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Report to the Chairman, Committee on Veterans' Affairs, House of Representatives

May 2001

VETERANS' EMPLOYMENT AND TRAINING SERVICE

Proposed Performance Measurement System Improved, But Further Changes Needed

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Contents

Letter 1

Appendix I **Comparison of VETS, ES, and WIA Performance Measures** 22

Appendix II **States' Entered-Employment Rates for Veterans in Program Year 1999** 24

Appendix III **Comments From the Department of Labor** 26

Tables

Table 1: VETS' Current Performance Measures and Standards 6
Table 2: VETS' Current Performance Measures Compared With Proposed Measures 10
Table 3: A Comparison of Entered-Employment Rates by Registration Policy 17

Abbreviations

DVOP	Disabled Veterans' Outreach Program
DVOPS	Disabled Veterans' Outreach Program Specialists
ES	Employment Services
ETA	Employment and Training Administration
GPRA	Government Performance and Results Act of 1993
LVER	Local Veterans' Employment Representatives
UI	Unemployment Insurance
VETS	Veterans' Employment and Training Service
WIA	Workforce Investment Act
WRIS	Wage Record Interchange System

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United States General Accounting Office
Washington, DC 20548

May 15, 2001

The Honorable Christopher H. Smith
Chairman, Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

The Department of Labor's Veterans' Employment and Training Service (VETS) administers programs and activities designed to help veterans obtain employment and training assistance. Recently, policymakers have focused increasing attention on VETS and its programs, advocating changes to the structure and administration of the program and in the way it assesses program performance. For example, in 1999, the Congressional Commission on Servicemembers and Veterans Transition Assistance recommended that the Congress establish effective outcome measures for VETS. In addition, legislation was introduced during the 106th Congress that would restructure the program and require a new, comprehensive performance accountability system.[1] This focus on reform comes at a time when other federally funded employment and training programs are changing the way they provide services and measure performance. For example, the Workforce Investment Act (WIA), which provides employment and training assistance for youth, adults, and dislocated workers through one-stop centers, recently established outcome measures that are similar to those that VETS now proposes. With these new measures, VETS has the opportunity to bring its performance management system in line with those of other key employment and training programs.

Because of the Committee's interest in improving the way employment services are provided to veterans, you asked us to review VETS' performance measurement system. Specifically, you asked us to review (1) VETS' proposed performance measures, including possible areas of concern regarding the measures; (2) the data source VETS proposes to use in the new system; and (3) any other measurement issues that may affect the comparability of states' performance data. Our review is based on

[1] H.R. 4765, 106th Cong. (2000). This bill also provides for incentive grants based on state performance in carrying out veterans' employment, training, and placement services.

interviews and discussions we had with over 45 officials in 15 states,[2] interviews with VETS officials, and a review of relevant documents, including VETS' 2000-2005 draft strategic plan as of March 2001. We conducted our review from October 2000 to April 2001 in accordance with generally accepted government auditing standards.

Results in Brief

VETS' proposed performance measures improve performance accountability over the current system, but certain aspects of the new measures raise concerns that VETS should address. The measures currently in place focus largely on the process—that is, the number of services provided to veterans. Under the proposed system, more focus is given to measuring the outcomes veterans achieve from the program. In addition, under the proposed system, VETS no longer requires states to compare services provided to veterans with those provided to nonveterans when establishing expected levels of performance. The proposed measures are also more closely aligned with those of WIA, making it easier for service providers to report on outcomes. While the proposed measures improve the way in which VETS will measure program performance, a few areas of concern remain. VETS' strategic plan suggests that states focus their efforts on providing staff-assisted services to veterans, including case management. Yet, none of the proposed measures specifically gauge the success of these services and may instead encourage staff to focus their efforts on assisting veterans who may more easily find jobs. In addition, VETS' proposal includes one measure—the number of federal contractor jobs listed with local employment offices—that is not only process-oriented but also focuses on outcomes that are beyond the control of staff serving veterans. We are recommending that VETS establish a performance measure that more effectively gauges the success of these staff-assisted services and that VETS clearly define its target populations. In addition, we are recommending that VETS eliminate the measure related to the number of federal contractor jobs listed.

[2]We chose to interview officials from these 15 states because they were familiar with performance measurement issues. The states included: California, Colorado, Connecticut, Florida, Illinois, Indiana, Michigan, Missouri, Montana, New Jersey, Oregon, Pennsylvania, Tennessee, Texas, and Washington. Officials from these states participated in a workgroup that was convened by Labor's Office of Workforce Security in January 2000. It was tasked with developing labor exchange performance measures, revising the data collection and reporting systems provided under the Wagner-Peyser Act, and developing procedures for establishing levels of performance for the delivery of labor exchange services.

VETS proposes that all states use a single data source—Unemployment Insurance (UI) wage records—to identify veterans who get jobs. Using these data will greatly improve the comparability and reliability of the new measures, because it will standardize the data states use to report their performance. Currently, the data used by VETS are not comparable across states, in part, because states use a variety of data sources for performance-reporting purposes. In addition, we found evidence that using wage record data will help state staff better identify those veterans who find work after receiving services. While using these data will improve some aspects of data collection, the data present some challenges. States generally do not have access to wage records from other states and, therefore, should find ways to track individuals who receive services in one state but get a job in another. In addition, VETS' programs should identify, if necessary, those veterans finding jobs in categories not covered by wage records, such as self-employed workers and federal employees.

As VETS finalizes its performance-reporting requirements, other issues that affect the comparability of states' performance-related data should be considered. For example, states vary in whether they register and count, for performance reporting purposes, job seekers who use only self-service tools, such as internet-based job listings. In addition, states differ in how long a veteran remains registered with the state after seeking services. These differences in state registration procedures affect how states calculate the number of veterans who get jobs and make comparing performance across states less reliable. In order to have performance data that are comparable, we are recommending that VETS standardize the way states register and count veterans for reporting purposes.

Background

VETS administers national programs intended to (1) ensure that veterans receive priority in employment and training opportunities from the employment service; (2) assist veterans, reservists, and National Guard members in securing employment; and (3) protect veterans' employment rights and benefits. The key elements of VETS' services include enforcing veterans' preference and reemployment rights and securing employment and training services. VETS' programs are among those federal programs whose services have been affected by WIA and other legislative changes aimed at streamlining services and holding programs accountable for their results.

VETS' Programs

VETS carries out its responsibilities through a nationwide network that includes representation in each of the Department of Labor's 10 regions and staff in each state. The Office of the Assistant Secretary for Veterans' Employment and Training administers VETS' activities through regional administrators and a VETS director in each state. These federally paid VETS staff are the link between VETS and the states' employment service system, which is overseen by Labor's Employment and Training Administration (ETA). VETS funds two primary veterans' employment assistance grants to states—the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representatives (LVER). Fiscal year 2001 appropriation for VETS was about $183 million, including $81.6 million for DVOP specialists (DVOPS) and $77.2 million for LVER staff. These funds paid for 1,327 DVOP positions and 1,206 LVER positions.

The roles of the DVOPS and LVERs have been separately defined in two statutes. LVERs were first authorized under the original GI bill (the Servicemen's Readjustment Act of 1944) and DVOP specialists were authorized by the Veterans' Rehabilitation and Education Amendments of 1980. A key responsibility of a DVOP is to develop job and job training opportunities for veterans through contacts with employers, especially small- and medium-size private sector employers. LVERs are to provide program oversight of local employment service offices to ensure that veterans receive maximum employment and training opportunities from the entire local office staff. In addition, DVOPS and LVERs traditionally have provided services that include

- locating veterans who need services,
- networking in the community for employment and training programs,
- bringing together veterans looking for work and employers seeking to fill job openings,
- making referrals to support services, and
- providing case management for those veterans in need of more intensive services.

Increasingly, however, veterans are accessing services on their own, through tools such as internet-based job listings or resume writing software.

As part of the DVOP and LVER grant agreements, states must provide or ensure that veterans receive priority at every point where public employment and training services are available. The DVOP and LVER programs give priority to the needs of disabled veterans and veterans who

served during the Vietnam era. States' employment service systems are expected to give priority to veterans over nonveterans. Generally, this means that local employment offices are to offer or provide all services to veterans before offering or providing those services to nonveterans. To monitor the states' programs, VETS has been using a set of measures that evaluates states' performance in five dimensions: (1) veterans placed in training, (2) those receiving counseling, (3) those receiving services, (4) those entering employment, and (5) those obtaining federal contractor jobs. These measures primarily count the number of services that veterans receive and compare the totals with similar services provided to nonveterans. To ensure priority service to veterans, VETS expects levels of performance for services provided to veterans to be higher than levels for nonveterans. For example, veterans and other eligibles must be placed in or obtain employment at a rate 15 percent higher than that achieved by nonveterans. (See table 1 for VETS' specific performance standards.)

Table 1: VETS' Current Performance Measures and Standards

Measure and category of veteran	Standard for veterans over nonveterans (Percent)
Placed/obtained employment	
Veterans and other eligibles	15
Vietnam-era veterans	20
Disabled veterans	25
FCJL placements[a]	
Vietnam-era veterans	20
Special disabled veterans[b]	25
Number counseled	
Veterans and other eligibles	15
Vietnam-era veterans	20
Disabled veterans	25
Number placed in training	
Veterans and other eligibles	15
Vietnam-era veterans	20
Disabled veterans	25
Number receiving a reportable service	
Veterans and other eligibles	15
Vietnam-era veterans	20
Disabled veterans	25

[a]Veterans placed in jobs with federal contractors.

[b]A special disabled veteran is (1) a veteran who is entitled to compensation (or who, but for the receipt of military retired pay, would be entitled to compensation) under laws administered by the Department of Veterans Affairs for a disability rated at 30 percent or more or (2) a person who was discharged or released from active duty because of a service-connected disability.

Source: Veterans' Employment and Training Service, Department of Labor.

To report on performance, VETS currently relies on the Employment and Training Administration's 9002 system to aggregate data reported by states on veterans and nonveterans who register with state Employment Services (ES) offices, track the services provided to them (such as counseling or job referral), and gather information on their employment outcomes. The 9002 system also collects information such as the registrants' employment status, level of education (e.g., high school, postsecondary degree/certificate), and basic demographic information, such as age and race.

Legislative and Regulatory Changes Affecting VETS

Over the past several years, the Congress has taken steps to streamline and integrate services provided by federally funded employment and training programs. WIA, which the Congress passed in 1998, requires states and localities to use a one-stop center structure to provide access to most employment and training services in a single location. WIA requires about 17 categories of programs, including VETS and ES programs, to provide services through the one-stop center. However, because DVOP and LVER staff can provide assistance only to veterans, and because their roles in one-stop centers are not specifically addressed in WIA, it is unclear how they will function with regard to one-stop centers. According to VETS officials, this lack of clarity has been addressed. Agreements made with each state on planned services to veterans now include provisions on how DVOPS and LVERs will be integrated into the one-stop delivery system.

In addition to changing the way services are provided, programs are now increasingly held accountable for their results. Through the Government Performance and Results Act of 1993 (GPRA), the Congress seeks to improve the efficiency, effectiveness, and public accountability of federal agencies as well as improve congressional decision making. GPRA does so, in part, by promoting a focus on what the program achieves rather than tracking program activities. GPRA outlines a series of steps in which agencies are required to identify their goals, measure performance, and report on the degree to which those goals were met. Executive branch agencies were required to submit the first of their strategic plans to the Office of Management and Budget and the Congress in September 1997. Although not required by GPRA, Labor's component agencies, such as VETS, have prepared their own strategic and performance plans at the direction of the Secretary of Labor.

To address the goals of GPRA and in response to recommendations by us and other groups, such as the Congressional Commission on Servicemembers and Veterans Transition Assistance,[3] VETS is currently developing a new system to measure the performance of its programs. Over the last several years, VETS conducted pilot programs in about eight states that tested some new performance measures and the use of new

[3]See *Report of the Congressional Commission on Servicemembers and Veterans Transition Assistance,* January 14, 1999, Congressional Commission on Servicemembers and Veterans Transition Assistance, Arlington, VA.

data to support these measures. VETS officials told us that they anticipate implementing their new performance measurement system in July 2001.

VETS' Proposed Measures Hold Promise, But Some Concerns Remain

VETS' proposed performance measures are a significant improvement over current measures, but certain aspects of these measures raise concerns that VETS may need to address. The proposed measures include an (1) entered-employment rate, (2) employment rate following staff-assisted services, (3) employment retention rate, and (4) increase in the number of federal contractor job openings listed. These measures are an improvement over current measures because they

- focus more on what the programs achieve and less on the number of services they provide,
- no longer use the level of services provided to nonveterans as the standard for services that must be provided to veterans,
- adjust expected state performance to economic conditions within states, and
- establish two measures that are already collected for WIA-funded services and proposed for ES.

However, even with these improvements, the proposed measures continue to send a mixed message to staff about where to place their service priorities. In addition, the proposed measures include a redefined measure for tracking federal contractor job openings, but the measure is process-oriented and outside the scope of the work of DVOPS and LVERs.

Proposed Measures Are An Improvement Over the Current Ones

The proposed performance measures improve accountability because they place more emphasis on employment-related outcomes by eliminating process-oriented measures—measures that simply track services provided to veterans. Current process measures that VETS eliminated from the proposed performance system include the number of veterans referred to counseling, the number placed in training, and the number receiving certain other services, such as job referrals. As we noted in past reports, these process-oriented measures are activity- and volume-driven and focus efforts on the number of services provided, not on the outcomes veterans

achieve.[4] These measures offer states little incentive to provide services to those veterans who are only marginally prepared for work and who may need more intensive services requiring more staff time. The VETS' proposal still includes one process-oriented measure that simply reflects the percentage increase in the number of federal contractor job openings listed with the public labor exchange but adds two outcome-oriented measures—job retention after 6 months and the employment rate following staff-assisted services.[5] The VETS' proposal also retains an outcome measure that is in the current system—the entered-employment rate. (See table 2.)

[4] See, *Veterans' Employment and Training Service: Focusing on Program Results to Improve Agency Performance* (GAO/T-HEHS-97-129, May 7, 1997) and *Veterans' Employment and Training Service: Better Planning Needed to Address Future Needs* (GAO/T-HEHS-00-206, Sept. 27, 2000).

[5] VETS considers this measure as process-oriented "with an emphasis on outcomes." However, for this report, we classified the measure as outcome-based because it reports an employment rate rather than only reporting a count of services.

Table 2: VETS' Current Performance Measures Compared With Proposed Measures

Current measures	Process-oriented	Outcome-oriented
Entered-employment rate: The percentage of all registered veterans who were placed in or obtained employment.		X
Number of veterans placed in training: A count of the veterans placed in training.	X	
Number of veterans receiving counseling: A count of the veterans who received counseling services.	X	
Number of veterans receiving some reportable service: A count of the veterans who received at least one reportable service.	X	
Federal contractor jobs filled by Vietnam and special disabled veterans: A count of the veterans who were placed in jobs listed on the federal contractor job list.		X
Proposed measures	**Process-oriented**	**Outcome-oriented**
Entered-employment rate: The percentage of all registered veterans who were placed in or obtained employment.		X
Employment rate following receipt of staff-assisted services: The percentage of registered veterans who are employed after receiving some form of staff-assisted labor exchange services.		X
Employment retention rate at 6 months: Of the veterans who had entered employment following registration, the percentage of those who continued to earn wages 6 months after entering employment.		X
Federal contractor job openings listed with the public labor exchange: The percentage increase in the number of federal contractor job openings listed annually with the public labor exchange from one program year to the next.	X	

Source: Veterans' Employment and Training Service, Department of Labor.

The proposed performance measures also improve the way VETS establishes the level of performance that states are expected to achieve. VETS no longer requires states to compare the level of services provided to veterans with those provided to nonveterans.[6] In past reports, we have pointed out that the use of these relative standards results in states with

[6] While states will no longer be required to compare the level of services given to veterans and nonveterans, VETS is required to report annually to the Congress on the job placement rate of veterans compared with the rate for nonveterans. 38 U.S.C. § 4107.

poor levels of service to nonveterans being held to lower standards for service to veterans than states with better overall performance.[7] For example, in program year 1999, Rhode Island reported an entered-employment rate of 5.49 percent for nonveterans. Because VETS requires states to ensure that they achieve an entered-employment rate for veterans that is 15 percent higher than that for nonveterans, Rhode Island's 1999 expected performance level was 6.32 percent of registered veterans entering employment–a low level of performance. Under the proposed system, VETS will negotiate performance levels annually with each state based on that state's past performance, using guidelines similar to those used for WIA.[8] VETS will also be able to adjust these levels based on economic conditions within each state, such as the unemployment rate, the rate of job creation or loss, or other factors.[9]

The proposed performance measures are also similar to those established under WIA, making it easier for service providers to achieve WIA's goal of integrating and streamlining employment and training services. In the current environment, many of the programs that provide services through the one-stop centers have their own unique performance measures and program definitions, requiring multiple systems and multiple data collection efforts to track a single client. In the proposed system, VETS has made an effort to align its performance measures with those of WIA. In fact, two of the five proposed measures—entered-employment rate and employment retention—are nearly identical to WIA's and to those proposed for ES. If VETS aligns the measures with those of WIA and ES, local offices will be more readily able to establish integrated data systems that will minimize the data collection burden on service providers and clients. (See app. I for a comparison of the WIA performance measures with those proposed for VETS and ES.)

[7] See GAO/T-HEHS-97-129.

[8] VETS is planning to use WIA's negotiation process to establish expected performance levels for labor exchange services. VETS proposes that states use 2 years of data if possible, but not less than 1 year in determining trends for performance and factors that may influence performance.

[9] VETS' proposal mentions the following as possible factors for states to consider when negotiating expected levels of performance: the unemployment rate, the rate of job creation/loss and new business start-ups, availability of transportation and daycare, pursuit of new or enhanced employment partnerships, natural disasters, and state legislation.

Concerns Remain That VETS Should Address

While the proposed performance measures are an improvement over those currently in place, there are issues with these measures that VETS should address. First, a comparison of the performance measures with the strategic plan indicates that VETS is sending a mixed message to states about what services to provide and to whom. The strategic plan suggests that states focus their efforts on providing staff-assisted services to veterans, including case management. Yet, none of the proposed measures specifically gauges whether more staff-intensive services are helping veterans get jobs. VETS' proposal includes a measure that tracks employment outcomes following staff-assisted services. However, this measure is broadly defined, and the list of staff-assisted services includes nearly all services provided to veterans.[10] This makes the outcomes achieved for the staff-assisted measure nearly identical to those reported for the more general "entered-employment rate." In addition, as VETS has defined it, staff-assisted services include many services that might not be considered "intensive," such as referral to a job and job search activities. Because the definition is so broadly defined, a veteran who only attended a job search workshop would be counted the same as a veteran who received more intensive services, such as testing and employability planning. Both would be counted in the more general entered-employment rate measure, as well as the staff-assisted service measure. A stricter definition for staff-assisted services that includes only those services that are generally considered staff-intensive would allow VETS to more accurately assess the success of those services and help to clarify the goals of the program.

Second, VETS is sending a mixed message about which groups of veterans to target for services. As we noted in past reports and testimonies, VETS has inconsistently identified various "targeted" groups of veterans it plans to help.[11] In its strategic plan, VETS identifies two broad veteran groups that should be targeted to receive special attention—(1) disabled veterans

[10] VETS uses the ETA definition of staff-assisted services. Staff-assisted services include (a) referral to a job; (b) placement in training; (c) assessment services, including an assessment interview, testing, counseling, and employability planning; (d) career guidance; (e) job search activities, including resume assistance, job search workshops, job finding clubs, providing specific labor market information and job search planning; (f) federal bonding program; (g) job development contacts; (h) tax credit eligibility determination; (i) referral to other services, including skills training, educational services, and supportive services; and (j) any other service requiring expenditure of time. Application taking and/or registration services are not included as staff-assisted services.

[11] See GAO/T-HEHS-00-206.

and (2) all veterans and other eligible persons. And consistent with this, VETS proposes that expected performance levels be negotiated separately for each of these same two groups. Yet, the strategic plan also suggests that, when providing services to all veterans, special attention should be given to meeting the needs of certain other target groups, some of which might require more intensive services to become employed. The groups targeted for special attention include (1) veterans who have significant barriers to employment, (2) veterans who served on active duty during a war (or campaign or expedition in which a campaign badge has been authorized), and (3) veterans recently separated from military service. In reviewing VETS' proposed measures and the plan for negotiating performance levels, staff may be confused as to where they should place their service priorities. It is unclear what steps VETS will take to ensure that DVOPS and LVERs are provided ample opportunity and encouragement to focus attention on the portion of the "all veterans" group who may require more staff time to be successful in getting a job.

Last, VETS' proposal also continues to include a performance measure related to federal contractor job openings listed with the state's ES office. However, in its proposal, VETS has changed the measure. Under the current system, VETS tracks the number of Vietnam-era and special disabled veterans who were placed in jobs listed by federal contractors—an outcome measure. Now, under the proposed system, VETS will track the increase in the number of federal contractor jobs listed with the state's ES office—a process-oriented measure.[12] This new measure ultimately holds DVOPS and LVERs accountable for the number of federal contractors in a given state or local area, not for veteran placements with those contractors. The presence of federal contractors in a given state or local area is unpredictable and is determined by the federal agencies awarding contracts. Furthermore, according to state officials that we talked with, the federal contractor measure should be eliminated altogether because it is the responsibility of contractors to list their job openings. In addition, it is the Office of Federal Contract Compliance that is responsible for ensuring that all companies conducting business with

[12] Any contractor or subcontractor with a contract of $25,000 or more with the federal government must take affirmative action to hire and promote qualified special disabled veterans, veterans of the Vietnam-era, or any other veterans who served on active duty during a war or in a campaign or expedition for which a campaign badge has been authorized. Contractors and subcontractors with job openings, other than executive or top management jobs, must list them with the nearest state employment office. Veterans cited above receive priority for referral to federal contractor job openings listed at those offices.

the federal government list their jobs with state ES offices and take affirmative action to hire qualified veterans.

Proposed Data Source for New Measures Is An Improvement But Will Bring Some Challenges

The proposed data for the new measures will greatly improve the comparability and reliability of these measures, but this change will bring some challenges that VETS will need to address. Consistent with WIA and ES, VETS is proposing that all states use UI wage records to identify veterans who get jobs. UI wage records contain the earnings of each employee reported quarterly by employers to state UI agencies.[13] Currently, the data VETS uses are not comparable across states, in part, because states use different data sources to report employment-related outcomes. Using a single, standardized source for collecting data will improve VETS' ability to compare performance across states. UI wage records will also provide state officials with a better means to identify veterans who get jobs than does the traditional follow-up method of telephoning veterans and/or employers to verify employment. However, states cannot readily access wage records from other states, wage records do not cover certain types of employment, and these data are not available until 3 to 9 months after an individual gets a job.

Proposed Data Source Will Help To Ensure Comparability and Reliability Across States

Using a single data source will help to standardize the way in which states collect data on veterans, thereby making it easier to compare performance across states. Currently, states are using various data sources for performance-reporting purposes. While almost all of the states in our review used a combination of data sources to determine whether or not a veteran got a job, most of the states relied substantially on one data source, but that source differed among states. For example, in program year 1999

- 7 of the 15 states that we contacted relied to a large extent on wage record data to determine whether a veteran got a job or not;
- 7 others relied, for the most part, on telephone calls and letters to veterans and employers to determine a veteran's employment status; and

[13]Each calendar quarter, employers in a state provide wage information on their employees to their state's UI agency or some other state agency. The information contained in wage records varies from state to state. However, all wage records contain at least the following information: the calendar quarter that the wages were reported in, the employee's social security number, wages paid to the employee in that quarter, and employer information.

- one state relied primarily on its new hire database for employment data.[14]

In addition to making state data more comparable, we found evidence that states currently using wage records have been able to better identify those veterans who get jobs after receiving services. A recent study found that UI wage records more accurately identified how many veterans got jobs after receiving DVOP, LVER, or ES services.[15] Using UI wage records, this study tracked veterans who registered with the Maryland Job Service during program year 1997 and found an entered-employment rate that ranged from 65 percent to 82 percent, depending on the way the study defined a registrant. In that same program year, Maryland reported to VETS an entered-employment rate of 31 percent, which was based on staff telephoning veterans and employers to verify employment. In addition, most states in our review that are now using UI wage records, either as their primary data source or to augment other data sources, reported higher employment rates in program year 1999 for veterans they served than that year's national average of 30 percent. (See app. II for a list of all states and their respective entered-employment rates for program years 1996-1999.) By comparison, all but one of the states that relied either on manual follow-up or the new hire database reported an employment rate below the national average.

Another benefit of using UI wage records is that staff assisting veterans will be relying on data already available rather than collecting additional information from veterans or employers. Relying on these already reported data would require less staff time from DVOP, LVER, and ES staff, freeing them to focus more on providing job-related services to veterans. State officials told us that relying on manual follow-up, such as

[14] The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established the National Directory of New Hires and State Directories of New Hires. The National Directory is maintained by the Social Security Administration on behalf of the Department of Health and Human Services, Office of Child Support Enforcement. States maintain their own State Directories of New Hires and generally supply data for the National Directory. Information in these directories includes: new hire information, such as name, address, and social security number of the employee and the name, address, federal identification number of the employer; in some states, wage information; and UI claim information.

[15] *Proposed New Entered Employment Patterns of Veteran Wagner-Peyser Registrants in the State of Maryland*, by Robert Cook, BETAH Associates; and Edward Davin and Karin Willner, DynCorp (Apr. 12, 2000).

telephone calls, has been labor-intensive and has diverted staff attention away from providing appropriate assistance to veterans.[16]

UI Data Presents Some Challenges

While UI wage records offer advantages over the current data collection system, some challenges need to be addressed. First, states should find ways to identify interstate job placements. Because the UI wage record system resides within each state, states generally do not have access to wage records from other states, making it difficult to track individuals who receive services in one state but get a job in another. Currently, there is no national system in place that facilitates data sharing among states. However, in response to WIA requirements, states are developing an interstate UI wage record information sharing system, known as the Wage Record Interchange System (WRIS). The system is designed to minimize the burden on state unemployment insurance programs in responding to requests for wage record data, to ensure the security of the transactions involving individual wage records, and to produce the results at a low cost per record. In addition, some states have entered into agreements with neighboring states to share wage information in support of WIA. These efforts should help VETS as well.

Second, states should find ways to identify those veterans finding jobs in categories not covered by UI wage records. UI wage records cover about 94 percent of wage and salary workers, but certain employment categories are not covered, such as self-employed persons, most independent contractors, military personnel, federal government workers, railroad employees, some part-time employees of nonprofit institutions, and employees of religious orders. Therefore, the UI system will not be able to track and count veterans who get these types of jobs. This is an issue for WIA as well, and states are beginning to assess the extent to which this issue will affect their ability to accurately determine the outcome of WIA-funded programs.

[16] See draft report, "Measuring Employment and Income for Low-Income Populations with Administrative and Survey Data," V. Joseph Holtz, University of California at Los Angeles and John Karl Scholz, University of Wisconsin, June 30, 2000, for a discussion of the benefits of UI data compared to contacting program participants for performance reporting.

Other Measurement Issues Affect Comparability of States' Performance Data

There are other issues not related to the use of UI wage records that VETS should consider as it finalizes its performance-reporting requirements. VETS' proposed performance system does not standardize how states report veterans or nonveterans who use self-service activities, making it difficult to reliably assess nationwide performance. In an environment in which self-service is becoming more common, we found that states vary in whether they register veteran job seekers who access self-service tools, such as internet-based job listings or resume writing software. For example, some states allow job seekers greater access to job listings without requiring that they register, while others have more restrictions on who can access job lists. Table 3 shows how such differences can affect entered-employment rates. In this example, 100 veterans enter the employment service for assistance. In both cases, 40 veterans ultimately get jobs after receiving identical services. In one case, the placement rate is 40 percent and in the other, 50 percent—a 10 percentage point difference. This difference results from counting all job seekers in one case and only those requiring staff assistance in the other. As a result of the different ways states currently count veterans and report outcomes, the entered-employment rate measure is not consistently calculated across states, and nationwide comparisons are misleading.

Table 3: A Comparison of Entered-Employment Rates by Registration Policy

All veterans required to register				Veterans accessing self-service do not have to register			
	Veterans registered	Number of veterans who get jobs	Number of veterans with jobs counted in entered-employment rate		Veterans registered	Number of veterans who get jobs	Number of veterans with jobs counted in entered-employment rate
40 Veterans use self-service	40	10	10	40 Veterans use self-service	0	10	0
60 Veterans require staff assistance	60	30	30	60 Veterans require staff assistance	60	30	30
Total	**100**	**40**	**40**	**Total**	**60**	**40**	**30**
Reported Entered-Employment Rate: 40/100 = 40%				**Reported Entered-Employment Rate: 30/60 = 50%**			

Source: GAO analysis.

VETS' proposed performance system does not standardize how long a veteran or nonveteran remains registered after seeking services for performance-reporting purposes. We found that states differ in how long they keep veterans registered. This difference affects the calculation of the

entered-employment rate (i.e., the number of veterans that get jobs), making performance comparisons across states less reliable. Many of the states we contacted count individuals as registered who have received a service in the last 6 months. However, two states only count those as registered who have received a service in the last 3 months, while two others count only those who received a service in the last 2 months. And in one state, anyone who has received a service from the state's employment office since 1998 is counted as a registrant when determining the entered-employment rate. States with shorter registration periods may be able to report a higher entered-employment rate than states with longer registration periods.

Conclusions

VETS is improving its performance measurement system by proposing new measures that are more outcome-oriented than its current measures and by requiring that all states use wage record data to improve the comparability and reliability of reported program performance. While these changes move VETS a step closer to implementing an effective accountability system, they may not go far enough. VETS continues to send a mixed message to states about what services to provide and to whom. As presently defined, two of the proposed measures—the entered-employment rate and the employment rate following staff-assisted services—may provide nearly identical results, and neither helps VETS to monitor whether more intensive services are being provided to veterans or whether these services are successful. VETS also continues to inconsistently identify the groups of veterans that it wants states to help. In addition, VETS maintains a measure related to federal contractors—one that is beyond the control of DVOPS and LVERs.

Furthermore, in its proposed system, VETS allows states to decide which veterans to include in its performance reports. This results in data inconsistencies that make state-to-state comparisons unreliable. Without clear and consistent direction from VETS' planning documents and performance measures, staff assisting veterans will be uncertain where to place their priorities. In addition, without stricter guidelines for how to count veterans, VETS will be unable to accurately assess program performance nationwide. Unless further modifications are made, VETS will be unable to fully determine whether its programs and services are fulfilling its mission.

Recommendations

In order to establish a more effective performance management system, we recommend that the Secretary of Labor direct VETS to do the following:

- Redefine staff-assisted services to include only those that may be considered staff intensive, such as case management, so that VETS will be able to evaluate the success of intensive staff-assisted services.
- Clearly define target populations so that staff assisting veterans know where to place their priorities. If staff are to focus on assisting veterans who need more assistance, VETS should provide incentives and opportunities to do so through appropriate performance measures or negotiated levels of performance.
- Eliminate the measure related to federal contractor jobs so that staff are not held accountable for the number of federal contractors in a state or local area or for the failure of contractors to list their jobs with ES offices.
- Establish and communicate guidelines that standardize how to count veterans for performance-reporting purposes so that VETS will be able to assess program performance nationwide.

Agency Comments and Our Evaluation

We provided VETS with the opportunity to comment on a draft of this report. Formal comments from VETS appear in appendix III. In addition to the comments discussed below, VETS provided technical comments that we incorporated where appropriate.

VETS generally agreed with our findings and two of our recommendations but disagreed with the other two recommendations. VETS acknowledged that its current strategic plan (Nov. 2000) sends a mixed message to the states about which groups of veterans staff should target for special attention. VETS noted that it is revising its strategic and annual plans to reflect a more consistent message about what services to provide and to whom. VETS also explained that it is developing new performance standards specific to DVOP and LVER staff that will clarify the role they play in providing services to veterans. According to VETS officials, states will have the option of using these specific standards or developing their own. When developing these standards, VETS will need to ensure that the specific standards developed for DVOPS and LVERs are consistent with the message in the revised strategic plan and that together they provide a coherent strategy as to where staff should place their service priorities.

VETS disagreed with our recommendation for a revised definition of the performance measure related to staff-assisted services. VETS said that any veteran receiving staff-assisted services may require a multitude of the services cited in the definition—any one of which or combination thereof may require extensive staff time. We disagree that any one of these

services necessarily requires extensive staff time. As noted in our report, a veteran may be counted as receiving staff-assisted services after receiving only a job referral or labor market information—services that by themselves would not involve extensive staff resources. Moreover, we continue to believe that the broadly defined staff-assisted service measure will likely not report outcomes substantially different from those reported for the more general entered-employment rate measure. As noted in our report, a stricter definition for staff-assisted services that includes only those services generally considered to be staff-intensive would allow VETS to more accurately assess outcomes associated with those services.

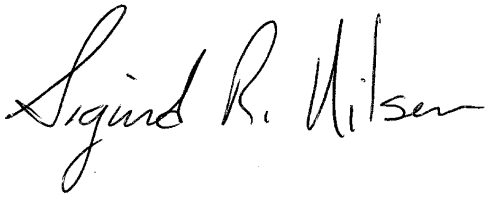
VETS disagreed with our recommendation to discontinue the measure related to jobs listed by federal contractors. However, VETS agreed to reconsider the suitability of this specific measure after public comments have been received. As we noted in our report, the presence of federal contractors in a given state or local area is determined by the federal agencies awarding contracts. In addition, state officials told us that it is the responsibility of the contractors, not DVOP and LVER staff, to list their job openings with employment services. Current law requires the Secretary of Labor to report annually to the Congress on the number of federal contractor positions listed and the number of veterans receiving job priority through this program. This information could be collected in absence of a specific performance measure.

With regard to our recommendation that VETS establish guidelines that standardize how states count veterans for performance-reporting purposes, VETS said that it will be working with ETA to determine how states can uniformly report veterans and nonveterans that use self-service activities. In addition, VETS noted that the revised ETA 9002 report will provide uniform instructions on how long individuals remain registered in the system.

We are sending copies of this report to the Honorable Elaine L. Chao, Secretary of Labor; appropriate congressional committees; and other interested parties. We will also make copies available to others upon request.

If you or your staff have questions about this report, please contact me on (202) 512-7215 or Dianne Blank on (202) 512-5654. Individuals making key contributions to this report include Elizabeth Morrison and Amanda Ahlstrand.

Sincerely yours,



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

Appendix I: Comparison of VETS, ES, and WIA Performance Measures

Similar to Workforce Investment Act (WIA) programs, the Employment Service (ES) and the Veterans' Employment and Training Service (VETS) are proposing that their programs use Unemployment Insurance wage records to report on performance measures. Each calendar quarter, employers submit wage record data to their state's UI agency or some other state agency. The following table compares the proposed performance measures of VETS and ES and those used by WIA's adult and dislocated worker programs.

VETS proposed performance measures	ES proposed performance measures	WIA performance measures (adult and dislocated worker programs)
Entered-employment rate: The percentage of all registered veterans who got a job in the 1st or 2nd quarter after registration.	**Entered-employment rate:** The percentage of workers who got a job in the 1st or 2nd quarter after registration.	**Entered-employment rate:** The percentage of workers who got a job by the end of the 1st quarter after exit.
Employment retention rate at 6 months: Of the veterans who got a job after registration, the percentage who were still earning wages in the 2nd quarter after getting a job.	**Employment retention rate at 6 months:** The percentage of workers who continued to earn wages in the 2nd quarter after the 1st quarter in which there were earned wages.	**Employment retention rate:** Of those who had a job in the 1st quarter after exit, the percentage of workers who have a job in the 3rd quarter after exit.
Employment rate following receipt of staff-assisted services: Of the veterans who received staff-assisted services, the percentage who got a job in the 1st or 2nd quarter after registration.[a]	No measure	No measure
Federal contractor job openings listed with the public labor exchange: The percentage increase in the number of federal contractor Job openings listed annually with the public labor exchange from one program year to the next.	No measure	No measure
No measure	**Employer customer satisfaction:** Average of three survey questions on employers' satisfaction with services received.	**Employer customer satisfaction:** Average of three survey questions on employers' satisfaction with services received.
No measure	**Job seeker customer satisfaction:** Average of three survey questions on job seekers' satisfaction with services received.	**Job seeker customer satisfaction:** Average of three survey questions on job seekers' satisfaction with services received.

VETS proposed performance measures	ES proposed performance measures	WIA performance measures (adult and dislocated worker programs)
No measure	No measure	**Earnings change (adults only):** The difference between total post-program earnings (from the 2nd and 3rd quarters after exiting the WIA program) and the total pre-program earnings (from the 2nd and 3rd quarters prior to entering the WIA program) divided by the number of participants leaving the program.
No measure	No measure	**Earnings replacement rate (dislocated workers only):** Total post-program earnings (in the 2nd and 3rd quarters after exit) divided by pre-dislocation earnings (in the 2nd and 3rd quarters prior to dislocation).

[a]Staff-assisted services include: (a) referral to a job; (b) placement in training; (c) assessment services, including an assessment interview, testing, counseling and employability planning; (d) career guidance; (e) job search activities, including resume assistance, job search workshops, job finding clubs, specific labor market information and job search planning; (f) federal bonding program; (g) job development contacts; (h) tax credit eligibility determination; (i) referral to other services, including skills training, educational services and supportive services; and (j) any other service requiring expenditure of time. Application taking and/or registration services are not included as staff-assisted services.

Source: Veterans' Employment and Training Service, U.S. Department of Labor; U.S. Department of Labor Training and Employment Information Notice Number 13-000, "Consultation Paper on Labor Exchange Performance Measurement System;" and U.S. Department of Labor Training and Employment Guidance Letter Number 7-99, "Core and Customer Satisfaction Performance Measures for the Workforce Investment System."

Appendix II: States' Entered-Employment Rates for Veterans in Program Year 1999

	Entered-employment rate			
State	**1999**	**1998**	**1997**	**1996**
Alabama	38.4	40.4	38.9	34.3
Alaska	22.6	20.8	25.8	22.9
Arizona	32.4	29.4	21.4	18.9
Arkansas	30.3	29.5	25.6	31.8
California	5.2	3.7	15.0	18.5
Colorado	30.4	28.7	27.9	26.1
Connecticut	27.4	23.7	21.2	22.2
Delaware	17.1	12.1	11.8	12.8
District of Columbia[a]	20.3	17.0	15.1	9.5
Florida	24.5	19.4	21.2	20.5
Georgia	38.1	34.5	30.0	26.1
Hawaii	22.2	15.5	16.8	14.5
Idaho	30.5	30.0	29.0	30.3
Illinois	35.8	34.5	30.4	28.9
Indiana	21.9	14.1	18.8	16.7
Iowa	46.1	48.6	44.4	45.2
Kansas	23.3	23.7	26.6	23.8
Kentucky	26.7	28.7	24.8	25.0
Louisiana	29.3	15.5	18.3	16.1
Maine	22.7	24.0	22.6	13.6
Maryland	34.0	31.1	27.6	25.8
Massachusetts	42.2	35.5	31.2	25.2
Michigan	17.0	18.4	6.8	8.7
Minnesota	32.9	18.4	20.2	20.9
Mississippi	33.3	31.8	30.7	30.5
Missouri	33.9	24.9	32.5	30.9
Montana	33.1	30.2	29.2	31.7
Nebraska	25.5	24.1	26.5	26.3
Nevada	26.9	24.2	27.6	28.5
New Hampshire	37.1	36.6	27.4	23.6
New Jersey	34.4	35.6	39.9	40.0
New Mexico	30.9	30.5	29.8	17.7
New York	20.5	20.7	19.7	18.2
North Carolina	44.7	44.7	38.7	38.5
North Dakota	50.9	48.5	47.5	38.8
Ohio	18.5	16.1	18.5	15.8
Oklahoma	45.7	41.8	44.1	44.2
Oregon	36.2	33.8	28.9	33.0
Pennsylvania	33.6	26.2	23.0	21.8
Puerto Rico[a]	13.8	17.2	15.6	18.1
Rhode Island	15.6	12.1	7.3	8.9
South Carolina	36.8	35.7	32.8	30.7
South Dakota	61.3	58.1	44.2	40.6
Tennessee	54.4	68.9	47.2	20.3

	Entered-employment rate			
State	**1999**	**1998**	**1997**	**1996**
Texas	45.8	36.1	38.0	35.3
Utah	45.7	33.5	41.7	45.8
Vermont	25.3	17.6	18.4	18.0
Virgin Islands[a]	30.3	23.0	15.3	17.6
Virginia	32.3	23.2	18.8	14.1
Washington	17.4	20.8	25.0	24.7
West Virginia	16.4	15.4	13.8	15.1
Wisconsin	42.6	43.8	44.4	10.9
Wyoming	32.3	29.0	28.8	28.3

[a]Shown as states for this report.

Source: Prepared by GAO from data provided by the Veterans' Employment and Training Service for program years 1996 through1999.

Appendix III: Comments From the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Veterans Employment and Training
Washington, DC 20210

April 30, 2001

Mr. Sigurd R. Nilsen
Director
Education, Workforce, and
Income Security Issues
U.S. Government Accounting Office
Washington, DC 20548

Dear Mr. Nilsen:

This letter is provided in response to the draft report GAO-01-580, entitled Veterans' Employment and Training Service, Proposed Performance Measurement System Improved, But Further Changes Needed. Thank you for providing the Department of Labor and Veterans' Employment and Training Service (VETS) the opportunity to comment on the draft report.

VETS recognizes the contributions that the GAO has made during VETS' redesign of the proposed veterans' performance measures for the public employment service program. Our process started with the 1997 General Accounting Office's report – Focusing on Program Results to Improve Agency Performance. One of the steps VETS took in response to the GAO's concerns about the current performance measures was to have several States develop and test alternate performance measures. Using the information gained from the pilot states, VETS researched the use of the Unemployment Insurance (UI) wage records as a means of verifying performance outcomes for veterans entering employment.

The United States Employment Service (USES) and VETS worked together to redefine the proposed change to the current data collection system entitled "ETA 9002 Report." Further, VETS revised its VETS-200 information collection to mirror the changes made to the ETA 9002. Until the data elements and new performance measures were agreed upon, VETS decided not to modify its Strategic or Annual Performance plans. Recently, VETS and USES have completed the revisions to the ETA 9002 and VETS-200. Consequently, VETS changed its FY 2002 Annual Performance Plan to reflect new goals, new strategies and the new data elements. VETS will be using this plan as a transition vehicle. The Strategic Plan will also be revised over the next several months and should address many of the GAO Report's comments.

Current law, at Chapters 41 and 42 of title 38, United States Code, requires the entire public employment service program to provide maximum employment and training opportunities to veterans and other eligible persons. Further, the law provides for Disabled Veterans Outreach Program (DVOP) and Local Veterans Employment Representative (LVER) staff to enhance services to veterans. The key component of this law is and has been the recognition that it is the entire public employment service program that must provide maximum service to veterans and other eligible persons.

Although VETS agrees with most of the GAO recommendations, there are several areas that need closer examination. One is the recommendation to redefine the "Entered Employment Rate Following Staff-Assisted Services" measure. Because it is the entire public employment service system that is being measured, it is crucial that the outcome measurement "Entered Employment Rate Following Staff-Assisted Services" is retained as is, as the measure used to determine the success of the public employment service in maximizing services to veterans.

Further, as the GAO report notes, "VETS' [DOL's] proposed performance system does not standardize how states report veterans [or non-veterans] who use self-service activities, making it difficult to reliably assess nationwide performance." This is a Departmental concern. ETA and VETS will be working on this issue.

The entered employment rate following staff-assisted services measure, combined with data from other reports, identifies services provided by the public employment service and allows VETS to identify who is providing services to veterans. Also, States must register all applicants provided staff-assisted services. Thus, VETS is seeking uniformity in registration among States by using this measure.

Another area of concern is GAO's comment on the federal contractor program. Recently enacted legislation reflects a policy emphasis on the federal contractor program (38 U.S.C. § 4212). In response to this emphasis, VETS developed new tools to identify federal contractors as well as the means to measure increases in job listings by these employers as well as their subcontractors. VETS recognizes GAO's concern about this measurement. Thus, VETS will reconsider the suitability of this proposed measure after public comment. VETS is not, however, inclined to drop a federal contractor measurement of success at this time.

Following are our comments and suggestions, keyed to the appropriate draft report page:

Now on p. 4.

Page 4: Veterans' Programs

VETS is concerned that the report indicates that both DVOP and LVER staff provide the same services. VETS is continually working with States to ensure they recognize the different statutory responsibilities of DVOP and LVER staff. The statute provides different

- 2 -

roles and clearly outlines different duties for DVOP and LVER staff. (38 U.S.C. §§ 4103A and 4104). VETS will be taking a more aggressive posture to clarify this difference in its strategic and annual performance plans, and its guidance to the States. VETS would appreciate the GAO's assistance in stressing the difference in the roles of DVOP and LVER staff.

For example, a key statutory responsibility of LVERs is to provide program oversight of local employment service offices to ensure veterans receive maximum employment and training opportunities from the entire local office staff. (38 U.S.C. 4104(b)(1)). For DVOPs, the key responsibility is "(1) Development of job and job training opportunities for such veterans through contacts with employers, especially small and medium-size private sector employers." (38 U.S.C. 4103A(c)).

Now on p. 7.

Page 6: Legislative and Regulatory Changes Affecting VETS

VETS suggests that the following be added at the end of the first paragraph:

VETS has implemented the requirements of title 38 of the United States Code through agreements with each state on planned services to veterans to include provisions on how DVOPS and LVERS will be integrated into the one-stop delivery system.

Now on p. 12.

Page 11: Concerns Remain That VETS Should Address

VETS agrees that it sent a mixed message to the States through its previous strategic and annual plans. Based on the changing environment and comments from stakeholders, including the GAO, VETS is redefining its message by revising its strategic and annual plans.

(See also response to the targeted veterans issues under Page 12).

VETS' intent is to encourage the public employment service program to provide staff-assisted services to veterans based on their needs, while also providing access to self-service computers by job ready veterans. This measure is the only current means available to determine the success of staff-assisted services provided by the public employment service program. Because staff-assisted services require applicant registration, the "Entered Employment Rate Following Receipt of Staff- Assisted Services" is presently the only uniform outcome measure among States.

VETS does not concur with the GAO's opinion that the definition of staff-assisted services is too broad. Any veteran applicant receiving staff-assisted services may require a multitude of these services any one of which, or combination thereof, may require extensive staff time. For example, a referral to a job may require skills assessment, career guidance, employer contact and follow-up.

- 3 -

The public employment service's mission is to provide employment services to employers and job applicants. With declining staff resources the public employment service cannot provide extensive services to its customers. Applicants requiring "intensive services" as defined by WIA, are referred to WIA service providers by the public employment service staff. The WIA "intensive services" by definition, are those set aside for specific WIA service operators or through contracts, and include for example, "comprehensive and specialized assessments of the skill levels and service needs of adults and dislocated workers . . . "; "individual counseling and career planning"; and, "case management for participants seeking training services . . . . " Thus, VETS has focused DVOP services to address the needs of those veterans, particularly disabled veterans, who would benefit from case management and employment development activities. VETS is developing new prototype standards of performance for DVOPs and LVERs and related reporting requirements. VETS will introduce these standards in FY 2002.

Now on p. 12.

Page 12: Concerns Remain That VETS Should Address

VETS acknowledges that its current strategic plan may not have been clear on the other target groups served by the public employment service. However, the other groups served because of other statutory responsibilities will be measured separately, and will not be brought into this proposal for measuring services. The other targeted veterans are better served by the Veterans Workforce Investment Programs, Homeless Veterans Reintegration Projects, and Transition Assistance programs as well as other initiatives and should be measured separately from this proposal. VETS will also clarify its position that the public employment service must provide staff-assisted services to veteran job seekers and the need to measure the result of these services. This will enable DVOP and LVER staff to focus their attention on their statutory responsibilities. VETS' development of new prototype standards will clarify the role of the DVOPs and LVERs.

The inclusion of the federal contractor performance measure is related to several factors, the most important of which is the recognition that Congress intends that the Department devote more attention and place more emphasis on the federal contractor program as reflected by public laws amending 38 U.S.C. § 4212 during the 105th and 106th Congresses (Public Laws 105-339 and 106-416).

Additionally, the proposed measure shows that VETS recognizes the importance of employers to the labor exchange system. Not only do employers fund the trust account that supports the public employment service, including VETS, but also employer listings are necessary for the operation of a labor exchange system. Employers, in turn, benefit from having qualified applicants to choose from when filling their vacancies. VETS recognizes that increasing the number of job listings by employers, particularly those listed by federal contractors and their subcontractors, as required of them by 38 U.S.C. § 4212, is a benefit not only for veteran job seekers, but also for employers with federal contracts or

- 4 -

subcontracts. This proposed performance measure is being published for comment, and VETS will reconsider its suitability after review of the comments received.

The public employment service, not DVOP and LVER staff, is responsible at the local level for encouraging federal contractors to list their vacancies, and to make priority referral of veterans to such openings of qualified veterans.

Now on p. 17.

Page 17: Other Measurement Issues Affect Comparability of States' Performance Data

The new ETA 9002 specifications provide uniform instructions on how long individuals remain registered in the system. It must be noted that WIA enables States to determine when an individual is registered, by yielding to State law or policy except when staff-assisted services are provided.

In conclusion, VETS truly appreciates the GAO's effort to assist VETS in developing meaningful performance measures. VETS will be glad to answer any questions that may arise. I can be reached 202-693-4700.

Stanley a. Seidel

STANLEY A. SEIDEL
FIRST ASSISTANT

- 5 -

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