

CONTRACTING FOR SECURITY SERVICES

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PREFACE

The Board of Supervisors established the Contract Services Advisory Committee for two purposes:

- To develop a list of County services for consideration of potential contracting with private firms;
- To work with the Auditor-Controller to develop measures cost which are comparable with contract costs.

In May, 1979, the committee began its review of all County operations, the County ordinance on contracting, and cost-accounting methods. In order to analyze certain possibilities for contracting in more detail, the committee organized subcommittees on custodial services, data processing, health services, and Mechanical Department services.

Upon its review of initial subcommittee findings at meetings in June and July, the committee asked the subcommittee on the Mechanical Department to prepare a detailed report on the feasibility of contracting with private firms for County security functions. Such a report would serve the twofold purpose of providing material and recommendations on one service and of developing an overall approach that the committee can use as it proceeds with its review of other County services and cost comparisons.

Therefore, the committee submits the first report in what will be a series on the potential utility of contracting to improve the cost-effectiveness of County operations.

The report contains four major sections. Section I summarizes the subcommittee's findings and recommendations on contracting for security functions. Section II describes the County's present security system. Section III describes the contract security industry, and Section IV compares the two. The four appendices contain source information and detailed descriptions of method.

I. FINDINGS AND RECOMMENDATIONS

The Contract Services Advisory Committee has completed a review of the feasibility and potential cost effectiveness of contracting for security services. Although we started with the Mechanical Department, we have included information and findings affecting the other six County departments that provide security services. This chapter contains our recommendation and a brief discussion of our major findings. Subsequent chapters contain additional descriptive information and discussion of some of the issues involved.

We have found strong evidence that the County could purchase security services from contract security firms at a substantially lower cost than in-house security. The average contractor fee for a security guard is 67% over the wages paid to the guard. In contrast, the County cost of a guard is 85% over the guard's wage, excluding costs that would be unaffected by contracting. Therefore, even when wages, uniforms, and personal equipment are identical, contract security is 20% less costly than in-house security.

The average total County cost of in-house security guards, including all applicable indirect expenses, is \$16.00 per hour. Even assuming that general County overhead and departmental overheads should not be applied when making comparisons with contract costs, the average cost of a County security officer is \$13.08 per hour. The average contractor fee for performing comparable services would be \$8.20 per hour. We therefore conclude that savings of at least 30% are available from contracting for security services.

For example, the County spends \$87,060 annually to provide one guard for a warehouse or office building overnight and on weekends (128 hours per week), excluding such costs as departmental management, financial and administrative services, and major equipment. At average rates, a contractor could provide the same service for \$54,580 for a savings of 37%.

Therefore, we believe strongly that the County could effect substantial savings through contracting elements of its security program.

Recommendation

The Board of Supervisors should direct County management to initiate the ordinance process of contracting for security services. In all cases, the County should issue requests for proposals asking prospective contractors to survey County requirements and propose levels and quality of service rather than to bid on reproducing the present County system.

Scope of Recommendation

The principal determinant of the cost of a security system is the level and quality service required to protect a given facility and provide for the various situations that could arise at that facility.

In Los Angeles County, all security officers are armed, trained for a minimum of 40 hours at the Sheriff's Academy, and granted peace officer status while on duty (Penal Code 830.4(14)). Standardization at this high level of service is unnecessary and overly costly. The County does not need an armed, fully trained guard to protect warehouses yards, or other closed facilities at nights and on weekends. Moreover, the County could be needlessly exposing itself to excessive liability by posting armed personnel in recreational, cultural or business facilities where traffic may be high but criminal intent extremely unlikely.

On the other hand, the County may need security personnel who are trained and prepared to act as peace officers in certain situations. For example, security officers sometimes have to detain and arrest violent individuals in County hospitals, clinics, and welfare offices well before the local police can arrive. Such requirements have been the focus since 1975 of the Sheriff's work to upgrade the County's hospital security system. In addition, the County's Department of Personnel has been developing a comprehensive reclassification

of County security positions based on requirements and will soon be proposing new standards of qualification and training.

According to the authorities we consulted among contract security firms and their clients the industry is well prepared to provide guards or alarm systems for facilities where there is little chance of encountering criminal activity and enough time to contact police for support when it does occur. That is, the industry can respond in precisely those assignments where the County cost is excessive because the County requirement for firearms and arrest capability is unnecessary.

However, the contract security industry may not be able to respond immediately in situations where peace officer status is likely to be necessary. Most contract security firms discourage their employees from performing arrests, because of the potential liability, and some are reluctant to arm their employees. Although the contract security industry does perform in highly sensitive assignments for governmental, military and aerospace clients who require high level capabilities, some sensitive County assignments may be unique and not susceptible to contracting.

In summary, the County has a variety of security assignments ranging from the protection of warehouses or closed facilities to situations where officers may encounter severe challenge and disruption. The contract security industry has a range of capabilities and serves some clients with requirements similar to those of the County. County analysis of the cost effectiveness of contracting should consider the entire range of County requirements and determine those for which the contract industry's response capability is suitable. We expect these to include at least those assignments requiring an attendant or guard whose active intervention in violent, hazardous or criminal activity will be infrequent.

Request Proposed Design of Service Levels and Quality

In all cases, the County should issue requests for proposals asking prospective contractors to survey County requirements and propose the level and quality of service they would supply to meet County requirements.

The cost of security, whether contract or in-house, depends on a variety of factors, including system design, level and quality of service, salaries and benefits, and indirect costs. As we mentioned above, for example, contractors charge their clients 67% above what they pay their guards, while the County spends 85% above security officers' salaries.

Nevertheless, the cost and the level of savings attainable will depend principally on the level and quality of service necessary to do the job. Our conclusion that County costs are higher than contract fees is therefore based partly on a design consideration: namely, that County personnel requirements are higher than necessary for some assignments.

However, according to industry authorities and analysts, it would be risky and dangerous to accept the qualifications and performance standards that are widespread in the lowest priced sector of the contract security industry. Minimal service is available from the industry for fees as low as \$5.00 an hour, for example, but with little assurance of sufficient levels of supervision, quality control, and liability insurance.

In considering contracting for security services, then, the County must retain control over the levels and quality of service as well as seek the best price. It would be fruitless to do so by merely asking the industry to bid on specified staffing levels, personnel qualifications, training, weaponry, equipment, wages, and benefits. Such a one-for-one replacement of the present County system might cost less if contracted, but would minimize the savings available to the County.

The contract security firms we contacted have the ability and the expertise to survey a prospective client's situation, assess needs and requirements, and price a system they believe will provide effective protection.

Major savings from contracting will depend on redesign of the system to incorporate increased use of alarm systems and other devices as well as personnel without the police power granted County security personnel. We emphasize therefore that the County should request prospective contractors to supply proposals specifying the level and quality of service rather than to supply bids or quotations of the cost of substituting for in-house County labor.

We therefore conclude that, in order to retain control over system design and contract service levels and quality, the County should issue requests for proposals describing performance requirements.

Organization

The County's present security system is managed by seven independent County departments. While our committee knows that studies of system reorganization are underway in the County, we believe that the decision to pursue contracting of security is independent of organization. That is, the administrative procedures of determining feasibility and developing and disseminating requests for proposals can be initiated by current management or by the management of a reorganized system.

The Department of Parks and Recreation has already initiated contracting for security at the Hollywood Bowl. In addition, the Museum of Art is exploring the potential for using contracts with the Museum Associates to meet some of its security needs. Our recommendation is not directed at these efforts, which are tailored to the requirements of those departments.

The County Sheriff has been providing the leadership to develop and upgrade security to meet the requirements of the Health Services Department in the

hospitals. These requirements include peace officer status. If, as we expect, it is not feasible to contract County hospital security, it may be appropriate to transfer responsibility to law enforcement officials.

In the cases where the Mechanical Department provides a security service to another client County department or district, we believe the Mechanical Department must consult the client department to determine those cases for which contracting is appropriate and to develop the request for proposal for distribution to the industry.

The decision to contract with the private sector for a County service is a management decision. It will be based on a rational analysis of the costs and benefits of contracting within the framework set by Board policy and based on a comparison of contracting to all other alternatives, including the reorganization or redesign of the in-house security service system. When contracting is chosen, the exact level of savings will depend on management decisions and contractor proposals affecting system design and specifications.

Clearly, the County will not issue requests for proposals and subsequently base redesign of the in-house system on contractor responses. The County has extensive experience with contracting. County managers understand that appropriating the ideas in proposals while rejecting all bids is likely to lead in the long run to a decline of interest in doing business with the County.

Comparison of In-House to Contract Security

The table below summarizes our findings for each of the quantitative and qualitative factors we investigated. They are discussed in Chapter IV of this report.

<u>Factor</u>	<u>County Security</u>	<u>Contract Security</u>
<u>Costs</u>		
Average hourly cost	\$13.08	\$8.20
Indirect cost rate	84% to 90%	43% to 67%
<u>Personnel</u>		
Equipped with firearm and restraint devices	Always	Only when necessary
Limited Peace Officer status	Always	Never
Employee Training	At least 40 hrs.	At most 16 hrs
Minimum Education	At least high schl.	No uniform standard
Employee Turnover Rate	11% to 30%	50% to 300%
Insurance	Self insured	Highly variable
<u>Assignments</u>		
Need for arrest	Sometimes occurs	Never without police assistance
Access Control & Physical security	Variable	Variable

The substantial difference in cost between the County system and contract fees is principally attributable to the differences in personnel standards and partly to assignment requirements. It is true that industry costs would be considerably higher if the contractors were required to supply armed guards with the same qualifications and powers as County security personnel. According to salary surveys, the average hourly wage of armed guards in the Los Angeles area is \$6.70, which is comparable to the average \$7.05 hourly wage of armed County guards.

Contract costs would be lower than in-house County costs even if contractors paid the same wages as the County. Contract fees for guards paid \$6.70 per hour would range from \$9.60 to \$11.17. In contrast, County costs for guards paid \$6.70 per hour would range from \$12.32 to \$13.00. We conclude that contract fees will be 20% lower than County costs even when contractor wages are specified at County levels to upgrade contract personnel qualifications. If contractors are free to set wages, savings should range from 30% to 40%.

Nevertheless, our review of the qualitative comparison between in-house County security and the contract security industry leads us to believe that the industry may not now be in a position to perform in such high risk or sensitive County assignments as the hospitals, museums, certain welfare offices, and drug abuse clinics when they are open to the public. The industry can adequately protect County facilities when they are closed to the public or access is otherwise controlled.

Conclusion

We conclude that extensive contracting for security would be cost-effective for the County. Although we do not recommend contracting for the entire range of County assignments, we believe the County should consider the entire range to determine those for which the industry is currently capable of responding and performing. The level of savings will depend on management decisions controlling design, the assignments contracted, and proposed service levels. Savings should amount to at least 30% of current County costs.

II. COUNTY SECURITY SYSTEMS

Description

Los Angeles County provides public services from 4400 separate buildings representing over 1300 service facilities and covering over 30 million square feet of floor space. The facilities range over more than 4000 square miles of territory including highly urbanized areas and vast stretches of uninhabited rural area, including some rugged terrain.

The County's security system maintains a basic level of protection for these facilities, the property within them., and the lives and property of those using them. The security function does not replace police, but can supplement law enforcement by providing a measure of crime prevention, an observation and communications capability, and a first line of defense.

Organization

At present, seven independent departments manage the County's security function. They are the Arboreta and Botanic Gardens, the Flood Control District, Health Services, Mechanical, the Museum of Art, the Museum of Natural History, and Parks and Recreation.

Mechanical Department security is a centralized County service function which provides security to County departments that do not have internal security and to multi-department facilities.

In the Department of Health Services, each of the nine hospitals provides its own security but the Mechanical Department provides security services to the various clinics and office buildings. Since 1975, the County Sheriff has been directing the security program in Health Services and has initiated improvements of the level and quality of service.

In March, 1977, on motion of Supervisor Hahn, the Board of Supervisors

directed the Chief Administrative Officer (CAO) to review the potential for savings from consolidation of a number of County services, including security services. Since then, the CAO and the Mechanical Department have initiated organizational studies which are nearing completion. In addition, the Personnel Department has completed position reclassification studies which are due for implementation in 1979-80. Thus, the County may unify the management of security functions in a single organization in the near future. In addition, some of these studies may propose improvements of cost effectiveness through regionalization of security management, increased use of alarms instead of personnel, and contracting with private security firms.

Two additional County departments perform functions with impact on the need for and cost-effectiveness of County security functions. The Department of the County Engineer-Facilities is responsible for the design and acquisition of the County's physical plant. The design of entrances and exits, lighting systems and other environmental factors have a significant impact on security requirements and costs. The Department of Communications is responsible for the design and acquisition of the County's internal communications system. It therefore has a key role in determining the extent to which contemporary technology can be used to improve the cost-effectiveness of plant security and on the availability of effective communications devices to security personnel.

Personnel and Training

Despite the diffusion of management responsibility among seven autonomous departments, the County has a standardized system to control the qualifications and training of security personnel. Although, as we mentioned above, the classification system will change this year, the changes principally affect the number of positions at various levels and the range of duties assigned

to those levels. (See Appendices D-1 and D-2 for lists of the classification titles.)

The minimum recruiting standard is a high-school education. In addition, the County's minimum training standard is a 40-hour course at the Sheriff's Academy covering the powers of arrest and the use of firearms. In the case of hospital security, the Sheriff provides more extensive training for certain positions. County officials have informed us that the standard of training may increase to the 200 hour level for all positions.

All County security personnel are uniformed, armed, and equipped with restraint devices and necessary communications gear. Some patrol in radio-equipped vehicles. Employees performing supportive security functions, such as parking attendants controlling access to facilities and gallery attendants at the Museums, are not classified by the County as security personnel. They are unarmed and not trained to meet statutory requirements for security personnel.

Section 830.4(14) of the California Penal Code, applicable to Los Angeles County only, grants peace officer status to County security personnel when engaged in the duties of their employment.

Cost

We estimate the current annual personnel cost of the County's security system at \$13.9 million, distributed as follows:

<u>Cost Element</u>	<u>Amount (\$ millions)</u>
Wages of 436 security officers	6.4
Wages of 52 supervisors and managers	<u>0.9</u>
Total wages of 488 employees	7.3
Employee benefits at 27%	2.2
Other indirect costs at 60%	<u>4.4</u>
Total personnel cost	13.9

Table 1 contains detailed cost information for the Mechanical Department. The adjustments for various indirect expenses are based on data supplied by the Auditor-Controller. Table 2 contains average cost data for all seven departments. The indirect rates are based on estimates developed by our staff from a review of generally available information. County officials who have reviewed earlier drafts of this report agree that the data in both tables is accurate. The data for the Mechanical Department is based on audited sources and may be considered somewhat more precise than the Countywide averages in Table 2. The terminology, methods of computation, and sources of data are described in Appendix C.

TABLE 1

MECHANICAL DEPARTMENT BILLING RATES

SECURITY PERSONNEL
(1978-1979)

<u>Class</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Salary Range</u>	<u>Average Hourly</u>	<u>Adjusted for Time Off</u>	<u>Plus Employee Benefits</u>	<u>Plus Division Overhead</u>	<u>Plus Dept. Overhead</u>	<u>Plus Gen. County Overhead</u>
Security Officer I	98	99	\$ 940-1170	\$ 6.35	\$ 7.46	\$ 9.73	\$ 11.43	\$ 13.62	\$ 13.80
Security Officer II	32	32	992-1236	7.13	8.38	10.93	12.83	15.30	15.50
Security Officer III	40	39	1107-1380	7.96	9.36	12.21	14.34	17.09	17.31
Security Serv. Supv. I	5	3	1191-1484	8.56	10.06	13.13	N/A	16.09	16.33
Security Serv. Supv. II	6	6	1261-1487	9.07	10.65	13.90	N/A	17.03	17.28
Asst. Chief Sec. Serv. Div.	1	1	1543-1923	9.41	11.06	14.43	N/A	17.69	17.95
Chief Security Serv. Div.	1	1	1820-2268	11.72	13.78	17.98	N/A	22.04	22.36
Average Security Officer	170	170	1191	6.87	8.07	10.52	12.36	14.73	14.93
Average Supv. or Manager	13	11	1595	9.20	10.57	13.79	N/A	16.90	17.15
Average all Personnel	183	181	1215	7.01	8.22	10.72	12.34	14.86	15.06

N/A - Not applicable because supervisory personnel are included in the division overhead rate.

TABLE 2

COUNTYWIDE AVERAGES
SECURITY PERSONNEL BILLING RATES
(1978-1979)

<u>Class</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Salary Range</u>	<u>Average Hourly</u>	<u>Adjusted for Time Off</u>	<u>Plus Employee Benefits</u>	<u>Plus Division Overhead</u>	<u>Plus Dept. Overhead</u>	<u>Plus Gen. County Overhead</u>
Security Officer I	151	161	\$ 940-1170	\$ 6.24	\$ 7.34	\$ 9.32	\$ 11.60	-	\$ 14.09
Security Officer II	151	115	992-1236	7.04	8.28	10.52	13.08	-	15.90
Security Officer III	168	160	1107-1380	7.88	9.25	11.75	14.61	-	17.77
Supervising Security Guard	28	37	1191-1484	8.53	10.02	12.73	-	-	16.03
Head Security Guard	11	12	1261-1571	8.86	10.41	13.23	-	-	16.66
Chief Security Guard	2	1	1476-1839	10.61	12.47	15.83	-	-	19.95
Asst. Chief Security Serv. Div.	1	1	1544-1924	9.41	11.06	14.43	-	17.69	17.95
Chief Security Services Div.	1	1	1821-2269	11.72	13.78	17.98	-	22.04	22.36
Countywide Average	513	488	1250	7.21	8.47	10.76	-	-	16.27
County Avg. Security Officer	470	436	1222	7.05	8.28	10.52	13.08	-	15.91
County Avg. Security Supv/Mgr	43	52	1512	8.72	10.25	13.02	-	-	16.40
County Avg. All Personnel	513	488	1253	7.23	8.49	10.79	-	-	15.96

The costs of uniforms, uniform cleaning, personal equipment and vehicle maintenance are included in the indirect cost rates applied at the division level. The cost of training and the cost of vehicles are not included. The total indirect rate of 90% is our estimate of a reasonable average for all seven County departments. More precise estimates of indirect rates for each department and the direct costs of such equipment as automobiles and radios could be made available if necessary.

Based on the current budget, the distribution of costs among the seven departments is as follows:

<u>Department</u>	<u>Cost of Security Personnel (\$ Millions)</u>
Arboreta and Botanic Gardens	0.08
Flood Control District	0.11
Health Services (hospitals)	5.54
Mechanical	4.95
Museum of Art	0.65
Museum of Natural History	1.11
Parks and Recreation	<u>1.46</u>
	13.9

Summary

Los Angeles County spends nearly \$14 million annually to provide a security force protecting its facilities. Seven independent departments manage the security system. Of these, the Health Services (hospitals) and Mechanical Departments account for 75% of the cost. The Chief Administrative Officer, Mechanical Department, Department of Personnel, and Sheriff are nearing completion of various studies designed to improve the cost-effectiveness of the system. All of the 488 security officers employed by the County are armed, trained at the Sheriff's Academy, and granted limited peace officer status by the Penal Code.

III. THE PRIVATE SECURITY INDUSTRY

Description

The private security industry is highly diverse, fragmented, and competitive. Its principal function is to provide a basic level of protection to industrial, commercial and governmental facilities. The industry in the United States employed some 300,000 individuals in 1972, most of whom are watchmen or guards engaged in the prevention, detection and reporting of criminal activity or other hazard to lives or property.

Abroad variety of industries use some form of contract security, and some use combinations of in-house and contract security. Hospitals, banks, unemployment offices, aerospace firms, space and defense facilities, museums, and recreational or cultural facilities are among the clients of the private contract security firms we contacted during this review.

Organization

The industry has two main branches: companies that specialize in providing contract labor and companies that specialize in supplying security equipment. Very few companies supply both, although all will provide consultation to determine their client's need for a mix of equipment and personnel. Many firms also provide background checks on persons for employment or bonding purposes, specialized safety training programs, process serving, fire fighting, patrols, polygraph examinations, and investigations.

Corporate structures in the industry range from such national, publicly owned companies as Burns and Pinkerton's; such large privately owned companies as California Plant Protection; and such local independent companies as Shield and Tom Reddin Security Services. Of the 3500 firms offering services, the five or six large firms command half the market.

Personnel and Training

A 1972 study performed by the Rand Corporation for the National Institute of Law Enforcement and Criminal Justice characterized the typical private guard in the United States as "an aging white male, poorly educated, usually untrained, and very poorly paid." On training, the report commented: "Although current private security training programs vary considerably in quality, most are inadequate. The total prework training, plus initial on-the-job training is less than 2 days for a great majority of the private security workers in the United States today."

Since the 1972 Rand study, governments and the industry have jointly developed standards and goals governing recruitment and training. The ownership and management of many firms include retired military or police officials. California statutes require training of all personnel in the powers of arrest and, if armed, in the care and use of firearms, as a condition for licensing a firm to provide security services. This training consists of no more than two days, and is generally available in the community colleges or in specialized schools. Representatives of the contract security firms we contacted said that the firms provide any necessary additional training that their clients will pay for.

The great majority of contract security personnel are trained to meet statutory requirements and to rely on the police for backup when confronted by a breach of security. None are recognized as peace officers by California statutes.

Cost

According to the industry authorities we interviewed, hourly fees for contract security personnel range from \$6.00 to \$11.00 depending on the requirements of the client. The fees exclude equipment costs, but include uniforms, uniform cleaning, training, and supervision. According to rules of thumb widely used in the industry, 60% to 70% of the fee is the

employee's wage; the rest allows for employee benefits, taxes, supervision, overhead and a 1% to 2% net profit. Wages, therefore, range from \$3.60 per hour to \$7.70 per hour.

These estimates compare reasonably well to those obtained in a 1978 national salary survey conducted by Abbott, Langer & Associates for the American Society for Industrial Security. The survey found hourly wages for armed guards ranging from \$3.24 in small companies to \$7.60 in large companies. Hourly wages for unarmed security personnel ranged from \$2.90 in small companies to \$6.00 in large companies.

According to the Joint Salary Survey, the average hourly wage for an unarmed guard in the Los Angeles metropolitan area in 1978 was \$3.97; wages ranged from \$3.00 to \$4.27. The average hourly wage of an armed guard was \$6.70; the wage range was \$6.05 to \$7.72.

Based on these data, the hourly wage of a guard in the Los Angeles area can range from a low of \$3.00 to a high of \$7.72. Thus, hourly contract fees would range from \$4.28 per hour to \$12.87, and should average at about \$8.20.

These fees do not include the cost of communication equipment or vehicles. The hourly fee for full time on site supervisors would be about \$8.70.

The County presently employs 436 full-time security officers. At an average hourly fee of \$8.20, replacing the entire County force would cost \$7.4 million.

Summary

The contract security industry is diverse and fragmentary. It provides armed and unarmed guards to industrial, commercial and governmental clients, alarm systems, and such specialized services as investigations, background checks process serving, and polygraph examinations. Although studies of the industry in 1972 were critical of its standards of recruitment and training, there is

evidence of recent improvement. In California, the industry is regulated. Licensing requires minimum training of all personnel in the powers of arrest and of armed personnel in the use of firearms. Contract security personnel are not peace officers. According to survey data, the fees for contract security guards in the Los Angeles area would range from \$4.28 to \$12.87 per hour and should average at \$8.20 per hour.

IV. COMPARISON OF COUNTY SECURITY SERVICES TO CONTRACT SERVICES

The appropriate mix of contract and in-house security will depend on decisions to be made in the next year by County management and the Board of Supervisors. We cannot predict these decisions. In the sections below we discuss those quantitative and qualitative factors that we hope will influence the degree to which contracting is used to improve the cost-effectiveness of County security services.

Labor Cost

In the Mechanical Department, the average cost of a guard, excluding departmental overhead and general County overhead, was \$12.36 per hour in 1978-79. (See Table 1.) If we assume that wage increases in current settlements will average seven percent, the cost in 1979-80 will be \$13.22. The corresponding rate in the Countywide system will be \$14.00.

In contrast, based on survey data, the average hourly fee for a contract guard will be \$8.20.

This means that the County could average \$38,605 annual savings for each assignment requiring a guard covering a position overnight during the week and for 24 hours on weekends.

Other Costs

Equipment. Contract security services charge vehicles and communications equipment as additional direct costs, while the County includes the cost of communications equipment and vehicle maintenance in its indirect rates. The County costs in Tables I and 2 do not include the cost of vehicle purchases.

The charge levied by a contractor for equipment would depend, of course, on the type of equipment and its market cost. Prorated over hours in use, a contractor vehicle would add \$1.00-\$1.50 to the hourly fee; communications equipment would add three to five cents.

Contract security services are indifferent to the choice between using client equipment and providing it in the contract. Since the County already has the necessary equipment, management will have the option to use it or contractor equipment in each case.

Therefore, we have excluded the cost of equipment from our estimates of County and contractor costs.

Indirect Costs. In comparing the County's hourly rate of \$13.08 to the average hourly contract fee of \$8.20 we excluded the cost of County Department overhead and general County overhead, but included all indirect costs to the contractor.

The costs are therefore not directly comparable. For example, the contractor's fee includes the costs of taxes and capital; the County's includes no comparable cost. The contractor's fee includes all management and administration, while we have excluded the cost of departmental and general County overhead from our estimates of County costs and of contractor fees. We therefore believe our estimate of the difference to be conservative.

Direct comparison of indirect costs can be based on the rates applicable to the County. As we noted in Chapter III, employee wages account for 60% to 70% of the fees charged the client. This means that the total indirect cost of a contract security firm can range from as low as 43% to 67%. In contrast County indirect costs range from 85% in the Mechanical Department to 90% for Countywide security. Thus, in the County, wages account for 53% of the total cost of security.

On this basis, contract security would be 17% to 47% less costly than in-house County security even if wages were identical.

Contract Administration Cost. The County will incur costs for administering contracts and evaluating contractor performance. Since these functions will be performed by Department management and support units included in the County's estimate of general County overhead, they will not affect the cost estimates we have used for security. We have excluded both departmental overhead and general County overhead from the rates we use as a basis of comparison.

Thus, the decision to contract will depend on management evaluation of the tradeoffs among costs, indirect rates, and the cost of administration.

Personnel Factors.

Aside from cost, the most significant differences between contract security and in-house County security are in the qualifications, training, powers, and stability of their respective work forces.

Qualifications. In its reclassification of security positions, the County will require applicants to have at least a high school education and to meet minimum physical fitness standards. To our knowledge, no comparable regulatory standards are enforced in the industry, although some companies we contacted have internal standards.

Training. The County requires all security officers to complete a 40-hour course at the Sheriff's Academy, and requires some security officers to complete a sixteen week course for service in the hospitals. Minimum County training standards may increase to 200 hours. In contrast, private security companies provide training to meet minimum statutory requirements, rely on their clients to provide on-the-job training when needed and pass on the costs of any required additional training. The statutory minimums are one day in community colleges for unarmed guards and an additional day for armed guards.

Powers. California grants peace officer status to security officers employed by Los Angeles County (Penal Code 830.4(14)), limited to the hours on duty. Contract security personnel have no such powers.

Stability. The County security workforce is highly stable. Annual employee turnover in 1978 was 11%. Turnover in prior years may have reached 30%. In contrast, employee turnover in the contract security industry ranges from 50% to as high as 300%, depending on the company's wage and benefit package.

Thus, the County's decision to contract for security functions will depend on an evaluation by management of the tradeoffs between cost, the industry's ability to provide personnel that meet County requirements, and the actual need for the County's presently high standard of qualifications.

Control Factors.

Standards have developed in the contract security industry to assist clients in retaining sufficient control over the service provided.

Liability Insurance. Authorities have warned us that some contract security firms carry insufficient levels of liability insurance, and recommended that the County include insurance requirements in its contracts. A few firms have policies naming their clients as second-insured. Others can arrange co-insurance. Still others would increase fees to compensate for insurance requirements exceeding their normal coverage.

The County is self-insured for liability. The costs are not included in our estimates of security costs. Therefore, additional fees for liability insurance should not be included in estimates of contract costs.

We should also point out, however, that additional fees are unlikely. The lowest level of coverage recommended by the security firms we contacted was \$2 million per occurrence. Recently, the Board of Supervisors adopted a general policy of requiring all contractors to carry at least \$1 million per occurrence. Moreover, the proposals of some contractors could reduce liability

costs by designing the system at lower levels of exposure. Thus, we do not anticipate any major difficulty regarding insurance. The requests for proposals issued by the County should, of course, include a requirement for respondents to include liability information.

Performance. All of the contract firms we contacted described a standard clause in the industry permitting a client to reject the service of any company employee, without cause, and to require a replacement.

Supervision. All of the firms include supervision and inspection in their fees for guard service. In addition, they will accept and price any requirement for extraordinary levels of supervision. Some said they would recommend full time on site supervision at large facilities with crews of four or five guards. In other cases, client firms retain in-house supervision and contract only for guard personnel.

Therefore, the requests for proposal will ask the industry to respond to County control requirements⁹ and the decision to contract will depend on the industry's ability to propose systems that ensure adequate performance. Clearly, County management will want to carefully limit such requirements to the minimum necessary. It could be possible to drive proposed fees to levels exceeding County costs by specifying wages, benefits, qualifications and service at levels equivalent to the County's.

Assignment Factors

Most industrial security assignments have characteristics that do not apply equally to all County assignments. Access control, need for arrest, and physical security are among them.

Access Control. Many of the firms which use contract security can control access to their facilities. For example, secure aerospace facilities have gate controls to admit employees only and detain visitors for escort. In contrast, some County facilities must be open to the public with no constraints of access.

The ability to control access varies considerably in County facilities. Some office buildings are open to the public during daylight working hours but closed at night and on weekends; others have little or no public traffic. Hospitals are open at all times. Warehouses and equipment yards can incorporate access control at all times.

Need for Arrest. Contract security personnel are discouraged from detaining or arresting individuals, regardless of the condition of the individual or the potential for disruption. Arrests by contract security guards are citizen's arrests and can create liability problems for the contractor and the client.

Therefore, when confronted by a need to detain or arrest an individual, contract security guards call the local police and wait. In contrast, certain County assignments may require County personnel to arrest and detain an individual because the situation is too volatile to permit waiting for the police. We have confirmed that such situations actually occur, principally in County hospitals. For example, security officers conducted over 70 arrests at the County's USC Medical Center between January and June, 1979.

Physical Security. Industrial and commercial establishments use architecture, construction, and electronic devices to protect facilities, thus minimizing reliance on the performance of security personnel. The County also uses these techniques, but has a number of older facilities which were not designed to accommodate a high degree of physical security.

Thus, the decision of whether to contract for a particular security service will depend on a management determination of the industry's ability to perform on the assignments under consideration. In particular, the trade off will involve determination of the degree to which the County can control access, the potential need for peace officer status, the potential impact on insurance exposure and costs, and the potential for reducing the need for staffed security by spending capital on physical security modifications.

Summary.

Contract fees for guard service are lower than the County cost of security officers for two reasons. First, indirect cost rates are 67% for industry compared to at least 85% in the County. Second, the contract industry pays lower wages and performs effectively with somewhat lower personnel standards.

APPENDIX A

LIST OF CONTACTS

Officials of Contract Security Firms

Michael Barta, Branch Operations Manager, Wells Fargo Guard Services

Raymond G. Boyd, President, Boyd & Associates

Charles W. Colglazier, Vice President, Finance and Administration, California Plant Protection, Inc.

M. B. Dodson, Vice President, Operations & Training, California Plant Protection, Inc.

Raymond T. Dumolt, Manager, Pinkerton's, Inc.

George J. Photos, Manager of Physical Security, The Wackenhut Corp.

Edmund A. Green, Director of Customer Services, Shield Security, Inc.

Amos E. Hodson, Security Consultant, Wells Fargo Guard Services

Wilbur L. Jones, Vice President, Guard Systems, Inc.

Carter A. Kocher, Regional Manager, Burns International Security Services, Inc.

James Murphy, District Manager for California, The Wackenhut Corp.

Thomas Reddin, President, Tom Reddin Security Services, Inc.

Thomas W. Wathen, President, California Plant Protection, Inc.

T. Dean Webb, Regional Sales Manager, Burns International Security Services, Inc.

Trade Associations

American Society for Industrial Security

International Association of Security Services

National Council of Investigative and Security Services

List of Contacts

County Officials

Bruce A. Altman, Deputy Director, Mechanical Department

Brian H. Berger, Administrative Deputy, Mechanical Department

Richard K. Check, Chief, Workers Compensation and Occupational Health
Support Division

Morton J. Golden, Administrator, Los Angeles County Museum of Art

Louis B. Hall, Head, Budget and Management Services, Mechanical Dept.

Joseph W. Halper, Chief Deputy Director, Department of Parks and Recreation

Roy O. Hoover, Director, Special Studies, Dept. of Community Development

Paul Housman, Assistant Chief, Security Services, County-USC Medical Center

Mary Q. Jung, Principal Accountant-Auditor, Auditor-Controller

J. Tyler McCauley, Chief, Audit Division, Auditor-Controller

Hugh C. MacDonald, Sheriff's Lieutenant, Chief of Safety and Security,
Department of Health Services

Charles Norris, Chief, Management Services Division, CAO

Todd Sample, Security Services Supervisor II, County-USC Medical Center

Joel Segal , Principal Administrative Analyst, CAO

A. J. Sowa, Acting Director, Mechanical Department

Richard B. Zern, Division Chief, Personnel Department

Others

Robert W. Fox, Director of Security (retired), Northrop Corporation

Al Johnson, Senior Building Maintenance Supervisor, City of San Diego

Fred W. Rue, Area Business Administrator, Southern California Business
Services, Employment Development Department

James Stark, Audit Coordinator, County of San Diego

Tom Young, Director of Security, Norton Simon Museum of Art

APPENDIX B

REFERENCES

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2. Institute for Local Self Government, Alternatives to Traditional Public Safety Delivery Systems: Civilians in Public Safety Services, Berkeley, 1977.
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8. City of Los Angeles, et al, 1979 Wage and Salary Survey: Survey Representative's Handbook, Los Angeles, 1978.
9. Private Security Task Force, National Advisory Committee on Criminal Justice Standards and Goals, Digest of Private Security Standards and Goals, Learning Systems Inc., Boston, circa 1977.

APPENDIX C

Definition of Terms and Methods of Computation

The following is a description of the methods we used to derive Tables IV-1 and IV-2 from County information

Class Title. This is the title of the County position presently (1978-79) authorized in the County's Salary Ordinance. These positions are filled by County employees. The positions will be reclassified in 1979-80, but none of the new positions are filled at present.

Budgeted Positions. This is the number of positions that are funded in the present County budget. Budgeted positions are not necessarily filled.

Actual Positions. This is the number of positions that are filled by a full time County employee.

Salary Range. The first step and last step of the monthly salary for a position in 1978-79, as provided by the Department of Personnel.

Average Hourly Wage. The mean actual wage paid to employees in filled positions, based on the distribution of step placement provided by the Department of Personnel.

Adjustment for Time Off. The Audit Division of the County's Auditor-Controller annually computes the average number of hours worked by County employees. The most recent such computation is not yet available. However, the Audit Division has informed us that our estimate of 1770 hours worked is reasonable to use for estimating purposes.

This rate compensates not only for such employee benefits as vacation, holidays and paid leave, but also for such other forms of paid absence as partial pay sick leave and military or maternity leave. It is the equivalent of a rate of 17.5% of salary.

This rate affects the number of positions budgeted for a function, and thus should not be used to estimate the total cost of wages and employee benefits paid for a function. For example, security assignments are commonly 128 hours per week - 2 night shifts on weekdays and 3 shifts on weekends. The County budgets 3.76 positions for such assignments. Thus, benefits taken in the form of paid time off are included in the salaries budgeted and paid for the function.

Employee benefits taken as paid time off should, of course, be included in estimates of hourly billing rates for the service provided by a position.

Adjustment for Employee Benefits. The Audit Division of the Auditor-Controller annually computes the cost, as a percent of salary, of such employee benefits as retirement, health, life, and dental insurance, and workers' compensation insurance. The rates for 1979-80 are not yet available.

The County's retirement structure for new employees differs from that for those employed before 1977. The Auditor uses a Countywide average of actual costs for retirement.

The County is self-insured for workers' compensation. departmental experience as a basis for computing rates.

The current (1978-79) employee benefit rate for the Mechanical Department is 30.48% of salary, as follows:

The Auditor uses

Retirement	14.78%
Social Security	4.61
Health, Life, & Dental Insurance	5.85
Countywide average	25.24
Workers Compensation - Mechanical	5.24
	30.48

For security services in the other six County departments, we used an estimate of 27% of salary for employee benefits. Retirement and insurance benefits are 25.24%. Workers Compensation rates are as follows:

Arboreta and Botanic Gardens	0.68%
Health Services	1.59
Museum of Art	1.49
Museum of Natural History	1.38
Parks and Recreation	3.74

We consider the 27% estimate reasonable for our purposes.

These rates are applicable to the hourly rate adjusted for time off, which incorporates budgeted positions, and to the total salary cost of the security function. Adjustment for Division Overhead. The Audit Division of the Auditor-Controller annually computes indirect expense rates for County departments that bill their services to other departments, special districts, or Federal and State accounts. The rates for 1979-80 are not yet available.

Different rates apply in different circumstances because of State and Federal laws restricting the level of cost recovery that is applicable. In all cases, we have used the rates computed for billing to special districts, because these are the only rates that permit full cost recovery.

The Auditor computes Division overhead by allocating the wages and benefits of supervisors and division administrators as indirect expense. Secretarial costs and the costs of such personal equipment and supplies are allocated to indirect expense in the case of Security Services in the Mechanical Department. The cost of maintaining vehicles is included in the indirect rate. However,

the costs of the vehicles themselves and other equipment are not included. The overhead rate is computed as indirect costs as a percent of direct wages.

Division overhead for Security in the Mechanical Department is 22.68% of direct wages, not of direct wages and benefits. Thus, the composite adjustment for employee benefits and division overhead is 30.48% plus 22.8, or 53.16%.

We did not review the Auditor's indirect rates for the other departments with internal security functions. We used an estimate of 31% Countywide, which we based on general information available.

Adjustment for Departmental Overhead. The Audit Division of the Auditor- Controller annually computes indirect departmental expenses as a percentage of direct wages for those departments that bill their services to other departments, districts and levels of government. We have used the Auditor's estimates for district billing purposes, which allow total cost recovery. These include Countywide support costs.

Since the County does not typically provide or bill security services to special districts and does not bill them to all departments the Auditor's allocable indirect cost estimates for security are computed principally for purposes of developing composite departmental rates.

The Auditor's estimate of indirect departmental costs allocable to security in 1978-79 is 29.45% of direct salaries. We have not reviewed the details of the composition of this rate, since we have used it only for descriptive purposes.

In comparing County costs to contract costs, we compared the County's billing rate adjusted for time off, employee benefits and division overhead to contract fees. Departmental overhead could be reduced by contracting, but any reduction would likely be compensated by increases due to the costs of contract administration. We therefore excluded departmental overhead from the comparisons.

Adjustment for General County Overhead. The Auditor's estimate of general County overhead is 2.37% of total cost. The rate includes a Countywide spread of the costs of the political, executive, financial, and central service functions of general government.

Total County Cost. This includes wages, employee benefits and all indirect expenses allocable to the function. The rates we used for the Mechanical Department come from the Auditor-Controller's computations for 1978-79. The rates we used to estimate Countywide averages are our own estimates based on generally available information. The following summarizes our data as a percent of the hourly wage adjusted for time off.

<u>Source of Cost</u>	Rate as % of Wage for Hours Worked	
	<u>Mechanical</u>	<u>Countywide</u>
Fringe Benefits	30.48	27.0
Division Overhead	22.68	31.0
Department Overhead	29.45	---
General County Overhead	<u>2.37</u>	<u>---</u>
Total Cost Recovery	84.98	92.0

APPENDIX D-1

Class Specifications Presently In Use

The following class specifications are now in use but will either be changed, become obsolete or remain the same:

Security Officer I *

Security Officer II *

Security Officer III *

Supervising Security Guard **

Head Security Guard **

Chief Security Guard **

Asst. Chief, Security Services Division #

Chief, Security Services Division #

- * Specifications to be changed
- ** Specifications will become obsolete
- # Specifications will remain the same

APPENDIX D-2

Class Specifications Pending

The following class specifications will be effective pending approval of the Board of Supervisors:

Security Officer I

Security Officer II

Security Officer III

Senior Security Officer

Security Services Supervisor I

Security Services Supervisor II

Security Services Chief I

Security Services Chief II

Security Services Chief III

Asst.Chief, Security Services LAC/USC Med. Center

Asst. Chief, Security Services Division

Chief, Security Services Division

CONTRACTING FOR SECURITY SERVICES

Executive Summary

The Contract Services Advisory Committee has found strong evidence that the County could purchase certain classes of security services from private security firms for approximately 30% less than the cost of in-house security. Excluding costs that would be unaffected by contracting, the County spends an average of \$13.08 per hour for a security officer. The average hourly contractor fee for comparable services would be \$8.20.

The Committee recommends that the Board of Supervisors direct County management to initiate the Proposition A ordinance process of evaluating the feasibility of contracting for security services. Any subsequent solicitation of the private sector should be in the form of requests for proposals asking prospective contractors to survey County security requirements and propose levels and quality of service rather than simply bidding on reproducing the present County system.

Discussion

The cost of security, whether contract or in-house, depends on a variety of factors, including system design, level and quality of service, salaries and benefits, and indirect costs

Contracting should lower indirect costs. Contractors charge their clients 67% above guards' salaries, while the County spends 85% above security officers' salaries.

Nevertheless, the level of savings attainable will depend principally on the extent to which private contractors can be utilized plus the level and quality of service necessary to do the job. The County has security assignments ranging from protection of closed facilities to situations where officers may encounter severe challenge and disruption. The County staffs all assignments with employees who are armed, given 40 hours training at the Sheriff's Academy, and granted statutory peace officer status while on duty. This level of security is necessary in some situations but not others. We do not recommend contracting as an alternative when peace officer status is necessary.

Contractors propose services tailored to meet the specific requirements of each assignment. Contracting for security would thus provide the Board and County management with the flexibility to decide when proposed contract services would be as effective as the standardized in-house service, at lower cost.