December 10, 2004

GEORGE L. LOPEZ
VICE PRESIDENT, SOUTHWEST AREA

SUBJECT: Audit Report – Self-Service Vending Program – Southwest Area
(Report Number DR-AR-05-010)

This is one of a series of audit reports on the Postal Service's Self-Service Vending Program. The report summarizes the results of our self-initiated audit on the Self-Service Vending Program in the Southwest Area (Project Number 04YG024DR000). 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 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 Southwest Area had 13 percent (3,876) of the nationwide total vending equipment that generated approximately 13 percent ($87.3 million) of the nationwide total revenue during FY 2003. During the first quarter of FY 2004, the Southwest Area had approximately 13 percent (3,989[1]) of the nationwide total vending equipment that generated approximately $23.8 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

[1] During the first quarter FY 2004, the Southwest Area had 113 additional vending machines.

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operating costs. Specifically, in this review, we determined whether Self-Service 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 60 vending machines to determine whether the machines were operational and easily accessible. For the 3,876 vending machines operating in the Southwest Area during FY 2003, 618[2] were classified as obsolete based on Postal Service guidance, while the remaining 3,258 were classified as current equipment. For the first quarter of FY 2004, 3,989 vending machines were operating in the Southwest Area, of which 636[3] were classified as obsolete, and the remaining 3,353 were classified as current equipment.

During our audit, we visited postal facilities in the Fort Worth, Oklahoma, and Rio Grande Districts. We interviewed managers and employees; reviewed documentation and applicable policies and procedures; and analyzed data for all Southwest Area district locations in the Postal Service's Vending Equipment Sales and Service System (VESS) for FY 2003 through first quarter of 2004 to identify obsolete equipment and equipment that did not meet the minimum revenue requirements.[4] 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 Southwest Area was conducted from July through December 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 revenue requirements and the districts may have missed revenue opportunities totaling 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.

[2] This number includes seven currency changer machines, which do not generate revenue.
[3] This number includes seven currency changer machines, which do not generate revenue.
[4] Obsolete equipment was not included in the minimum revenue analysis.

Audit Results

Opportunities exist for Southwest 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 63 percent (2,057 of 3,258) of the vending machines operating in the Southwest Area did not meet the minimum revenue requirements during FY 2003 and the Southwest Area may have missed revenue opportunities of approximately $5.9 million to $20.1 million by not redeploying this equipment. Further, Southwest 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 Southwest Area indicated that overall the machines were operational and easily accessible, with few exceptions. These exceptions were presented in a report to the Oklahoma District Manager and are not addressed in this report.

Redeployment of Vending Equipment

Southwest 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 65 percent (1,037 of 1,587) of the vending machines in the Fort Worth, Oklahoma, and Rio Grande Districts did not meet the minimum revenue requirements. Vending equipment sales for these districts were approximately $8.39 million, which was significantly less than the minimum revenue requirement of $17.56 million. As a result, these districts may have missed revenue opportunities of $2.85 to $9.17 million by not redeploying this equipment.[5] (See Appendix B, Table 1 for details.)

Additionally, during the same period, our review of the vending equipment revenue reports indicated that 61 percent (1,020 of 1,671) of the vending machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts did not meet minimum revenue requirements. Vending equipment sales for these districts were approximately $10.58 million, which was significantly less than the minimum revenue requirement of $21.46 million. As a result, these districts may have missed revenue opportunities of $3.02 to $10.88 million if district officials did not initiate any redeployment actions for this equipment.[6] (See Appendix B, Table 2 for details.)

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[5] 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 $2.85 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 $9.17 million represents the maximum total possible missed revenue opportunities for FY 2003 and is calculated by subtracting actual revenues generated from the total of all machine minimum revenue requirements.

[6] The $3.02 and $10.88 million represent the minimum and maximum of total possible missed revenue opportunities respectively, for FY 2003 using the same computation methodology as discussed in footnote 5.

During the first quarter of FY 2004, our review of the vending equipment revenue reports in the Fort Worth, Oklahoma, and Rio Grande Districts indicated that 63 percent (1,045 of 1,648) of the vending machines did not meet the minimum revenue requirements. Vending equipment sales were approximately $1.82 million, which was significantly less than the minimum revenue requirement of $3.87 million. As a result, these districts may have missed revenue opportunities of $2.05 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 56 percent (962 of 1,705) of the vending machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana District locations did not meet minimum revenue requirements. Vending equipment sales for these districts were approximately $2.12 million, which was significantly less than the minimum revenue requirement of $4.46 million. As a result, these district locations may have missed revenue opportunities of $2.34 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.

Fort Worth and Oklahoma District officials did not initiate action for the underperforming vending machines during FY 2003 and the first quarter of FY 2004 because they did not believe it was cost effective. District officials informed the OIG that it was not cost effective to redeploy underperforming machines because the machines generated some revenue. Further, officials stated to the OIG that if the machines were removed, they would be stored in a warehouse where they would not generate any revenue. Additionally, district officials were concerned about the potential adverse impact to customer service due to the nonavailability of vending equipment in their facilities. Rio Grande District officials 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. Also, Rio Grande District officials expressed concern about the potential adverse impact to customer service due to nonavailability of machines. By not taking action to redeploy underperforming vending equipment, the districts may have missed revenue opportunities during the remainder of FY 2004.

District officials stated they did not have any concerns with the Postal Service's methodology to establish minimum revenue requirements. However, Fort Worth and Oklahoma District officials stated that they used the criteria as guidance to manage the Self-Service Vending Program and that although vending machines may not have met minimum revenue requirements; they did generate some revenue and were available for customers. Rio Grande District officials stated that the criteria did not take into account the challenges, resources and coordination efforts required to redeploy vending equipment. We plan to forward these issues to Postal Service Headquarters.

We discussed the results with Southwest Area 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 work efforts were directed to higher priorities such as the automated postal centers and plans are being made to reassess vending machine locations based on receipt of the automated postal centers. Also, area officials believed that Postal Service Headquarter officials should restructure the criteria to focus on other important aspects such as Wait Time in Line rather than the generation of revenue.

Recommendation

We recommend the Vice President, Southwest Area, direct the Districts and Retail Managers to:

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

Management's Comments

Management agreed with our finding and recommendation. Management stated that district officials will review headquarters provided listings of underperforming vending machines for possible removal and relocation beginning January 1, 2005. This effort is in alignment with the National Self- Service and Access Management's Vending Task Force Initiative. This national initiative requires assessment of underperforming equipment not meeting 50 percent of minimum revenue requirements. Districts must complete their reviews to coincide with the task force's implementation schedule, which is still under development. Southwest Area districts will be required to complete this task by March 31, 2005. Management's comments, in their entirety, are included in Appendix D of this report.

Evaluation of Management's Comments

Management's actions taken or planned are responsive to the recommendation and should resolve the issue identified in this finding.

Use of Obsolete Equipment

In FY 2003, Fort Worth, Oklahoma, and Rio Grande District officials continued to use 311[7] 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.[8] Our review of vending equipment revenue reports for the three districts indicated that approximately 95 percent (295 of 311) 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 328[9] obsolete machines and approximately 93 percent (304 of 328) of the vending machines did not meet minimum revenue requirements. District officials stated that they continued to use and maintain this equipment because removing the equipment would not be cost effective. Also, district officials were concerned about the potential adverse impact on customer service since replacement equipment was not available. As a result, the Southwest 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 three district locations. 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.[10] (See Appendix C, Tables 1 and 3 for details.)

Additionally, during the same period, Albuquerque, Arkansas, Dallas, Houston, and Louisiana District officials continued to use 300[11] obsolete machines and possibly incurred maintenance and repair expenses. Our review of the vending equipment revenue reports indicated that 88 percent (264 of 300) 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 301[12] obsolete machines and 91 percent (273 of 301) did not meet minimum revenue requirements. As a result, the Southwest 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 five district locations. 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. (See Appendix C, Tables 2 and 4 for details.)

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[7] This number does not include three currency changers that do not generate revenue.
[8] This policy supplements Maintenance Management Order, 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.
[9] This number does not include three currency changers that do not generate revenue.
[10] We plan to address this issue in a capping report to Postal Service Headquarters officials.
[11] This number does not include four currency changers that do not generate revenue.
[12] This number does not include four currency changers that did not generate revenue.

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

Recommendation

We recommend the Vice President, Southwest Area, direct the District and Retail Managers to:

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

Management's Comments

Management agreed with our finding and recommendation. On November 17, 2004, management directed all district retail managers to notify local maintenance managers that obsolete equipment should not be repaired. Management also stated that due to financial impact to districts, obsolete equipment will be removed through attrition as the equipment becomes inoperable. Additionally, management stated 126 obsolete machines in the Southwest Area are targeted for removal by January 31, 2005, when resources become available and customer service is not impacted. Further, management stated where post offices maintain only one piece of vending equipment that serves an entire community and the equipment has been identified as obsolete, the equipment will not be removed until it becomes inoperable, per the National Vending Task Force.

Evaluation of Management's Comments

Management's actions taken or planned are responsive to the recommendation and should resolve the issue identified in this 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 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 W. Demory

Mary W. Demory
Deputy Assistant Inspector General
for Core Operations

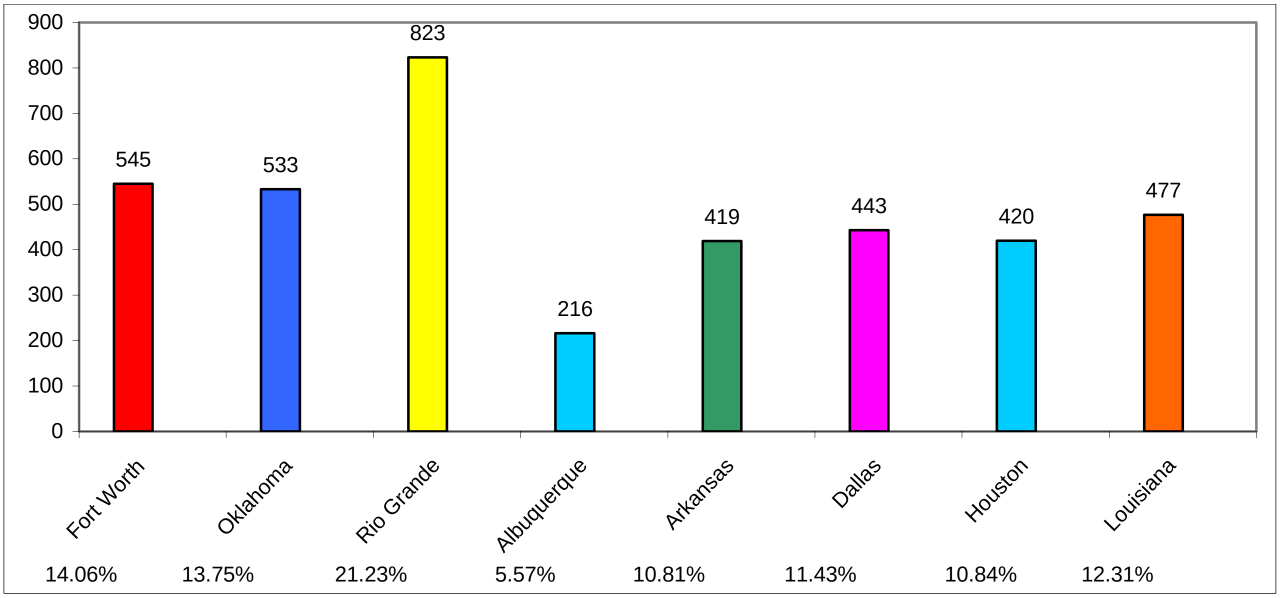
Attachment

cc: William P. Galligan
Steven R. Phelps

APPENDIX A
VENDING MACHINES

Table 1

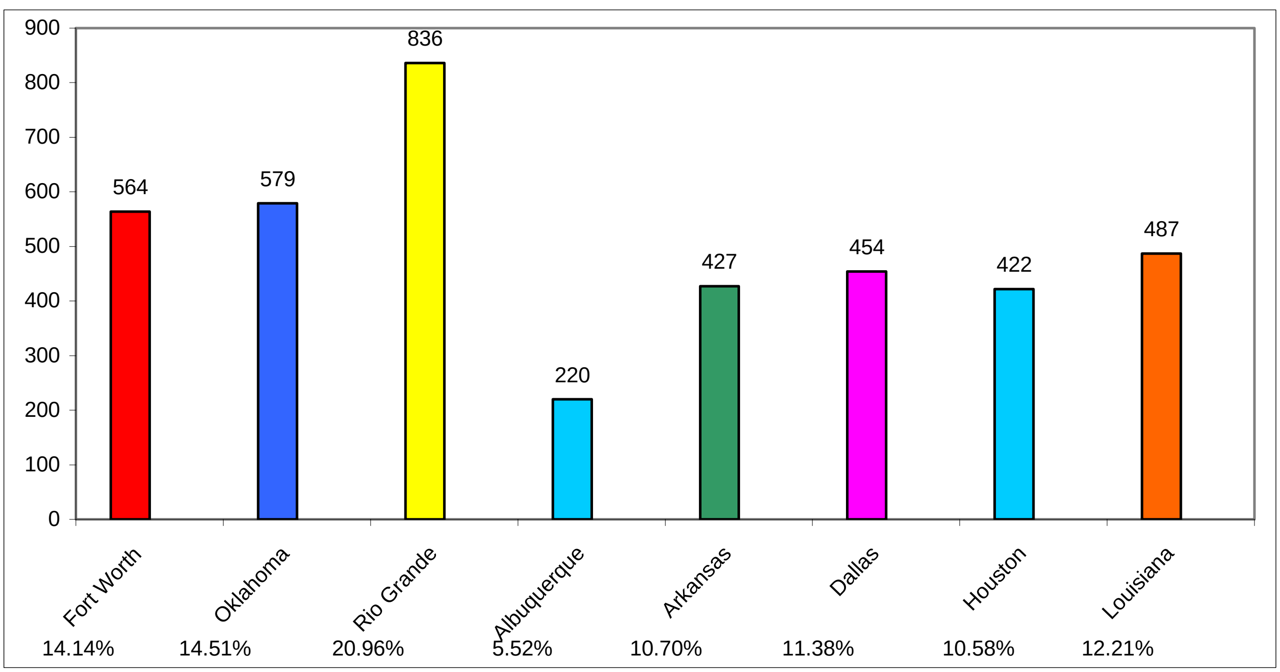
FY 2003
Southwest Area Vending Machines



Percentage of Total Vending Machines (3,876)

Table 2

FY 2004 – First Quarter
Southwest Area Vending Machines

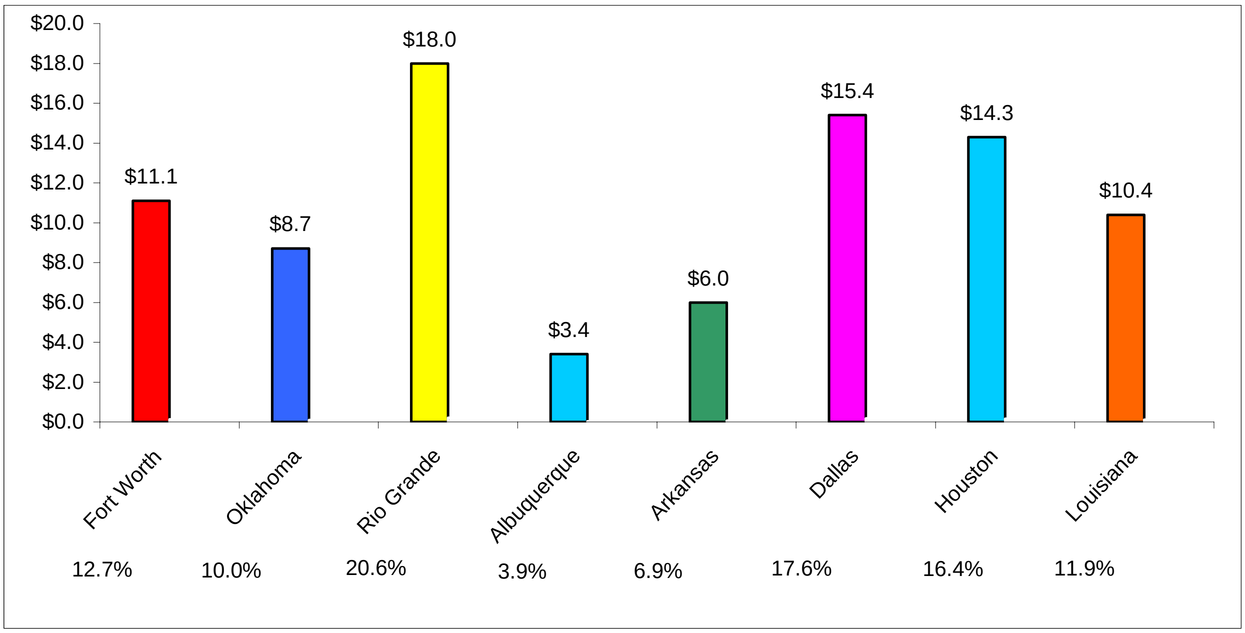


Percentage of Total Vending Machines (3,989)

APPENDIX A
VENDING MACHINE REVENUE

Table 3

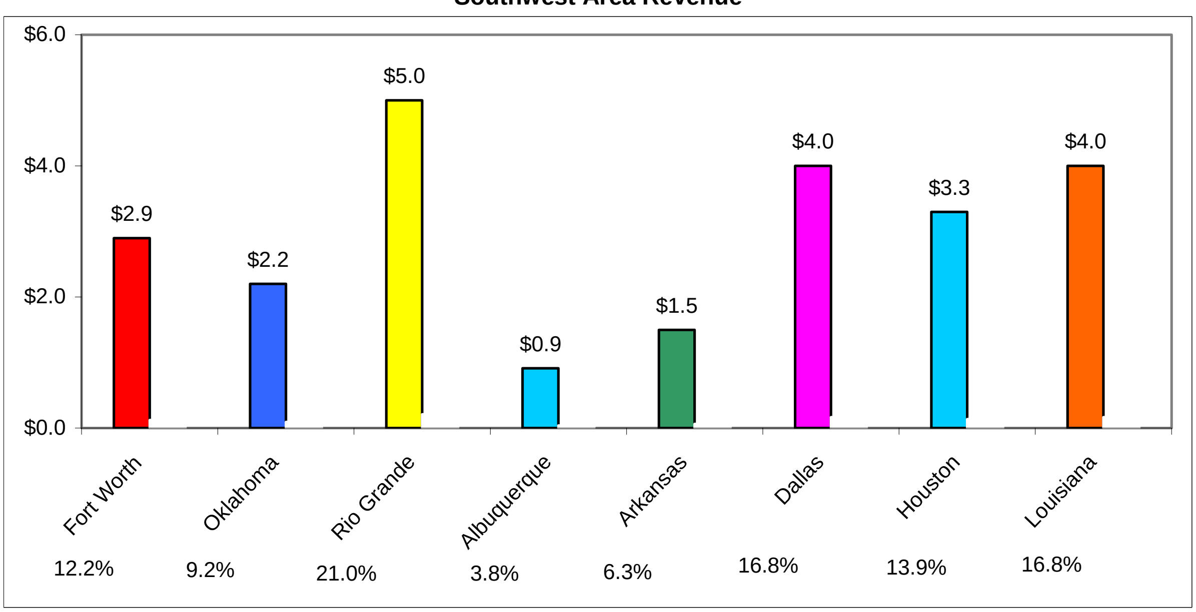
FY 2003
Southwest Area Revenue



Percentage of Total Revenue ($87.3 Million)

Table 4

FY 2004 – First Quarter
Southwest Area Revenue



Percentage of Total Revenue ($23.8 Million)

APPENDIX B
REVENUE ANALYSIS

Table 1

FY 2003
Vending Equipment
Fort Worth, Oklahoma, and Rio Grande Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machine Sales (millions)	Machines Minimum Revenue Requirement (millions)	Minimum Missed Revenue Opportunities (millions)	Maximum Missed Revenue Opportunities (millions)
Fort Worth	437	169	268	$1.99	$4.07	$.66	$2.08
Oklahoma	448	112	336	2.44	5.43	.98	2.99
Rio Grande	702	269	433	3.96	8.06	1.21	4.10
Total	**1,587**	**550**	**1,037**	**$8.39**	**$17.56**	**$2.85**	**$9.17**

Note: Based on the information in Table 1 above, in FY 2003, 35 percent (550 of 1,587) of the machines in the Forth Worth, Oklahoma, and Rio Grande Districts met the minimum revenue requirements and 65 percent (1,037 of 1,587) did not meet the requirements.

Table 2

FY 2003
Vending Equipment
Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machine Sales (millions)	Machines Minimum Revenue Requirement (millions)	Minimum Missed Revenue Opportunities (millions)	Maximum Missed Revenue Opportunities (millions)
Albuquerque	155	37	118	$1.16	$2.91	$.59	$1.75
Arkansas	343	92	251	2.54	5.37	.89	2.83
Dallas	400	182	218	1.92	3.89	.54	1.97
Houston	332	175	157	1.77	3.63	.47	1.86
Louisiana	441	165	276	3.19	5.66	.53	2.47
Total	**1,671**	**651**	**1,020**	**$10.58**	**$21.46**	**$3.02**	**$10.88**

Note: Based on the information in Table 2 above, in FY 2003, 39 percent (651 of 1,671) of the machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts met the minimum revenue requirements and 61 percent (1,020 of 1,671) did not meet the requirements.

APPENDIX B
REVENUE ANALYSIS

Table 3

FY 2004 – First Quarter
Vending Equipment
Fort Worth, Oklahoma, and Rio Grande Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machine Sales (millions)	Machines Minimum Revenue Requirement (millions)	Maximum Missed Revenue Opportunities (millions)
Fort Worth	456	185	271	$.42	$.89	$.46
Oklahoma	482	122	360	.56	1.31	.75
Rio Grande	710	296	414	.84	1.67	.84
Total	**1,648**	**603**	**1,045**	**$1.82**	**$3.87**	**$2.05**

Note: Based on the information in Table 3 above, in the first quarter of FY 2004, 37 percent (603 of 1,648) of the machines in the Fort Worth, Oklahoma, and Rio Grande Districts met the minimum revenue requirements and 63 percent (1,045 of 1,648) did not meet the requirements.

Table 4

FY 2004 – First Quarter
Vending Equipment
Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts

District Locations	Total Current Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement	Total Machine Sales (millions)	Machines Minimum Revenue Requirement (millions)	Maximum Missed Revenue Opportunities (millions)
Albuquerque	158	47	111	$.22	$.60	$.39
Arkansas	351	105	246	.56	1.20	.64
Dallas	411	192	219	.36	.84	.47
Houston	334	166	168	.42	.93	.51
Louisiana	451	233	218	.56	.89	.33
Total	**1,705**	**743**	**962**	**$2.12**	**$4.46**	**$2.34**

Note: Based on the information in Table 4 above, in the first quarter of FY 2004, 44 percent (743 of 1,705) of the machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts met the minimum revenue requirements and 56 percent (962 of 1,705) did not meet the requirements.

APPENDIX C
OBSOLETE EQUIPMENT

Table 1

FY 2003
Obsolete Vending Equipment
Fort Worth, Oklahoma, and Rio Grande Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Fort Worth	108	2	106
Oklahoma	85	5	80
Rio Grande	118	9	109
Total	**311**	**16**	**295**

Note: Based on the information in Table 1 above, in FY 2003, 5 percent (16 of 311) of the machines in the Fort Worth, Oklahoma, and Rio Grande Districts met the minimum revenue requirements and 95 percent (295 of 311) did not meet the requirements.

Table 2

FY 2003
Obsolete Vending Equipment
Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Albuquerque	61	3	58
Arkansas	74	5	69
Dallas	43	4	39
Houston	86	23	63
Louisiana	36	1	35
Totals	**300**	**36**	**264**

Note: Based on the information in Table 2 above, in FY 2003, 12 percent (36 of 300) of the machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts met the minimum revenue requirements and 88 percent (264 of 300) did not meet the minimum revenue requirements.

APPENDIX C
Obsolete Equipment

Table 3

FY 2004 – First Quarter
Obsolete Vending Equipment
Fort Worth, Oklahoma, and Rio Grande Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Fort Worth	108	4	104
Oklahoma	97	3	94
Rio Grande	123	17	106
Total	**328**	**24**	**304**

Note: Based on the information in Table 3 above, in the first quarter of FY 2004, 7 percent (24 of 328) of the machines in the Fort Worth, Oklahoma, and Rio Grande Districts met the minimum revenue requirements and 93 percent (304 of 328) did not meet the requirements.

Table 4

FY 2004 – First Quarter
Obsolete Vending Equipment
Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts

District Locations	Total Obsolete Vending Machines	Machines Meeting Revenue Requirement	Machines Not Meeting Revenue Requirement
Albuquerque	62	2	60
Arkansas	74	5	69
Dallas	43	7	36
Houston	86	13	73
Louisiana	36	1	35
Totals	**301**	**28**	**273**

Note: Based on the information in Table 4 above, in the first quarter of FY 2004, 9 percent (28 of 301) of the machines in the Albuquerque, Arkansas, Dallas, Houston, and Louisiana Districts met the minimum revenue requirements and 91 percent (273 of 301) did not meet the requirements.

APPENDIX D. MANAGEMENT'S COMMENTS

GEORGE L. LOPEZ
VICE PRESIDENT, SOUTHWEST AREA OPERATIONS

UNITED STATES
POSTAL SERVICE

November 22, 2004

KIM H. STROUD
DIRECTOR, AUDIT OPERATIONS
1735 N LYNN ST.
ARLINGTON VA 22209-2020

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

Recommendation #1

The Vice President, Southwest Area, direct the Districts and Retail Managers to:

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.

Response

The Southwest Area agrees with the recommendation. In alignment with the national Self-Service and Access Management's Vending Task Force initiative currently under way, all Southwest Area districts will be reviewing HQ provided listings of 1,626 underperforming vending machines for possible removal and relocation starting January 1, 2005 (see attached listing). The Vending Task Force underperforming criteria is not meeting 50% of minimum revenue requirements. The end date for addressing underperforming vending units will be district specific to coincide with the national Vending Task Force's implementation schedule still under development. However, our internal target at this time will be to have this task completed by March 31, 2005.

Where customer access is not impacted, and when resources permit, 126 vending machines identified in the Southwest Area as obsolete equipment will be targeted for removal from service by January 31, 2005 (see attachment). Postmasters and unit managers will be informed of underperforming equipment and notified of potential equipment removal and redeployments as necessary. Where post offices maintain only one piece of vending that serve entire communities and the equipment has been identified as obsolete, equipment will not be removed until equipment becomes inoperable, per the national Vending Task Force.

Note: OIG report data for numbers of obsolete equipment included counts for PS 53C, designated obsolete in May 2000, MLB-PP-00-004. However, per the national Vending Task Force, these vending machines will not be considered obsolete by HQ Self Service and Access Management until equipment is inoperable and at that time will be subject to removal.

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Audit Report – Self Service Vending Program – Southwest Area
November 29, 2004
Page 2

Recommendation #2

The Vice President, Southwest Area, direct the Districts and Retail Managers to:

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

Response

The Southwest Area agrees with the recommendation. All Southwest Area District Retail Managers have been directed to notify local maintenance that obsolete equipment is not to be repaired. Due to financial impacts to the districts, removal of obsolete equipment will be done through attrition as equipment becomes inoperable.

Should you have any questions regarding this response, please feel free to contact Pamela S. Gleason, Southwest Area Manager Marketing at 214-819-7160.

George L. Lopez

Attachments

UNITED STATES
POSTAL SERVICE

Master Plan - Preparation

List of Under Performing Vending Equipment

Area	PS 53C	PS 53C Mod	PS 53 D	PS 22	PS 22B	PBM 2A	PBM 6	PBM 7	1625 B	PBSM 624	PBSM 624B	TOTAL
New York Metro	16	15	46	27	9	69	85	12	133	50	9	471
Northeast	150	24	194	28	7	116	249	39	188	83	9	1087
Eastern	261	38	219	28	37	231	312	29	108	59	10	1332
Western	320	163	442	52	63	285	735	50	340	190	10	2650
Pacific	268	42	135	33	26	36	136	34	207	92	19	1028
Southwest	388	120	172	32	25	243	393	23	144	72	14	1626
Southeast	156	85	207	31	56	177	227	10	182	85	18	1234
Great Lakes	254	116	262	17	10	148	487	18	149	72	5	1538
Capital Metro	16	15	46	27	9	69	85	11	133	56	9	476
Totals	1829	618	1723	275	242	1374	2709	226	1584	759	103	11442

UNITED STATES POSTAL SERVICE

Master Plan - Preparation

List of Obsolete Vending Equipment

Area	PS 86	PS 53	PS 53 B	PBM 1 & 1A	PBM 2	PBM 4	PBM 5	PCM & CE's	1625 A	SCC 3	Totals
New York Metro	1				6	1			50	2	60
Northeast	2	2	6	1	12			4	35	40	102
Eastern					33				108	5	146
Western	1	1	1		12	1		2	75	7	100
Pacific	4	4	2	2	29	2		1	45	8	97
Southwest		8	8	2	31	3	3	6	57	8	126
Southeast		4	1		7	1			60	14	87
Great Lakes	1	1		1	16			9	69	12	109
Capital Metro		1			46			1	27	9	84
Totals	9	21	18	6	192	8	3	23	526	105	911

[redacted]