

# Invoice and Payment Processes for Inflation Reduction Act Funds

## AUDIT REPORT

Report Number 24-042-R24 | July 24, 2024



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# Highlights

## Background

The Inflation Reduction Act (IRA), enacted in August 2022 as Public Law 117-169, appropriated \$3 billion to the U.S. Postal Service to assist with its delivery fleet modernization. The Act provides the Postal Service \$1.29 billion in funding for the procurement of zero-emission delivery vehicles (electric vehicles) and \$1.71 billion in funding for the purchase, design, and installation of the necessary charging infrastructure at Postal Service facilities.

The Postal Service received funds on September 21, 2022. The funds are held by the U. S. Department of the Treasury and remain available through September 30, 2031. As of February 2024, the Postal Service had disbursed \$112.3 million from IRA funds. Of that amount, \$70.9 million was used for equipment and \$41.5 million was used for infrastructure services. The Postal Service has not used IRA funds to pay for electric vehicles yet.

## What We Did

Our objective was to assess the invoice and payment processes for the IRA funds. We reviewed IRA invoices from September 21, 2022, through February 29, 2024, and tested samples of invoices, invoice adjustments, and payments processed and performed control testing during this period.

## What We Found

We found that the invoices we sampled were properly approved for payment and were allowable under IRA. In addition, applicable controls were effective to ensure proper payments. However, during the audit, management identified an instance in which an invoice in the amount of \$7,684.36 was incorrectly paid using IRA funds. We found that management took appropriate action to correct the payment classification and strengthen related controls.

## Recommendations and Management's Comments

Based on the audit results, we did not offer any recommendations. Management agreed with the finding. See [Appendix B](#) for management's comments in their entirety.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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July 24, 2024

**MEMORANDUM FOR:** CARA M. GREENE  
VICE PRESIDENT, CONTROLLER  
  
RONNIE J. JARRIEL  
CHIEF LOGISTICS & INFRASTRUCTURE OFFICER  
AND EXECUTIVE VICE PRESIDENT

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

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

**SUBJECT:** Audit Report – Invoice and Payment Processes for Inflation Reduction  
Act Funds (Report Number 24-042-R24)

This report presents the results of our audit of the U.S. Postal Service's invoice and payment processes for Inflation Reduction Act funds.

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  
Secretary of the Board of Directors  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the Postal Service's Inflation Reduction Act (IRA) funds (Project Number 24-042). Our objective was to assess the invoice and payment processes for the IRA funds. See [Appendix A](#) for additional information about this audit.

## Background

The IRA, enacted in August 2022 as Public Law 117-169, appropriated \$3 billion to the U.S. Postal Service to assist with its delivery fleet modernization. The Postal Service received funds on September 21, 2022, and recorded these funds as restricted cash and capital contributions of the U.S. government in its financial statements. The funds are held by the U.S. Department of the Treasury (U.S. Treasury) and remain available through September 30, 2031.

The IRA provides the Postal Service \$1.29 billion in funding for the procurement of zero-emission delivery vehicles (electric vehicles)<sup>1</sup> and \$1.71 billion in funding for the purchase, design, and installation of the necessary charging infrastructure at Postal Service facilities. In addition, management entered into an agreement with the U.S. Treasury to invest the \$3 billion received until it is utilized. Per the agreement, investment income generated is also restricted and used only for its specified purpose. Management has created IRA specific general ledger accounts to track the spending for electric fleets, the spending for necessary infrastructure, and investment income.

IRA Committees, headed by the postmaster general, approve each project that uses IRA funds. The Postal Service contracts with vendors for electric vehicles, equipment, or construction and installation of charging stations. The Facilities & Fleet Management group manages the contracts.

Postal Service management identifies facilities for deployment of electric vehicles and development of infrastructure. For electric vehicles and equipment, vendors submit invoices electronically in the Postal Service iSupplier system.<sup>2</sup> For completed facility work, vendors submit a payment application package<sup>3</sup> to Postal Service's Facilities personnel to enter into the Facility Management System (eFMS).<sup>4</sup>

Contracting Officers (CO) and Contracting Officer Representatives (COR) review and approve the invoices within iSupplier or eFMS. Invoice information is transferred into the National Accounting Oracle Financials Application (NAOFA).<sup>5</sup>

Accounting Services runs a daily IRA report from NAOFA to identify invoices due for payment the next day and prepares a payment package<sup>6</sup> for review and approval by Accounting Services management. The approved payment package is sent to Postal Service Corporate Treasury (Corporate Treasury) for payment processing. NAOFA calculates due dates based on invoice dates and contract terms to ensure payments are made timely and comply with the Prompt Payment Act.<sup>7</sup> Payments for IRA invoices are charged to one of two restricted IRA finance numbers.<sup>8</sup>

<sup>1</sup> The Postal Service plans to use the \$1.29 billion IRA vehicle fund to pay for the additional costs of electric vehicles over a standard gas vehicle of the same model.

<sup>2</sup> iSupplier, a module within the National Accounting Oracle Financials Application, allows suppliers to submit their invoices electronically to the Postal Service.

<sup>3</sup> The package includes the PS Form 4211B, *Facility and Fixed Mechanization Project Contract Payment Authorization*, invoices, and other supporting documents.

<sup>4</sup> eFMS is used to manage work orders, contracts, and payments for facility construction, repairs, and alteration contracts, along with real estate contracts.

<sup>5</sup> A corporate accounting system that provides reporting capability and automating data entry and collection.

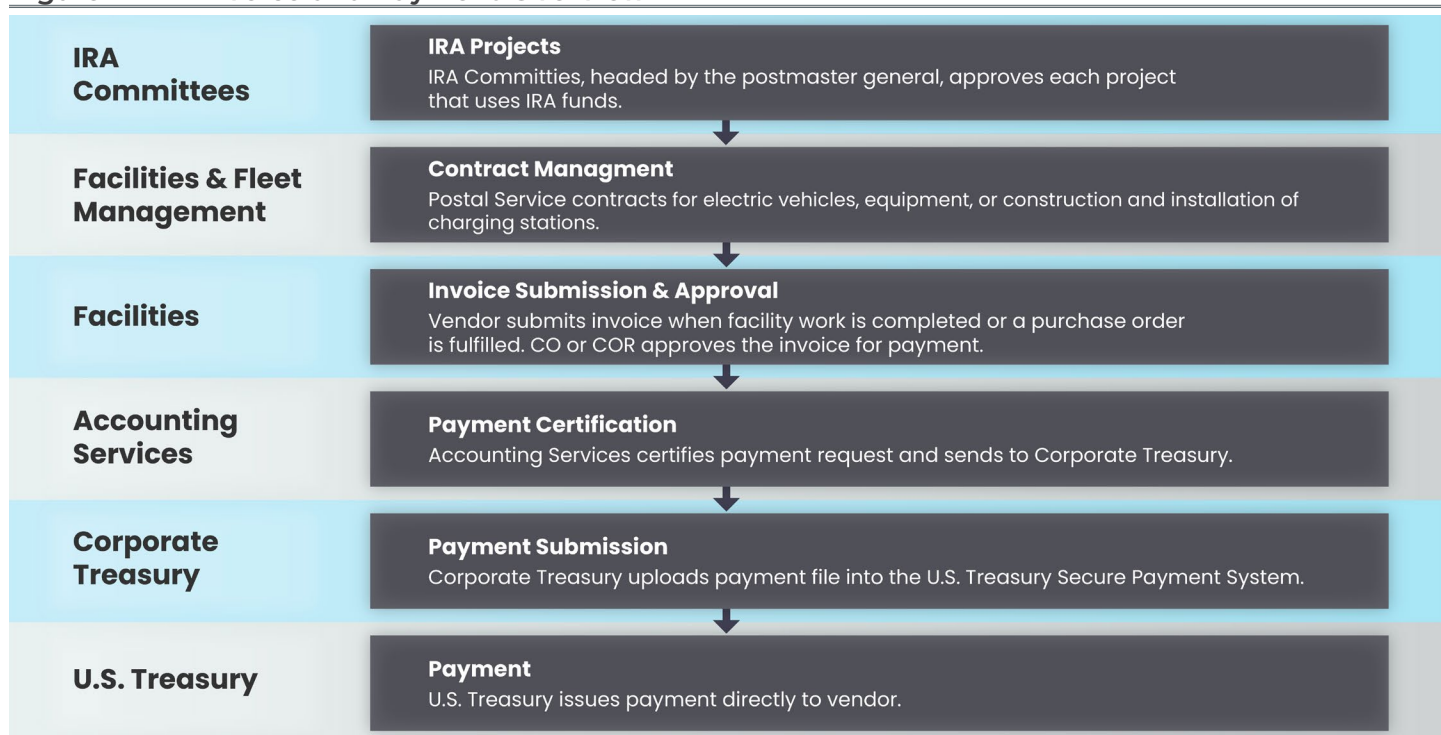
<sup>6</sup> Payment package includes PS Form 1865-Voucher & Schedule Payments, IRA report, Form 3881-Supplier and Payee Electronic Funds Transfer Enrollment for the vendors in the IRA report, and Secure Payment System 440 file, IRA payment file formatted for the U.S. Treasury payment system.

<sup>7</sup> *31 U.S. Code Chapter 39: Prompt Payment, Section 3902: Interest penalties.* Interest penalty shall be paid for the period beginning on the date after the payment date and ending on the date on which payment is made.

<sup>8</sup> Six-digit numbers established by the Postal Service for all post offices and operating entities to compile revenues and expenses, and to track cost and statistical data.



Figure 1. IRA Invoice and Payment Overview



Source: OIG prepared based on Postal Service's information.

Corporate Treasury reviews the package and uploads the file into the U.S. Treasury Secure Payment System<sup>9</sup> for overnight processing. The U.S. Treasury issues payments directly to vendors on behalf of the Postal Service. On the next business day, Corporate Treasury verifies payment was made successfully and records the payment on the Postal Service Cash Position Report to reduce the IRA funds. See Figure 1 above for an overview of the IRA invoice and payment processes.

As of February 2024, the Postal Service has disbursed \$112 million (7 percent) of equipment and infrastructure funding and has not used IRA funds to pay for electric vehicles (EV). See Table 1 below for IRA disbursements. In addition, the Postal Service had earned about \$197 million in investment income from the fund through February 2024.

Table 1. IRA Commitments and Disbursements - September 21, 2022, Through February 29, 2024

IRA Funds		Amounts Committed to Vendors	IRA Fund Disbursement		
Category	Amount		Expense Type	Total Amount	Fund Usage
Electric Vehicles	\$1,290,000,000	\$222,700,000	Electric Vehicles	\$0	0%
Infrastructure	\$1,710,000,000	\$832,500,000	Equipment	\$70,867,888	
			Infrastructure services	\$41,466,816	
			Total	\$112,334,703	7%

Source: Commitment information was provided by the Postal Service. Fund Disbursement data was extracted from Enterprise Data Warehouse by OIG.<sup>10</sup>

<sup>9</sup> Secure Payment System is used by the U.S. Treasury to receive and process payment requests.

<sup>10</sup> Enterprise Data Warehouse is the main Postal Service reporting platform.

## Finding: IRA Invoices and Payments

We reviewed 30 equipment and infrastructure invoices totaling \$11,764,120 and nine manual invoice adjustments totaling \$4,738. In addition, we reviewed 10 payments, totaling \$4,225,381, and related controls. We found that the invoices were properly approved for payment and were allowable under IRA. We also found that applicable controls were effective to ensure proper payments.

In addition, during the audit, management identified an instance where an invoice in the amount of \$7,684.36 was paid using IRA funds. Based on our review of support for the payment, we determined that while the invoice qualified as an allowable expense under IRA, management intended to use operating cash instead of IRA funds but neglected to update the payment method to non-IRA. We found that management took appropriate action to correct the payment classification and strengthen related controls.

The Postal Service has until September 2031 to utilize all IRA funds. As such, we will continue to monitor IRA invoices and payments as part of our ongoing oversight responsibilities. Based on the audit results, we did not offer any recommendations.

### Postal Service Response

Management agreed with the finding and noted that there were no recommendations from the OIG.

### OIG Evaluation

Although the report does not contain any recommendations, the OIG considers management's comments responsive to the finding in the report.

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# Appendix A: Additional Information

## Scope and Methodology

The audit assessed the invoice and payment processes for IRA funds. Our scope included review of invoices and payments processed from September 21, 2022, when the Postal Service received the funds, through February 29, 2024. We did not review operational aspects of electric vehicles and infrastructure activities.

To accomplish our objective, we:

- Reviewed the IRA and laws and regulations applicable to the Postal Service.
- Reviewed Postal Service's accounting treatment for IRA funds and procedures for processing IRA invoices.
- Conducted interviews and walkthroughs with Postal Service personnel regarding the purchases, invoice approval at the field, payment certification by Accounting Services, and payments submission by Headquarters Corporate Treasury.
- Analyzed IRA report of 496 invoices and adjustments and selected a sample for testing, as shown in Table 2. We determined whether the expenses were appropriate and allowable under IRA and invoices were paid in a timely manner by testing:

- Stratified random sample of 15 invoices for purchases of electric vehicle equipment and 15 invoices for construction and installation of electric vehicle charging stations.
- Random subset of five payments from each stratum above for control testing.
- Nine manual invoice adjustments entered into the NAOFA system by Accounting Services.
- Judgmental sample of seven manual Prompt Payment Act adjustments.

We conducted this performance audit from January through July 2024 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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. We discussed our observations and conclusions with management on July 1, 2024, and included their comments where appropriate.

**Table 2. IRA Invoices and Adjustments**

Transaction Type	Population	Amount	Sample	Amount
Equipment Invoices	84	\$70,868,037	15	\$10,182,314
Infrastructure Invoices	378	\$41,473,373	15	\$1,581,805
Manual Invoice Adjustments for Infrastructure	9	(\$4,738)	9	(\$4,738)
Manual Prompt Payment Act Interest Adjustments for Equipment and Infrastructure Invoices	25	(\$1,969)	7	(\$226)
<b>Total</b>	<b>496</b>	<b>\$112,334,703</b>	<b>46</b>	<b>\$11,759,155</b>

Source: OIG sample information of NAOFA data.

In planning and conducting the audit, we obtained an understanding of the internal control structure for IRA funds to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program 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
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we did not identify any internal control deficiencies related to

invoice and payment processes that were significant within the context of our objectives.

We assessed the reliability of the IRA report from NAOFA by verifying data was present for all expected time periods. We traced invoice amounts to the payments processed by the U.S. Treasury and to the general ledger in Enterprise Data Warehouse. In addition, we compared IRA data with other sources including iSupplier, eFMS, and Postal Service provided support. We determined that the data were sufficiently reliable for the purposes of this report.

### Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

# Appendix B: Management's Comments



July 15, 2024

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Invoice and Payment Processes for Inflation Reduction Act Funds (Project Number 24-042)

Thank you for providing the Postal Service with an opportunity to review and comment on the finding contained in the draft audit report *Invoice and Payment Processes for Inflation Reduction Act Funds*.

Management agrees with the finding and notes that there are no recommendations from the OIG.

E-SIGNED by CARA M GREENE  
on 2024-07-15 08:46:16 EDT

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Cara M. Greene  
Vice President, Controller

cc: Corporate Audit Response Management

# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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