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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Secretary Of Defense

Opportunities Exist To Reduce Operating Costs Of The Department Of Defense Overseas Dependents Schools

This report discusses opportunities for savings in the Department of Defense Dependents School system's two most expensive program areas (personnel and pupil transportation) by

- reducing the demand for substitute teachers,
- increasing the number of teachers hired locally, and
- identifying the most economical mode of pupil transportation.



GAO/HRD-82-86
AUGUST 26, 1982



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-208218

The Honorable Caspar W. Weinberger
The Secretary of Defense

Attention: Director, GAO Affairs

Dear Mr. Secretary:

This report discusses opportunities for savings in the personnel and pupil transportation programs in the Department of Defense overseas dependents schools.

This report contains recommendations to you on pages 11 and 18. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are also sending copies of this report to the Director, Office of Management and Budget.

Sincerely yours,

Edward A. Hensmore

for Gregory J. Ahart
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE
SECRETARY OF DEFENSE

OPPORTUNITIES EXIST TO
REDUCE OPERATING COSTS
OF THE DEPARTMENT OF
DEFENSE OVERSEAS DEPENDENTS
SCHOOLS

D I G E S T

Opportunities for cost reductions exist in the Department of Defense Dependents School (DODDS) system. These reductions could be achieved by reducing the demand for substitute teachers, hiring more persons who are already overseas as full-time teachers, and identifying the most economical mode of pupil transportation.

PERSONNEL COSTS COULD BE REDUCED
BY HIRING TEACHERS LOCALLY

Over the last several years, DODDS has filled about 1,200 teacher and support vacancies annually. For school year 1981-82, about 700 teachers were recruited in the United States. Department of Defense (DOD) policy indicates that teachers should be hired in the United States only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. (See p. 5.)

DODDS officials told GAO that there is a need for a large number of substitute teachers and local applicants (i.e., dependents of DOD military and U.S. Government civilian personnel stationed in the area) constitute the only source to meet this need. As a result, some principals are reluctant to hire local applicants as full-time teachers. DODDS personnel officials told GAO that the demand for a large number of substitute teachers is attributable mainly to the limit on the amount of leave DODDS teachers may accumulate. DODDS teachers earn 10 days of leave each year, but the maximum leave they can accumulate is 75 days. According to DODDS officials, once a teacher reaches the 75-day maximum, the 10 days leave earned will almost always be taken, thereby creating a demand for substitutes. GAO could not readily obtain information on the number of teachers who had reached the 75-day maximum. (See pp. 7 and 8.)

The legislation which imposed the 75-day limit was modeled after that applicable to the District of Columbia; however, the limit on District of Columbia teachers was removed in 1967. A bill (H.R. 2802) which would remove the 75-day limit on leave accumulation by DODDS teachers is pending in the Congress. (See pp. 8 to 10.)

Hiring teachers in the United States is substantially more costly than hiring teachers locally because (1) transportation costs are incurred for U.S.-hired teachers and (2) locally hired teachers are eligible for fewer benefits than those hired in the United States. (See p. 10.)

To the extent that there are a large number of teachers who take leave because of the limitation, removing the limit should cause a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. Filling vacancies with local hires rather than U.S.-recruited teachers would result in substantial savings. Further, to assist DODDS in implementing DOD's local hire policy, GAO recommends that DODDS establish and maintain a data base on the number of (1) available qualified local applicants who are dependents of DOD military and U.S. Government personnel and (2) teacher vacancies filled by these dependents. (See p. 11.)

ANALYSES NEED TO BE MADE TO
IDENTIFY WAYS TO REDUCE PUPIL
TRANSPORTATION COSTS

DODDS has budgeted about \$37 million for pupil transportation in fiscal year 1982. GAO found that military installation commanders--who are responsible for providing pupil transportation services to DODDS on a reimbursable basis--have not made cost comparisons and other analyses to insure that the most economical busing services are used.

In March 1980, the Deputy Assistant Secretary of Defense (Supply, Maintenance, and Transportation) requested that military departments prepare comparative cost analyses of in-house and commercial contract school busing services and that a uniform methodology be used. GAO found that the analyses are not being made for all military communities and that where they are made, the comparisons are not uniform. (See pp. 15 and 16.)

Savings may result by making busing services more efficient. For example, a review of the busing program at Bitburg Air Base, Germany, identified ways to increase the efficiency of the busing services with a projected savings of about \$877,000 over a 3-year period. Such studies, however, are not made by the Army, nor made on a regular basis by the Air Force. (See p. 16.)

DODDS does not monitor busing services provided by military installations and does not know whether the services provided are economical and efficient. DODDS has neither the resources nor the cost-type information to perform this function. (See p. 18.)

GAO recommends that the Secretary of Defense

- insure that cost comparisons and other analyses are made by military communities and the results are provided to the appropriate DODDS' regions;
- instruct the military departments, when contracting for pupil transportation services, to consider (1) structuring contracts to allow competition from smaller companies and (2) using multiyear contracts;
- insure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS; and
- require the Director of DODDS to develop an information base to better analyze cost data to insure that the most cost-beneficial busing services are provided. (See p. 18.)

AGENCY COMMENTS

In oral comments, DOD officials concurred with GAO's recommendations and said that actions would be initiated to implement them.

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In 1946, an elementary and secondary school system was established for dependents of military and civilian personnel serving overseas. From 1946-76, the military departments operated the schools. As a result of congressional

concern over the diffusion of management and control over the school system, in 1976 the Secretary of Defense established DODDS as a single entity to operate the school system. The military departments were left with the sole function of providing support services.

DODDS currently operates 272 schools in 20 countries. It has an enrollment of about 133,000 students and employs almost 11,500 people, including about 7,000 teachers. DODDS' budget for fiscal year 1982 is about \$500 million. (See pp. 1 and 2.)

GAO's objective was to assess the managerial effectiveness and organizational efficiency of DODDS in the areas of personnel hiring, financial management, and logistics support, including pupil transportation.

GAO did not attempt to assess the quality of education provided by DODDS. GAO did, however, review test results and evaluations which indicate that the educational services provided by DODDS compare favorably with those provided by schools in the United States.

This report discusses GAO's work concerning personnel hiring and pupil transportation. The results of GAO's work in the financial management and logistical support service areas will be addressed in a separate report to the Secretary of Defense.

GAO conducted its work at DODDS headquarters in Alexandria, Virginia; the Germany North and Mediterranean regions; the U.S. Air Force, Europe headquarters; the U.S. Army, Europe and Seventh Army headquarters; and at the schools located in nine military communities in both of the DODDS regions visited.

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ABBREVIATIONS

CPO Civilian Personnel Office
DAS Defense Audit Service
DOD Department of Defense
DODDS Department of Defense Dependents Schools
GAO General Accounting Office
USAFE U.S. Air Forces, Europe
USAREUR U.S. Army, Europe and Seventh Army

CHAPTER 1

INTRODUCTION

In 1946, the military departments started an education system of elementary and secondary schools for dependents of military and civilian personnel serving overseas. During the next two decades the school system expanded greatly. Initially, the schools were operated by each of the military services at their installations. Consequently, the system was not uniform in either its organization or its curriculum offerings.

In 1965, steps were taken to establish a unified school system. All overseas schools were placed under the control of the Assistant Secretary of Defense (Manpower and Reserve Affairs) who was given policy direction for the school system. The system was divided into three geographical areas:

--Europe, managed by the Army.

--Pacific, managed by the Air Force.

--Atlantic, managed by the Navy.

The diffusion of management and control of the school system caused a great deal of concern in the Congress. The House Committee on Appropriations, in its report on the Defense Appropriation Bill for fiscal year 1974, stated that:

"the mere consolidation of funding into one appropriation has not achieved the objectives sought by the Committee which essentially relate to long-term savings through the reduction of overhead and administrative costs while at the same time providing for the achievement of uniform quality education for the children of our military personnel stationed overseas."

In 1975, the Committee again expressed its concern over the way in which the system was operating and directed in its report on the Department of Defense (DOD) appropriations for fiscal year 1976 that full responsibility for management of the program be vested in an Office of Dependents Schools and that the concept of independent geographical managers be discontinued.

As a result of the congressional directive, in 1976 the Secretary of Defense established the Department of Defense Dependents Schools (DODDS) as a single entity to operate the three-region school system. The military departments were left with the sole function of providing logistical support services. The Defense Dependents' Education Act of 1978 (20 U.S.C. 2701 et al.) established an Office of Dependents' Education within the Department of Defense and required, among other things, that appropriate regional

or area offices be established to provide for thorough and efficient administration of the system. Consequently, the system was organized into six regions--Atlantic, Germany North, Germany South, Mediterranean, Pacific, and Panama. (See app. I.)

DODDS relies on the military departments for a number of logistical, financial, and personnel support services--most of which are provided to DODDS by the military services on a reimbursable basis. DODDS performs most of its own functions in budget, supply, and teacher recruitment.

On October 17, 1979, the Department of Education Organization Act (20 U.S.C. 3401) was enacted. The act created the Department of Education and provided for the transfer of the overseas dependents schools from DOD to the Department of Education on or before May 4, 1983. Legislation (S. 1474) introduced on July 8, 1981, to block the transfer is pending in the Congress.

DODDS operates 272 schools in 20 countries and has an enrollment of about 133,000 students (see app. II). The school system employs almost 11,500 people, including about 7,000 teachers. Its total budget for fiscal year 1982 is about \$500 million.

Most students (about 126,000 in school year 1981-82) are dependents of DOD military and civilian personnel assigned overseas and attend DODDS school on a tuition-free basis. The remaining students attend on a tuition-paying basis. These students are dependents of (1) Americans who are Federal employees, (2) employees of private companies under Federal contract, (3) U.S. citizens in various occupations abroad, or (4) foreign nationals. The following table shows the number of students enrolled in DODDS schools in kindergarten through grade 12 as of March 31, 1982.

<u>Enrollment categories</u>	<u>Number of students enrolled</u>
Tuition-free basis	125,627
Tuition-paying basis	<u>7,152</u>
Total	<u><u>132,779</u></u>

In addition, DODDS pays the tuition for about 3,000 students enrolled in private schools in 78 countries worldwide because their military sponsors are assigned to overseas areas where there are no DODDS schools. DODDS estimates that tuition costs will average \$3,550 per student in fiscal year 1982.

OBJECTIVES, SCOPE, AND METHODOLOGY

We did not attempt to assess the quality of education provided by DODDS. We did, however, review results of (1) standardized

achievement tests; (2) the 1981 Department of Education study of the DODDS' system which included a detailed analysis of education programs and services; and (3) the periodic evaluations of DODDS' schools by the North Central Association of Colleges and Schools (the association which accredits DODDS' schools) which included assessments of such factors as professional staff, instructional program, library materials, and school facilities and equipment. The results of these tests and evaluations indicate that the educational services provided by DODDS compare favorably with those provided in the United States.

The objective of our review was to assess the managerial effectiveness and organizational efficiency of DODDS in the areas of personnel hiring, financial management, and logistics support, including pupil transportation. This report discusses our work concerning personnel hiring and pupil transportation. The results of our work in the financial management and logistics support service areas are being addressed in a separate report. To attain our objective, at the headquarters levels, we examined program policies and procedures and reviewed pertinent records and reports regarding the administration of overseas dependents schools. We interviewed the Director of DODDS, the chiefs of various program divisions and their staffs, DOD program officials, and officials of the Department of State.

At the regional level, we concentrated our review in Europe where 80 percent of the schools are located. Specifically, we performed our review work in two regions (Germany North and Mediterranean) where 42 percent of DODDS schools are located. In addition to work performed in the two regions, we performed work at the U.S. Air Forces, Europe (USAFE) headquarters, the U.S. Army, Europe and Seventh Army (USAREUR) headquarters, the subordinate military organizations supporting DODDS in Europe, and the schools located in nine military communities in both of the DODDS regions in our review.

The two regions were selected because they are confronted with operating problems similar to other regions in the system.

--The Germany North region, like the Germany South region, has a large number of schools in a relatively small geographical area and is located fairly close to the major military commands responsible for servicing its schools.

--The Mediterranean region, like the Pacific and Atlantic regions, has fewer schools that are spread over a large geographical area and is distant from the major military commands responsible for servicing its schools.

In selecting the military communities, we looked for a mixture of Army-, Air Force-, and Navy-supported schools; large and small schools; schools distant from and close to the regional

offices; and schools distant from and close to military activities responsible for providing support services to the schools and their personnel. We visited schools in Germany, Greece, Italy, Spain, and Turkey. The school facilities included regular classrooms; special purpose rooms; supply rooms; classrooms used by special education classes; and school dining, physical education, and dormitory facilities.

We examined DODDS', DOD's, and military departments' policies, procedures, guidelines, and directives pertaining to the programs and functions under review. We reviewed the North Central Association's accreditation reports for the schools we visited.

At the regional offices, we spoke with regional directors and chiefs of various program and support divisions and their staffs. At the schools, we spoke with principals and assistant principals, program coordinators, teachers and aides, union representatives, school level support personnel, some parents of students, and students. In the military communities, we obtained information from individuals responsible for pupil transportation, facilities' construction and maintenance, personnel support services (such as payroll and personnel records maintenance), and general military oversight and support of the DODDS' education program.

The review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

CHAPTER 2

DODDS SHOULD MAKE GREATER USE OF LOCALLY

AVAILABLE TEACHERS TO REDUCE PERSONNEL COSTS

It is DOD's policy to give hiring preference to qualified dependents of DOD military and U.S. Government civilian personnel who are stationed overseas. In practice, however, DODDS fills a large percentage of its overseas vacancies by recruiting and hiring teachers in the continental United States. Hiring teachers in the United States is substantially more costly than hiring teachers who are available in the overseas areas where the schools are located. Some principals, however, are reluctant to hire local applicants to fill teacher vacancies because they want to keep these applicants available to meet the school system's large demand for substitute teachers. This demand, according to a DODDS official, is created primarily by legislation limiting the accumulation of leave by teachers. Changing the legislative restriction on leave accumulation could reduce the demand for substitute teachers and increase hiring of local teachers for full-time positions at substantial savings to DODDS.

DOD POLICY IS TO HIRE TEACHERS LOCALLY

DOD policy indicates that teachers should be hired in the United States only if the vacancies cannot be filled by either (1) transferring currently employed teachers or (2) hiring teachers locally. The basic policy applicable to DODDS' staffing is contained in DOD Directive 1400.13 (Salaries and Personnel Practices Applicable to Teachers and Other Employees of the DOD Overseas Dependents' School System). Part IV of this directive states:

"Local applicants may be selected at any time during the school year for employment in the current school year. Preference will be given to fully qualified dependents of DOD military and civilian personnel who are stationed in the area. [1/]

"Positions not filled by current employees and selected local applicants will then be filled through CONUS [2/] recruitment."

1/DOD revised the directive in December 1981 to extend the hiring preference to dependents of all U.S. Government personnel stationed in the areas where the schools are located.

2/CONUS is the continental United States.

DODDS FILLS A LARGE PERCENTAGE OF
ITS VACANCIES OVERSEAS BY HIRING
TEACHERS IN THE UNITED STATES

Two-thirds of DODDS' budget is for personnel-related costs. Over the last several years, DODDS has filled about 1,200 teacher and support vacancies annually. To fill teacher vacancies, DODDS may transfer currently employed teachers within and among the six DODDS' regions, hire qualified teachers available locally, and/or hire teachers in the United States. Between 600 and 800 vacancies annually were filled through voluntary transfers, re-assignment of personnel from schools with reduced enrollments, and local hires. The remainder were filled by teachers recruited in the United States. For school year 1981-82, 734 teachers were recruited and hired in the United States.

The worldwide dispersion of the school system has led to the evolution of a highly decentralized personnel management structure with responsibilities carried out at various administrative levels, including DODDS headquarters, regional offices and schools, and military department civilian personnel offices (CPOs) in the United States and overseas.

DODDS headquarters is generally responsible for developing and monitoring compliance with systemwide personnel policies and procedures. The regional offices establish policies and procedures unique to a geographic area or single country. At the school level, administrators are responsible for interpreting and implementing DODDS' policies, executing personnel management tasks in their respective schools, and arranging for and monitoring personnel support from local military communities.

The level of authority to select teachers varies, depending upon whether they are being transferred, hired locally, or recruited from the United States. Intraregional transfers of currently employed teachers are usually approved by the regional directors in consultation with the school principals involved. New teachers hired locally are selected by school principals from lists of eligible candidates provided by CPOs of the military installations which provide support services to the schools. Authority to approve requests from teachers for transfer between regions and to hire U.S.-recruited teachers is retained by DODDS Headquarters Personnel Division.

Reliable information on the number of qualified
local applicants is not available

Neither DODDS regions nor DODDS headquarters has reliable information on the availability of qualified local applicants. CPO officials said that unless a principal submits a Standard Form 52 (Request for Personnel Action), they do not refer candidates for interviews. Some of the principals we talked

with said that they did not submit Standard Form 52's because they believed they were aware of all available, qualified, and desirable candidates in the community. The principals' views of local candidates are often formed on the basis of informal reviews of applicant files or assessments of their current substitutes and teacher aides who might apply for full-time positions.

Although there are no data at DODDS headquarters on the availability of qualified local applicants, there seems to be a difference of opinion as to whether the number available is adequate to meet the school system's needs. DODDS' Director of Personnel believes that the number of local applicants is not adequate, but the Director of DODDS stated in an August 1980 message to regional directors that there is

"* * *conflicting information regarding the availability of local applicants for teaching positions, with servicing CPOs indicating an adequate supply of qualified candidates but that principals have not submitted requests to them for recruitment."

LIMITATION ON LEAVE ACCUMULATION CREATES NEED FOR A LARGE NUMBER OF SUBSTITUTES

DODDS' teachers (other than substitutes) accrue leave with pay--referred to as "educator's leave"--at a rate of 1 day per month. Teachers who serve an entire school year accrue a total of 10 days of leave per year. Unused leave, up to a maximum of 75 days, may be carried from one school year to the next.

Educator's leave serves a combined purpose for DODDS' teachers because it provides both sick and annual leave and may be granted for such purposes as maternity, teacher illness, illness or death in the immediate family, and personal emergency. In addition, with prior approval, up to 3 days a year may be used for any purpose.

An official in DODDS' Headquarters Personnel Division said that systemwide regulations concerning controls and actions required to prevent abuse of leave have not been published; however, DODDS personnel servicing agreements with the Army, Navy, and Air Force direct DODDS regions to abide by the regulations of the organizations providing personnel support services, unless a region chooses to publish its own leave regulations. The official said that certification is generally required for absences exceeding 3 days for medical reasons; however, certification may be required for shorter absences if there is reasonable cause to believe that leave has been abused previously.

When teachers leave the system prior to retirement, they do not receive any compensation for accumulated leave. If they earn a retirement annuity, however, accumulated leave is credited

toward longevity in computing the annuity. From August 1980 through July 1981, 36 teachers retired from the school system. According to an official in DODDS' Headquarters Personnel Division, this number (less than 1 percent of the total number of teachers employed in the school system) is representative of the number retiring in any given year.

When teachers are on leave, DODDS employs substitutes to teach their classes. Substitutes are also needed at other times, such as when teachers (1) attend workshops or training courses, (2) arrive overseas late or leave early, (3) accompany students on field trips, (4) take part in school-sponsored activities, (5) participate in the curriculum review cycle, and (6) process in or out of their duty assignment locations. DODDS' qualification criteria for substitutes are the same as for full-time teachers.

DODDS' headquarters budget officer estimates that on the average worldwide, each teacher in the school system will require a substitute 10.6 days in fiscal year 1982. This means that DODDS will need the equivalent of 403 substitutes full time. DODDS' officials told us that the need for the large number of substitute days is created by the limit on the amount of leave a teacher may accumulate and that, as a result of the need for large numbers of substitutes, some principals are reluctant to hire local applicants (their only source of substitutes) to fill full-time teacher vacancies. DODDS Personnel Director told us that the limit on carryover of leave almost guarantees that after the 75-day limit is reached, a teacher will use all leave which would otherwise be forfeited. Based on the daily pay rate for substitute teachers, the number of classroom days in a school year, and the number of full-time equivalent substitutes, we estimate that DODDS will pay about \$3.3 million for substitutes in fiscal year 1982.

DODDS headquarters does not have information on (1) the number of teachers in the school system who have reached the 75-day limit on leave accumulation or (2) trends in leave usage by teachers. Although leave balances are available through the payroll system, DODDS-wide data cannot be readily aggregated because maintenance of leave records for DODDS' teachers is a function of 28 military finance offices using 9 nonuniform payroll accounting systems.

Leave accumulation limited by law

The accumulation of educator's leave is limited to 75 days by the Defense Department Overseas Teachers Pay and Personnel Practices Act (20 U.S.C. 901) enacted July 17, 1959. The act was designed to correct defects in DODDS' personnel program stemming from the fact that the teachers were employed under civil service laws and procedures which were designed for regular,

full-time employees rather than teachers whose services are usually required for only the 9 or 10 months which constitute the school year.

Under civil service rules and regulations regarding pay and leave, teachers were considered to be in a pay status only when actually working or when on earned annual or sick leave. When the traditional school recess periods for Thanksgiving, Christmas, and Easter arrived, however, some of the teachers had not been in the school system long enough to have accumulated sufficient leave to cover the period they were not working and were placed in a leave-without-pay status. In this status, they lost not only pay, but also entitlement to receive the differentials and cost-of-living allowances which were authorized for the foreign post to which they were assigned.

A similar situation had existed in the District of Columbia School System until remedied by passage of the District of Columbia Teachers' Leave Act of 1949 (10 U.S.C. 1430(d)-1430(f)), enacted on October 13, 1949. This act substituted a program of sick and emergency leave for the sick and annual leave program applicable to civil service employees. In 1949, civil service employees generally earned 15 days of sick leave per year, cumulative to 90 days, and 26 days of annual leave per year, cumulative to 60 days. The District of Columbia Teachers' Leave Act adjusted the 90-day limit downward because teachers did not work a 12-month year. At the time the District of Columbia Teachers' Leave Act served as the model for the act providing leave for DODDS' teachers, it permitted teachers to earn 10 days of leave each school year, cumulative to 75 days. In any year, 3 days could be used for personal reasons--the balance only in the event of illness or urgent personal emergency.

The limit on sick leave accumulation was removed for civil service employees by the Annual and Sick Leave Act of 1951 (Public Law 82-233), enacted on October 30, 1951, and for District of Columbia teachers by an amendment to the District of Columbia Teachers' Leave Act of 1949 (Public Law 90-212) enacted on December 18, 1967. The benefits obtained by District of Columbia teachers by the 1949 act, regarding not being in a leave-without-pay status during school recess periods, were retained under the 1967 act. District of Columbia teachers are under contract between September 1 and June 30. Within the contract period, teachers are paid for holidays and for school break periods (winter and spring).

The reasons for removing the limits on sick leave accumulation are explained in the following excerpts from reports accompanying the respective bills. The Senate report on the proposed bill to remove the limit placed on civil service employees stated:

"When an employee approaches or has reached the 90-day accumulation, the 15 days sick leave theoretically earned by him each year has little or no value. Human nature being what it is, things of little value are treated lightly, and accordingly, the indiscriminate use of sick leave may follow. If on the other hand, there were no limit on the amount of sick leave that any employee could accumulate, there would be more of an inclination to preserve it more carefully as insurance against prolonged illness in the years to come. In the final analysis, if an employee preserves his sick leave for the entire duration of his Federal service, it represents a saving of that much time to the Government and the potential liability is wiped out when the employee leaves the service."

Both the House and Senate reports accompanying the proposed bill to remove the limit on leave accumulation by District of Columbia teachers explained that:

"* * * restrictions pertaining to sick and emergency leave are no longer in keeping with the trend in other large city school systems nor in other jurisdictions in the Washington metropolitan area (and) * * * contributes toward a lessening of the bargaining position of the District of Columbia in the vital matter of recruiting and retention of proficient teacher personnel."

H.R. 2802, the Defense Department Overseas Teachers Act of 1981, which would remove the current 75-day limit on leave accumulation by DODDS' teachers, is pending in the Congress.

PERSONNEL COSTS ARE GREATER
WHEN TEACHERS ARE RECRUITED
IN THE UNITED STATES

Personnel costs incurred by DODDS are affected by where teachers are recruited. A teacher recruited in the United States receives a living quarters allowance and post differentials as well as education, maintenance, temporary living, and supplementary post allowances. Teachers hired locally are not entitled to any of these benefits. In addition, DODDS incurs transportation-related costs for U.S. hires which are not incurred when teachers are hired locally. These costs include the travel costs of the teachers and their dependents, the shipment of household goods and vehicles, and the storage of household goods in excess of that authorized for shipment overseas.

The Germany North Region's budget submission for fiscal year 1982, for example, estimates that the region will hire 225 teachers in the United States and will incur costs of \$6,591 to transport each teacher overseas. The budget also estimates that 213 teachers assigned to schools in the region will leave the school system and the cost to transport each teacher back to the United States will be \$6,690. Based on these budget estimates, the Germany North Region will incur about \$13,000 in transportation costs alone for each U.S.-hired teacher sent to the region.

CONCLUSIONS

According to DODDS' officials, a large number of substitutes is required because of restrictions on the amount of leave that can be accumulated which tends to motivate teachers to take leave when they have accumulated the maximum amount allowed. Consequently, the DOD policy of giving preference to qualified local applicants for teacher vacancies is not adhered to because of the school system's need to insure that adequate numbers of substitutes are available. As a result, DODDS hires many teachers in the United States to fill vacancies overseas when qualified teachers are available locally at significantly less cost.

We recognize the dilemma facing principals if they hire locally available applicants to fill teacher vacancies since these applicants are also their sole source of substitutes. However, if as the DODDS Personnel Director has indicated, teachers will almost certainly use all leave which would otherwise be forfeited after the 75-day limit is reached, and to the extent that a large number of teachers have accumulated the maximum, removing the limitation, as is contemplated by H.R. 2802, could reduce leave usage and consequently reduce the need for large numbers of substitutes and the costs associated with them. With a decreased demand for substitute teachers, principals should be less reluctant to hire local applicants for full-time teacher vacancies. Filling vacancies with local hires rather than U.S.-hired teachers could result in substantial savings to DODDS. More reliable information on the availability of local hires could help principals implement the local hire policy and provide DODDS headquarters assurance that the regions are using, to the maximum extent, a less costly alternative to hiring teachers in the United States.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

To help ensure that DOD policy on hiring locally is being followed, we recommend that the Secretary require the Director of DODDS to establish and maintain a data base on the numbers of (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.

AGENCY COMMENTS

DOD officials, in commenting orally on the draft report, concurred with our recommendations on the teacher recruitment issue and said that actions would be initiated to implement them.

CHAPTER 3

BETTER ASSURANCE NEEDED THAT PUPIL

TRANSPORTATION IS PROVIDED AT LEAST COST

Pupil transportation is one of a number of logistics support services DOD policy requires installation commanders to provide to DODDS on a reimbursable basis. DODDS headquarters estimates that, at \$37.1 million in fiscal year 1982, pupil transportation is the most costly support service the school system will purchase from the military services.

DOD policy requires installation commanders to provide or arrange for the most economical mode of transportation for DODDS' students. Some military communities may not have the most cost-effective busing arrangements because some installation commanders have not made cost and other analyses to insure that the most economical busing services are used. As a result, DODDS' pupil transportation costs in some cases may be higher than necessary. Further, DODDS' regional directors are not monitoring the cost of the bus support services provided by installation commanders to ensure that the most economical mode is used.

CONTRACTOR VERSUS IN-HOUSE COST COMPARISONS ARE NOT ALWAYS MADE

The military communities overseas provide bus transportation for DODDS' students using in-house resources, commercial contractor resources, or a combination of both. DOD Manual 1342.6-M-1 (Administrative and Logistic Responsibilities for DOD Dependents Schools) requires installation commanders to provide or arrange for school transportation service for students using the "most appropriate and economical mode."

GAO and the Defense Audit Service (DAS) have both reviewed the DODDS student busing program at various times over the past several years. A common finding has been that, in general, the student busing program was not operating in the most efficient and cost-effective manner. Each has made recommendations to improve the management and reduce the cost of the program.

Reports issued on the student busing program include:

- A 1974 GAO report which recommended that (1) a special task force be established to evaluate and report on opportunities for better transportation management, (2) routes and loading be periodically reassessed, and (3) details on costs be incorporated into a management information system. 1/

1/"Problems in Providing Education Overseas for Dependents of U.S. Personnel" (B-131587, Sept. 25, 1974).

DOD did not agree with the GAO recommendations and no systemwide action was taken on them at that time.

--A 1977 GAO report which stated that a program should be instituted to determine systemwide the most economical alternatives for transporting students and actions necessary to implement them. 1/ GAO recommended that the Secretary of Defense direct DODDS headquarters to initiate a program to identify alternative means of providing bus transportation that would reduce overall DODDS operating costs. DOD agreed with the GAO recommendation and said that efforts to affect economies in this area had been intensified.

--A 1979 DAS report on the cost of busing DODDS students in Europe recommended that the military departments be required to (1) prepare comparative cost analyses of in-house and commercial contract school busing services and (2) use the busing resources in-house, commercial, or a combination of resources that provide the U.S. Government the most efficient and cost-effective means of transporting DODDS' students.

In February 1980, DODDS issued busing guidelines designed to cut costs and provide for a consistent degree of service. The guidelines, subsequently incorporated in a DOD regulation, are for use in determining the extent of pupil transportation support to be provided by the military communities. Except where DODDS has granted a waiver, the cost of any transportation services provided by the community, but not permitted under the guidelines, is the responsibility of the community which authorizes the deviation from the guidelines.

DODDS guidelines specify, for example, that:

--Travel time from the farthest point in the commuting area (the area in which students are authorized daily transportation at U.S. Government expense) may not exceed 1 hour.

--The walking distance (the distance from a student's home to the school or designated bus stop) is not to exceed 1 mile for students in kindergarten through grade 6, and 1-1/2 miles for students in grades 7 through 12.

--Door-to-door service will not be provided.

1/"Financial Management of Overseas Dependents Schools" (FPCD-77-7, Feb. 16, 1977).

--Students will be transported at the lowest practicable cost, based on a thorough analysis and periodic review of demand, routes, and schedules.

--Communities must consider seating students in kindergarten through grade 5 on a three-to-a-seat basis, provided the bus trip is not more than 30 minutes.

In March 1980, the Deputy Assistant Secretary of Defense (Supply, Maintenance, and Transportation) requested that the military departments prepare the cost analyses recommended by DAS and suggested that the Office of Management and Budget cost comparison procedures be used to ensure consistency in methodology. This requirement was subsequently incorporated in a DOD regulation.

During our review, we visited three Army, one Navy, and five Air Force communities. We found that cost and other analyses are not being made for all military communities. Five (one Army and four Air Force) of the nine had made no cost comparisons of in-house and contract services for school year 1981-82. The Air Force base in Athens, for example, uses contract service, but had not conducted cost comparisons. Further, according to a transportation specialist, the Air Force communities in Italy use in-house busing although no study has been done since 1975 to determine the relative costs of contract versus in-house transportation services there. The specialist said that, as a result of difficulties in dealing with Italian contractors and unions prior to 1976, USAFE decided that contracting was not feasible at its Italian bases. Since no recent comparisons had been made, we could not determine the cost effectiveness of the Air Force's decision; however, the costs may be higher than necessary as suggested by the fact that for school year 1980-81 the Navy paid its contractors in Naples 43 percent less than the estimated in-house cost for the same period. Moreover, the Army and the Navy communities we visited in Italy reported encountering few or no difficulties with their contract-provided bus transportation.

A significant difference exists between Air Force and Army approaches to performing cost comparisons. The Air Force bases we visited made their comparisons between in-house and contractor transportation services on the basis that all such services for the community would be provided by only one of these means. The Army, however, requires its communities to compare costs on a route-by-route basis and to contract only for the routes where contract service is cost effective. USAREUR personnel believe this gives them the lowest possible cost and allows Army communities to retain some buses for other community support or operational needs.

A December 31, 1980, USAREUR study of the cost of in-house versus contract busing services in Europe found that contracting would save \$6 million in Army communities over a 3-year period.

USAREUR concluded that even greater savings could be achieved through a route-by-route analysis to determine which routes could be best served by contracts. Air Force and Navy communities we visited did not use or consider a mix of contract and in-house busing service. Four communities we visited awarded their contracts on a route-by-route or area-by-area basis, thus creating a greater degree of competition and the opportunity for lower costs by allowing small contractors to compete for part of the busing requirements. Bus transportation for DODDS' students at Vicenza, Italy, for example, is provided by 8 Army buses and 11 contractor buses. The contractor buses come from five different contractors.

In one community we visited, there appeared to be limited competition because of the contract performance requirements. All bus service for the three schools in the Naples area is provided by one contractor. He is awarded the contract because he is the only one who can satisfy the contract performance requirement to provide 33 buses.

When considering contracting, additional savings may be realized through use of multiyear contracts. A February 8, 1982, Army Audit Agency report on transportation motor pools in Europe contained information from contractors which indicated that the cost to the Government for bus services would be substantially lower if multiyear contracting were used. For example, cost data provided by a commercial firm in Wuerzburg, Germany, showed that yearly contract costs would be 37 percent lower if a multiyear contract were used. None of the Army communities we visited used multiyear contracts.

EFFICIENCY OF PUPIL TRANSPORTATION NOT ALWAYS ASSESSED

Savings in the pupil transportation program may also result from studies which assess the efficiency of the services provided. In this regard, an in-house study of the school busing function at Bitburg Air Base, Germany, issued March 17, 1981, identified potential changes in the operation of the program which would, for example, reduce the number of buses from 25 to 20 and the number of routes served from 33 to 21. The minimum savings which could result from implementing the program changes identified in this review were estimated at \$877,641 over a 3-year period. Such extensive reviews are not presently conducted by the Army, nor are they conducted on a regular basis by the Air Force.

Our findings in the Ankara, Turkey, community indicate that there are other opportunities to reduce the cost of pupil transportation services by making them more efficient. DODDS' students in Ankara are transported by buses which can accommodate between 24 and 36 students, depending upon whether they are seated two- or three-to-a-seat. The busing guidelines provide for seating students in kindergarten through grade 5 on a three-to-a-seat basis.

However, based on our analysis of ridership data for school year 1980-81, several buses appeared to be underutilized. Three of the eight morning routes averaged fewer than 12 students per run, and five of eight afternoon routes averaged fewer than 16 students per run. Only one route, morning or afternoon, averaged more than 24 students per run. Both DODDS and Air Force officials in Ankara agreed that the buses were underutilized.

DODDS DOES NOT MONITOR
BUS SUPPORT SERVICES

DOD Manual 1342.6-M-1 requires DODDS regional directors to review and monitor logistic support provided to dependents schools by installation commanders and to perform statistical analyses of costs to insure the best use of resources. The regions are not carrying out these monitoring responsibilities in relation to pupil transportation costs because they do not have the resources or information needed to analyze the logistics support cost data.

The DOD Manual requires each activity providing support services to submit a quarterly report which itemizes by category the units and costs of support provided. The purpose of the report is to provide a basis for DODDS' principals to ascertain whether support services for which they are billed were actually provided. As the reports are received, local DODDS' activities are required to submit one copy of each report to DODDS headquarters. The report lists costs and pertinent units of cost measure (e.g., number of buses and students transported for pupil transportation costs) for specific items of expense and is a key instrument in monitoring and controlling logistics support costs.

We were told by regional officials that the (1) DODDS regions do not use the report to analyze costs because they do not have the personnel or data processing capability to systematically evaluate the data and (2) quality and quantity of data included in the report varied considerably among communities. The Germany North Region had developed a computer program whereby cost elements identified on the quarterly summary of costs could be compared from one community to another and for various time periods. For example, the cost of pupil transportation could be compared for all communities for such common factors as the number of students transported or the number of bus runs. By comparing costs per unit of cost measure, the region anticipated being able to identify those communities where costs were out-of-line. It also anticipated using the information during the budget formulation process. The region had not implemented the program, however, because of limited staffing to build the data base from currently available data. Further, it had not addressed the problem of incomplete and inconsistent data on quarterly cost reports.

Neither of the regions we visited had performed statistical or other analyses of busing support or had routinely received copies of (1) cost comparisons made by the military or (2) busing contracts. Such information as cost per mile, cost per pupil, or cost per bus for in-house and commercial service was not available.

CONCLUSIONS

Pupil transportation is the most costly support service purchased by DODDS from the military services--\$37.1 million in fiscal year 1982. While there are a number of opportunities for reducing the cost of pupil transportation, not all communities are making the cost and other analyses essential to identifying them. Further, to monitor the cost of bus support services provided by installation commanders, DODDS managers must have adequate cost-type information.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

We recommend that the Secretary:

- Insure that busing cost comparisons and other analyses are performed in all overseas communities where students are bused to DODDS' schools and that military communities forward the results of the analysis to DODDS' regions along with explanations if the lowest cost alternative is not selected.
- Instruct the military departments to consider (1) structuring contracts for pupil transportation services to allow competition by smaller companies and (2) using multiyear contracting where it promises to reduce the cost of busing to the U.S. Government.
- Insure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.

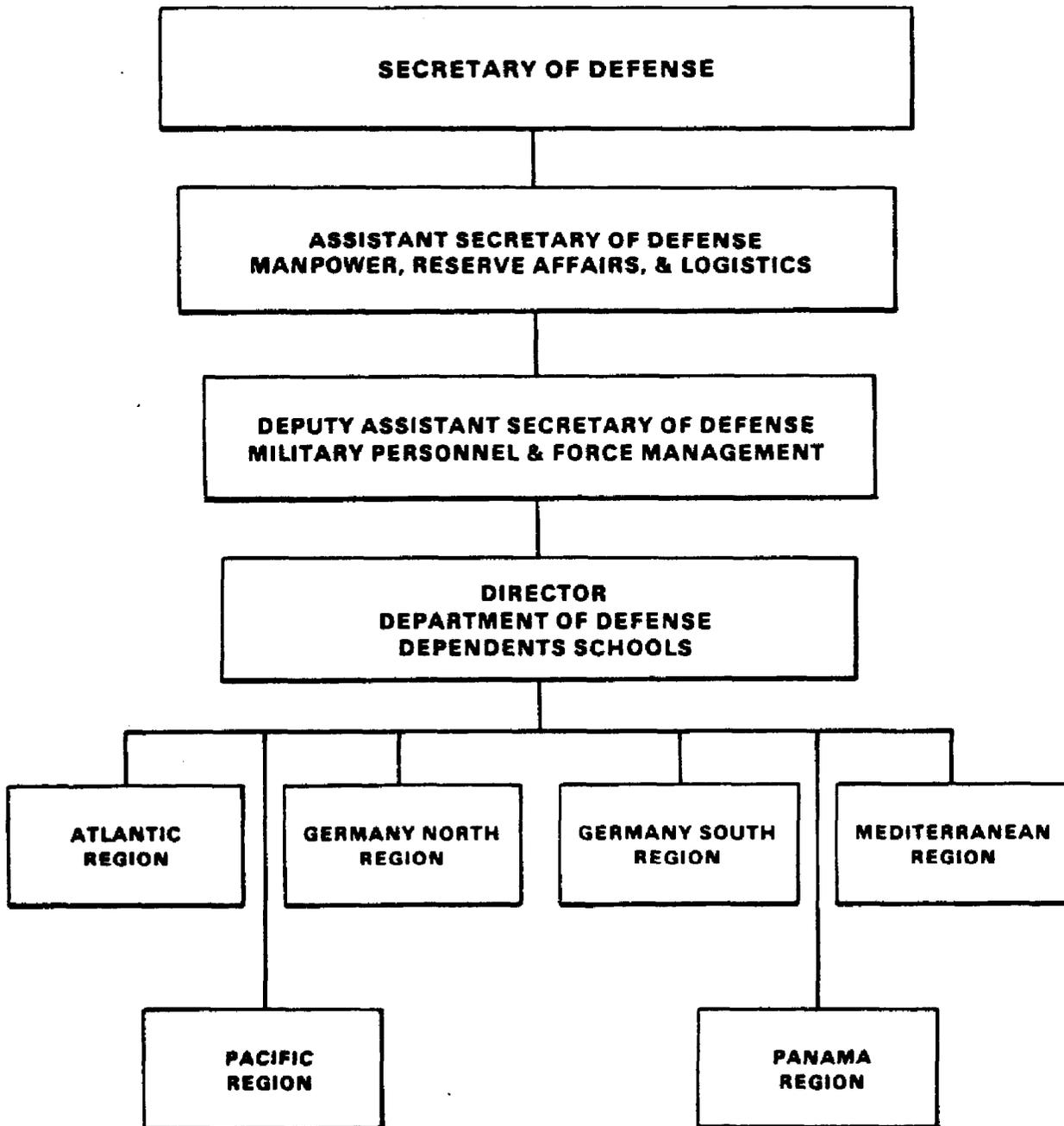
We also recommend that the Secretary require the Director of DODDS to:

- Insure that regional offices develop an information base and commit the resources necessary to (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.

AGENCY COMMENTS

DOD officials concurred with our recommendations on the pupil transportation issue and said that actions would be initiated to implement them.

**DEPARTMENT OF DEFENSE DEPENDENTS SCHOOLS
ORGANIZATION CHART**



REGIONAL OFFICE RESPONSIBILITIES BY
COUNTRY, NUMBER OF SCHOOLS, AND ENROLLMENT

<u>Region</u>	<u>Responsibility by country</u>	<u>Number of schools</u>	<u>Enrollment as of March 31, 1982</u>
1. Atlantic Eastcote, England	Belgium, Bermuda, Antigua (British West Indies), New- foundland (Canada), Iceland, Netherlands, Great Britain (including Scotland), Norway, and Cuba	40	14,342
2. Germany, North Wiesbaden, Germany (Lindsey Air Station)	Northern part of West Germany and Berlin	76	42,751
3. Germany, South Karlsruhe, Germany	Southern part of West Germany	67	32,652
4. Mediterranean Madrid, Spain	Spain, Turkey, Portugal, Bahrain, Greece (including Crete), and Italy (including Sicily and Sardinia)	34	13,407
5. Pacific Futenma, Okinawa	Philippines, Japan (including Okinawa), and Korea	40	22,130
6. Panama (Howard Air Force Base)	Panama	<u>a/15</u>	<u>7,497</u>
Total		<u>272</u>	<u>132,779</u>

a/The Panama Region is also responsible for operating the Panama Canal Junior College which has a full-time enrollment of 325 students and a part-time enrollment of 1,680 students.