



September 7, 2005

WILLIAM J. BROWN  
VICE PRESIDENT, SOUTHEAST AREA

SUBJECT: Audit Report – Automated Deployment Strategy  
(Report Number DR-AR-05-015)

This report presents the results of our self-initiated audit of the Postal Service's Automated Deployment Strategy in the Central Florida District of the Southeast Area (Project Number 05YG004DR000).

### **Background**

In an effort to move simple transactions to post office lobbies and create a new low cost alternative to retail counters, the Postal Service deployed 2,500 automated postal centers (APCs) during fiscal year (FY) 2004. As of July 26, 2005, the 2,500 APCs have generated revenue of approximately \$262 million.<sup>1</sup>

The APCs were designed to provide customers with 24-hour, 7 day-a-week access to Postal Service products and services, reduce customer wait time in line by providing alternative access to Postal Service products and services such as Priority Mail and Express Mail, and reduce the cost of selling products and services by diverting transactions away from the retail counter. APCs let customers weigh and ship letters, flats, and small packages up to 70 pounds and pay with a debit or credit card. Customers can also look up ZIP Codes, initiate change-of-address actions, purchase stamps, and track delivery confirmation.

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

The objective of our audit was to determine the adequacy of the Postal Service full-scale APC deployment strategy in the Central Florida District. Specifically, we determined whether Postal Service officials adequately placed APCs in district facilities during the FY 2004 deployment, and redeployed older vending machines replaced by APCs.

---

<sup>1</sup>Vending revenue from Postal Service's Retail Data Mart/Accounting Data Mart systems.

We performed our audit in the Central Florida District<sup>2</sup> of the Southeast Area, since it had the largest number of APCs (67) in place for the longest period of time, and was the initial test site for the APCs during FY 1999. We reviewed data from applicable database systems to obtain the district's FY 2003 through the first quarter of FY 2005 data for walk-in revenue associated with self-service platform products and wait time in line. Also, we physically observed a sample of 22 APCs in the Central Florida District to observe the facility type, size, and location and to determine if the APCs were operational and easily accessible.

We reviewed reports, work orders, and deviation forms to validate that Postal Service officials properly followed procedures for removal of older vending machines in the Central Florida District that were replaced with an APC. We also reviewed documentation and policies and procedures pertaining to APC placement, visited Postal Service facilities in the Central Florida District, and interviewed managers and employees.

This audit was conducted from November 2004 through September 2005, in accordance with generally accepted government accounting standards and included such tests of internal controls as considered necessary under the circumstances. Although we relied on data obtained from the Retail Data Mart System, we did not test the validity of this data and controls over the system. We discussed our observations and conclusions with appropriate management officials and included their comments where appropriate.

### **Prior Audit Coverage**

The Office of Inspector General has issued four audit reports related to the objective of this audit.

Fiscal Year 2005 Financial Installation Audit – Claremont Station Automated Postal Center - Everett, Washington (Report Number FF-AR-05-055, dated February 4, 2005). The report stated that the Everett Post Office did not fully implement controls over APC storage and kiosk inventories.

Automated Postal Center Program Management (Report Number CA-AR-05-001, dated December 21, 2004). The report stated the APCs deployed generally met requirements; however, they were missing four functional capabilities described in the approved Decision Analysis Report (DAR).

Self-Service Platform (Report Number DA-MA-04-001, dated December 18, 2003). The report stated that APC capital investment costs may exceed the

---

<sup>2</sup>Project number 05YG004DR001.

approved \$95.43 million capital funding level because the Postal Service incurred costs for items not estimated in the DAR. The process for selecting APC deployment sites needed improvement. In addition, the report noted three areas of concern including lobby mailbox collection, identification of Express Mail acceptance times, and universal service language options.

## Results

Central Florida District officials adequately placed APCs in district facilities during the FY 2004 deployment. In addition, officials redeployed older vending machines replaced by APCs. Therefore, we are making no recommendations that require management's comments.

### **Automated Postal Center Deployment**

Postal Service officials adequately placed the APCs in district facilities during FY 2004. Officials placed them in facilities based on the walk-in revenue associated with the self-service platform products, wait time in line, and facility type, size and location. Prior to installing the 67 APCs, the 65 district facilities<sup>3</sup> generated 66 percent of the district's total revenue (\$41 million/\$63 million)<sup>4</sup> during FY 2003. In addition, these facilities had an approximate wait time in line of six minutes,<sup>5</sup> which was two minutes higher than the average wait time for the remaining locations. After placement of the APCs in FY 2004, the 65 district facilities' revenue increased from \$41 to \$141 million, and the approximate wait time in line decreased from six to three minutes. In addition, our physical observations of 22 of the 67 APCs indicated that the machines were easily accessible, operational, and placed in post office lobbies based on available space.

In March 2005, during our audit, Postal Service officials identified 3,000 potential new Postal Service facilities, nationwide, that could receive APCs during future deployments, at an estimated cost of approximately \$30 million.<sup>6</sup> We plan to review the Postal Service's future deployment plans and strategy for these APCs in a separate audit.

---

<sup>3</sup>There are 65 facilities that have APCs; two of the facilities have two APCs which totals 67 APCs in the Central Florida District.

<sup>4</sup>The remaining facilities that did not receive APCs generated total walk-in revenue of approximately \$21 million.

<sup>5</sup>There are 175 post offices in the Central Florida District. Mystery shopper data is not available for all 175 because they do not evaluate all facilities; therefore, data was only available for 115 facilities in the Central Florida District (64 APC locations and 51 non-APC locations) to arrive at an average wait time in line. The approximate wait time in line for the remaining locations was four minutes.

<sup>6</sup>Postal Service officials stated the cost for each APC for Phase 2 is estimated at \$10,000 per machine. Phase 2 deployment consists of 3,000 machines x \$10,000 = \$30 million.

## Vending Machine Redeployment

As of January 2005, Postal Service officials redeployed 88 percent of the older vending machines in the Central Florida District replaced by APCs. Postal Service officials were also in the process of redeploying the remaining 12 percent. We reviewed reports, work orders, and deviation forms to determine whether or not proper procedures were followed for removing the older vending machines that were replaced with an APC. We found that Postal Service officials removed older vending machines and completed the required forms<sup>7</sup> to redeploy these machines.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Rita F. Oliver, Director, Delivery and Retail, or me at (703) 248-2300.

/s/ Mary W. Demory

Mary W. Demory  
Deputy Assistant Inspector General  
for Core Operations

cc: Ellis A. Burgoyne  
Janet L. Webster  
Peter G. Captain  
Steven R. Phelps

---

<sup>7</sup>When an APC is installed at a Postal Service facility, obsolete equipment should be removed. If there is a Model PBSM-624 or PCM-1625, it should be relocated. The quantity of vending machines to be relocated/disposed of is dependent upon the equipment on site. If a Postal Service facility wants to deviate from this requirement, they are required to complete a deviation form.