

# Fiscal Year 2025 Selected Financial Activities and Accounting Records

## AUDIT REPORT

Report Number 25-071-R26 | January 8, 2026



# Table of Contents

---

## Cover

<b>Highlights</b> .....	1
-------------------------	---

Background .....	1
------------------	---

What We Did .....	1
-------------------	---

What We Found.....	1
--------------------	---

Recommendations and Management's Comments.....	1
--	---

<b>Transmittal Letter</b> .....	2
---------------------------------	---

<b>Results</b> .....	3
----------------------	---

Introduction/Objective.....	3
-----------------------------	---

Background .....	3
------------------	---

Finding: Select Financial Reporting Controls and Accounting Transactions .....	5
---	---

Postal Service Response.....	6
------------------------------	---

OIG Evaluation.....	6
---------------------	---

<b>Appendices</b> .....	7
-------------------------	---

Appendix A: Additional Information.....	8
---	---

Scope and Methodology .....	8
-----------------------------	---

Prior Audit Coverage .....	9
----------------------------	---

Appendix B: Management's Comments .....	10
---	----

<b>Contact Information</b> .....	11
----------------------------------	----

# 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 its 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 2025 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 selected key financial reporting controls surrounding those transactions were operating effectively; and (2) selected key financial reporting controls were designed and operating effectively.

To meet our objectives, we tested eight manual journal vouchers to ensure they were properly approved and fairly stated in the general ledger and that 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. However, Postal Service management identified certain deficiencies in internal control that are considered to be significant deficiencies. 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 and Management's Comments

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 8, 2026

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

A handwritten signature in black ink that reads "Kelly Thresher".

**FROM:** Thresher, Kelly  
Deputy Assistant Inspector General  
for Finance, Pricing, and Human Capital

**SUBJECT:** Audit Report – Fiscal Year 2025 Selected Financial Activities and  
Accounting Records (Report Number 25-071-R26)

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, 2025.

We appreciate the cooperation and courtesy 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  
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, 2025 (Project Number 25-071). 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, capital property, and accounts payable.<sup>1</sup>
- St. Louis Accounting Services Satellite Office is responsible for accounts payable<sup>2</sup> 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.<sup>3</sup>

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 Section 404 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 an independent auditor to issue a report on management's assessment of internal controls over financial reporting.

The SOX Compliance Testing Team (Testing Team)<sup>7</sup> 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, such as 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'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

<sup>1</sup> Includes accounting for air/highway transportation, real property, rents and leases, contract stations, uniform allowance, indemnity claims, tort claims, and travel.

<sup>2</sup> Includes accounting for miscellaneous disbursements, contractual payments, and HQ and field office payables – non contractual payments.

<sup>3</sup> A key control is designed to prevent or detect financial statement misstatements.

<sup>4</sup> Public Law 91-375, enacted August 12, 1970.

<sup>5</sup> Public Law 109-435, enacted December 20, 2006.

<sup>6</sup> Public Law 107-204, enacted July 30, 2002.

<sup>7</sup> The Postal Service uses an external contractor to test controls.

of compliance with certain provisions of laws, regulations, contracts, and other matters.<sup>8</sup> 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.<sup>9</sup>

---

<sup>8</sup> 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.

<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, 2025.

# 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. However, Postal Service management identified certain deficiencies in internal control that are considered to be significant deficiencies.<sup>10</sup>

We compared eight 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:

- 10 controls selected to support our annual financial statement audit.<sup>11</sup>
- Seven controls requested by the IPA firm, which included a control related to the workers' compensation expense. We conducted testing of a workers' compensation expense control to obtain assurance over payments made to Postal Service claimants due to a Department of Labor (DOL) qualified opinion,<sup>12</sup> as the Postal Service is a user of the DOL's Workers' Compensation Program. Specifically, DOL did not consistently perform the controls related to the review of continuing eligibility forms or review and approval of claim compensation payments.
- Three controls that support the Security and Exchange Commission's requirements on cybersecurity disclosures.

Our testing did not identify any internal control deficiencies, and our testing of the workers' compensation expense control did not identify any DOL issues at the Postal Service. However, Postal Service management identified certain deficiencies in internal control that are considered to be significant deficiencies that were either remediated or remained as significant deficiencies at the end of FY 2025.

## Highway Contract Transportation

In FY 2024, the Postal Service identified a significant deficiency related to Highway Transportation Contracts.<sup>13</sup> During FY 2025, management worked to remediate the significant deficiency by implementing additional review and monitoring controls to ensure accuracy of data inputs. We reperformed testing of selected highway contract controls to obtain assurance over the remediation and did not identify any further deficiencies. Management and the IPA firm concluded that the significant deficiency was remediated as of September 30, 2025.

## System User Access

During FY 2025, management identified certain deficiencies in internal control that, in aggregate, were considered to be a significant deficiency related to system user access. As part of the suite of controls over system user access, Postal Service management reviews user transfers to determine that users' roles are appropriately updated as job responsibilities change and performs periodic user access reviews to monitor that users only have access necessary for their current responsibilities. For a portion of FY 2025, management determined that the control related to the user transfer review and the periodic user access review did not operate effectively. However, management remediated the transfer control issue during the year. With the remediation of the transfer control and the operating effectiveness of related general IT controls, management and the

<sup>10</sup> A significant deficiency is a control deficiency that is less severe than the possibility of material misstatement of the financial statements, but important enough to merit attention by those responsible for oversight of financial reporting.

<sup>11</sup> *Independent Auditor's Report on the U.S. Postal Service's Fiscal Year 2025 Reclassified Financial Statements*, (Report Number 25-110-R26, December 18, 2025).

<sup>12</sup> DOL's Service Auditors' Report on the Integrated Federal Employees' Compensation System.

<sup>13</sup> *Independent Auditor's Report on the U.S. Postal Service's Fiscal Year 2024 Reclassified Financial Statements* (Report Number 24-144, November 15, 2024).

IPA firm concluded that the significant deficiency was remediated as of fiscal year-end. We reviewed the transfer controls and other related controls and agree with management's conclusion.

#### **Accounting for Internal-Use Software Costs**

During Postal Service management internal review, it identified the costs related to the development of internal-use software and the implementation of software in cloud-computing arrangements were not being properly accounted for under Accounting Standards Update 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software Subtopic 350-40*.<sup>14</sup> As a result, a significant deficiency was identified related to not consistently executing internal controls to identify and record capitalizable costs related to these activities. This significant deficiency was not remediated prior to September 30, 2025.

We did not propose any adjustments or identify, through our selected testing, any other 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 it appreciates the OIG's diligence in the audit and that it was reassuring to have another independent verification of the accuracy of its financial reporting, resulting in no recommendations. 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.

<sup>14</sup> The source for authoritative U.S. Generally Accepted Accounting Principles (GAAP). It is maintained by the Financial Accounting Standards Board.

# Appendices

Appendix A: Additional Information.....	8
Scope and Methodology .....	8
Prior Audit Coverage .....	9
Appendix B: Management's Comments .....	10

# Appendix A: Additional Information

## Scope and Methodology

We conducted this performance audit from June 2025 through January 2026 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 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. 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. However, management identified significant deficiencies that were either remediated or remained as significant deficiencies at the end of FY 2025.

We relied on data from the 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	Monetary Impact
<i>Fiscal Year 2024 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.	24-083-R25	01/03/2025	
<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 19, 2025

LAURA LOZON  
DIRECTOR, AUDIT SERVICES

SUBJECT: Fiscal Year 2025 Selected Financial Activities and Accounting Records  
Report Number 25-071

Management has reviewed the Fiscal Year 2025 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 pride in ensuring the accuracy of their work, and it is reassuring to have another independent verification of that accuracy.

E-SIGNED by Cara Greene  
on 2025-12-19 13:45:24 EST

Cara Greene  
Vice President, Controller

Cc: Manager, Corporate Audit Response Management

OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE



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@uspsoig.gov](mailto:press@uspsoig.gov) or call (703) 248-2100