

# Fiscal Year 2023 Selected Financial Activities and Accounting Records

## AUDIT REPORT

Report Number 23-082-R24 | December 4, 2023



# Table of Contents

## Cover

<b>Highlights</b> .....	1
Background .....	1
What We Did .....	1
What We Found .....	1
Recommendations .....	1

<b>Transmittal Letter</b> .....	2
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<b>Results</b> .....	3
Introduction/Objective.....	3
Background .....	3
Finding #1: Testing Results.....	4
Management’s Comments .....	4
Evaluation of Management’s Comments.....	4

<b>Appendices</b> .....	5
Appendix A: Additional Information.....	6
Scope and Methodology .....	6
Prior Audit Coverage .....	6
Appendix B: Management’s Comments .....	7

<b>Contact Information</b> .....	8
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# Highlights

## Background

The Postal Reorganization Act of 1970 requires annual audits of the U.S. Postal Service's financial statements. 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 opinions on the Postal Service's fiscal year 2023 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.

## What We Did

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 at Headquarters (HQ) and Accounting Service Centers (ASCs).

To meet our objectives, we tested key financial reporting controls and reviewed supporting documentation for selected accounting processes. In addition, we reviewed Digital Data Quality Review samples, Manual Journal Vouchers, and Workers' Compensation Claims.

## What We Found

The Postal Service fairly stated accounting transactions in the general ledger and selected key controls over those transactions were designed and operating effectively. In addition, the Postal Service properly tested, documented, and reported its examination of selected key financial reporting controls related to HQ and ASCs.

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 adequacy of internal controls. We identified minor documentation issues and discussed with management.

## Recommendations

Based on the audit results, we did not offer any recommendations.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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December 4, 2023

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

A handwritten signature in black ink, reading "Alan MacMullin", is positioned above the typed name.

**FROM:** Alan MacMullin  
Deputy Assistant Inspector General  
for Finance, Pricing, and Human Capital

**SUBJECT:** Audit Report – Fiscal Year 2023 Selected Financial Activities and  
Accounting Records (Report Number 23-082-R24)

This report presents the results of our audit of selected financial activities and accounting records at U.S. Postal Service Headquarters in Washington, DC; the Accounting Service Centers in Eagan, MN, and St. Louis, MO; and the St. Louis Accounting Service Center Satellite Office in San Mateo, CA, for the fiscal year ending September 30, 2023.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Christa Owens, 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 (ASCs) in Eagan, MN, and St. Louis, MO; and the St. Louis Accounting Service Center Satellite Office in San Mateo, CA, for the fiscal year (FY) ending September 30, 2023 (Project Number 23-082). The HQ Controller's group establishes accounting policies and provides guidelines for recording and reporting Postal Service financial transactions. Accounting Services functions 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, motor vehicles, transportation, international mail, field sales, and accounts payable.<sup>1</sup>
- St. Louis Accounting Services Satellite Office in San Mateo, CA, is responsible for accounts payable,<sup>2</sup> capital property, 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>3</sup> at HQ and the ASCs.

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

## Background

The Postal Reorganization Act of 1970,<sup>4</sup> as amended, requires annual audits of the Postal Service's financial statements. In addition, the Postal Accountability and Enhancement Act of 2006<sup>5</sup> requires the Postal Service to comply with certain sections of the Sarbanes-Oxley Act (SOX).<sup>6</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 to issue a report on management's assessment of internal controls over financial reporting.

The SOX Compliance Testing Team<sup>7</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 (an integrated audit). The IPA firm maintains overall responsibility for testing and reviewing significant Postal Service accounts, processes, and internal controls.

In addition to the overall opinions on the Postal Service's financial statements and internal control over financial reporting, the Board's IPA firm issued a separate report on its consideration of the Postal Service's internal control and its tests of compliance with certain provisions of laws, regulations, contracts, and other matters.<sup>8</sup> The

1 Includes accounting for rents and leases, contract stations, uniform allowance, indemnity claims, tort claims, and travel.

2 Includes accounting for miscellaneous disbursements, contractual payments, and HQ and field office payables.

3 A key control is designed to prevent or detect financial statement misstatements.

4 Public Law 91-375, enacted August 12, 1970.

5 Public Law 109-435, enacted December 20, 2006.

6 Public Law 107-204, enacted July 30, 2002.

7 The Postal Service uses an external contractor to test controls.

8 In addition to the IPA firm's work, these reports encompass work the U.S. Postal Service Office of Inspector General (OIG) performed at HQ and the ASCs.

purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance.<sup>9</sup>



organization that participate in the preparation of the financials take pride in ensuring the accuracy of their work, and it is reassuring to have another independent verification of that accuracy. See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the conclusions in the report.

## Finding #1: Testing Results

We tested four key financial reporting controls, traced selected accounting transactions, and reviewed supporting documentation for accounting processes.<sup>10</sup> In addition, we reviewed 50 Digital Data Quality Review (DDQR) samples,<sup>11</sup> 337 Manual Journal Vouchers, and 60 Workers' Compensation Claims for accuracy, valid supporting documentation, and approval. We determined the Postal Service fairly stated the accounting transactions in the general ledger, and selected key controls over those transactions were designed and 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 ASCs.

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. We identified minor documentation issues that we discussed with management.

## Management's Comments

Management stated they appreciate the OIG's diligence in the audit, which resulted in no findings and no recommendations. Additionally, they stated that each of the teams under the Controller

<sup>9</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 14, 2023.

<sup>10</sup> Including, but not limited to, payables, transportation, and workers' compensation.

<sup>11</sup> Testing of Meter mail-piece data (i.e., Revenue, Extra Services) to confirm completeness and accuracy.

# Appendices

Appendix A: Additional Information.....	6
Scope and Methodology .....	6
Prior Audit Coverage .....	6
Appendix B: Management's Comments .....	7

# Appendix A: Additional Information

## Scope and Methodology

We conducted this performance audit from February through December 2023<sup>12</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.

We supported 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. Postal Service management elected to waive the exit conference.

In planning and conducting the audit, we obtained an understanding of the selected controls, manual journal vouchers, DDQR testing, and workers' compensation claims internal control structure to help perform our audit procedures. We reviewed the management controls for overseeing these

areas and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective: control activities and monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we did not identify internal control deficiencies within the context of our objectives.

We relied on data from the U.S. Department of Labor (DOL) included in the Workers' Compensation Master File maintained by the OIG. We assessed the reliability of the data by tracing the Workers' Compensation Master File amounts to the DOL's *Agency Liability for Current Federal Employees' Compensation Act Benefits* totals. We determined that 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 this data.

These systems included, but were not limited to:

- Logistics Contract Management System
- National Accounting Oracle Financial Application – Oracle Accounts Payable System
- Transportation Contracting Support System

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<i>Fiscal Year 2022 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.	22-075-R23	12/14/2022
<i>Fiscal Year 2021 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.	21-113-R22	1/18/2022

<sup>12</sup> The scope of our audit was October 1, 2022, through September 30, 2023.



# Appendix B: Management's Comments



November 21, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Fiscal Year 2023 Selected Financial Activities and Accounting Records  
Report Number 23-082

Management has reviewed the Fiscal Year 2023 Selected Financial Activities and Accounting Records draft report and appreciates the OIG's diligence in the audit, which resulted in no findings and no recommendations. Each of the teams under the Controller organization that participate in the preparation of the financials takes pride in ensuring the accuracy of their work, and it is reassuring to have another independent verification of that accuracy.

E-SIGNED by CARA.M GREENE  
on 2023-11-21 11:40:47 EST

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Cara Greene  
Vice President, Controller

Cc: Manager, Corporate Audit Response Management

# OFFICE OF INSPECTOR GENERAL

UNITED STATES



Contact us via our [Hotline](#) and [FOIA](#) forms. Follow us on social networks. Stay informed.

1735 North Lynn Street, Arlington, VA 22209-2020  
(703) 248-2100

For media inquiries, please email [press@uspsig.gov](mailto:press@uspsig.gov)  
or call (703) 248-2100