

# USPIS Postal Police Officer Services and Functions Recommendations

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# Revision History

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Version	Date	Description of Updates
1.0	03/01/2021	Initial Draft
2.0	03/11/2021	Updated to incorporate USPIS feedback
3.0	03/15/2021	Updated to clarify language

# Table of Contents

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<b>1.0</b>	<b>Executive Summary .....</b>	<b>1</b>
<b>2.0</b>	<b>Introduction.....</b>	<b>2</b>
<b>3.0</b>	<b>Current State Baseline Analysis.....</b>	<b>2</b>
<b>4.0</b>	<b>Benchmarking Analysis .....</b>	<b>5</b>
<b>5.0</b>	<b>Opportunities Assessment .....</b>	<b>10</b>
<b>6.0</b>	<b>Conclusion .....</b>	<b>17</b>

## 1.0 Executive Summary

As the dedicated law enforcement arm of the U.S. Postal Service (Postal Service), the U.S. Postal Inspection Service (Postal Inspection Service) conducts criminal investigations concerning mail theft, mail fraud, robberies, workplace violence, the mailing of prohibited items and any criminal attempt on the Postal Service. The mission of the Postal Inspection Service is to support and protect the Postal Service and its employees, infrastructure, and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure public trust in the mail.

To assist in this mission, the Postal Inspection Service utilizes Postal Police Officers (PPO), who are the armed uniformed division of the Postal Inspection Service. PPO performs a variety of duties pertaining to the security of postal buildings, personnel, property, mail, and mail-in-transit.

While Postal Police Officers have been a critical part of the Postal Inspection Service's efforts to protect employees, customers, facilities, and the mail, it is our understanding that the services and functions provided by the PPO organization may be costly and inefficient. Past Office of Inspector General (OIG) studies have recommended that a reduction in security force costs could be achieved with a contract security force. Considering these findings and recommendations, the Postal Inspection Service has requested an independent comprehensive review and evaluation of the PPO organization to objectively evaluate potential sourcing alternatives to the services and functions provided by the PPO.

During our independent study, we found that the Postal Inspection Service can yield cost savings through outsourcing a portion of or all PPO duties. We identified and produced a prioritized list of alternatives which the Postal Inspection Service can choose from to realize these potential cost savings and to improve efficiencies. The alternatives include:

**Alternative 1:** Maintain major metropolitan divisions, outsource smaller or less incident-prone divisions

**Alternative 2:** Maintain supervisor positions, outsource officer positions

**Alternative 3:** Fully outsource all PPO positions

Through analyzing each of the possible alternatives, we recommend that the Postal Inspection Service choose Alternative 1, maintaining PPO staff at the major metropolitan and high-incident divisions and facilities (*New York, Los Angeles, Washington, and Chicago divisions, National Headquarters, and the Puerto Rico field office*) while outsourcing PPO roles and duties at the smaller or less security incident-prone divisions and facilities. **Alternative 1 provides a range of potential cost savings between \$13.7M and \$16.2M annually, with a most likely savings of \$15.0M.** This equates to a five-year range of savings between \$70.5M and \$83.6M.

While other alternatives provide greater potential cost savings, we recommend Alternative 1 as it provides the greatest total benefit with the least risk to the Postal Inspection Service. We considered qualitative factors when developing our prioritized list of opportunities and accounted for other benefits, risks, and pitfalls for each. Alternative 1 helps the Postal Inspection Service to realize potential cost savings and improve their efficiencies across the organization.

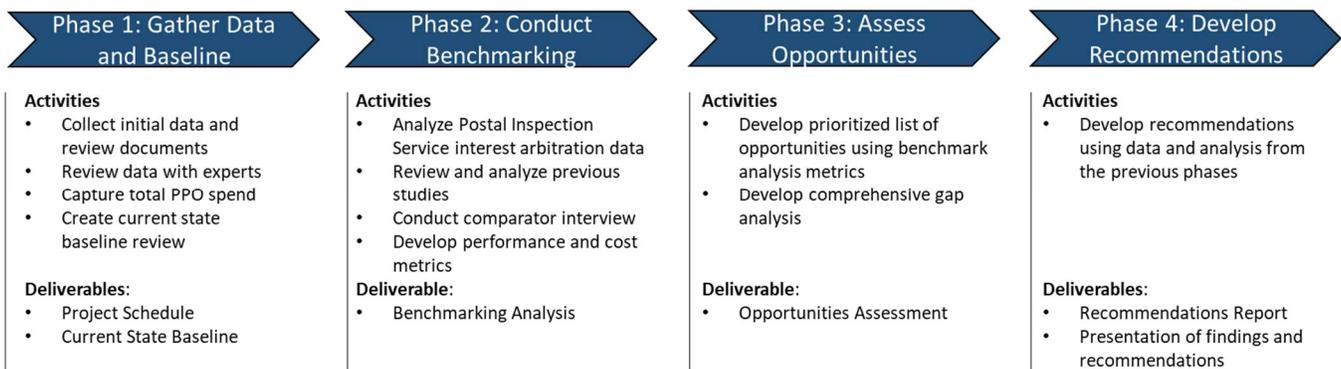
We conducted the independent study using a three-phased approach: 1) developing the current state baseline, 2) conducting benchmarking analysis, and 3) assessing and prioritizing opportunities. During these phases we developed the following additional recommendations and ranked them in order of impact to the organization:

1. **Analyze the potential impact of technology modernization on total force size** at facilities where technological deterrents are sufficient for guarding facilities during certain tours and can potentially reduce the workforce.
2. **Consider conducting additional analysis into the current role of Inspectors** and their workload, and the potential impact implementing Alternative 1 will have on them and the rest of the organization.
3. **Increase and standardize (where appropriate) the spans of control across divisions** to right size the current management organizational structure. The current state baseline showed that there is inconsistency among spans of control across the divisions.
4. **Develop and distribute a comprehensive communications plan** clearly outlining the upcoming changes and the reasoning for the changes to garner stakeholder buy-in.

## 2.0 Introduction

The Office of Inspector General (OIG) previously recommended that the Postal Inspection Service consider supplementing or replacing their Security Force with contract security. The Postal Inspection Service requested an independent assessment of the potential cost savings and contracting opportunities available to them.

We undertook an organizational structure and process review to understand the PPO current state, conducted benchmarking activities, assessed and prioritized opportunities, and developed recommendations for the Postal Inspection Service to realize potential cost savings and efficiency improvements. Figure 1 provides a visual representation of the independent study structure and process review. The following sections provide additional detail into the approach and findings from each phase of the study.



**Figure 1. PPO Structure and Review Process**

This document outlines our recommendations and details the phases and processes we took to arrive at them. Additional detail surrounding each of the phases is included in analysis reports and briefings submitted to the Postal Inspection Service during this task order. The reports and briefings included:

**Table 1. Independent Assessment Analyses**

Analysis	Description
Current State Baseline	Analyzed the Postal Inspection Service labor spans and layers relationships, captured the total annual PPO spend, and identified common themes across the organization
Benchmark Analysis	Developed cost and performance metrics through analyzing Postal Inspection Service data, studies we have previously conducted, and through a comparator interview
Opportunities Assessment	Developed a prioritized list of opportunities based on the benchmark analysis to identify areas of potential cost savings and efficiency improvements to close gaps compared to industry comparators

## 3.0 Current State Baseline Analysis

To analyze the current state baseline of PPO, our team conducted a spans and layers analysis of the existing organization structure. Labor spans and layers analysis provides insight into the number of levels of management and the number of employees that report to each level.

We examined organizational charts for each PPO division to identify the average management structure across both site and management positions. From there, we compared the spans of control (SOC) of PPO managerial positions to averages across the industry. By conducting the current state baseline analysis, we developed a firm understanding of the current managerial structure within each PPO division. More specifically, this analysis indicates how well PPO does in comparison to industry averages on the number of subordinates for various levels of work complexity.

### 3.1 Labor Spans of Control Relationships

The average spans of control among the different divisions is inconsistent, which indicates that PPO does not have a standard management structure throughout its regions.

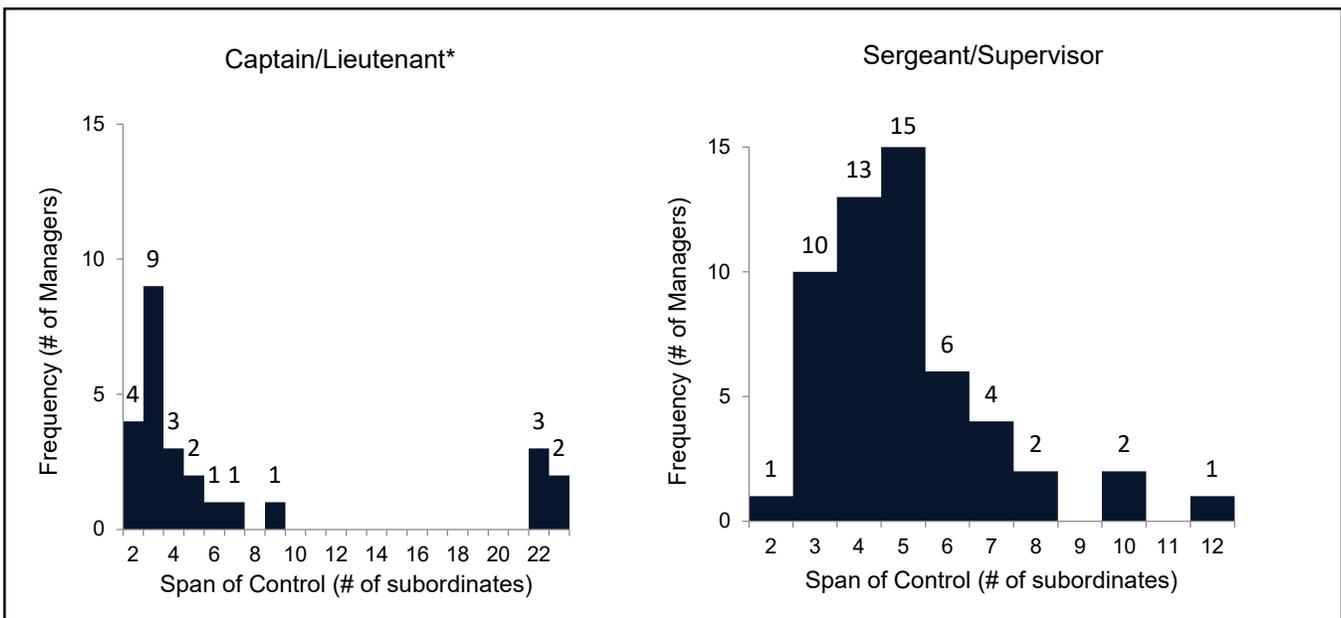
**Table 2. Divisional Average Spans of Control**

Division	Average SOC	# Layers	Division	Average SOC	# Layers
<b>Total PPO</b>	<b>5.9</b>	<b>3</b>	Los Angeles	7.5	2
National HQ	5.3	2	Miami	4.0	2
Atlanta	3.9	3	New York	19.5	2
Boston	3.8	2	Newark	6.3	3
Chicago	4.8	3	Philadelphia	3.5	2
Detroit	3.5	2	Pittsburgh	4.0	3
Fort Worth	4.0	2	San Francisco	5.3	2
Houston	5.0	3	Washington	5.0	3

Initially, we compared PPO using typical benchmark ranges for non-complex, moderately complex, and highly complex work environments. During the benchmarking analysis phase, we were able to get more specific industry data to use as a comparison for PPO. Analyzing comparator data shows that PPO is *slightly lower but in-line* with industry comparators. However, PPO could **increase** their span of control and standardize across divisions to help right size the management organization.

We also analyzed the typical benchmark ranges for each level of management at PPO<sup>1</sup>, reviewing job descriptions and complements to better understand PPO’s span of control for each role. We applied the typical benchmark ranges to these roles as comparators did not have detailed enough information to develop more specific parameters for measuring each role. Across supervisory levels, the average span of control for PPO staff is on the low-normal end of industry average.

**Figure 1. Span of Control Distribution Among Managerial Roles**



<sup>1</sup> \*The New York Division organizational chart did not provide a clear breakdown of PPO alignment to their supervisors, so this analysis split them equally among the five CPT/Lt. listed in the chart at the 22 and 23 SOC range.

Depending on their grade (EAS-18, EAS-19, or EAS-21), Captains are authorized a complement of between 1-35, 36-60, or 60 or more subordinates, to include supervisors. According to the organizational charts, Captains’ entire pyramids generally fall into this role description range and show that they have fewer than 10 direct subordinates across the divisions (apart from New York). The direct supervision level is close to within the typical benchmark range of 5-8 subordinates for high complexity work as Captains focus on leading the entire divisional security force and rely on their subordinates for administrative actions such as remediating training and **career guidance** of Postal Police Officers.

Lieutenants are authorized a complement of between 1-35 or 36-60 subordinates depending on their grade (EAS-18 or EAS-19). EAS-18 grade Lieutenants are responsible for reviewing their Sergeant’s work, falling more in line with moderately complex work. Lieutenants are rarer than Captains in the PPO organization, but still fall below the typical benchmark range of 10-12 subordinates for moderately complex work.

The Sergeant is the first-line supervisor of PPOs. The sergeant also provides necessary guidance to PPOs who are deficient in some area of their work and provides **remedial training** as needed. Given that Sergeants are responsible for this level of control of a subordinate’s work, they fall more in line with a moderately complex management structure. Per the span of control chart on the previous slide, most PPO Sergeants supervise less than eight (8) officers, which is lower than the typical benchmark range of 10-12 for moderately complex work.

### 3.2 Total PPO Spend

Part of the current state baseline was capturing the total annual PPO spend. Table 3 provides the total costs based on the costs from the National Payroll Hour Summary Report for both Security Force, Bargaining and Security Force, Non-Bargaining for the current level of staffing and **accounts for vacancies**, as well as the total **contract security spend for PPO**. These costs were built into the comprehensive cost model and pulled costs from FY2018-19 in order to ensure FY20 and later costs are reasonable. The below table projects costs out to FY25. Costs in FY22-FY25 are escalated based on Postal Service-provided documents; 3.33% for labor costs and 2.6% for non-labor costs.

**Table 3. Total PPO Annual Spend**

Cost Categories	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Officer Labor and Non-Labor Costs	\$41.6M	\$41.8M	\$40.4M	\$42.7M	\$44.1M	\$45.6	\$47.1M	\$48.7M
Supervisor Labor and Non-Labor Costs	\$11.4M	\$11.0M	\$11.2M	\$11.9M	\$12.3M	\$12.7M	\$13.2M	\$13.6M
<i>Subtotal</i>	<i>\$53.0M</i>	<i>\$52.8M</i>	<i>\$51.6M</i>	<i>\$54.7M</i>	<i>\$56.5M</i>	<i>\$58.3M</i>	<i>\$60.3M</i>	<i>\$62.2M</i>
Vendor Costs	\$16.9M	\$17.6M	\$20.9M	\$23.0M	\$23.6M	\$24.2M	\$24.9M	\$25.5M
<b>Total Cost</b>	<b>\$69.9M</b>	<b>\$70.5M</b>	<b>\$72.5M</b>	<b>\$77.7M</b>	<b>\$80.1M</b>	<b>\$82.6M</b>	<b>\$85.1M</b>	<b>\$87.8M</b>

The current state baseline analysis provides context into both the managerial structures within divisions and annual cost summary of PPO. This analysis also provides us further clarity on how the current state of PPO’s spans of control are in comparison to industry averages for managerial roles. We build upon this comparative analysis further in the benchmarking analysis.

## 4.0 Benchmarking Analysis

Our benchmarking analysis examined the expected workload, scale, complexity, processes, cost, staffing, or a combination of such for each comparator to determine how PPO compares to these analogous agencies and firms and helps to identify potential alternative sourcing opportunities for PPO.

The Postal Inspection Service gathered comparative data through relationships with agencies who have already selected and implemented alternate contracting strategies. The Postal Inspection Service provided this data to us for review. The data came in the form of summary graphics, sample job descriptions, and salary and benefit information. The background raw data was not available for review, so we used the summary data as provided. We also leveraged our previous studies for a comparison of agencies that use in-house police and guard forces. Additionally, we conducted an interview with a private sector firm that strictly uses outsourced guards for patrol and security functions. This data allowed us to conduct benchmarking for the PPO organization and determine if the Postal Inspection Service may yield cost savings or performance efficiencies through implementing a similar contracting strategy as these comparator organizations.

We analyzed the data the Postal Inspection Service provided as used in previous benchmarking assessments performed after the 2011 OIG Report and the 2020 Interest Arbitration hearings. Additionally, we leveraged data from previous studies and client engagements. Finally, we conducted market research through open source documentation and facilitated an interview with an analogous firm that has completely outsourced their security guard force. The types of comparators used in this analysis include security firms, university campus police and guards, medical centers, museums, government agencies, and private firms. These comparators employ security guards, police officers, or a combination of both.

**Table 4. Comparator Descriptions and Guard/Police Employment Structure**

Agency/Firm	Guard/Police Force Duties	In-House/Outsourced	Data Source
[REDACTED]	Industry security service. Guards respond to emergency situations, control facility access, protect assets, observe, and report activities and incidents, patrol facilities, provide access control, maintain detailed logs, and carry firearms. <b>Complexity: Medium to High</b>	Outsourced	Interest Arbitration
[REDACTED]	A hospital employing a security force. Guards provide for the safety and security of all facility employees, patients, visitors, and property, perform patrols, respond to emergencies, assist outside agencies with investigations, perform safety checks, enforce security policies and procedures, and monitor security systems. <b>Complexity: Medium</b>	Outsourced	Interest Arbitration
[REDACTED]	A private university employing a security force. Guards patrol campus and facilities, protect students, faculty, and visitors, ensure safety of the campus, investigate, maintain written reports, and provide general assistance to security guards and traffic monitors. <b>Complexity: Medium</b>	Outsourced	Interest Arbitration
[REDACTED]	Campus police perform similar duties across these universities. Guards respond to emergency and non-emergency calls, secure and patrol buildings, conduct traffic stops and issue citations, collect and secure evidence from crime scenes, observe activities of suspects, write detailed reports and logs, and testify in court. <b>Complexity: Medium</b>	In-House	USPIS POC
[REDACTED]		In-House	USPIS POC
[REDACTED]		Mixed	USPIS POC
[REDACTED]		In-House	USPIS POC
[REDACTED]		In-House	USPIS POC
[REDACTED]		Mixed	USPIS POC
[REDACTED]		In-House	USPIS POC
[REDACTED]	Publicly funded museum organization with thousands of visitors per day. Guards and police officers protect artwork,	In-House	Previous Studies

	secure and patrol the building, control building access, respond to emergency situations, hold offenders for arrest, carry firearms, and protect personnel. <b>Complexity: Medium</b>		
Anonymous B	Government agency providing essential services to the public that houses large sums of money at all times. Police officers secure and patrol facilities, control facility access, protect personnel and assets, respond to emergencies, and carry firearms. <b>Complexity: High</b>	In-House	Previous Studies
Anonymous C	Government agency with facilities performing science, technology, engineering, national security, international affairs, and business activities. Guards secure and patrol facilities, control facility access, carry firearms, and protect personnel and assets. Guards require top-secret-level security clearance and special tactical training. <b>Complexity: High</b>	In-House	Previous Studies
Anonymous D	Large firm employing 25k+ personnel housing sensitive and secret information and client products. Guards secure and patrol facilities, control facility access, escort visitors, monitor front desk, provide hostile termination presence, monitor cameras, respond to emergencies, carry firearms, and perform other security duties. Guards require secret-level security clearances. <b>Complexity: Medium</b>	Outsourced	Comparator Interview

### 4.1 Hypotheses

During this analysis, we developed hypotheses to test in the next phase of the task order. The first hypothesis is that if the Postal Inspection Service chooses to outsource a portion of or all PPO duties, then they will realize cost savings by avoiding accruing employee benefits and future retirement costs. However, as considered in previous studies and research conducted by the Postal Inspection Service, cost savings or the shifting of certain liabilities to a private firm may not outweigh the loss of direct control over the security force.

The second hypothesis is that if the Postal Inspection Service decides to outsource a portion of or all PPO duties, then outsourcing firms will be able to provide the flexibility and scalability needed to fulfill the requirements of the Postal Inspection Service. Previous data gathering efforts, comparator interviews, and industry knowledge assume that the Postal Inspection Service will be able to seek bids from multiple large-scale security firms capable of meeting the Postal Inspection Service’s requirements.

We tested these hypotheses during the benchmark analysis and opportunities assessment. We included additional analysis around the qualitative factors the Postal Inspection Service needs to consider when making the decision for moving forward with outsourcing its security force. Based on the assessment of opportunities, **these hypotheses hold true.**

### 4.2 Findings

Table 5 shows the performance and cost metrics used to compare the PPO current state baseline delivered on January 12, 2021. Some information for comparators was not available due to lack of data or sensitivity issues. Table rows without data points are marked with an ‘X.’ The additional campus police information was not included in Table 5 for space saving purposes and because the only data point available was the average guard salary.

In addition to cost, management layers and spans of control, headcount, scale, and complexity, we compared the roles and responsibilities of each comparator officer or guard to ensure the analogous agencies performed similar duties to those of PPO. Table 6 provides the breakdown of typical PPO responsibilities and indicates if each comparator performs that duty.

Detailed comparator work processes were not available during this analysis. However, job descriptions, knowledge from previous studies, and open source information provided us with a clear enough picture to determine that general processes and procedures across the comparators are similar to PPO, adding an additional indicator that these agencies and firms were well matched as comparator organizations.

**Table 5. Comparator Analysis**

Comparator	PPO (Current Headcount)	Anonymous A (In-House)	Anonymous B (In-House)	Anonymous C (In-House)	Anonymous D (Outsourced)	Security Services USA	Bristol Regional Medical Center, TN	Carnegie Melon University
Officer/Guard Headcount	429	512	150	980	200	X	X	X
Supervisor Headcount	88	171	38	102	28	X	X	X
Officer/Guard Average Salary (Base)	\$53,606	\$43,087	\$55,782*	\$55,782*	\$46,812	\$50,463	\$49,044	\$56,802
Supervisor Average Salary (Base)	\$58,123	\$51,306	\$62,399*	\$62,399*	\$58,506	X	X	X
Total Labor Spend	\$28.1M	\$30.8M	\$10.7M	\$61.0M	\$11.0M	X	X	X
Span of Control	5.9	3.9	4.8	10.6	8.1	X	X	X
# of Layers	3.0	X	3.0	4.0	2.0	X	X	X
Scale (how many sites?)	15	50	2	2	28	X	1	1
Complexity	Medium	Medium	High	High	Medium	Medium	Medium	Medium

\*Average federal security officer and supervisor salaries according to ziprecruiter.com. The total labor spend is estimated based on this average and the guard and supervisor headcounts.

**Table 6. Comparator Officer Workload**

Comparator	PPO	Georgetown U Police	UVA Police	VU Police	Marquette U. Police	Miami U. Police	FHSU Police	Frostburg State Police	Carnegie Melon University	Security Services USA	Bristol Regional Medical Center	Anon. A	Anon. B	Anon. C	Anon. D
Maintain security of buildings/ property/ personnel	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Armed patrol	X									X		X	X	X	X
Incident reporting	X	X	X	X	X	X	X		X	X	X				
Onsite emergency call response	X	X	X	X	X	X			X	X	X	X	X	X	X
Offsite emergency call response				X							X				
Onsite patrol	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Offsite patrol								X							
Facilities access and monitoring onsite violations	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Conducts arrests within jurisdictional authority	X	X	X	X	X	X	X	X		X	X	X	X	X	
Enforces laws within jurisdictional authority	X	X	X	X	X	X	X	X	X	X	X		X		
Conducts preliminary fact-finding efforts	X	X			X		X		X		X				

### 4.3 Initial Key Findings

We identified initial key findings during the benchmarking analysis. Table 7 below provides a high-level description of our initial key findings. The text following the table provides additional narrative to each initial key finding.

**Table 7. Benchmarking Initial Key Findings**

Key Finding Category	Key Finding	Description
Cost Comparison	PPO Fully Loaded Rate Exceeds Comparators	PPO base average salary is in the range of the comparators' base salaries. Fully loaded PPO salary exceeds comparators' fully loaded salaries and offers an opportunity for cost savings.
Spans of Control	PPO is Similar to Comparators but can Increase Span of Control	PPO is similar to the comparators that provided spans of control data; however, they are still on the lower side, meaning they exert more control. PPO can increase their span of control
Efficiency Improvement	Increased Flexibility Opportunity	Ease of removing or replacing guards within hours' notice
	Increased Scalability Opportunity	Immediate surge support capability and issue-free downscaling

#### **Cost Comparison Finding**

Base salary data captured for other industries and agencies are comparable to the PPO base salaries. However, we were able to compare the fully loaded rates of PPO supervisors and officers to the fully loaded rates of comparator agencies that deploy a contract security force. Using this comparison, we were able to identify significant potential cost saving opportunities should the Postal Inspection Service move forward with our recommendation. Additional detail surrounding these potential savings and calculations are in Section 5.0.

#### **Spans of Control Finding**

PPO is more in-line with the comparators that provided spans of control data during this analysis. As stated in the January 12, 2021 Current State Baseline Review, we believe the comparators would provide a better understanding of PPO's standing compared to industry rather than the typical benchmark ranges originally applied. This assumption proved true and allows us to determine that PPO's labor span of control, while still on the lower side compared to some comparators, is in line with the comparators and we consider it as "low-normal."

Industry research shows that organizations that perform work at multiple sites have lower spans of control. The average spans of control data points in Table 2 support this research. Each location will tend to have a supervisor assigned regardless of the size of the unit or facility. This is supported by the findings in Table 2 and further support PPO's current span of control. It is important to note that the Postal Inspection Service should not place too much weight on spans of control analysis when determining the outsourcing of security force duties. Should the Postal Inspection Service choose this route, the span of control can be altered per the Postal Inspection Service's direction, the vendor may make separate recommendations per their standard operating procedures, or a collaboration between the vendor and the Postal Inspection Service can determine the ideal structure for cost savings and efficiency improvements.

#### **Efficiency Improvement Finding**

Through interviews and previous knowledge, USPIS may realize efficiency improvements by outsourcing their security force. Comparators indicated a greater flexibility when employing a contracted security force. For instance, should a guard need to be removed or replaced, outsourcing firms (of a large enough size) are able to react immediately, meeting their client's needs without delay, **often deploying a replacement within hours.** Comparators also indicated a capacity for scalability using outsourced guards. Should the Postal Inspection Service need surge support in a division, outsourced firms are able to provide that temporary increased headcount immediately and withdraw without issue once the surge support is no longer needed. As the Postal Inspection Service is currently considering reducing the number of tours divisions are deploying, this flexibility and scalability capability is beneficial should tours be increased again in the future upon reassessment of needs.

The findings from our benchmarking analysis allows us to understand how PPO's cost, staffing, workload, scale, complexity, and processes compare to analogous agencies that deploy a security force. These findings inform our approach to modeling potential alternatives that can maximize cost savings as well as improve efficiencies.

## 5.0 Opportunities Assessment

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After conducting the benchmarking analysis, we analyzed the different opportunities for future state enhancements that aim to maximize cost savings without sacrificing the effectiveness of PPO. This consisted of identifying various alternatives consisting of outsourcing options as well as the cost savings associated with such structures. Our cost model assessed potential cost saving alternatives to the current state of PPO. We analyzed the benefits and risks associated to various outsourcing alternatives to further contextualize cost savings. More specifically, we outlined a comprehensive list of qualitative factors to consider when weighing cost saving alternatives. These qualitative considerations are key to maximizing the potential benefits for the Postal Inspection Service. Additionally, we identified gap areas between the Postal Inspection Service and comparator agencies and firms that can have impact on future state cost savings. This gap analysis offers the Postal Inspection Service opportunities to address as they consider outsourcing options.

The Postal Inspection Service was previously recommended to outsource their PPO functions by the Office of the Inspector General. While the goal of this recommendation was to reduce security costs, the Postal Inspection Service believed such a strategy would negatively impact the quality of services provided. More specifically, the Postal Inspection Service firmly believed in the effectiveness of PPO in upholding the safety and security of the mail, Postal facilities, and Postal workers. The Postal Inspection Service sees value in limited deployments of contractor support for PPO staff during emergency response operations or when PPO staffing is insufficient.

Our assessment and recommendations took into consideration the qualitative factors that make PPO staff effective in their security service roles. The proposed alternatives we recommend offer the Postal Inspection Service the opportunity to maximize the cost savings of contract security services while minimizing the impact of transitioning from PPO.

### 5.1 Outsourcing Considerations

Using the data collected during the benchmarking analysis phase, we developed a comprehensive cost model to assess potential alternative sourcing opportunities the Postal Inspection Service can take to reduce costs and/or improve efficiencies. Table 8 below provides a prioritized listing, description, and potential range of cost savings for each opportunity.

**Table 8. Prioritized List of Opportunities**

Opportunity	Description	Benefits	Risks
<b>Alternative 1</b>			
<b>Potential Range of Cost Savings: \$13.7M to \$16.2M</b>			
Maintain major metropolitan divisions and National Headquarters, outsource smaller/ less incident-prone divisions and facilities	Keep in-house supervisors and officers at the largest or most sensitive, incident-prone divisions and facilities. Outsource those divisions and facilities that do not fall into these categories.  The sites included in this recommendation are New York, Los Angeles, Washington, and Chicago divisions, National Headquarters, and the Puerto Rico field office.	<ul style="list-style-type: none"> <li>Maintains control of the largest and most incident prone facilities</li> <li>PPO officers maintain enforcement authority at these sites</li> <li>Divisions and facilities that have a smaller footprint or less incidents are overseen by an external vendor, relieving the Postal Inspection Service of some administrative burden</li> <li>Encourages consistent incident data collection for future analyses</li> </ul>	<ul style="list-style-type: none"> <li>Inspectors may need to perform additional duties that PPOs normally cover at the outsourced sites</li> <li>Should incidents increase in the future at outsourced sites, reassessment of PPO structure may be needed</li> <li>Contract staff may not be as loyal to the Postal Inspection Service relative to career employees</li> <li>Reduction in potential total cost savings</li> <li>Decrease in armed guard presence in various sites</li> <li>Outsourcing only part of the workforce could create fear for the other PPOs that their position may be outsourced next and could trigger a potential increase in turnover</li> </ul>
<b>Alternative 2</b>			
<b>Potential Range of Cost Savings: \$22.2M to \$26.9M</b>			
Maintain Supervisors, outsource Officer duties	To maintain a certain level of control over a vendor, source a vendor for officer duties but keep the supervisor position in-house.	<ul style="list-style-type: none"> <li>Maintains supervisory role</li> <li>The precedent is established to have contractor guards report to Postal Inspection Service supervisors, easing the transition</li> <li>Shifts the burden of many administrative actions to a vendor</li> <li>Increases flexibility and scalability for officer role</li> </ul>	<ul style="list-style-type: none"> <li>Possible reduction by contract staff loyalty to the Postal Inspection Service relative to career employees</li> <li>New vendor may have issue with staff taking daily direction from a client instead of an internal supervisor</li> <li>Exposure to co-employment claims</li> <li>Potential reduction in supervisor morale</li> <li>Reduction in potential total cost savings</li> </ul>
<b>Alternative 3</b>			
<b>Potential Range of Cost Savings: \$27.8M to \$34.7M</b>			
Fully outsource	Source a vendor to provide all PPO duties, including supervisors and officers.	<ul style="list-style-type: none"> <li>Potential cost savings are significant</li> <li>Shift burden of many administrative actions to a vendor</li> <li>Vendors provide increased flexibility and scalability</li> </ul>	<ul style="list-style-type: none"> <li>Loss of direct control over guards performing PPO duties</li> <li>Potential legal ramifications with the PPOA</li> <li>Potential negative public perception of removing jobs. This risk can be mitigated if officers are shifted to another part of the Postal Service</li> <li>If staff whose positions are outsourced are moved to another part of the Postal Service, total cost to the Postal Service will increase</li> </ul>

Future Consideration Applicable to All Alternatives			
Reduce total force, replacing personnel with updated technology	Upgrade and install new technology to secure facilities, personnel, and assets, providing the ability to reduce tours and accumulated hours.	<ul style="list-style-type: none"> <li>Reduced personnel cost</li> <li>Minimum maintenance fees</li> <li>Technology upgrades can provide physical evidence to assist in Inspector investigations</li> </ul>	<ul style="list-style-type: none"> <li>Likely incurs a large upfront cost for new technology</li> <li>Lack of on-site officer during incidents</li> <li>Relies on local police response time</li> </ul>
Status Quo			
Maintain the Status Quo	Maintain the current security force as-is.	<ul style="list-style-type: none"> <li>No changes required</li> </ul>	<ul style="list-style-type: none"> <li>Do not realize any potential cost savings or efficiency improvements</li> </ul>

This prioritized list of alternatives is based on the **greatest total benefit** to the Postal Inspection Service. They are ranked by considering a combination of potential cost savings and other qualitative factors when pursuing sourcing alternatives. It is important to consider these qualitative factors because while total potential cost savings may be attractive, other factors could impact processes or daily operations negatively, thus reducing the total potential benefit to the Postal Inspection Service. These factors include:

- Maintaining the enforcement authority granted to PPOs at certain divisions or sites is greatly beneficial to the Postal Inspection Service, allowing for swift response to major metropolitan and sensitive sites.
- The loss of direct control over guards by sourcing to a vendor. The new chain of command may determine that the Postal Inspection Service will need to speak to the vendor guard's manager for any items other than normal daily activities, limiting the immediate direction over guards.
- There is a risk that contractors may not be as committed to the organization as a career employee as the length of time spent in the organization for a contractor will typically be much less than that of a career employee. The contractor staff's loyalty ultimately lies with their firm, not the Postal Service.
- The learning curve for security firms not used to supporting government agencies could delay operations.
- The potential for negative public perception caused by removing government employees. However, if the Postal Inspection Service shifts the affected PPOs to a different segment of the Postal Service this negative perception does not need to be considered.
- As the Postal Inspection Service has considered in the past, there are legal and labor-relations ramifications to outsourcing PPO positions currently protected by the Postal Police Officer Association (PPOA). The Postal Inspection Service needs to consider these impacts prior to sourcing to a vendor.
- Alternative 1 considers keeping the in-house security force at the New York, Los Angeles, Washington, and Chicago divisions, National Headquarters, and the Puerto Rico field office based on conversations with the Postal Inspection Service and the size and complexity of these divisions. The Postal Inspection Service may want to consider looking at additional statistical information such as number of incidents or count of staff at each of the facilities within divisions to determine if these are the ideal divisions to maintain an in-house security force.
  - Puerto Rico is included in this grouping due to its geographical location, its increased potential for illegal shipments into the U.S., and its critical role in facility security and employee safety.
- Alternative 1 also creates the potential for decreased morale as PPO remaining staff may fear that they will be replaced next or that their job is not secure long-term.
- Alternative 2 considers maintaining supervisors and outsourcing the guard position. The Postal Inspection Service needs to be cautious about co-employment risks and ensure they are not making career decisions for contract staff due to legality issues.
- Costs for updating technology are not included as collecting cost and inventory data for installing, updating, or replacing existing technology at Postal Service facilities is outside the scope of this task. It is included in this assessment for the Postal Inspection Service to consider for future analysis.
- **Given that most contract security guards are unarmed, there is a potential risk of employing on-site guards that do not have firearm training and are not able to carry firearms.** This risk can be mitigated by building the requirement of armed guards into the contract at the sites where this is necessary.

- Inspectors may need to perform duties previously performed by PPOs in divisions where an outsourced vendor is selected. **The Postal Inspection Service should consider conducting additional analysis into the potential impact this will have on the rest of the organization.** Additional analysis may include analyzing the cost/benefit of increasing the total headcount of inspectors, determining where the most impacted divisions and facilities are located, performing a review of the Inspectors' current workload, etc.

## 5.2 Sourcing Opportunities Assumptions and Costs

This section provides specific cost details for potential sourcing alternatives. We built a comprehensive cost model to capture the total PPO spend and compared the total current spend with the comparator cost data points. We used this comparison to determine potential cost saving opportunities by implementing the sourcing alternatives listed in the previous section. The model did not consider costs for reducing the total personnel force and replacing them with updated technology, as collecting and analyzing cost and inventory data was outside the scope of this task.

The model provides different scenarios for each alternative. It highlights the worst case, best case, and most likely scenarios. These scenarios provide a range of potential cost impacts to provide the Postal Inspection Service a clear picture of what to expect through choosing any of these alternatives. The ranges are necessary as the model makes some assumptions and more detailed cost data will be provided by external vendors during the request for proposal and bidding phases of contract sourcing. **It is important to note that these alternative costs are estimates based on the best available data and that contract security vendors will be able to provide a more precise estimate through information sharing with the Postal Inspection Service.**

### Assumptions

We made the following assumptions when making the calculations used in the comprehensive cost model:

- We cannot anticipate severance pay if employees are moved to a different part of the Postal Service, so it is not included in the calculations.
- **Most, if not all officers will be moved to a different part of the Postal Service, remaining employees of Postal Service but being removed from the Inspection Service budget. This assumption is outlined as a positive public relations perspective, highlighting that the Postal Service is not eliminating jobs, rather creating public jobs, and shifting existing staff to other parts of the Postal Service organization.**
- The vendor will take on all job-specific training costs and responsibilities. However, the Postal Inspection Service may be responsible for certain required training specific to all Postal Service employees and contractors (e.g., harassment training)
- The labor costs are calculated assuming all positions will be filled. The headcount was pulled from the latest versions of the division organizational charts provided by the Postal Inspection Service.
- Labor costs are fully loaded for both in-house and contract officers/guards. Fully loaded is defined as including the base salary, overtime, holiday, leave, and all other benefits. This provides a clearer indicator of the total potential cost than just base salary for outsourcing considerations.
- For Alternative 1, we assumed the major metropolitan divisions and sites the Postal Inspection Service would maintain include New York, Los Angeles, Washington, and Chicago divisions, National Headquarters, and the Puerto Rico field office. The assumption is that these are some of the larger and more incident-prone facilities which the Postal Inspection Service would benefit from maintaining direct control over security whereas the other facilities will be less impacted by an outsourced firm. Additionally, the Postal Inspection Service can alleviate some of the administrative burden of maintaining the in-house security force in those locations and shift it to the contract security vendor.
- For alternative 3, fully outsource the PPO security force, we assume that the Postal Inspection Service will not renegotiate the bargaining agreement with the PPOA and will be able to replace all positions with an external vendor's security staff. The Postal Inspection Service needs to consider all legal and labor-relations ramifications involved in this alternative.

- Fiscal Year 2022 officer salaries are inflated using the 3.3% rate as dictated in the January 2021 Gaba Interest Arbitration decision. For any subsequent years, salaries were inflated by 1.3% which is the most recent cost of living salary adjustment in the federal government.
- The Postal Inspection Service will choose a single vendor to fill the positions in each of the applicable alternative scenarios.

Table 9 details the components that directly impact or are considered in the alternative scenarios. We identified and captured these components through data collection, comparator interviews, and applying knowledge gained from previous studies.

**Table 9. Cost Component Descriptions**

Components	Description
Officer and Supervisor Fully Loaded Salary	Pulled from the National Payroll Hourly Summary Report for Security Forces provided by the Postal Inspection Service, this includes the base salary, overtime, paid leave, life insurance, uniform allowance, FICA, pension, retirement, and holiday pay. Training cost is included in this rate as it is not broken out in Postal Inspection Service annual statements.
Comparator Officer/Guard and Supervisor Base Average Salary	Comparators provided the base average annual salary for officers/guards and supervisors.
External Vendor Fully Loaded Rate	A comparator agency provided the fully loaded rate that their vendor charges for conducting security services. This rate included overtime. Costs for outsourced positions are based on the salaries paid by the private firm comparator that uses a fully outsourced guard force. It is a mix of armed and unarmed position rates to determine the appropriate salary for potential outsourcing costs.
Employee Headcount	This headcount was pulled from the latest versions of the division organizational charts provided by the Postal Inspection Service. The headcount assumes all vacancies are filled.
Contract Security Headcount	This headcount was provided by the Postal Inspection Service. It is based on the number of Full Time Equivalent (FTE) by calculating the number of hours charged at each division.
Contract Administrator	This assumes that the Postal Inspection Service will either have a dedicated staff to administer and oversee the contract security firm or will add these duties to an existing staff member.

Table 10 provides a breakdown of the elements that were used to calculate the fully burdened rate for the Postal Police Officers and Supervisors.

**Table 10. Fully Loaded Rate Factors**

Factor	Elements
Straight Time Hours	Total number of hours each officer and supervisor worked within a 40-hour workweek
Overtime	Total number of hours each officer and supervisor worked in excess of a 40-hour workweek
Premium Pay	<ul style="list-style-type: none"> <li>• Holiday hours</li> <li>• Sunday Premium</li> <li>• Night Differential</li> <li>• Christmas</li> <li>• Other Premium Pay</li> </ul>
Paid Leave	<ul style="list-style-type: none"> <li>• Terminal Leave</li> <li>• Annual Leave</li> <li>• Holiday Leave</li> <li>• Sick Leave</li> <li>• Military Leave</li> <li>• Convention Leave</li> <li>• Other Leave</li> <li>• Continuation of Pay Leave</li> </ul>

Health Benefits	Cost of health insurance for each qualified officer and supervisor
Life Insurance	Cost of life insurance for each qualified officer and supervisor
Retirement	<ul style="list-style-type: none"> <li>Pension</li> <li>Thrift Savings Plan (TSP) Contribution</li> </ul>
FICA	<ul style="list-style-type: none"> <li>Social Security</li> <li>Medicare</li> </ul>
Accruals	<ul style="list-style-type: none"> <li>Annual Leave Payout</li> <li>Holiday Leave Payout</li> </ul>
Uniform Allowance	Total cost for officer and supervisor uniforms paid by the Postal Inspection Service

The following tables provide the cost information for each of the following alternatives:

- Alternative 1:** Maintain major metropolitan divisions, outsource smaller/less incident-prone divisions
- Alternative 2:** Maintain supervisor positions, outsource officer positions
- Alternative 3:** Fully outsource all PPO positions

These savings include the fully loaded rates of PPOs and their future accrued benefits for pension, holiday, and leave pay. There are additional cost factors that may need to be considered when determining to proceed with any of these alternatives. The Postal Inspection Service should collaborate with internal PPO subject matter experts to identify any implicit Postal Service cost impacts that we may not be aware of. Finally, more specific costs will be informed based on requests for information, proposals, and any other conversations with potential security vendors.

Each of the alternative tables provide a range of potential cost savings by outlining worst case, best case, and most likely scenarios.

- Worst Case:** Postal Inspection Service will be charged at the highest rate of the comparator agencies and employ the highest administrative costs.
- Most Likely:** Postal Inspection Service will receive a contractor rate somewhere in between the highest comparator rate and the current contract security rate. This assumes the rate will go up as the scenarios assume the contract vendor will take on more responsibility and the scale will be greater than it currently is. Postal Inspection Service will also have 1-2 dedicated staff as contract administrators.
- Best Case:** Postal Inspection Service will be able to retain the same contractor rate that they are currently provided. This rate proves to be lower than the comparator agencies that provided this data point. Postal Inspection Service will also have 1-2 dedicated staff as contract administrators.

**Alternative 1: Maintain Major Metropolitan Divisions**

Component	Baseline	Worst Case	Most Likely	Best Case
Officers	\$63.3M	\$51.9M	\$51.3M	\$50.8M
Supervisors	\$13.6M	\$10.6M	\$10.1M	\$9.6M
Contract Security	\$22.8M	\$23.4M	\$23.1M	\$22.8M
Contract Administrator	NA	\$216.4K	\$216.4K	\$216.4K
Total Cost (FY22)	\$99.7M	\$85.9M	\$84.7M	\$83.4M
<b>Savings from Baseline (FY22)</b>	<b>NA</b>	<b>\$13.7M</b>	<b>\$15.0M</b>	<b>\$16.2M</b>
Total Cost (5 Year)	\$511.7M	\$441.2M	\$434.7M	\$428.1M
<b>Savings from Baseline (5 Years)</b>	<b>NA</b>	<b>\$70.5M</b>	<b>\$77.0M</b>	<b>\$83.6M</b>

**Alternative 2: Maintain Supervisors and Outsource Officers**

Component	Baseline	Worst Case	Most Likely	Best Case
Officers	\$63.3M	\$39.3M	\$37.8M	\$36.2M
Supervisors	\$13.6M	\$13.6M	\$13.6M	\$13.6M
Contract Security	\$22.8M	\$24.6M	\$23.7M	\$22.8M
Contract Administrator	NA	\$144.3K	\$144.3K	\$144.3K
Total Cost (FY22)	\$99.7M	\$77.6M	\$75.1M	\$72.7M
<b>Savings from Baseline (FY22)</b>	<b>NA</b>	<b>\$22.2M</b>	<b>\$24.6M</b>	<b>\$26.9M</b>
Total Cost (5 Year)	\$511.7M	\$398.0M	\$385.6M	\$373.2M
<b>Savings from Baseline (5 Years)</b>	<b>NA</b>	<b>\$113.7M</b>	<b>\$126.1M</b>	<b>\$138.5M</b>

**Alternative 3: Fully Outsource All PPO Positions**

Component	Baseline	Worst Case	Most Likely	Best Case
Officers	\$63.3M	\$39.3M	\$37.8M	\$36.2M
Supervisors	\$13.6M	\$7.7M	\$6.7M	\$5.7M
Contract Security	\$22.8M	\$24.6M	\$23.7M	\$22.8M
Contract Administrator	NA	\$288.5K	\$288.5K	\$288.5K
Total Cost (FY22)	\$99.7M	\$71.9M	\$68.5M	\$65.0M
<b>Savings from Baseline (FY22)</b>	<b>NA</b>	<b>\$27.8M</b>	<b>\$31.3M</b>	<b>\$34.7M</b>
Total Cost (5 Year)	\$511.7M	\$368.8M	\$351.3M	\$333.8M
<b>Savings from Baseline (5 Years)</b>	<b>NA</b>	<b>\$142.9M</b>	<b>\$160.4M</b>	<b>\$177.9M</b>

The calculations show an annual range of savings for each of the three alternatives that were modeled.

- Alternative 1 shows a potential savings **range between \$13.7M and \$16.2M** should the Postal Inspection Service choose to keep their in-house security force at major metropolitan divisions and outsource the other divisions.
- Alternative 2 shows a potential savings **range between \$22.2M and \$26.9M** should the Postal Inspection Service choose to keep their supervisors in-house (and fill all current vacancies) and outsource all officer positions to a contract security vendor.
- Alternative 3 shows a potential savings **range between \$27.8M and \$34.7M** should the Postal Inspection Service choose to outsource all PPO supervisor and officer positions to a contract security vendor.

**5.3 Gap Analysis**

We conducted a review of comparator agencies and firms’ expected workload, scale, complexity, processes, cost, and staffing. During the review, we analyzed gaps between the comparators and the Postal Inspection Service, identifying opportunities to improve or make changes to close the gaps.

**Technological Improvements**

At sites in divisions where crime or incident statistics are low or declining, the Postal Inspection Service could deploy state-of-the-art technological deterrents in place of some onsite personnel. This includes items such as additional cameras, signs depicting the use of cameras, visible alarm system indicators, motion sense lighting, flood lights, etc. While Postal Service facilities likely already have some or all these items, upgrading them to higher quality video and more transparent security measures could serve as a deterrent effective enough to replace that of an in-person officer.

Cost savings will be realized over time as the technology will have a single upfront cost and minor maintenance fees over the years, avoiding the need for an officer’s salary, overtime, and benefit payments and reducing the liability of risk to an employee’s well-being. The cost for these improvements is not included here as inventorying the current Postal Service facility security systems and researching security technology available on the market are outside the scope of this task.

### **Efficiency Improvements**

Comparator firms and agencies stressed the benefits of deploying a fully outsourced security force. The flexibility and scalability that external vendors can provide is very beneficial to comparators with multiple facilities spread across the country. Through interviews and previous knowledge, the Postal Inspection Service may realize efficiency improvements by outsourcing their guard force. Comparators indicated a greater flexibility when employing a contracted security force. For instance, should a guard need to be removed or replaced, security firms (of a large enough size) are able to react immediately, meeting their client's needs without delay, often deploying a replacement within hours.

Comparators also indicated a capacity for scalability using outsourced guards. Should the Postal Inspection Service need surge support in a division, outsourced firms are able to provide that temporary increased headcount immediately and withdraw without issue once the surge support is no longer needed.

Passing the task of finding and replacing guards removes the administrative burden from the comparator agency, freeing up time for more core mission tasks. As the Postal Inspection Service is currently considering reducing the number of tours divisions are currently deploying, this flexibility and scalability capability is beneficial should the Postal Inspection Service decide to increase tours again in the future.

### **Unionized Staff**

A major difference between the Postal Inspection Service and the comparator agencies and firms is the PPOA union. The PPOA union gives officers additional protection that other comparator agencies do not need to consider. If the Postal Inspection Service chooses to outsource to a vendor, the vendor will be likely to adhere strictly to job descriptions and only perform work they are mandated to. Comparators did not have unions that require additional oversight and approvals on work activities for their security force, thus allowing them to work directly with their guards and officers.

## **6.0 Conclusion**

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We conducted this independent review and evaluation of the potential cost savings and contracting opportunities available to the Postal Inspection Service. The review and evaluation consisted of a current state baseline review, a benchmarking analysis, and an opportunities assessment. Through these phases, we developed the following recommendations for sourcing opportunities, efficiency improvements, and additional areas of research:

1. Maintain major metropolitan divisions and facilities and outsource the smaller or more security incident-prone divisions and facilities
2. Analyze the impact of updating or replacing technology at facilities and potentially reducing the total force size where technological deterrents are sufficient for guarding facilities during certain tours.
3. Consider conducting additional analysis into the current role of Inspectors and their workload, and the potential impact implementing Alternative 1 will have on them and the rest of the organization.
4. Increase and standardize (where appropriate) the spans of control across divisions to right size the current management organizational structure. The current state baseline showed that there is inconsistency among spans of control across the divisions.
5. Develop and distribute a comprehensive communications plan clearly outlining the upcoming changes and the reasoning for the changes to garner stakeholder buy-in.

The primary recommendation is for the Postal Inspection Service to maintain their uniformed officer presence in the major metropolitan divisions, National Headquarters, and the Puerto Rico field office and pursue outsourcing opportunities in the smaller or less incident-prone divisions and facilities. This recommendation is based on the internal data provided by the Postal Inspection Service, previous studies of agencies in similar situations, market research, and review of previous OIG reports.

While other alternatives provide greater potential cost savings, we recommend Alternative 1 as it provides the greatest total benefit with the least risk to the Postal Inspection Service. We considered qualitative factors when developing our prioritized list of opportunities and accounted for other benefits, risks, and pitfalls for each. Our recommendation for choosing Alternative 1 also weighed the previous response the Postal Inspection Service provided to the 2011 OIG report recommendations. The Postal Inspection Service was concerned that the overall quality of services provided, specifically the loss of enforcement authority, would be impacted negatively should an external vendor handle security duties. Alternative 1 helps alleviate this concern by maintaining control over the major metropolitan and security incident-prone sites while still allowing the Postal Inspection Service to realize potential cost savings and improve their efficiencies across the organization.

By following this recommendation, the Postal Inspection Service will be able to realize potential annual cost savings between \$13.7M and \$16.2M and implement efficiency improvements while still being able to closely monitor their major metropolitan or most security incident-prone divisions and sites. They will also be able to shift some of the burden of liability and administrative work to a contract security vendor for the other divisions.

Developing and distributing a comprehensive communications plan is critical to the success of implementing these recommendations. Successful change requires stakeholder buy-in through communicating a clear strategy and the reasoning for implementing the change. The Postal Inspection Service should develop this plan and communicate early and often with stakeholders.

As the United States Postal Service undergoes change throughout the organization under the Postmaster General's strategic initiatives, it is excellent timing to initiate this change within the Postal Inspection Service.