



### ***IMPACT ON:***

This audit may impact U.S. Postal Service purchasing policies with regard to the McNamara-O'Hara Service Contract Act (SCA) of 1965.

### ***WHY THE OIG DID THE AUDIT:***

The report responds to a request from Representative Darrell E. Issa. Our objective was to review Postal Service's market research to determine if potential savings could be realized if they did not have to comply with the SCA. In addition, we identified positions for which Postal Service labor rates exceeded the SCA rates and barriers to outsourcing those positions.

### ***WHAT THE OIG FOUND:***

Postal Service market research indicated that opportunities exist for cost savings if the agency did not have to comply with the SCA. In addition, our analysis showed that Postal Service wages for cleaning/janitorial and postal vehicle service (PVS) driver positions were higher than SCA rates. We estimate the Postal Service could save approximately \$675 million annually if it outsourced cleaning/janitorial and PVS driver positions. Barriers to outsourcing the positions include labor union agreements, concerns that new unions will be formed, workforce retention issues, fluctuations in market or economic conditions, and the potential for congressional constituency concerns.

### ***WHAT THE OIG RECOMMENDED:***

We recommended the Postal Service seek exemption from the SCA to allow flexibility to negotiate contract rates closer to market rates. We also recommended the Postal Service review the benefits of outsourcing cleaning/janitorial service positions and Postal Service vehicle driver positions and restructure those positions to achieve the most cost effective solution. Lastly, we recommended that the Postal Service ensure that appropriate financial data is collected to aid in making insourcing/outsourcing decisions.

### ***WHAT MANAGEMENT SAID:***

Management agreed to implement a policy change if Congress exempts the Postal Service from the SCA. In addition, management stated that recommendation 2 accurately describes what the Postal Service has already done and is continuing to do and stated that it is not clear from the report the OIG found any deficiencies to correct.

### ***AUDITORS' COMMENTS:***

Management needs to develop and fully implement plans to work with Congress to seek exemption from the SCA, for reviewing the benefits of outsourcing cleaning/janitorial and PVS driver positions, and to collect the financial data needed for insourcing/outsourcing decisions.