

GAO

Subcommittee on Benefits, Committee
on Veterans' Affairs,
House of Representatives

For Release on Delivery
Expected at 9:00 a.m., Tuesday,
October 30, 2001

VETERANS' EMPLOYMENT AND TRAINING SERVICE

Greater Flexibility and Accountability Needed to Better Serve Veterans

Statement of Sigurd R. Nilsen, Director,
Education, Workforce, and Income Security Issues



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to present the findings of our report on how the Department of Labor's two primary veterans' employment assistance grants—the Disabled Veterans' Outreach Program (DVOP) specialists and the Local Veterans' Employment Representative (LVER) program—might be improved.¹ These grants allow states to hire staff members to serve veterans exclusively. The DVOP and LVER programs are mandatory partners in the new one-stop center system created in 1998 by the Workforce Investment Act (WIA). WIA requires that services provided by numerous employment and training programs be made available through one-stop centers and gives states the flexibility to design services better suited to local workforce needs.

However, while the DVOP and LVER programs must operate within the one-stop system, WIA does not govern the programs—and the law that governs them does not provide the same flexibility as WIA. Because the Congress sees employment service for veterans as a national responsibility, the Congress established the Veterans' Employment and Training Service (VETS) to carry out the national policy that veterans receive priority employment and training opportunities and that disabled veterans and Vietnam-era veterans be made a special priority.² Because the law that governs VETS and these programs does not provide the same flexibility as WIA, this has caused some to question how well the DVOP and LVER staff are being integrated into the one-stop center environment.

Our report assessed the efficiency and effectiveness of VETS' administration of the DVOP and LVER staffing grants. Specifically, we focused on

- how well veterans are provided employment services through the one-stop center, including the DVOP and LVER staff;
- how well VETS oversees the DVOP and LVER grants awarded to states; and
- how well the DVOP and LVER programs operate within the new one-stop center environment.

¹ *Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Service to Veterans* (GAO-01-928, Sept. 12, 2001).

² Federal laws pertaining to veterans' issues are in title 38 of the U.S. Code. The portions relating to the employment and training services are in chapters 41, 42, and 43.

Overall, we found that in order to make better use of DVOP and LVER staff services, VETS needs the legislative authority to grant each state more flexibility to design how this staff will fit into the one-stop center system. VETS also needs to be able to hold states accountable for achieving agreed upon goals. Specifically, we found:

- Veterans receive priority employment service at one-stop centers as required under the law, but the effectiveness of the services, as indicated by the resulting employment, cannot be determined because VETS does not require states to collect sufficient data to measure the outcomes veterans achieve from these services.
- VETS does not adequately oversee the DVOP and LVER program grants because it does not have a comprehensive system in place to manage state performance in serving veterans.
- VETS has not adequately adapted the DVOP and LVER programs to the new one-stop center environment and determined how best to fit them into the one-stop system.

In our report, we made several recommendations to the Secretary of Labor to establish more effective management and monitoring of the DVOP and LVER programs. We also suggest that the Congress take steps to ensure that the DVOP and LVER programs can be more fully integrated into the new one-stop center system environment by amending the law to provide more flexibility and improved accountability to serve veterans.

Our review was based on discussions with VETS officials; visits to five states—Connecticut, Florida, Ohio, Oregon, and Texas—where we interviewed VETS and state employment agency officials, including local office managers and DVOP and LVER staff; and telephone interviews with employment agency officials in 25 additional states. We also contacted officials from various veterans' service organizations and the National Association of State Workforce Agencies.

Background

The Congress established VETS in 1980 to carry out the national policy that veterans receive priority employment and training opportunities. Faced with growing long-term challenges of new service delivery systems, an evolving labor market, and changing technology, VETS' vision is to find innovative ways to maximize the effectiveness of its efforts. VETS' strategic plan states that it will seek new and effective means to help veterans compete successfully for better paying career jobs—helping them get on a track that can provide improved income stability and growth potential.

VETS provides states with grants for DVOP and LVER staff according to the formula outlined in the law.³ The grant agreements include assurances by states that the DVOP and LVER staff members serve eligible veterans exclusively. Under federal law, all employment service staff⁴ must give priority to serving veterans, and the assignment of DVOP and LVER staff to local offices does not relieve other employment and training program staff of this requirement. The law prescribes various duties to DVOP and LVER staff members that are intended to provide veterans with job search plans and referrals and job training opportunities.

While the state-employed DVOP and LVER staff are the front-line providers for services to veterans, VETS carries out its responsibilities, as outlined in the law, through a nationwide network that includes regional and state representation. The Office of the Assistant Secretary for Veterans' Employment and Training administers the DVOP and LVER staffing grants through regional administrators and directors in each state, the District of Columbia, Puerto Rico, and the Virgin Islands. In larger states, an assistant director is appointed for every 250,000 veterans in the state. These federally paid VETS staff ensure that states carry out their obligations to provide service to veterans, including the services provided under the DVOP and LVER grants.

To ensure priority service to veterans, VETS expects states to provide employment and training services to veterans at a rate exceeding the service provided to nonveterans. For example, VETS requires that veterans receive services at a rate 15 percent higher than nonveterans. Thus, if a state's placement rate for nonveterans was 10 percent, the placement rate for veterans should be 11.5 percent, or 15 percent higher than the nonveteran placement rate. There are also greater expectations for serving Vietnam-era veterans and disabled veterans.

As required by law, VETS must report to the Congress on states' performance in five service categories. Historically, VETS has used these

³ For fiscal year 2001, VETS' total appropriation was about \$187 million, including \$81.6 million for DVOP specialists and \$77.3 million for LVER staff. The appropriation also provided \$2 million for the National Veterans' Training Institute, and the remaining amount, \$26 million, was allocated for VETS' administrative costs.

⁴ The Wagner-Peyser Act of 1933 created a national system of public employment service offices to provide employment services to individuals seeking employment and to employers seeking workers. These employment service staff members are now partners in the new one-stop center system.

same performance categories to measure state performance for serving veterans at a higher rate than nonveterans. The performance categories include: (1) veterans placed in or obtaining employment; (2) Vietnam-era veterans and special disabled veterans placed in jobs on the Federal Contractor Job Listing; (3) veterans counseled; (4) veterans placed in training; and (5) veterans who received some reportable service.

In our past reviews of VETS' programs, we have recommended changes to VETS' performance measures and plans. Recently, we have noted that VETS had proposed performance measures that were more in-line with those established under WIA; the measures focused more on what VETS' programs achieve and less on the number of services provided to veterans relative to nonveterans.⁵ Although the law still stipulates that VETS is to report to the Congress on the five service categories, VETS plans to eliminate the requirement that states compare services provided to veterans with those provided to nonveterans. However, we have reported that VETS still lacked measures to gauge the effectiveness of services or whether more staff-intense services helped veterans obtain jobs.

Veterans Receive Priority Service, but Effectiveness of Service Is Unknown

Veterans receive priority employment services at one-stop centers as required under the law, but the effectiveness of these services cannot be determined. Based on state-gathered data reported to VETS and interviews with state officials, we found that veterans generally received employment service at a higher rate than nonveterans. However, the effectiveness of these services is unknown because VETS lacks adequate outcome data such as information on job retention and wages. The only outcome data collected—the percentage of veterans served entering employment—are often collected inconsistently from state to state.

Priority service to veterans at one-stop centers is usually demonstrated by the higher rates of service for veterans as compared with those for nonveterans. Most one-stop centers provide priority services to veterans through the DVOP and LVER staff who can provide an elevated level of service to veterans. Because veterans have these dedicated staff to serve them, they also receive more intensive services, and receive these services more readily, than nonveterans. Other examples of priority service include

⁵ See *Veterans' Employment and Training Service: Further Changes Needed to Strengthen Its Performance Measurement System* (GAO-01-757T, June 7, 2001) and *Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed* (GAO-01-580, May 15, 2001).

identifying and contacting qualified veterans before the universal population has access to employers' job openings that will be posted on the states' job database. States may have other special services exclusively for veterans, such as designated computers or special information packets on available resources.

While priority service can be provided in different ways depending on the one-stop center, most state officials and one-stop center managers we spoke with said that they primarily used DVOP and LVER staff to provide priority service to veterans since these staff must assist veterans exclusively. DVOP and LVER staff members have smaller caseloads than other employment services staff and, consequently, have more time to spend with individuals. Veterans also have better access to intensive services, such as counseling and case management, than nonveterans because DVOP and LVER staff are funded independently of WIA and are not subject to restrictions applicable to WIA-funded programs.⁶ According to many state officials as well as DVOP and LVER staff, the DVOP and LVER staff members relate better to veterans because they are generally veterans themselves. For example, because they are familiar with the processes at the Department of Veterans Affairs (VA), DVOP and LVER staff can more easily help veterans file disability claims with the VA or help them to receive the appropriate disability benefits.

While veterans received priority employment services at one-stop centers, VETS does not currently collect appropriate data for determining the effectiveness of these services and the agency lacks sufficient employment outcome data that would indicate whether services provided to veterans were effective. VETS has proposed changes to its performance measures, such as requiring states to report job retention, but will not implement these changes until July 1, 2002. In past reviews, we have pointed out that VETS' use of relative standards comparing the percentage of veterans

⁶ Moreover, where funding is limited, recipients of public assistance and other low-income individuals must receive priority access to WIA-funded intensive services and training. Because DVOP and LVER staff members are not WIA-funded, they may provide intensive services for any eligible veteran without regard to this provision.

entering employment with that of nonveterans is not effective.⁷ This comparison results in states with poor levels of service to nonveterans being held to lower standards for service to veterans than states with better overall performance.

The only outcome data that states currently report to VETS—the percentage of veterans entering employment after registering for employment services—is collected inconsistently from state to state. Some states compare their employment service registration records with unemployment insurance wage records, but others may simply call employers for employment verification or send postcards or letters to customers asking whether they have obtained employment. Some DVOP and LVER staff had more time than other employment and training staff for follow-ups by telephone or mail, resulting in more complete employment data for some veterans.

In addition, states and local workforce investment areas choose to register customers at different stages of the job search process, thus the percentage of “registered” veterans entering employment may differ based on when they were required to register. In some areas, customers register to use any service, including self-service; in other areas, they are only required to register when using staff-assisted services. Those who find employment before being registered are not counted as having entered employment after using self-service resources available through the one-stop center. Consequently, the reported percentage of veterans served who entered employment is not comparable from state to state.

⁷ See *Veterans’ Employment and Training Service: Better Planning Needed to Address Future Needs* (GAO/T-HEHS-00-206, Sept. 27, 2000); *Veterans’ Employment and Training Service: Strategic and Performance Plans Lack Vision and Clarity* (GAO/T-HEHS-99-177, July 29, 1999); *Veterans’ Employment and Training Service: Assessment of the Fiscal Year 1999 Performance Plan* (GAO/HEHS-98-240R, Sept. 30, 1998); *Veterans’ Employment and Training: Services Provided by Labor Department Programs* (GAO/HEHS-98-7, Oct. 17, 1997); and *Veterans’ Employment and Training Service: Focusing on Program Results to Improve Agency Performance* (GAO/T-HEHS-97-129, May 7, 1997).

VETS Does Not Adequately Manage DVOP and LVER Grants

Despite recently proposed improvements to its performance measures, VETS' overall management of the DVOP and LVER grants is ineffective because the agency does not have a comprehensive system in place to manage state performance in serving veterans with these grants. VETS does not effectively communicate performance expectations to states because its goals and measures are unclear. In addition, the agency does not have meaningful incentives to encourage states to perform well. Furthermore, VETS is required by law to have federal staff in every state and to conduct annual on-site evaluations at every local office, but this monitoring is often unproductive.

In order to oversee a program effectively, an agency must have a performance management system that establishes clear goals for those administering the program; however, VETS does not communicate a consistent message to states on expected performance. In fact, the agency does not have clear goals that it communicates to states or that it tracks with outcome data. For example, while one agency goal is to provide high-quality case management to veterans, the agency does not have state performance measures for assessing the quality of case management provided to veterans.

Furthermore, VETS' efforts to focus intensive services on those veterans most in need by "targeting" specific groups of veterans are unfocused. In its strategic plan, the agency, for case management and intensive services, targets disabled veterans, minority veterans, female veterans, recently separated veterans, veterans with significant barriers to employment, special disabled veterans, homeless veterans, veterans provided vocational rehabilitation under the VA, and veterans who served on active duty in the armed forces under certain circumstances. This targeting includes nearly all veterans, and not necessarily those most in need of service. The numerous categories of targeted veterans could result in the vast majority of veterans being targeted for case management. A VETS official said that the focus for service should be on veterans with the greatest needs as determined by the individual assessments because groups targeted on a national level do not necessarily correlate to the needs of veterans in particular states or local areas.

Unnecessary performance measures from VETS add to the DVOP and LVER workload, without measuring quality of service to veterans. For example, some state and VETS officials we spoke with expressed concern about having performance measures that specifically focus on service to Vietnam-era veterans. These veterans make up such a small percentage of the workforce, due in part to the fact that many are at or near retirement

age and may not be seeking employment, yet DVOP and LVER staff may spend much of their time trying to identify and serve this group of veterans in order to meet VETS' performance goals.

State officials also identified one of VETS' performance measures that should be eliminated. VETS requires that Vietnam-era veterans, special disabled veterans, and veterans who served on active duty under certain circumstances are placed in jobs on the Federal Contractor Job Listing. To do this, in addition to identifying qualified job candidates from this pool of particular veterans, DVOP and LVER staff must monitor local federal contractors to make sure that they are listing their job opportunities with the one-stop centers on the Federal Contractor Job Listing and hiring these veterans. Because the presence of federal contractors in a given state or local area is unpredictable and is determined by the federal agencies awarding contracts, state employment service officials said the federal contractor measure should be eliminated. It is the responsibility of contractors to list their job openings, and the Office of Federal Contract Compliance Programs is responsible for ensuring that these companies list their jobs with state employment service offices and take affirmative action to hire qualified veterans. Eliminating this performance measure would allow DVOP and LVER staff members more time to focus on the employment needs of individual veterans rather than compliance issues under the purview of another federal agency.

For effective oversight, in addition to having clear goals, an agency must provide incentives for meeting the goals and VETS' performance management system lacks meaningful incentives to encourage states to perform well. Presently, states are neither rewarded for meeting or exceeding their performance measures, nor penalized for failing to meet these measures. If a state fails to meet its performance measures, VETS simply requires the state to develop a corrective action plan to address the deficiencies in that state and there are no financial repercussions. States will not lose funding for failing to adequately serve veterans, and an agency official noted that taking funds away from a state would ultimately deny services to veterans. On the other hand, VETS does not encourage fiscal compliance with the grants, and a state can overspend DVOP or LVER funds and submit a grant modification requesting additional funds. A VETS official suggested that if the grants were awarded through a competitive bid process within states, the grantees might have a greater incentive to improve services to veterans.

To provide effective oversight, an agency must also gauge the quality of service offered by the program and monitor the programs' progress. As

prescribed by the law, VETS has federal staff in every state to monitor, along with other duties, the DVOP and LVER grants. However, this federal monitoring effort, which includes on-site evaluations at every local office, is often unproductive, and state officials characterize the DVOP and LVER grants as being “micro-managed” by VETS. The agency’s annual on-site evaluations of employment services offices that we observed or whose reports we reviewed produced few substantive findings by VETS staff. Furthermore, according to some state officials, these evaluations have little or no effect on how DVOP and LVER staff members perform their duties.

Finally, we found multiple problems with VETS’ monitoring efforts. For example, because states generally monitor performance at one-stop centers, including the DVOP and LVER grants, VETS’ monitoring can be redundant. VETS’ requirement for annual on-site monitoring may also be unnecessary for those offices that exceed their performance expectations. In addition, VETS’ oversight may result in confusion about the lines of authority between the federal and state monitoring staff and the DVOP and LVER staff, who are state employees. Also, VETS’ monitoring is often inconsistent because operational manuals are outdated, training of monitoring staff is limited, and interpretations of the law differ among staff.

DVOP and LVER Programs Could be Better Integrated in One-Stop Centers

According to the state and local officials we interviewed, the DVOP and LVER grant programs do not always operate well in one-stop centers. DVOP and LVER programs continue to operate under a law established prior to WIA, and states do not have the same flexibility granted under WIA to design their services for veterans in a way that best meets the needs of employers and veterans.

Because of statutory requirements, states cannot, in all cases, assign DVOP and LVER staff to where the staff is most needed. For example, the law prescribes how to assign DVOP and LVER staff to local offices and does not give states the flexibility to move staff to locations where state and local officials believe veterans could best be served. This restriction may result in too many staff in some areas and too few in other areas. In addition, because DVOP and LVER grants are separate funding streams, states have little flexibility in staffing decisions. If a state does not spend all of its grant money, states return the extra funding and VETS redistributes it to states that request additional funding. A state that overspends in its DVOP program but spends less than its allocation in the LVER program would have to use other funds to cover the amount

overspent in the DVOP program, and VETS would take back the additional LVER grant money. The state may request more money from VETS for its DVOP program, but there is no guarantee that it will get the additional funding.

States are also constrained when it comes to deciding what DVOP and LVER staff members do and whom they serve. The law specifies the separate duties for DVOP and LVER staff, although we found that they generally performed similar duties. Furthermore, DVOP and LVER staff members may not serve certain individuals who may qualify for veteran services under other employment and training programs. The law governing the DVOP and LVER programs defines veterans eligible for employment assistance more narrowly than WIA or VETS for its other veterans' activities. Because of this more restricted definition, DVOP and LVER staff are not allowed, for example, to serve veterans who were on active duty for 180 days or less, and they are not permitted to serve Reservists⁸ or National Guard members.

Another sign that the DVOP and LVER grants are not well integrated into the one-stop environment is that the funding year for DVOP and LVER programs does not coincide with the funding year for other employment programs offered in the one-stop center system. The appropriation to fund the DVOP and LVER grants is made available on a federal fiscal year basis—October 1 through September 30—while other employment programs and states operate on a program year basis—July 1 through June 30. Having Labor programs' funding streams on different schedules is burdensome for states and makes the budgeting process more complicated.

VETS has taken a more reactive rather than proactive approach to adapting to the one-stop system and has not taken adequate steps to adapt the DVOP and LVER programs to the new environment. For example, instead of coordinating with other programs to determine how best to fit the DVOP and LVER programs into the one-stop system, VETS officials reported that they are waiting to see how states implement their programs and will then decide how to integrate the staff or adjust their programs. VETS has required states to sign an agreement to ensure that veterans will continue to receive priority services, but these agreements contained no

⁸ Except for Reservists who served on active duty during a period of war or under certain other circumstances.

insightful information about how DVOP and LVER staff might serve veterans within this new one-stop center environment.

VETS has not developed practices for operating within the one-stop system or adequately shared innovative ways to help veterans find and retain jobs. Because of outdated policies and procedures, DVOP and LVER staff in many states may continue to operate separately as if they were in the old employment services system and continue to assume duties very similar to those they had in the old employment services system. Consequently, they fail to adapt to the new workforce environment created by WIA. According to one-stop managers we interviewed, this failure to adapt may diminish the quality of services to veterans.

Conclusions and Recommendations

While the Congress has clearly defined employment service to veterans as a national responsibility, the law has not been amended to reflect the recent changes in the employment and training service delivery system introduced by WIA. The prescriptive nature of the law also creates a one-size-fits-all approach for service delivery, mandating many of the DVOP and LVER program activities and requirements. This approach is ineffective because it does not account for the fact that each state and one-stop center may have a different approach to satisfying the needs of local employers as well as different types of veterans who may need employment assistance. Although the law stipulates separate roles and responsibilities for DVOP and LVER staff, they perform similar duties and may not need to be separately funded. The law that governs VETS also stipulates how grant funds and staff must be allocated as well as how the grants should be monitored. These requirements hamper VETS' ability to consider alternative ways of administering or overseeing the grants. Furthermore, the law requires that VETS report annually on states' performance for serving veterans relative to serving nonveterans, which may not be a good indicator if a state serves its nonveteran population poorly. The law also requires VETS to report on requirements pertaining to the Federal Contractor Job Listing and this detracts DVOP and LVER staff members from serving veterans.

While VETS' vision is to find innovative ways to assist veterans with employment, it has not been proactive in helping DVOP and LVER staff become an integral part of the one-stop center environment. The new one-stop center system, while giving veterans priority for employment services, gives states flexibility in planning and implementing employment and training systems and holds them accountable for performance. However, VETS has not taken steps to adjust to this new environment. The

agency has not updated its oversight guidelines of staff training procedures to ensure consistent and effective monitoring of the DVOP and LVER programs within the one-stop centers. VETS has not established clear performance goals for states, nor has it given states the flexibility to decide how best to serve their veteran population. VETS has proposed ways of improving performance measures, but these measures have not yet been implemented. VETS has not proposed any incentives to hold states accountable for meeting performance goals.

Our report recommended that the Secretary of Labor direct VETS to establish more effective management and monitoring of the DVOP and LVER programs by allowing states flexibility in planning how to best serve veterans, while at the same time holding states accountable for meeting the agency's goals and expectations. Specifically, our report recommended that the Secretary of Labor implement a more effective performance management system as soon as possible and take steps to ensure that the DVOP and LVER programs are more effectively monitored. In addition, because title 38 limits the amount of flexibility that VETS can grant to states, we recommended that Congress consider how the DVOP and LVER programs best fit in the current employment and training system and take steps to ensure that these programs become more fully integrated into this new environment. These steps may include updating the applicable law to provide more flexibility and taking other actions such as eliminating certain requirements and adjusting the DVOP and LVER grant funding cycle to correspond with that of other programs. Specifically, we suggested that the Congress consider revising title 38 to

- provide states and local offices more discretion to decide where to locate DVOP and LVER staff and provide states the discretion to have half-time DVOP positions;
- allow VETS and/or states the flexibility to better define the roles and responsibilities of staff serving veterans instead of including these duties in the law;
- combine the DVOP and LVER grant programs into one staffing grant to better meet states' needs for serving veterans;
- provide VETS with the flexibility to consider alternative ways to improve administration and oversight of the staffing grants, for example, eliminating the prescriptive requirements for monitoring DVOP and LVER grants;
- eliminate the requirement that VETS report to the Congress a comparison of the job placement rate of veterans with that of nonveterans; and
- eliminate the requirement that VETS report on Federal Contractor Job Listings.

The Congress should also consider making the DVOP and LVER grant funding cycle consistent with that of other employment and training programs.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions that you or other members of the Subcommittee may have.

GAO Contact and Staff Acknowledgments

For further questions regarding this testimony, I can be contacted at (202) 512-7215. Key contributors to this testimony were Joan Mahagan, Betty Clark, and Corinna Nicolaou.