



September 13, 2004

TIMOTHY C. HEALY  
MANAGER, ALBANY DISTRICT

SUBJECT: Audit Report – Self-Service Vending Program – Albany District  
(Report Number DR-AR-04-006)

This is one of a series of audit reports on the Self-Service Vending Program in the Northeast Area. The report presents the results of our self-initiated audit on the Self-Service Vending Program in the Albany District (Project Number 04YG017DR001). The information in this district report will be included in a report to the Northeast Area Vice President.

### **Background**

The Self-Service Vending Program, implemented in October 1964, is one of the Postal Service's major programs. It provides Postal Service customers with a convenient alternative for purchasing stamps and other basic Postal Service products after business hours and without the need to stand in line during business hours.

Nationwide, the Postal Service maintains approximately 30,000 vending machines (27,000 self-service postal centers and 3,000 other types of vending equipment) that generated over \$1.9 billion in revenue during fiscal years (FY) 2001 through 2003. During FY 2003, the Northeast Area had 2,113 pieces of vending equipment that generated approximately \$30 million in revenue, of which the Albany District maintained 15 percent (323) of the total area machines that generated over 13 percent (\$3.8 million) of the total area vending revenue. During the first quarter of FY 2004, the Northeast Area had 2,176 pieces<sup>1</sup> of vending equipment that generated over \$8.6 million in revenue, of which the Albany District maintained 15 percent (327<sup>2</sup>) of the total area machines that generated over 13 percent (\$1.1 million) of the total area vending revenue.

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<sup>1</sup> During the first quarter of FY 2004, the Northeast Area had 63 additional vending machines.

<sup>2</sup> During the first quarter of FY 2004, the Albany District had four additional vending machines.

## **Objective, Scope, and Methodology**

The objective of our audit was to determine whether the Self-Service Vending Program is effectively and efficiently meeting program goals of increasing revenue and reducing operating costs. Specifically, in this review, we determined whether Self-Service Vending Program managers have effectively redeployed vending equipment that does not meet minimum revenue requirements in order to maximize revenue, and discontinued the use of obsolete vending equipment. We also physically observed a judgmental sample of 20 vending machines to determine whether the machines were operational and easily accessible. For the 323 vending machines operating in the Albany District during FY 2003, 63<sup>3</sup> were classified as obsolete based on Postal Service guidance, while the remaining 260 were classified as current equipment. For the first quarter of FY 2004, 327 vending machines were operating in the Albany District, of which 63<sup>4</sup> were classified as obsolete, and the remaining 264 were classified as current equipment.

During our audit, we visited Postal Service facilities and interviewed managers and employees, reviewed documentation and applicable policies and procedures, and analyzed data in the Postal Service's Vending Equipment Sales and Service System (VESS) for FY 2003 and the first quarter of FY 2004 to identify obsolete equipment and equipment that did not meet the minimum revenue requirements.<sup>5</sup> Although we relied on data obtained from the VESS, we did not test the validity of the data and controls over the system.

Audit work associated with the Albany District was conducted from March through September 2004 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our observations and conclusions with appropriate management officials and included their comments, where appropriate.

## **Prior Audit Coverage**

The Office of Inspector General (OIG) has issued three reports related to the objective of this audit.

Self-Service Vending Program - Tennessee District (Report Number DR-AR-04-003, June 30, 2004), Self-Service Vending Program - Alabama District (Report Number DR-AR-04-004, June 30, 2004), and Self-Service Vending Program - Atlanta District (Report Number DR-AR-04-002, July 1, 2004). The reports stated that district officials could improve their process for redeploying vending equipment that does not meet minimum revenue requirements. In FY 2003, 54 percent (857 of 1,573) of the vending machines in the Tennessee, Alabama, and Atlanta Districts did not meet the minimum

<sup>3</sup> This number includes four currency changer machines, which do not generate revenue.

<sup>4</sup> This number includes four currency changer machines, which do not generate revenue.

<sup>5</sup> Obsolete equipment was not included in the minimum revenue analysis.

revenue requirements and the districts may have missed revenue opportunities of approximately \$2.7 to \$8.5 million by not redeploying this equipment. Additionally, these districts continued to use 250 obsolete machines and possibly incurred maintenance and repair expenses. Management agreed with all recommendations and the actions taken and planned were responsive to the recommendations.

## **Audit Results**

Opportunities exist for Albany District officials to improve the effectiveness and efficiency of the Self-Service Vending Program and to meet or exceed program goals of increasing revenue and reducing operating costs. Specifically, Albany District officials could increase revenue opportunities by redeploying equipment that does not meet minimum revenue requirements. Further, Albany District officials could possibly reduce maintenance and repair costs by discontinuing the use of obsolete equipment. Additionally, while our physical observation of vending machines in the Albany District indicated that overall, the machines were easily accessible; the machines were not always operable.

### **Redeployment of Vending Machines**

Albany District officials could improve their process for redeploying vending equipment that does not meet Postal Service's minimum revenue requirements. Specifically, during FY 2003, our review of the vending equipment revenue reports indicated that 78 percent (203 of 260) did not meet the minimum revenue requirements. Vending equipment sales were approximately \$1.6 million, which was significantly less than the minimum revenue requirement of \$4 million. As a result, the Albany District may have missed revenue opportunities of approximately \$795,344 to \$2.4 million by not redeploying this equipment.<sup>6</sup>

Additionally, in the first quarter of FY 2004, our review of the vending equipment revenue reports indicated that 70 percent (185 of 264) did not meet the minimum revenue requirements. Vending equipment sales were approximately \$337,026, which was significantly less than the minimum revenue requirement of \$835,320. As a result, the Albany District may have missed revenue opportunities of approximately \$498,294 by not redeploying this equipment.

One of the Self-Service Vending Program's goals is to increase revenue through the redeployment of equipment. The Postal Service should redeploy equipment that does

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<sup>6</sup> For each vending machine, we calculated the shortfall in revenue compared to the established minimum for a particular machine type and referred to this shortfall as "missed revenue opportunities." The \$795,344 represents the minimum total possible missed revenue opportunities after giving consideration to Postal Service guidance, which requires district officials to review revenue reports and take appropriate actions if a vending machine's revenue does not reach plan in three to six accounting periods. The \$2.4 million represents the maximum total possible missed revenue opportunities for the FY 2003 and is calculated by subtracting actual revenues generated from the total of all machine minimum revenue requirements.

not meet minimum revenue requirements to other locations. Postal Service policy, Handbook PO-102, Self-Service Vending Operational and Marketing Program, Chapter 2, Section 256, May 1999 (updated with Postal Bulletin revisions through August 7, 2003), establishes the minimum revenue requirements for vending machines. The district retail office is responsible for evaluating equipment revenue to find the right location for the right machine. If self-service vending equipment is located in an area where it is unable to generate enough revenue to meet the minimum requirement, the equipment must be considered for redeployment. If revenue does not meet the minimum requirement in three to six accounting periods, the district retail office should place the equipment on a list for redeployment; notify any office where changes will be made; prepare a typewritten or computer-generated notice, approved through the district retail office, to be posted in the lobby informing customers 30 days before removing the equipment; and complete Postal Service (PS) Form 4805, Maintenance Work Order, and move the equipment to a better location.

District officials did not initiate redeployment action for the underperforming vending machines during FY 2003 and the first quarter of FY 2004 because the Self-Service Vending Program was not considered a high priority and limited resources were allocated to the program. Work efforts were directed to higher priorities such as implementing Point of Sale throughout the district. By not taking action to redeploy underperforming equipment, the district could miss revenue opportunities during the remainder of FY 2004.

District officials also expressed concern regarding the Postal Service's methodology used to establish minimum revenue requirements, and the machines capabilities of accepting debit and credit cards. District officials also expressed concern regarding the limited availability of high demand vending machines, including Model PBSM 624 machines. We plan to forward the district's concerns to Postal Service Headquarters.

We discussed the results with Albany District officials and they agreed that they could improve their redeployment process for equipment that does not meet the Postal Service's minimum revenue requirements. District officials indicated that plans are being made to reassess vending locations based on an analysis of vending operations and receipt of 12 automated postal centers.<sup>7</sup>

### **Recommendation**

We recommend the Manager, Albany District, direct the Retail Manager to:

1. Review revenue reports to identify underperforming equipment, notify postmasters of vending equipment that generates low revenue, and giving consideration to all feasible alternatives, complete all necessary actions to redeploy underperforming equipment as often as possible.

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<sup>7</sup> Automated postal centers are a newly developed kiosk that provides convenient 24-hour automated access to purchase stamps as well as many premium delivery services such as Express and Priority Mail.

### **Management's Comments**

Management agreed with the finding and recommendation. Management stated that they will complete a review of existing equipment and make further redeployments where feasible based upon current revenue generated and potential revenue at alternate sites. Management stated that they will begin this initiative with an August roll up of current location performance and establish ongoing monitoring of performance. Management will share this information with each of the Postal Service Operations Managers and will work to target removals and alternate sites for the equipment in each geographic area. Management's comments, in their entirety, are included in the appendix of this report.

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

Management's comments are responsive to our recommendation. Management's actions taken or planned should correct the issues identified in the finding.

### **Use of Obsolete Equipment**

In FY 2003, Albany District officials continued to use 59<sup>8</sup> obsolete machines and possibly incurred maintenance and repair expenses, although Postal Service policy discontinued the maintenance and repair support for the machines in June 2000.<sup>9</sup> Our review of vending equipment revenue reports showed none of the machines met minimum revenue requirements. Additionally, during the first quarter of FY 2004, our review of vending equipment revenue reports indicated that 98 percent (58 of 59) did not meet minimum revenue requirements.

District officials stated they continued to use and maintain the obsolete equipment because of the potential adverse impact on customer service since replacement equipment was not available. As a result, during FY 2003 and the first quarter of FY 2004, the district possibly incurred maintenance and repair expenses that may have exceeded the revenue generated by continuing to operate and maintain the obsolete machines. We were unable to determine the amount of repair and maintenance expenses associated with the machines because the Postal Service does not capture the data for each machine.<sup>10</sup>

Periodically, the Postal Service lists vending equipment as obsolete, meaning that the equipment has exceeded its expected life cycle and will no longer receive support from maintenance organizations. All inactive retail vending equipment items must be

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<sup>8</sup> This number excludes four currency changer machines, which do not generate revenue.

<sup>9</sup> This Maintenance Management Order (MMO) supplements MMO-018-96, June 21, 1996, Discontinuance of Support for Obsolete Vending Machines. This MMO includes discontinuance of support for recently obsolete models of vending machines announced in the Material Logistics Bulletin (MLB-PP-00-004), issued on May 18, 2000.

<sup>10</sup> We plan to address this issue in a capping report to Postal Service Headquarters officials.

reported to the district material management specialist. When retail vending equipment items are obsolete or listed as excess, the Postal Service may consider them for disposal action. Parts from obsolete machines may be salvaged and stored for maintenance or repair of other compatible equipment. In June 2000, Postal Service policy listed the obsolete vending equipment that should no longer receive support from maintenance organizations.

By continuing to use and maintain obsolete machines, the district will possibly incur repair and maintenance costs that may exceed the revenue generated. We recognize management's desire to provide customer service; however, because the Postal Service does not capture repair and maintenance, management has no means of assessing whether the benefits of operating the obsolete equipment outweigh the costs to operate it. District officials indicated that plans will be made to replace the obsolete machines when the new automated postal centers are deployed to the district locations.

### **Recommendation**

We recommend the Manager, Albany District, direct the Retail Manager to:

2. Consider all feasible alternatives, and complete all necessary actions to eliminate repair and maintenance cost for the obsolete equipment.

### **Management's Comments**

Management agreed with the finding and recommendation. Management stated that the majority of pieces of obsolete equipment in the Albany District are located in Postal Service sites. They further stated they are not supplying support for parts and service when the machines break down and the units will be removed from Postal Service facilities and destroyed as this occurs. Management will also utilize equipment removed during the automated postal center deployment in October to replace machines where warranted and will remove the obsolete machines for destruction at that time.

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

Management's comments are responsive to our recommendation. Management's actions taken or planned should correct the issues identified in the finding.

### **Physical Observation of Vending Equipment**

Our physical observation of vending machines in the Albany District indicated that overall the machines were easily accessible, but not always operable. Specifically, 20 percent (4 of 20) of the machines judgmentally selected for review were not operating properly. Two of the four machines had notices posted as being out of service in April 2004; however, the inoperable machines were not listed in VESS in April 2004. The remaining two machines would not take currency in April 2004, even

though they were designed to accept it, and the inoperable machines were not listed in VESS in April 2004. District officials indicated the information for the machines was not listed in VESS because employees inaccurately completed PS Form 8130, Vending Equipment Sales and Service Daily Activity Log.<sup>11</sup> By not properly completing PS Forms 8130, Postal Service managers have no means of ensuring vending machines are operable or in need of repair potentially resulting in a loss of revenue.

The VESS is a nationwide computerized reporting system for the Self-Service Vending Program, which is used as a management tool for real-time tracking of vending costs in relation to sales. Data maintained in the VESS database is generated from PS Form 8130, Vending Equipment Sales and Service Daily Activity Log. Each employee associated with self-service vending equipment must complete a PS Form 8130 detailing the equipment serviced and maintained during each month.

### **Recommendation**

We recommend the Manager, Albany District, direct the Retail Manager to:

3. Require employees to accurately complete PS Form 8130, Vending Equipment Sales and Service Daily Activity Log, for the four machines, detailing the inoperable status for each machine, and consider retraining employees to accurately complete the forms.

### **Management's Comments**

Management stated that they will monitor compliance in VESS for accurate completion of all vending equipment. Management further stated that responsibility for repair and maintenance rests with the facility managers assigned the vending equipment and that vending personnel are not the responsibility of the district retail office. Management stated they had provided complete instructions to all vending sites within the district on completion of PS Form 8130 and related information. Management further stated they would monitor form completion and recommend retraining for vending personnel, as warranted. Management will include a copy of the VESS instruction package to all vending sites to ensure proper recording. This package is supplied to all vending sites at the beginning of each fiscal year and includes all the forms required for an entire year of reporting. Management stated agreement with the finding and recommendation in subsequent correspondence to the OIG.

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

Management's comments are responsive to our recommendation. Management's actions taken or planned should correct the issues identified in the finding.

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<sup>11</sup> We plan to conduct an audit on the accuracy of data in VESS.

### **Additional Management's Comments**

Management stated that identifying the vending revenue cited as missed revenue opportunities was misleading. They stated it would be more accurate to measure this revenue as diverted revenue since it would have been shifted to the window operations or other stamp access channels. Management provided proposed language to change the report to reflect their views.

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

We considered the proposed language management submitted. However, we determined that the term missed revenue opportunities was more appropriate as our audit focused on vending operations only. The Postal Service measures the performance of vending operations by revenue generated; accordingly, we believe the term missed revenue opportunities more appropriately represents the performance measure rather than revenue diverted.

The OIG considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during our review. If you have any questions, or need additional information, please contact Debra D. Pettitt, Director, Delivery and Retail, or me at (703) 248-2300.

/s/ Mary Demory

Mary W. Demory  
Deputy Assistant Inspector General  
for Operations and Human Capital

Attachment

cc: John A. Rapp  
Suzanne M. DeLyons  
Kenneth G. Bauer  
Matthew J. Difiore  
Steven R. Phelps



## APPENDIX. MANAGEMENT'S COMMENTS



AUGUST 25, 2004

MEMORANDUM FOR KIM H. STROUD, DIRECTOR AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT DRAFT AUDIT REPORT – SELF SERVICE VENDING PROGRAM

The following is a response to the draft version of the Self Service Audit Program provided by the OIG office:

Redeployment of Vending Equipment – Recommendation # 1 - The majority of the pieces of vending equipment not reaching national standards on revenue are domiciled in postal facilities. Three of the main pieces of equipment in our inventory – PBSM-624, PCM 1625A and B, and PBM -6 machines have higher revenue averages than most other Districts in the NEA for these types of equipment. In terms of redeployment, the PBSM-624 and 1625A and B machines are the most suitable for redeployment in non-postal locations. The PBM-6 equipment, along with the PS-53D SVM equipment are primarily designed for in wall, postal site use. In regards to postal locations with wall installed units, the opportunity to find greater revenue generating locations is limited. We are completing the installation of POS One equipment in our District and should be finished by October, 2004. This will reduce workload of our maintenance personnel with lobby modifications etc. allowing for more support with vending redeployment and removal of obsolete equipment.

We will also be redeploying designated vending equipment in 12 sites that will be receiving APC units in October. Sites have already been determined to receive this targeted equipment. This redeployment will take place in October through November of FY05.

There are 41 locations with 53 pieces of vending equipment that have gone through an Associate Office Standardization process that has reduced their window hours and in many units closed the retail operation for lunch periods. In these offices we have made a commitment to maintain use of current vending equipment to support customer service through vending access.

Albany District Retail agrees with the recommendation #1 to identify underperforming equipment and will give consideration to all feasible alternatives to redeploy this equipment where possible. We will complete a review of existing equipment and make further redeployments where feasible based on current revenue generated and potential revenue at alternate sites. We will begin this initiative with an August roll up of current location performance and establish an ongoing monitoring of performance. This information will be shared with each of our Postal Operations Managers and we will work within each of their geographic areas to target removals and alternate sites for their equipment.

Use of Obsolete Equipment – Recommendation # 2 - The majority of the pieces of obsolete equipment in the Albany District are located in postal sites. Of the 59 pieces of equipment identified in the audit, 57 pieces of equipment are PS-53C machines. Of these 59 machines, 45 are located in postal lobbies. We are not supplying support for parts and service as they break down. Units will be removed from postal facilities and destroyed as this occurs. There are 8 additional pieces of equipment that we have identified that are obsolete – 4 – 1625A machines, 2 PCM-21 machines, 1 – PS 53B machine and 1- PS-86 machine. We will take steps to eliminate the PS-53B and PS – 86 machines as soon as possible. We will utilize equipment removed during the APC deployment in October to replace the obsolete 1625A and PCM-21 machines where warranted. All of these obsolete machines will be removed for destruction at that time.

Albany District Retail agrees with recommendation #2 to give consideration to all feasible alternatives and complete all necessary actions to eliminate repair and maintenance cost for obsolete equipment. We are committed to utilizing selected obsolete equipment in postal facilities until they break down.

30 OLD KARNER RD.  
ALBANY, NY 12288-9992  
518-452-2201  
1FAX: 518-452-2309

- 2 -

Again, these pieces of equipment (PS-53C SSVM machines in particular) will be removed for destruction at that time.

Physical Observation of Vending Equipment – Recommendation # 3 - We will be monitoring compliance in VESS for accurate completion of all vending information. The responsibility for repair and maintaining of operability rest with the facility managers assigned the vending equipment. Vending personnel are not the responsibility of the District Retail office. We have provided complete instructions to all vending sites within our District on completion of PS Form 8130 and related information. We will monitor form completion and make recommendations to our local PEDC if any retraining is warranted for vending personnel. We will include a copy of the VESS instruction package we supply to all vending sites to insure proper recording. This package is supplied to all vending sites at the beginning of each fiscal year and includes all the forms required for an entire year of reporting. We are attaching a copy of this information package for your review.

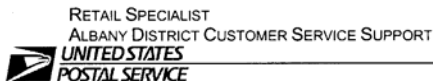
During our teleconference discussing the audit results, we stated that identifying the vending revenue cited as missed revenue opportunities was misleading. We further stated that it would be more accurate to measure this revenue as diverted revenue since it would have been shifted to our window operations or other stamp access channels. We were asked to provide your office with a proposed revision to that language in the draft. This was provided, but the draft was not altered. The language used is still a concern to our District.

If there is any further information required, please let me know. We appreciate the work of your team and will take actions based on your recommendations.



Timothy C. Healy  
District Manager  
Albany District

Attachments



September 2003

**RETAIN AT OFFICE**

MEMORANDUM FOR SELF-SERVICE (VENDING) SERVICING PERSONNEL

**SUBJECT: FY 04 Self Service Equipment, Training and Reports**

As of AP 12, year-to-date FY03 vending sales are down 9.7% to the same period last year (SPLY).

***This packet of information is put together to assist you with the performance of your vending duties. Please read all information completely and retain it for future reference.***

The USPS is changing to monthly reporting beginning in October 2003. The PS Form 8130s that are supplied with this packet of information reflect the change to months. Since FY04 begins on October 1<sup>st</sup> and FY03 technically ends on September 5<sup>th</sup>, there is an unaccounted for "time gap" that remains. According to the March 2003 issue of SSSC Tech Quarterly, "Sales from September 7 - 30, 2003, should be added to AP 13, FY'03." Submit the AP 13 VESS Report after the close of business on September 30<sup>th</sup> after recording any activity up to and including September 30<sup>th</sup>.

The management staff and servicing employee/s at every office with self service equipment MUST be familiar with Handbook PO-102, Self Service Vending Operational and Marketing Program, May 1999 and any subsequent changes. If your office doesn't presently have this handbook, it should be ordered immediately from the MDC using standard ordering procedures. Also watch for periodic articles in the Postal Bulletin that provide new directions and procedures about the self service vending program. A list of self service vending program articles printed in the last year is below. [NOTE: Handbook PO-102 is available on the Corporate Intranet. From the Intranet main page (<http://blue.usps.gov>), look on the right side for "References", then scroll down and left-click on Handbooks, then <Select A Category>= PO, then click on "PO-102, Self Service Vending Operational and Marketing Program."]

Thank you for your help in improving the self service vending program in the Albany District. Questions regarding the vending program should be directed to either Retail Specialist (Sue Nielsen, within area code 315 call 452-3539, outside area code 315 call 1-800-394-7009 OR Walt Huba, within area code 518 call 452-2489, outside area code 518 call 1-800-394-7005).

Susan M. Nielsen

Retail Specialist, Albany District

Attachments: August 2003 Albany District SDO Stamp List of Vending Products  
VESS Vending Equipment Revenue by AP Report

cc: District Manager - w/o attachments

Managers: Marketing, Retail, Post Office Operations, Postmasters with self service - w/o attachments  
Postal Inspectors (Syracuse), Retail Specialist, SDO Supervisor - w/o attachments

<p><b>Vending Service Employees Postal Bulletin References within the past year</b> PB 22108 (8-07-03) p. 55-56 PS Form 8130 Vending Sales and Service Daily Activity Log PB 22108 (8-07-03) p. 85-86 Handbook PO-102 Revision: Miscellaneous Changes PB 22094 (1-23-03) p. 101 Frequency of Handling Funds From Retail Stamp Vending Machines</p>
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**RECORD KEEPING**

This is the ninth year that an informational self service package has been provided to offices.

**Please add this FY 04 self-service informational package to the "vending" file folder that you have created in your office.** If this is the first year with vending equipment responsibility in your office, start a "vending" file folder for reference. Keep copies of the PS 8130s that are submitted.

**Examining Self Service Vending Credit**

"Supervisory personnel must examine the self service vending credit at least once every four months. To avoid setting a pattern, examinations are unannounced and staggered." See Chapter 6 of Handbook PO-102 for further information. Any person (supervisor or manager) responsible for performing a credit examination is recommended to view the video and read/complete the accompanying guide book for *Examining Self Service Vending Credit*, Course#40101-5. Check with your local PEDC staff. PS Form 5445, Stamp Vending Machine Reimbursement Request, is required to be completed to document every refund issued for machine malfunctions of change or product. This form is required to support every refund at the time of credit examination and is required to be retained by the servicing person with their accountability for two years.

5640 EAST TAFT RD  
SYRACUSE NY 13220-9611  
(315) 452-3539  
FAX: (315) 452-3453

**FORMS AND DATA REPORTING**

Enclosed are a fiscal year's supply of PS Form 8130, Vending Equipment Sales and Service Daily Activity Log, for each self service vending location that you service. The information that you report on this form is entered into the Vending Equipment Sales and Service (VESS) Reporting System. Please **verify the accuracy of the pre-printed information** and notify me **if/when** any changes (equipment, location or servicing employee) occur. *Vending equipment information is going to be accessible to the public via a web page so it is extremely important to maintain accurate and up to date equipment/site data.*

Please **discard** any previous PS 8130s that you might have on hand.  
All **FY 04** information is to be recorded on the **green** paper PS 8130s.  
Address labels for sending reports to Syracuse (where the VESS data input is done) are included.

A "Vending Equipment Sales by AP" Report through AP 12 of FY 03 is included for your information and review. **Did you report as required?** Section 713 of Handbook PO-102, Self Service Vending Operational and Marketing Program, explains how to enter information on PS Form 8130. Servicing and revenue **information MUST be recorded** on a PS Form 8130 **when it occurs**.

"A properly trained replacement servicing employee must be identified and utilized during the absence of the servicing employee." (Handbook PO-102, Section 321, Workload) Local management **MUST** ensure the functioning of the self-service equipment and the submitting of reports whenever a servicing employee is absent.

The PS 8130 **MUST** be sent in after the close of business *on the last day of the month*.

**SEMIPOSTAL STAMPS**

PB 22108 (8-7-03) p. 85: Revision to Handbook PO-102 Section 143.3 - "The semipostal stamp packets will be sold through every multicommodity machine in service. Models PCM-1625A and PCM-1625B will fully stock each semipostal stamp by order of date of issue in selection B3 (168 vends), selection C3 (168 vends), and selection D3 (50 vends). The D3 location is to be used for semipostal stamps only if there are three semipostal stamps active at the same time. The specific semipostal item is to be continuously sold in one of these selection positions until the product is withdrawn from sale."

Every PCM-1625B or PCM-1625A Multi-Commodity Machine **must** offer the Breast Cancer Research (Item#367200, AIC 0084, on sale until 12/31/03) **and** the Heroes of 2001 (Item#367400, AIC 0087, *expected* to be on sale until 12/31/04) semipostal stamps. A third semipostal staff (Stop Family Violence) is proposed to be issued in November and vended through all multicommodity machines later this year.

**TRAINING**

There are **two mandatory minimum training** courses for **anyone** servicing postal vending equipment - Servicing Postal Vending Equipment, 55507-01, 12 hours on-the-clock, and Vending Equipment Safety Awareness, 55507-02, 4 hours on-the-clock. Newer equipment requires **additional** training conducted by a Certified Field Trainer (CFT). It is **never** sufficient to have someone show another person how to maintain self-service equipment. Appropriate self service training **MUST** be documented and retained. Whenever a change in the servicing employee occurs, training prerequisites and successful completion of the required courses **MUST** be verified by the servicing employee's post office.

**VENDING STOCK**

Authorized items for self-service vending machines are periodically printed in the Postal Bulletin. For your reference, the August 2003 Albany District SDO Stamp List of Vending Products is attached. Contact District Retail if you are in need of product identifiers for product selections in multicommodity machines.

**[NOTE]:** "Criss-cross products" are **ONLY** to be used in booklet vending machines that are designed to hold the criss-cross packaging. If your booklet machine holds a "straight" stack of stamp booklets, you may **NOT** order the criss-cross booklets.

**FIRST CLASS PHONECARDS**

Every multicommodity machine (PCM-1625B or PCM-1625A) should offer First Class Phonedcards to customers in **at least one** selection.

**ZIP+4 DATA**

Retail Self Service at Headquarters is posting the vending machine equipment locations on a web site that is accessible to the public. The ZIP+4 used **must** reflect the physical location of the equipment.

All offices should be aware that every self service vending servicing person is to **provide complete and accurate information** for each machine that they are responsible for servicing. **Minimum** servicing frequency for any and all pieces of self service vending equipment is found in Exhibit 451.2 of Handbook PO-102, May 1999.

**Postal Inspectors periodically review vending records for completeness and accuracy.**  
Providing improper information is NOT acceptable.

vending.fy04pkg.doc

Redeployment of Vending Machines

Albany District officials could improve their process for redeploying vending equipment that does not meet Postal Service's minimum revenue requirements. Specifically, during FY 2003, our review of vending equipment reports indicated that 78% (203 of 260 machines) did not meet the minimum requirements. Average vending equipment sales totaled approximately \$1.6 million, which was significantly less than the average minimum requirement of \$4 million. As a result, the Albany District may have had a diversion to other retail channels (window operations in particular) of approximately \$795,344 to \$2.4 million dollars by not redeploying this equipment.

Additionally, in the first quarter of FY 2004, our review of vending equipment revenue reports indicated that 70% (185 of the 264 machines) did not meet the minimum revenue requirements. Average vending equipment sales totaled approximately \$337,026, which was significantly less than the minimum revenue requirement of \$835,320. As a result, the Albany District may have had a diversion to other retail channels of approximately \$498,294, by not redeploying the equipment.