October 27, 2004

ALFRED INIGUEZ
VICE PRESIDENT, PACIFIC AREA

SUBJECT: Audit Report – Self-Service Vending Program – Pacific Area
(Report Number DR-AR-05-006)

This is one of a series of audit reports on the Postal Service's Self-Service Program. The report summarizes the results of our self-initiated audits on the Self-Service Vending Program in the Pacific Area (Project Number 04YG016DR000). The information in this area report will be included in a nationwide capping report that will provide the Vice President, Delivery and Retail, an assessment of the Self-Service Vending Program.

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 Service centers and 3,000 other types of vending equipment) that generated over $1.9 billion in revenue during fiscal years (FY) 2001 through 2003. The Pacific Area had 11 percent (3,325) of the nationwide total of vending equipment that generated approximately 22 percent ($144.5 million) of the nationwide total revenue during FY 2003. During the first quarter of FY 2004, the Pacific Area had 11 percent (3,395[1]) of the nationwide total vending equipment that generated approximately $37.3 million in vending revenue. (See Appendix A for equipment and revenue details by district.)

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

[1] During the first quarter of FY 2004, the Pacific Area had 70 additional vending machines.

Vending Program managers effectively redeployed vending equipment that did 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 77 vending machines to determine whether the machines were operational and easily accessible. For the 3,325 vending machines operating in the Pacific Area during FY 2003, 429 were classified as obsolete based on Postal Service guidance, while the remaining 2,896 were classified as current equipment. For the first quarter of FY 2004, 3,395 vending machines were operating in the Pacific Area, of which 439 were classified as obsolete, and the remaining 2,956 were classified as current equipment.

During our audit, we visited Postal Service facilities in the Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts. We interviewed managers and employees; reviewed documentation and applicable policies and procedures; and analyzed data for all Pacific Area District locations in the Postal Service's Vending Equipment Sales and Service System (VESS) for FYs 2003 through the first quarter of FY 2004 to identify obsolete equipment and equipment that did not meet the minimum revenue requirements. Although we relied on data obtained from VESS, we did not test the validity of the data and controls over the system.

Audit work associated with the Pacific Area was conducted from March through October 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, dated June 30, 2004), Self-Service Vending Program - Alabama District (Report Number DR-AR-04-004, dated June 30, 2004), and Self-Service Vending Program - Atlanta District (Report Number DR-AR-04-002, dated 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 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 Pacific Area 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. Officials could increase revenue opportunities by redeploying equipment that does not meet minimum revenue requirements. Our review indicated that 48 percent (1,404 of 2,896) of the vending machines operating in the Pacific Area did not meet the minimum revenue requirements during FY 2003, and the Pacific Area may have missed revenue opportunities totaling approximately $5.62 million to $20.12 million by not redeploying this equipment. Further, Pacific Area officials could possibly reduce maintenance and repair costs by discontinuing the use of obsolete equipment. Additionally, our physical observation of vending machines in the Pacific Area indicated that overall the machines were operational and easily accessible, with two exceptions. These exceptions were presented in a report to the Bay Valley District Manager and are not addressed in this report.

Redeployment of Vending Equipment

Pacific Area officials could improve their process for redeploying vending equipment that does not meet minimum revenue requirements. Specifically, our review of the vending equipment revenue reports for FY 2003 indicated that 47 percent (616 of 1,308) of the vending machines in the Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts did not meet the minimum revenue requirements. Vending equipment sales for these districts were approximately $10.16 million, which was significantly less than the minimum revenue requirement of $19.39 million. As a result, these districts may have missed revenue opportunities of approximately $2.61 to $9.23 million by not redeploying this equipment.[2] (See Appendix B, Table 1 for details.)

Additionally, during the same period, our review of the vending equipment revenue reports indicated that 50 percent (788 of 1,588) of the vending machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts did not meet minimum revenue requirements. Vending equipment sales for these districts were approximately $12.25 million, which was significantly less than the minimum revenue requirement of $23.14 million. As a result, these districts may have missed revenue opportunities of approximately $3.01 million to $10.89 million if district officials did not

[2] 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 $2.61 million 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 $9.23 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.

initiate any redeployment actions for this equipment.[3] (See Appendix B, Table 2 for details.)

During the first quarter of FY 2004, our review of the vending equipment revenue reports in the Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts indicated that 47 percent (626 of 1,326) of the vending machines did not meet the minimum revenue requirements. Vending equipment sales totaled approximately $1.96 million, which was significantly less than the minimum revenue requirement of $4.27 million. As a result, these districts may have missed revenue opportunities of approximately $2.31 million by not redeploying this equipment. (See Appendix B, Table 3 for details.)

During the same period, our review of the vending equipment revenue reports indicated that 51 percent (825 of 1,630) of the vending machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys District locations did not meet minimum revenue requirements. Vending equipment sales for these districts were approximately $2.51 million, which was significantly less than the minimum revenue requirement of $5.34 million. As a result, these districts may have missed revenue opportunities approximating $2.83 million if district officials did not initiate any redeployment actions for this equipment. (See Appendix B, Table 4 for details.)

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 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 December 25, 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 Form 4805, Maintenance Work Order, and move the equipment to a better location.

Bay Valley, Nevada-Sierra, and Santa Ana District officials took action to redeploy ten vending machines,[4] but did not initiate redeployment action for the remaining machines because of concern for the potential adverse impact on customer service, due

[3] The $3.01 million and $10.84 million represent the minimum and maximum total possible missed revenue opportunities respectively, for FY 2003 using the same computation methodology as discussed in footnote 2.
[4] This number includes two machines redeployed in the Bay Valley District, six machines redeployed in the Nevada-Sierra District, and two machines redeployed in the Santa Ana District.

to the nonavailability of required replacement machines. The Sacramento District did not initiate any redeployment action for any of their vending machines. Nevada-Sierra and Santa Ana District officials indicated that the required replacement equipment needed for the redeployable locations had not been allocated to the district locations. Bay Valley and Sacramento District officials also indicated that the Self-Service Vending Program was not the highest priority and limited resources were allocated to the program. Work efforts were directed to higher priorities such as the Mystery Shopper Program. By not taking action to redeploy underperforming equipment, the districts could miss revenue opportunities during the remainder of FY 2004.

District officials expressed concern regarding the Postal Service's methodology to establish minimum revenue requirements, and that current requirements are too high in relation to the machines' geographic locations. We plan to forward this concern to Postal Service Headquarters.

We discussed the results with Pacific Area and 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. Area officials indicated that the Self-Service Vending Program was not the highest priority, and work efforts were directed to higher priorities such as the automated postal centers.[5] Area officials further indicated that plans are being made to reassess vending machine locations based on receipt of the automated postal centers.

Recommendation

We recommend the Vice President, Pacific Area, direct the District and Retail Managers 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.

Management's Comments

Management agreed with the finding and recommendation. Pacific Area management stated that vending coordinators were named in each district who will review revenue reports to identify underperforming equipment, notify postmasters, and redeploy underperforming equipment as often as possible. Monthly status reports will be forwarded to the Area Vending Coordinator, who will review and provide feedback to the District Retail and Marketing Managers for follow up. Management's comments, in their entirety, are included in Appendix D of this report.

[5] 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.

Evaluation of Management's Comments

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

Use of Obsolete Equipment

In FY 2003, Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana District officials continued to use 195[6] 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. Our review of vending equipment revenue reports for the four districts indicated that 94 percent (183 of 195) of these vending machines did not meet minimum revenue requirements during FY 2003. During the first quarter of FY 2004, district officials continued to use 196[7] obsolete machines and 95 percent (187 of 196) of the machines did not meet minimum revenue requirements. Pacific Area and district officials stated that they continued to use and maintain this equipment because of the potential adverse impact on customer service since replacement equipment was not available. As a result, the Pacific Area possibly incurred maintenance and repair expenses that may have exceeded the revenue generated in FY 2003 and the first quarter of FY 2004 by allowing the operation and maintenance of these machines in the four district locations. We were unable to determine the amount of repair and maintenance expenses associated with these machines because the Postal Service does not capture the data for each machine.[8] (See Appendix C, Tables 1 and 3 for details.)

Additionally, during the same period, Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys District officials continued to use 225[9] obsolete machines and possibly incurred maintenance and repair expenses. Our review of the vending equipment revenue reports indicated that 93 percent (209 of 225) of these vending machines did not meet minimum revenue requirements during FY 2003. During the first quarter of FY 2004, these districts continued to use 234[10] obsolete machines and 91 percent (214 of 234) did not meet the minimum revenue requirements. As a result, the Pacific Area possibly incurred maintenance and repair expenses that may have exceeded the revenue generated by allowing the operation and maintenance of these machines in the six district locations. We were unable to determine the amount of repair and maintenance expenses associated with these machines because the Postal

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[6] This number does not include six currency changers that do not generate revenue. They are located in the Sacramento District (five machines) and Santa Ana District (one machine).
[7] This number does not include six currency changers that do not generate revenue. They are located in the Sacramento District (five machines) and Santa Ana District (one machine).
[8] We plan to address this issue in a capping report to Postal Service Headquarters officials.
[9] This number does not include three currency changers that do not generate revenue. They are located in the Los Angeles District (one machine) and San Francisco District (two machines).
[10] This number does not include three currency changers that do not generate revenue. They are located in the Los Angeles District (one machine) and San Francisco District (two machines).

Service does not capture the data for each machine. (See Appendix C, Tables 2 and 4 for details.)

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 reported to the appropriate 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 Pacific Area 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. Pacific Area officials indicated that plans will be made to replace the obsolete machines with current equipment when the new automated postal centers are deployed to the districts.

Recommendation

We recommend the Vice President, Pacific Area, direct the District and Retail Managers 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 and stated obsolete equipment will be removed by the end of FY 2005.

Evaluation of Management's Comments

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

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. 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 W. Demory

Mary W. Demory
Deputy Assistant Inspector General
for Core Operations

Attachment

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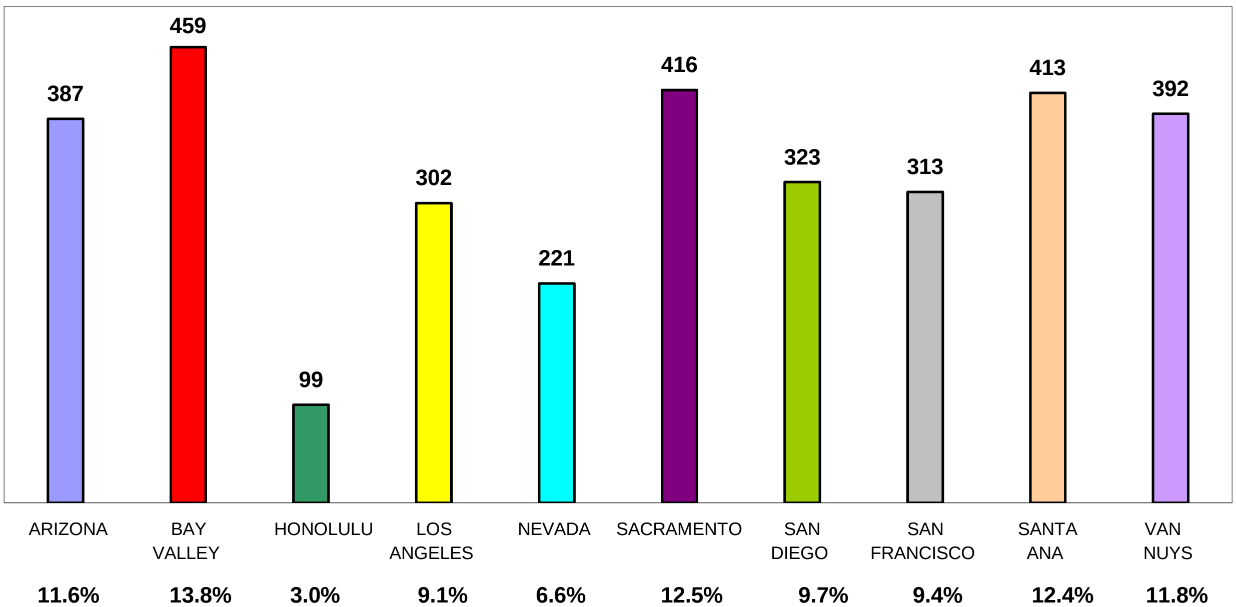
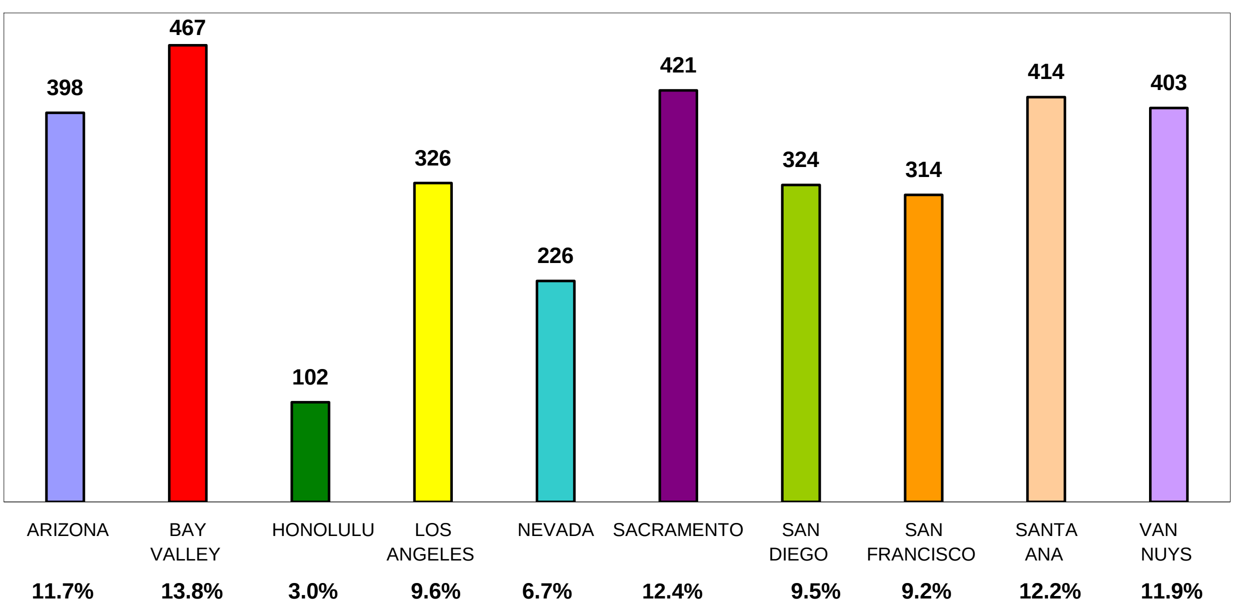
APPENDIX A
VENDING MACHINES AND REVENUE

FY 2003
Pacific Area Vending Machines



Percentage of Total Vending Machines (3,325)

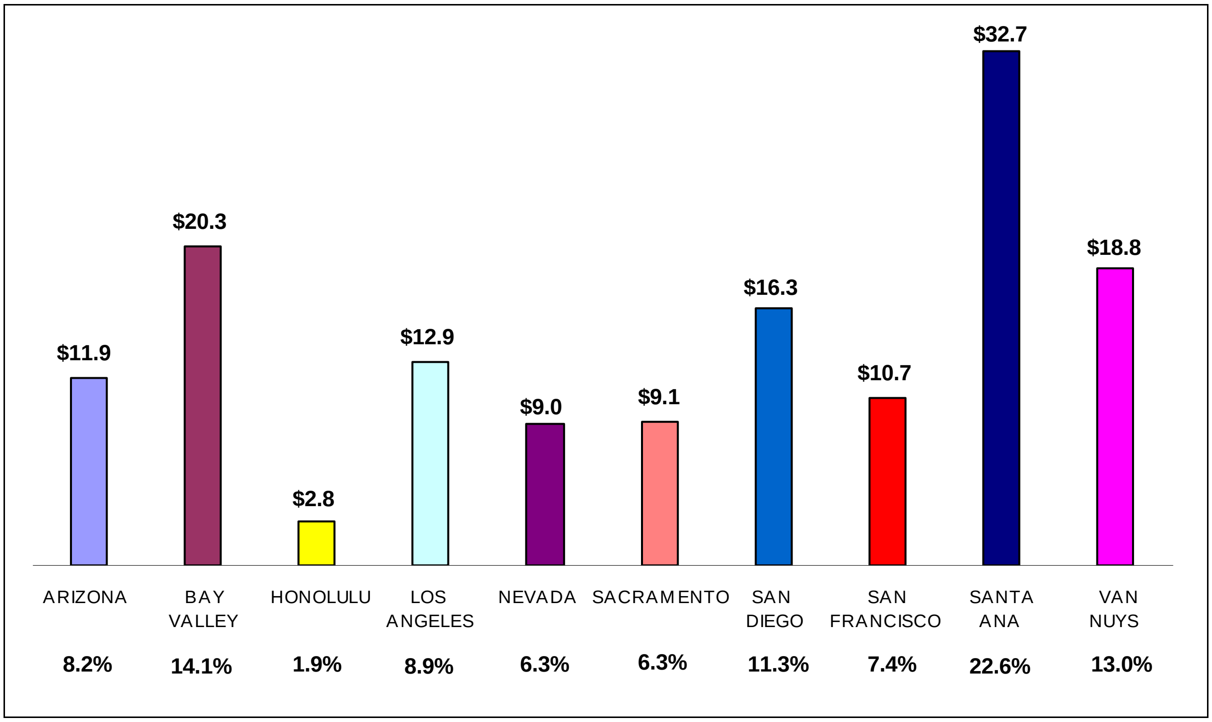
FY 2004 - First Quarter
Pacific Area Vending Machines



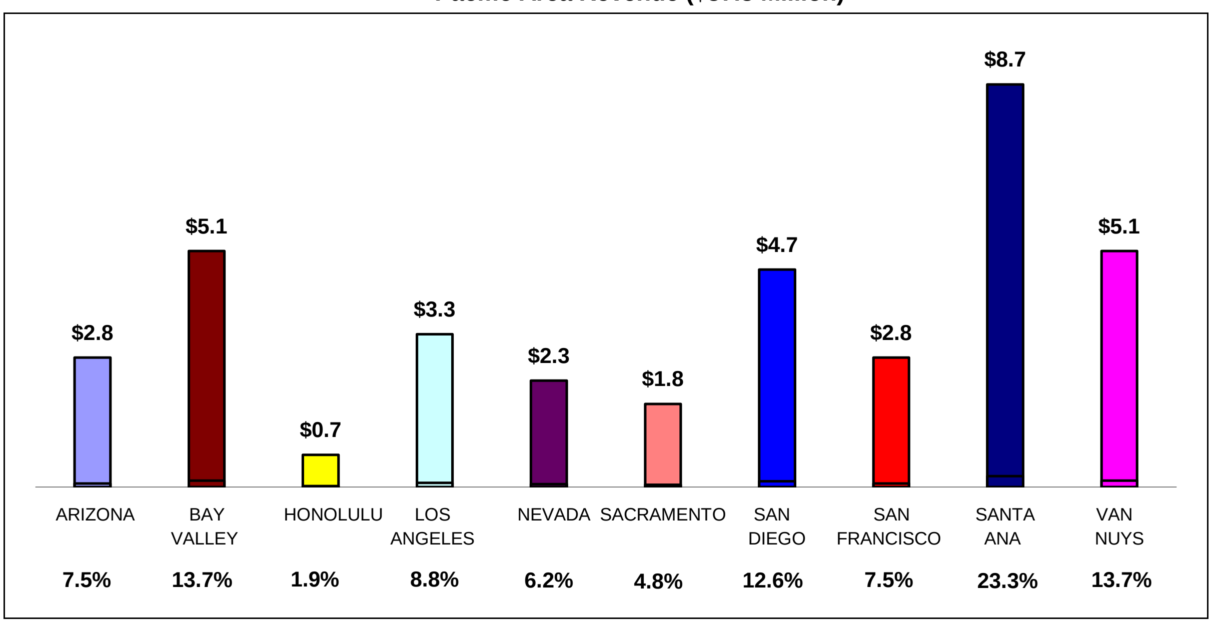
Percentage of Total Vending Machines (3,395)

VENDING MACHINES AND REVENUE (CONTINUED)

FY 2003
Pacific Area Revenue ($144.5 Million)



FY 2004 – First Quarter
Pacific Area Revenue ($37.3 Million)



APPENDIX B
REVENUE ANALYSIS

Table 1

FY 2003 Vending Equipment
Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machines Sales (millions)	Machines Minimum Revenue Requirement (millions)	Minimum Missed Revenue Opportunities (millions)	Maximum Missed Revenue Opportunities (millions)
Bay Valley	415	214	201	$3.50	$6.51	$0.95	$3.01
Nevada-Sierra	187	85	102	1.64	3.15	0.43	1.51
Sacramento	304	97	207	2.91	5.68	0.59	2.77
Santa Ana	402	296	106	2.11	4.05	0.64	1.94
Total	**1,308**	**692**	**616**	**$10.16**	**$19.39**	**$2.61**	**$9.23**

Note: Based on the information in Table 1 above, in FY 2003, 53 percent (692 of 1,308) of the machines in the Bay Valley**,** Nevada**-**Sierra**,** Sacramento**,** and Santa Ana Districts met the minimum revenue requirements, and 47 percent (616 of 1,308) did not meet the requirements.

Table 2

FY 2003 Vending Equipment
Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machines Sales (millions)	Machines Minimum Revenue Requirement (millions)	Minimum Missed Revenue Opportunities (millions)	Maximum Missed Revenue Opportunities (millions)
Arizona	308	119	189	$2.39	$4.43	$0.39	$2.04
Honolulu	95	35	60	0.98	1.94	0.26	0.96
Los Angeles	295	160	135	2.01	3.93	0.62	1.92
San Diego	303	198	105	1.22	2.01	0.22	0.79
San Francisco	239	106	133	2.50	4.61	0.63	2.11
Van Nuys	348	182	166	3.15	6.22	0.89	3.07
Total	**1588**	**800**	**788**	**$12.25**	**$23.14**	**$3.01**	**$10.89**

Note: Based on the information in Table 2 above, in FY 2003, 50 percent (800 of 1,588) of the machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts met the minimum revenue requirements, and 50 percent (788 of 1,588) did not meet the requirements.

REVENUE ANALYSIS (CONTINUED)

Table 3

FY 2004 – First Quarter Vending Equipment
Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machines Sales (millions)	Machines Minimum Revenue Requirement (millions)	Maximum Missed Revenue Opportunities (millions)
Bay Valley	423	223	200	$0.64	$1.33	$0.69
Nevada-Sierra	192	92	100	0.33	0.65	0.31
Sacramento	309	86	223	0.49	1.40	0.91
Santa Ana	402	299	103	0.51	0.90	0.39
Total	**1326**	**700**	**626**	**$1.96***	**$4.27***	**$2.31**

*Difference due to rounding.

Note: Based on the information in Table 1 above, in the first quarter of FY 2004, 53 percent (700 of 1,326) of the machines in the Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts met the minimum revenue requirements, and 47 percent (626 of 1,326) did not meet the requirements.

Table 4

FY 2004 – First Quarter Vending Equipment
Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machines Sales (millions)	Machines Minimum Revenue Requirement (millions)	Maximum Missed Revenue Opportunities (millions)
Arizona	319	115	204	$0.49	$1.09	$0.60
Honolulu	98	33	65	0.18	0.43	0.25
Los Angeles	316	157	159	0.42	1.05	0.63
San Diego	304	207	97	0.18	0.34	0.16
San Francisco	237	103	134	0.51	1.02	0.51
Van Nuys	356	190	166	0.73	1.41	0.68
Total	**1630**	**805**	**825**	**$2.51**	**$5.34**	**$2.83**

Note: Based on the information in Table 2 above, in the first quarter of FY 2004, 49 percent (805 of 1,630) of the machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts met the minimum revenue requirements and 51 percent (825 of 1,630) did not meet the requirements.

APPENDIX C
OBSOLETE EQUIPMENT

Table 1

FY 2003
Obsolete Vending Equipment
Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Bay Valley	44	2	42
Nevada-Sierra	34	1	33
Sacramento	107	5	102
Santa Ana	10	4	6
Total	**195**	**12**	**183**

Note: Based on the information in Table 1 above, in FY 2003, 6 percent (12 of 195) of the machines in the Bay Valley**,** Nevada**-**Sierra**,** Sacramento**,** and Santa Ana Districts met the minimum revenue requirements, and 94 percent (183 of 195) did not meet the requirements.

Table 2

FY 2003
Obsolete Vending Equipment
Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Arizona	79	8	71
Honolulu	4	1	3
Los Angeles	6	1	5
San Diego	20	0	20
San Francisco	72	5	67
Van Nuys	44	1	43
Total	**225**	**16**	**209**

Note: Based on the information in Table 2 above, in FY 2003, 7 percent (16 of 225) of the machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts met the minimum revenue requirements, and 93 percent (209 of 225) did not meet the requirements.

OBSOLETE EQUIPMENT (CONTINUED)

Table 3

FY 2004 – First Quarter
Obsolete Vending Equipment
Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Bay Valley	44	1	43
Nevada-Sierra	34	0	34
Sacramento	107	4	103
Santa Ana	11	4	7
Total	**196**	**9**	**187**

Note: Based on the information in Table 1 above, in the first quarter of FY 2004, 5 percent (9 of 196) of the machines in the Bay Valley, Nevada-Sierra, Sacramento, and Santa Ana Districts met the minimum revenue requirements, and 95 percent (187 of 196) did not meet the requirements.

Table 4

FY 2004 – First Quarter
Obsolete Vending Equipment
Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Arizona	79	6	73
Honolulu	4	1	3
Los Angeles	9	4	5
San Diego	20	0	20
San Francisco	75	8	67
Van Nuys	47	1	46
Total	**234**	**20**	**214**

Note: Based on the information in Table 2 above, in the first quarter of FY 2004, 9 percent (20 of 234) of the machines in the Arizona, Honolulu, Los Angeles, San Diego, San Francisco, and Van Nuys Districts met the minimum revenue requirements and 91 percent (214 of 234) did not meet the requirements.

APPENDIX D. MANAGEMENT'S COMMENTS

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UNITED STATES
POSTAL SERVICE

September 16, 2004

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SUBJECT: Self Service Vending Program – Pacific Area

During Quarter one of FY 2004, the Office of Inspector General (OIG) completed an audit of the Self Service Vending Program in three Pacific Area districts, Bay-Valley, Nevada-Sierra, and Santa Ana. Audits results indicated similar opportunities in each district.

I agree conceptually with the audit findings and following recommendations:

1. Review revenue reports to identify under performing equipment, notify postmasters of vending equipment that generates low revenue and, giving consideration to all feasible alternatives, complete all necessary actions to redeploy under performing equipment as often as possible.
2. Consider all feasible alternatives and complete all necessary actions to eliminate repair and maintenance cost for the obsolete equipment.

The Pacific Area Marketing Manager has taken the following steps to address the audit findings.

1. Vending coordinators have been named in each district. The coordinators are responsible to review revenue reports to identify under performing equipment, notify postmasters of vending equipment that generates low revenue. Under performing equipment where be redeployed as often as possible. Target completion for all machines meeting minimum is end of FY05.
2. Monthly status reports will be forwarded to the Area Vending coordinator, who will review and provide feedback to the District Retail and Marketing Managers for follow up.
3. Obsolete equipment (limited exceptions possible after review) will be removed by the end of FY 2005.

I would like to thank you for the comprehensive information outlined in the Discussion Draft. I assure you that we will take every advantage of the data to increase both revenue and customer satisfaction within the Pacific Area.

Al Iniguez

cc: Winnie Groux, Area Manager Marketing
Annette Goetz, Area Manager Finance

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