

Fiscal Year 2024 Selected Financial Activities and Accounting Records

AUDIT REPORT

Report Number 24-083-R25 | January 3, 2025



Income		
\$ 5,125.00	\$ 1,571.00	\$ 3,554.00
\$ 2,556.00	\$ 2,543.00	\$ 4,099.00
\$ 10,298.00	\$ 14,048.00	\$ 4,500.00
\$ 20,451.00	\$ 3,098.00	\$ 2,355.00

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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 the 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 2024 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 (1) selected accounting transactions in the general ledger were fairly stated and whether selected key financial reporting controls surrounding those transactions were operating effectively; (2) and selected key financial reporting controls were designed and operating effectively.

To meet our objectives, we tested 38 manual journal vouchers and ensured they were properly approved and fairly stated in the general ledger and the controls over those transactions were operating effectively. In addition, we tested 20 select financial reporting controls to ensure the controls were designed and operating effectively.

What We Found

The Postal Service fairly stated selected accounting transactions in the general ledger and controls over those transactions were operating effectively. In addition, the financial reporting controls we reviewed were designed and operating effectively.

We did not propose any adjustments or identify any control deficiencies that were material to the financial statements or that would affect the adequacy of internal controls. Our consideration of internal controls was based on limited procedures and was not designed to identify all deficiencies in internal control.

Recommendations

Based on the audit results, we did not offer any recommendations. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to our audit. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 3, 2025

MEMORANDUM FOR: CARA M. GREENE
VICE PRESIDENT, CONTROLLER

A handwritten signature in black ink, reading "Alan MacMullin", is centered below the memorandum header.

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

SUBJECT: Audit Report – Fiscal Year 2024 Selected Financial Activities and
Accounting Records (Report Number 24-083-R25)

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 in San Mateo, CA, for the fiscal year ending September 30, 2024.

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 and Pricing, or me at 703-248-2100.

Attachment

cc: Postmaster General
Secretary of the Board of Governors
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 (ASC) in Eagan, MN, and St. Louis, MO; and the St. Louis ASC Satellite Office in San Mateo, CA, for the fiscal year (FY) ending September 30, 2024 (Project Number 24-083). 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 accounting for money orders, real property, outlease/sublease, fleet (motor vehicles, trailers), international mail, field sales, and accounts payable.¹
- St. Louis Accounting Services Satellite Office is responsible for accounts payable,² capital property, and supply inventory payments.

Our audit objectives were to determine whether:

- Selected accounting transactions in the general ledger were fairly stated and whether selected key financial reporting controls surrounding those transactions were operating effectively.

- Selected key financial reporting controls were designed properly and operating effectively.³

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

Background

The Postal Reorganization Act of 1970,⁴ as amended, requires annual audits of the Postal Service's financial statements. In addition, the Postal Accountability and Enhancement Act of 2006⁵ requires the Postal Service to comply with Section 404 of Sarbanes-Oxley Act (SOX).⁶ 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 Team⁷ tests components of financial processes that support management's annual and quarterly SOX certifications. The Testing Team evaluates the design and effectiveness of internal controls within financial processes, including payroll, procurement, and revenue, for example. The Testing Team follows a written test plan outlining the steps and evidence necessary to evaluate each control's effectiveness.

¹ Includes accounting for air/highway transportation, real property, 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 – non contractual payments.

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.

The U.S. Postal Service's Board of Governors (Board) contracts 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 integrated audit, 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.⁸ The 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.⁹

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.

⁹ *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, 2024.

Finding: Select Financial Reporting Controls and Accounting Transactions

We determined the Postal Service fairly stated select accounting transactions in its general ledger and selected controls over those transactions were operating effectively. In addition, we found select financial reporting controls were designed and operating effectively.

We compared 38 manual journal vouchers to supporting documentation to determine whether accounting transactions were complete and accurate in the general ledger. We found the journal vouchers were properly approved and the support demonstrated appropriate segregation of duties.

We reviewed the design of select financial reporting controls and tested the operating effectiveness for 20 controls. Those controls included:

- Eight requested by the IPA firm,

- Nine selected to support our annual financial statement audit¹⁰ and
- Three newly designed by the Postal Service in FY 2024 to support the Security and Exchange Commission's new requirements on cybersecurity disclosures.

We did not propose any adjustments or identify any control deficiencies that were material to the financial statements or that would affect the overall adequacy of internal controls. Our consideration of internal controls was based on the limited procedures we performed and was not designed to identify all deficiencies in internal control and, therefore, control deficiencies may exist that were not identified.



Postal Service Response

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 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.

OIG Evaluation

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

¹⁰ *Independent Auditor's Report on the U.S. Postal Service's Fiscal Year 2024 Reclassified Financial Statements* (Report Number 24-144-R25, November 15, 2024).

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Appendix A: Additional Information

Scope and Methodology

We conducted this performance audit from May through December 2024 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, 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 five components were significant to our audit objective: control environment, risk assessment, control activities, information and communication, 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 that were significant 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 were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<i>Fiscal Year 2023 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 Service Centers.	23-082-R24	12/4/2023
<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 Service Centers.	22-075-R23	12/14/2022

Appendix B: Management's Comments



December 5, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Fiscal Year 2024 Selected Financial Activities and Accounting Records
Report Number 24-083

Management has reviewed the Fiscal Year 2024 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 VP Controller organization that participate in the preparation of the financials takes prides 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 2024-12-05 10:32:23 EST

Cara Greene
Vice President, Controller

Cc: Manager, Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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