVs.

<sup>17</sup> Handbook F-20A, Accounting Services Systems and Processes, Section 9-3.4, Other Controls, December 2009.

<sup>18</sup> Handbook F-20A, Accounting Services Systems and Processes, Section 10-2.19.1, Deposits to Postal Service Master Account, December 2009.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

We conducted this audit from February 2021 through January 2022<sup>19</sup> in accordance with the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the U.S. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to limit audit risk to a low level that is, in our judgment, appropriate for supporting the overall audit opinion on financial statements. Those standards also require considering the results of previous engagements and following up on known significant findings and recommendations that directly relate to the audit objectives. An audit also requires a sufficient understanding of internal controls to plan the audit and determine the nature, timing, and extent of audit procedures to be performed.

We support the IPA firm in obtaining reasonable assurance about whether the financial statements were free of material misstatements (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, an audit conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* may not detect a material misstatement. However, the IPA firm and OIG are responsible for ensuring that appropriate Postal Service officials are aware of any significant deficiencies that come to our attention. We discussed our observations and conclusions with the IPA firm throughout the audit and with Postal Service management formally on December 9, 2021 and included their comments where appropriate.

We relied on data from the U.S. Department of Labor (DOL) included in the Workers' Compensation Master File maintained by us. To assess the reliability of the data, we traced the Workers' Compensation Master File amounts to the DOL *Agency Liability for Current Federal Employees' Compensation Act Benefits* totals. We determined the data was sufficiently reliable for the purposes of this report.

We considered other computer-generated data in conducting our tests; however, the scope of the testing did not require us to validate the computer-generated data. These systems included but were not limited to:

- Centralized Account Processing System
- Contract Authoring and Management System
- Electronic Facilities Management System
- Employee Personnel Action History
- Foreign Post Settlement System
- National Accounting Oracle Financial Application – Oracle Accounts Payable System
- Program Cost Tracking System
- Solution for Enterprise Asset Management

<sup>19</sup> The scope of our audit was October 1, 2020 through September 30, 2021.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<i>Fiscal Year 2020 Selected Financial Activities and Accounting Records</i>	Determine whether the Postal Service fairly stated accounting transactions in the general ledger and whether selected controls surrounding those transactions were designed and operating effectively; and properly tested, documented, and reported its examination of selected key financial reporting controls related to Postal Service HQ and Accounting Services.	20-152-R21	4/30/2021
<i>Fiscal Year 2019 Selected Financial Activities and Accounting Records</i>	Determine whether the Postal Service fairly stated accounting transactions in the general ledger and whether selected controls surrounding those transactions were designed and operating effectively, and properly tested, documented, and reported its examination of selected key financial reporting controls related to Postal Service HQ and Accounting Services.	19BM004FT000-R20	1/6/2020

# Appendix B: Management's Comments



December 14, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Fiscal Year 2021 Selected Financial Activities and Accounting Records  
Project Number 21-113

Thank you for the opportunity to respond to the audit report titled Fiscal Year 2021 Selected Financial Activities and Accounting Records (Project Number 21-113).

The report defines the objectives of the audit as to whether the Postal Service had:

- Fairly stated accounting transactions in the general ledger and whether selected key controls surrounding those transactions were designed and operating effectively, and
- Properly tested, documented, and reported its examination of selected key financial reporting controls related to Postal Service Headquarters (HQ) and the Accounting Service Centers.

Based on audit procedures performed, the OIG concluded that the Postal Service fairly stated accounting transactions in the general ledger and that selected key controls were operating effectively. The report likewise disclosed that the Postal Service had properly tested, documented, and reported its examination of selected key financial reporting controls related to HQ and the Accounting Service Centers. The OIG did not propose any adjustments or identify any issues or control deficiencies that were material to the financial statements or that would affect the overall adequacy of internal controls.

Notwithstanding the positive conclusions described above, the OIG did identify issues related to the approval of journal vouchers (JV). These findings, however, were not deemed significant enough to warrant a change in the OIG's overall conclusion on the accuracy of the general ledger or on the effectiveness of the design and operation of key controls. Out of a review of 267 JVs, the OIG found seven (7) instances where the information on the JV entry form differed from the supporting documentation. Specifically, five (5) JV entry forms had general ledger account numbers that differed from supporting documentation and two (2) JV entry forms had dollar amounts that differed from supporting documentation. All of the seven (7) JV entry forms were signed by the transaction's approver signifying that they were reviewed for completeness and accuracy.

Recommendation #1:

We recommend the Vice President, Controller, strengthen internal controls over the preparation and approval of manually recorded journal vouchers, specifically with respect to employee transition periods.

Management Response/Action Plan:

Management agrees with the OIG's finding and related recommendation. Going forward, on an annual basis, the Postal Service will host a refresher training on both the preparation and the approval of journal entries along with the review of related supporting documentation. This training will also be provided to any new preparer or approver of journal entries throughout the year as needed.

Additionally, for any manual entry with a net income statement impact a certain threshold, a second reviewer will be required to evaluate the entry and related supporting documentation following the same protocols and criteria as the initial reviewer. This second reviewer must be a manager or above and have substantive knowledge of the nature of entry being reviewed.

Target Implementation Date:

December 2021

Responsible Official:

Assistant Controller



\_\_\_\_\_  
Cara M. Greene  
Vice President, Controller

*Cc: Corporate Audit Response Management*

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