United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

September 2001

VETERANS' EMPLOYMENT AND TRAINING SERVICE

Flexibility and Accountability Needed to Improve Service to Veterans

G A O

Accountability * Integrity * Reliability

GAO-01-928

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Abbreviations

ADVET	Assistant Director for Veterans' Employment and Training
DVET	Director for Veterans' Employment and Training
DVOP	Disabled Veterans' Outreach Program
ETA	Employment and Training Administration
GPRA	Government Performance and Results Act of 1993
LVER	Local Veterans' Employment Representative
RAVET	Regional Administrator for Veterans' Employment and Training
VA	Department of Veterans Affairs
VETS	Veterans' Employment and Training Service
VR&E	Vocational Rehabilitation and Employment
WIA	Workforce Investment Act

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United States General Accounting Office
Washington, DC 20548

September 12, 2001

The Honorable Steve Buyer
Chairman, Subcommittee on Oversight
and Investigations
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

Recognizing that the nation's fragmented employment and training programs were not serving job seekers or employers well, the Congress enacted the Workforce Investment Act (WIA) in 1998. One of WIA's goals was to create a one-stop center system to help unify the services provided by numerous programs and give states the flexibility to design services better suited to local workforce needs. Veterans' employment and training programs, administered by the Department of Labor's Veterans' Employment and Training Service (VETS), are mandatory program partners in this new one-stop center system.[1] VETS administers two grants—for Disabled Veterans' Outreach Program (DVOP) specialists and the Local Veterans' Employment Representative (LVER) program—that fund staff offering services for veterans. These staff work through states' employment service offices or one-stop centers where public employment and training services are available.[2] In fiscal year 2001, these grants funded about 1,300 DVOP staff and about 1,200 LVER staff. However, the law that governs VETS and these programs, U.S.C. title 38,[3] does not provide the same flexibility introduced by WIA that allows states to determine the best way to serve their customers. As a result, questions have arisen about the

[1] WIA requires about 17 programs to provide services through the one-stop center system, including veterans' employment and training programs. These services are funded through four separate federal agencies: Labor, Department of Education, Department of Health and Human Services, and Department of Housing and Urban Development.

[2] While all states were making progress in implementing WIA, not all of them completed the implementation steps by July 1, 2000, when WIA took effect. Some states offer public employment and training services through one-stop centers, but there are also locations where these services are available only at states' employment service offices. For more information see, *Workforce Investment Act: Implementation Status and the Integration of TANF Services* (GAO/T-HEHS-00-145, June 29, 2000).

[3] 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.

integration of the DVOP and LVER staff into the one-stop center environment.

Because of the committee's interest in improving the way employment services are provided to veterans, you asked us to review the efficiency and effectiveness of VETS' administration of the DVOP and LVER programs. Specifically, you asked us to assess (1) how well veterans are provided employment services through the one-stop center, including the DVOP and LVER staff; (2) how well VETS oversees the DVOP and LVER grants awarded to states; and (3) how well the DVOP and LVER programs operate within the new one-stop center environment. To obtain this information, we visited five states where we interviewed VETS and state employment agency officials, including local office managers and DVOP and LVER staff. We conducted telephone interviews with employment agency officials in 25 additional states, which included all other states with more than 1 million veterans. The remaining states were selected through a random sample. We also interviewed VETS officials in Washington, D.C., and regional offices and reviewed relevant documents. Finally, we contacted officials from various veterans' service organizations and the National Association of State Workforce Agencies. We conducted our work from October 2000 through July 2001 in accordance with generally accepted government auditing standards. For further information on our scope and methodology, see appendix I.

Results in Brief

While veterans received priority employment services at one-stop centers, VETS does not currently collect appropriate data for determining the effectiveness of these services, including subsequent job retention and wages. VETS requires states to collect information on the number and type of employment services provided to veterans relative to nonveterans, such as the number placed in training or receiving counseling. States extract this information from data that they collect for other employment and training programs administered by Labor's Employment and Training Administration (ETA). Based on these data and interviews with state officials, we found that veterans received more intensive services, and received these services more readily, than nonveterans seeking services through states' employment service offices or one-stop centers—an elevated level of service principally provided by DVOP and LVER staff. To determine the effectiveness of these services, outcome data, such as information on wages and job retention, is needed. Currently, the only outcome data VETS requires states to collect are on the percentage of veterans served who enter employment. Because state officials verify employment rates in different ways, how this figure is determined varies considerably from state to state. As discussed in our recent report on

VETS' performance measures,[4] VETS has proposed changes to its performance measures such as requiring states to report job retention, but it has not yet implemented the changes.

VETS' oversight of the DVOP and LVER grants is inadequate. The agency does not have a comprehensive system in place to manage state performance in serving veterans. In order to oversee a program effectively, an agency must have a performance management system that establishes clear goals for those administering the program and provides incentives for them to meet these goals. The agency must also gauge the quality of service offered by the program and monitor the program's progress.[5] Despite recently proposed improvements to its performance measures, VETS' overall performance management system remains ineffective. VETS does not communicate a consistent message to states on expected performance, nor does it have meaningful incentives to encourage states to perform well. As prescribed by the law, VETS has federal staff in every state that monitors the DVOP and LVER grants, along with other duties. However, this federal monitoring effort, which includes on-site evaluations at every local office, is often unproductive for several reasons. Because states generally also monitor performance at one-stop centers, including the DVOP and LVER grants, VETS' monitoring can be redundant. This oversight results in confusion about the lines of authority between the federal and state monitoring staff and the DVOP and LVER staff, who are state employees. In addition, VETS' monitoring is often inconsistent because operational manuals are outdated, training of monitoring staff is limited, and interpretations of the law differ among staff.

The DVOP and LVER programs do not always operate well within the one-stop center environment because states do not have the flexibility to design their services for veterans in a way that best meets the needs of employers and veterans. The success of the one-stop system is dependent on its ability to provide services that meet the changing employment needs in local communities. However, the law does not provide the DVOP and LVER programs with the flexibility to respond to changing needs. For example, the law prescribes how DVOP and LVER staff is to be assigned to

[4] *Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed* (GAO-01-580, May 15, 2001).

[5] For further information, see *Internal Control Standards: Internal Control Management and Evaluation Tool*, (GAO-01-131G, Feb. 2001). This tool, GAO's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, Nov. 1999), and the Office of Management and Budget Circular A-123, *Management Accountability and Control* (Revised June 21, 1995), should be used concurrently.

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. Furthermore, the funding year for DVOP and LVER programs does not coincide with the funding year for other employment programs offered in the one-stop centers. Having Labor programs' funding streams on different schedules is burdensome for states and makes the budgeting process more complicated. Moreover, VETS has not taken adequate steps to adapt the DVOP and LVER programs to the one-stop center environment. Instead, VETS officials said that they wanted to see how states designed their one-stop centers before making any adjustments to the DVOP and LVER programs.

To improve the way employment services are provided to veterans, we present matters for congressional consideration and recommendations for executive action. We suggest that the 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 may include updating the applicable law to provide more flexibility or taking other actions such as adjusting the funding cycle to correspond with that of other programs. We also recommend 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. VETS provided written comments on a draft of this report and generally agreed with our findings and recommendations. These comments are reprinted in appendix II.

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. Consequently, VETS prepared strategic and performance plans in response to the Government Performance and Results Act of 1993 (GPRA), which was intended to make agencies accountable for their performance.[6] VETS' strategic plan states that it will seek new and effective means to help

[6] GPRA requires agencies to identify their goals, measure performance, and report on the degree to which those goals were met. Although not required by GPRA, the Secretary of Labor directed its component agencies, such as VETS, to prepare their own strategic and performance plans.

veterans compete successfully for better paying career jobs—helping them get on a track that can provide improved income stability and growth potential.

Although, in recent years, the Congress has not funded the number of authorized DVOP and LVER staff positions, VETS provides states with grants for DVOP and LVER staff according to the formula outlined in the law.[7] These DVOP and LVER staff members, whose positions are federally funded, are part of states' public employment services and provide direct employment services to eligible veterans. Under WIA, services provided by DVOP and LVER staff are required to be included in each state's approved one-stop center system plan. WIA also requires the establishment of local workforce investment areas and boards to locally oversee the new one-stop center system. In the solicitation for DVOP and LVER grant applications, VETS notes that local workforce investment boards are ideally suited to developing services that best meet the needs of veterans and employers who live and work in that area.

The DVOP and LVER grant agreements also include assurances by states that DVOP and LVER staff members serve eligible veterans exclusively. Under federal law, all employment service staff[8] must give priority to serving veterans,[9] 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. DVOP specialists are required to focus on locating veterans with disabilities and other barriers to employment and assisting them in finding jobs and job training

[7] 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.

[8] 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 are now partners in the new one-stop center system.

[9] The grant agreements provide the following order of priority for serving veterans: (1) special disabled veterans, (2) Vietnam-era veterans, (3) disabled veterans other than special disabled veterans, (4) all other veterans and eligible persons. Certain nonveterans, who are dependents of veterans, are also eligible for priority service; these nonveterans are called "eligible persons" and include, for example, the spouse of any person who died of a service-connected disability or the spouse of any person who has a total disability permanent in nature resulting from a service-connected disability. For this report, we will use the term "veterans" to include eligible people.

opportunities. LVER staff members have the primary responsibility of ensuring that veterans receive priority service from the employment and training program staff. Both DVOP and LVER staff are required to assist veterans in finding jobs. This assistance can range from help with needs, such as writing a resume, to more comprehensive help, such as assessing veterans' skills and arranging training opportunities for veterans.

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 VETS' activities through regional administrators (RAVET) and directors (DVET) in each state, the District of Columbia, Puerto Rico, and the Virgin Islands. In larger states, an assistant director (ADVET) 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 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, or 15 percent higher than the nonveteran placement rate. There are also higher expectations for serving Vietnam-era veterans and disabled veterans.[10] As required by the law, VETS must report to the Congress on states' performance in five service categories: (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. VETS has historically used these same performance categories to measure state performance for serving veterans at a higher rate than nonveterans. The data for these performance categories is collected by states for the programs administered by ETA. As required by the DVOP and LVER grant agreements, the states then extract the relevant data for their reports to VETS. The law also requires that states establish their own performance

[10] Vietnam-era veterans should be served at a rate 20 percent higher than nonveterans and disabled veterans at a rate 25 percent higher. Placement rates for special disabled veterans in jobs listed for federal contractors should also be 25 percent higher than the rate for nonveterans.

expectations, under VETS' guidance, for their DVOP and LVER staff to ensure that these staff are effectively utilized.

The Congressional Commission on Servicemembers and Veterans Transition Assistance issued a report in 1999 that raised concerns about the performance and effectiveness of VETS' programs.[11] The Congress directed the Commission to review programs that provide benefits and services to veterans and service members making the transition to civilian life, which included the DVOP and LVER programs. The Commission recommended that the Congress restructure employment assistance to veterans in several ways. These suggested changes included: replacing the current DVOP and LVER programs with two new programs, establishing effective operational outcome measures for VETS, and revising the system of priority for services to ensure priority service for veterans who most need assistance in overcoming barriers to employment or who are making their transition to civilian life. The Commission also questioned the effectiveness of the administration and oversight of VETS' programs, calling for an independent audit of agency performance.

In our past reviews of VETS' programs, we have recommended changes to VETS' performance measures and plans. In our most recent report,[12] we noted that VETS had proposed performance measures more in-line with those established under WIA and focused more on what VETS' programs achieve and less on the number of services provided to veterans relative to nonveterans. However, we reported that VETS still lacked measures to gauge the effectiveness of services or whether more staff-intense services helped veterans obtain jobs. While the law still stipulates that VETS is to report to the Congress on the five service categories, according to its proposed performance measures, VETS will no longer require that states compare services provided to veterans with those provided to nonveterans. This change is a positive step, but VETS officials said that the implementation of these proposed measures did not occur in July 2001 as planned, and will not be effective until July 1, 2002.

[11] *Report of the Congressional Commission on Servicemembers and Veterans Transition Assistance* (Arlington, Va.: Jan. 14, 1999).

[12] *Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed* (GAO-O1-580, May 15, 2001).

Veterans Receive Priority Service, but Effectiveness of Service Is Unknown

While veterans receive priority employment services at one-stop centers as required under the law, the effectiveness of the services, as indicated by the resulting employment, cannot be determined because VETS does not collect sufficient data to measure the outcomes veterans achieve from these services. State-gathered data and interviews with state officials showed that veterans are receiving priority services at one-stop centers as demonstrated by the higher rates of service for veterans compared to those of nonveterans. While one-stop centers can provide priority services to veterans in different ways, most do so primarily through the DVOP and LVER staff. Since veterans have these dedicated staff to serve them, they also received more intensive services, and received these services more readily, than nonveterans. However, the effectiveness of these services is unknown because VETS lacks adequate outcome data on job retention and wages. The only outcome data available—the percentage of veterans served who entered employment—are often inconsistent from state to state.

Veterans Receive Priority Service

On the basis of state data reported to VETS and interviews with state officials, veterans receive priority employment services at one-stop centers.[13] To show that states are providing priority service to veterans, VETS requires states to report data on the number and types of services provided to veterans and nonveterans as well as the percentage of each group served that enters employment. Data reported to VETS shows that veterans generally receive employment services at a higher rate than nonveterans. Other examples of priority service include not releasing new job openings received from employers[14] into the job database in order to identify and contact qualified veterans before the universal population has access to the information.[15] Some state officials reported that they have

[13] Federal regulations require state employment service agencies to give veterans priority in all employment and training services, including registration, counseling, referral to other services, and job development.

[14] ETA's labor exchange services include job-listing services, which are activities performed on behalf of employers. Employers may request assistance from public labor exchange staff in placing their job openings, or "job orders," on the state's or one-stop centers' jobs database.

[15] Due to increased use of the Internet to post jobs, it is not always helpful to the employer or applicants to hold job orders. In an effort to be more "employer friendly" and avoid posting a job to the one-stop job database after it has been posted elsewhere, some one-stop centers do not hold job orders. In these states, one-stop center staff searches the electronic job file daily and forwards announcements to qualified veteran applicants.

other special services exclusively for veterans, such as designated computers or special information packets on available resources.

State and local officials reported that veterans also receive more intensive services than nonveterans. For example, DVOP and LVER staff may provide veterans individualized services the first day they come in, while nonveterans are generally referred to self-service first. Veterans generally gain access to intensive services, similar to those offered under WIA, such as counseling and case management, more quickly than nonveterans because DVOP and LVER staff have smaller caseloads than other employment services staff and thus have the time to spend with individuals. Veterans have better access to intensive services than nonveterans because DVOP and LVER staff are funded independently of WIA and are not subject to restrictions applicable to WIA-funded programs.[16] For example, veterans served by DVOP and LVER staff do not have to receive basic services before obtaining intensive services.

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 services to veterans since these staff are dedicated to assisting veterans exclusively. DVOP and LVER staff we spoke with said that they tried to talk to every veteran at least once because they were better able than other staff to identify barriers to employment and were able to provide veterans with information about other benefits available to them. However, in some of the one-stop centers we visited, only veterans determined to have employment barriers were referred to the DVOP and LVER staff, while others were referred to self-service or other one-stop center staff. In offices with no DVOP and LVER staff, veterans generally received one-on-one service from any available employment service staff, and appointments could be made with DVOP or LVER staff in other offices.

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

[16] 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.

veterans themselves.[17] For example, because they are familiar with the processes at the Department of Veterans Affairs (VA), they can help veterans file disability claims with the VA or help them to receive the appropriate disability benefits. The DVOP and LVER staff also has broader knowledge of veterans' issues than other one-stop center staff, partly because of their training at the National Veterans' Training Institute, instruction that included training in case management. DVOP and LVER staff are required to network with veterans' groups and other service providers and, therefore, are better able to refer veterans to services and resources available to them outside the one-stop center. DVOP staff members also work on the development of employment opportunities for their disabled clients and perform outreach to identify veterans; something that other employment services staff members do not have time to do.

Effectiveness of Service Cannot Currently Be Determined

While veterans receive more services and receive these services more quickly than nonveterans, the effectiveness of these services cannot be determined. VETS currently lacks sufficient employment outcome data, such as the wages and job retention of veterans served who obtain jobs, which would indicate whether services provided to veterans were effective. VETS has proposed collecting data on employment outcomes, similar to those collected by ETA and WIA programs, and the agency has also recommended that states use unemployment insurance wage records to collect outcome data. However, these improvements have not yet been implemented, partly because the data that states report to VETS is extracted from data collected for other federal employment and training programs. To avoid requiring states to collect separate data, VETS is dependent on ETA to change the type of data it collects.

The only outcome data that states currently report to VETS—the percentage of veterans entering employment after registering for employment services—is collected inconsistently. While some states compare their employment service registration records with unemployment insurance wage records, others may simply call employers for employment verification or send postcards or letters to customers asking whether they have obtained employment. States may also use a combination of these approaches. In some states where follow-up was by telephone or mail, state officials reported that the DVOP and LVER staff

[17] The law prescribes eligibility requirements for states in hiring DVOP and LVER staff based on their veteran status. For example, first preference for hiring DVOP specialists is given to qualified disabled veterans, and first preference for hiring LVER staff is given to qualified veterans with service-related disabilities.

had more time to follow-up with their customers than other employment and training staff, resulting in more complete employment data for veterans. Furthermore, in past reviews, we have pointed out that the use of relative standards comparing the percentage of veterans entering employment with that of nonveterans, 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.[18]

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.

VETS Does Not Adequately Oversee DVOP and LVER Grants

Poor performance management hinders VETS' oversight of the DVOP and LVER grants. The agency does not have a comprehensive system in place to manage state performance in serving veterans. VETS does not effectively communicate its expectations to states about performance, nor does it have meaningful incentives to encourage states to perform well. In addition, VETS' efforts to target services to specific categories of veterans are unfocused. 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.

VETS Does Not Effectively Communicate Its Goals or Provide Incentives for Meeting Performance Goals

In order to oversee a program effectively, an agency must have a management system that establishes clear goals for those administering the program. Furthermore, an agency must develop performance measures that allow for the determination of whether the goals are being met. VETS does not have such a management system. The agency does not have clear goals that it communicates to states or that it tracks with outcome data.

[18] While VETS has proposed eliminating this relative comparison, the agency is still required by law to report on this comparison to the Congress in its annual report.

VETS' goals are not reflected by the performance measures that the agency uses to monitor state performance. For example, one agency goal is to provide high-quality case management to veterans, but the agency has no state performance measures for assessing the quality of case management for veterans.[19] Instead, the performance measure is the percentage of veterans served who enter employment. Because VETS' performance measures do not reflect the agency's goals, the agency cannot track how well its goals are being met. Furthermore, current performance measures do not affect how services are delivered to veterans. Several one-stop managers and DVOP and LVER staff said that they provide services that veterans need without concentrating on the required performance measures, hoping that the services meet or exceed the measures. Although VETS is working to improve its performance measures, it still lacks a comprehensive system to manage performance.

VETS' efforts to ensure that intensive services are focused 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,[20] and veterans who served on active duty in the armed forces under certain circumstances. This 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 individual assessments because groups targeted on a national level do not necessarily correlate to the needs of veterans in particular states or local areas.

[19] Case management involves preparing comprehensive employment plans, ensuring access to necessary training and supportive services, and providing support during program participation and after job placement.

[20] Vocational rehabilitation service to veterans is a joint program between VETS and the VA. The Vocational Rehabilitation and Employment (VR&E) is a program within the VA that assists veterans with service-related injuries to achieve suitable employment or enhance their ability to function independently at home and in the community. VR&E provides vocational and educational guidance and counseling to assist service-members, veterans, and certain veterans' dependents in selecting an appropriate career goal and training institution.

Unnecessary performance measures often add to DVOP and LVER work, without measuring quality of service to veterans. Some state and VETS officials we spoke with expressed concern about having performance measures that specifically focus on service to Vietnam-era veterans. The law requires VETS to report to the Congress on states' service to Vietnam-era veterans; consequently, VETS includes this service as a performance goal. Since 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, 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. In fact, one state VETS official, who is also a disabled Vietnam-era veteran, said that the time-consuming service to Vietnam-era veterans might be a distraction to DVOP and LVER staff.

Some 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 group of 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 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 all companies conducting business with the federal government 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.

Furthermore, although VETS has proposed improved performance measures, its performance management system still lacks incentives to encourage states to meet performance goals. 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. There are no financial repercussions for states not meeting their performance

measures, and states will not lose funding for failing to adequately serve veterans. One VETS official said that he would never take funds away from a state for not meeting performance measures because ultimately this would deny services to veterans. In addition, there is little in the way of incentives to encourage fiscal compliance with the grants. If a state overspends DVOP or LVER funds, state officials can submit a grant modification requesting additional funds.[21] A VETS official noted that if the DVOP and LVER grants could be awarded through a competitive bid process within states rather than awarded directly to states' employment service agencies as required by law, the grantees might have more incentive to provide better services to veterans.

VETS' Monitoring Is Often Unproductive

VETS' monitoring of the DVOP and LVER grants is often unproductive. It is excessive and has little effect on service. As mandated by law, VETS has an extensive field structure—with federal staff in every state—to monitor the DVOP and LVER programs. This federal oversight often duplicates state oversight and confuses the lines of authority for DVOP and LVER staff. Furthermore, VETS' oversight may be inconsistent due in part to outdated manuals, limited training, and the lack of clear guidance from the national office.

The law mandates VETS' field structure, prescribing that each state have federal VETS staff—positions ranging from the director to office support staff. This includes about 185 field staff members in state DVET offices and about 37 field staff members in regional RAVET offices. In addition to their other duties not related to the grants, these federal VETS staff members estimated that they collectively spend about half of their time administering the DVOP and LVER grants.[22] The federal VETS staff annually reviews every employment service office or one-stop center where DVOP and LVER staff are located. This annual review, called the Local Employment Service Office evaluation, includes an evaluation of office performance based on the review of specific documents and a site visit.

[21] If a state has excess funds in the DVOP or LVER grants, VETS reallocates the money to other states requesting additional funds. Last year, about $3 million was received from states that did not use all of their DVOP and LVER funds for staff. VETS then reallocated these funds to states that had requested additional funding. States had actually requested more than this amount—about $5 million.

[22] VETS staff members are also responsible for enforcing veterans' preference and reemployment rights for veterans, Reservists, and National Guard members.

While some state employment agency officials believe that the DVET presence as a VETS monitor serves as a reminder of veterans' priority and provides immediate technical assistance, other state officials we interviewed believe that this presence is unnecessary and excessive. Many state officials believe that the DVOP and LVER grants are "micro-managed." For example, one state official said that she receives weekly letters, daily visits, and constant phone calls from the DVET but receives very little to no communication from other employment and training programs. She did not believe that all of this contact and monitoring improved services to veterans. An official in another state pointed out that there is one monitor for every million dollars of grant money the state receives and that VETS staff are highly involved at the operational level, thus making the program feel "policed."

VETS' annual on-site evaluations of employment services offices that we observed or whose reports we reviewed produced few substantive findings. Furthermore, according to some state officials, these evaluations have little or no effect on how DVOP and LVER staff members perform their duties. Some federal monitoring staff agree that the evaluations are not as effective as they could be because VETS has little authority to influence the way DVOP and LVER staff work at the state and local level. This monitoring may also be unnecessary for those offices that exceed their performance expectations.

States generally perform their own monitoring and oversight of one-stop centers, including the services provided to veterans by DVOP and LVER staff. Most state officials we interviewed had some state oversight to monitor employment services, which included the DVOP and LVER grants. In addition, as permitted under the LVER grants, states generally had a state veterans' coordinator, paid by the LVER grant funds, to oversee the programs. For example, one state's veterans' coordinator reviews several one-stop centers every quarter, as well as meets initially with all new DVOP and LVER staff. In another state, the employment services department has field supervisors who perform local office reviews and who review the quarterly reports from each one-stop regarding services to veterans. However, VETS officials questioned the adequacy of the state monitoring and stressed the necessity for the federal oversight by VETS staff to make sure that veterans are provided priority employment services.

Because there are two monitoring entities—federal and state—the lines of authority for the DVOP and LVER staff may be unclear and confusing. In some cases, the DVOP and LVER staff, who are state employees, go directly to the federal officials, the DVET and his or her staff, with

problems and questions rather than discussing these issues with their state supervisors. When DVOP and LVER staff directly contact the federal VETS monitors, they are bypassing their state supervisors and circumventing state procedures. According to state employment officials, federal officials, in their efforts to monitor one-stop centers, may sometimes provide information that contradicts state policies.

Further confusion exists when the DVET bypasses state officials to communicate directly with DVOP and LVER staff. State employment officials believe that the DVET should contact the grantee—the state—directly and not bypass the state officials. When presented with questions from the DVET, DVOP and LVER staff may be in an awkward situation. If they give VETS officials the information they requested, they could be reprimanded by state employment officials for not following state procedures. If they tell the VETS officials to obtain the information from the state employment officials, DVOP and LVER staff might offend the VETS staff who monitors their work.

In addition to duplicating state monitoring efforts, the evaluations that federal staff conducts may be inconsistent both within and between states because the manuals that guide their efforts are outdated and the training they receive is not adequate. The evaluation manual, published by the national VETS office, has not been updated since 1989 even though WIA has introduced changes to the employment service delivery system. While some federal monitors use this manual, directors in some regions and individual states have developed new guidelines. Consequently, evaluations are conducted using different criteria depending on the region and state. Some training exists for the federal monitoring staff, but the training is not adequate because, according to a VETS official, it is too focused on finding fault rather than sharing information on innovative ways to serve veterans. The training emphasizes grant management and compliance audits rather than focusing on how to assist and work with states to improve employment services to veterans.

DVOP and LVER Programs Do Not Always Operate Well in One-Stop Centers

The DVOP and LVER grant programs do not always operate well in one-stop centers, according to the state and local officials we interviewed. With the passage of WIA, states are now allowed the flexibility to meet the employment and training needs of their populations through multiple programs offered through one-stop centers nationwide. However, DVOP and LVER programs operate under a law established prior to WIA. This law, which outlines two staffing grants with separate rules and funding, is

very prescriptive in terms of which veterans are eligible for services and excludes, for example, persons who have served in the Reserves[23] or National Guard. The funding year for DVOP and LVER programs does not coincide with the funding year for other employment programs offered in the one-stop centers and having Labor programs' funding streams on different schedules is burdensome. In addition, VETS has not taken adequate steps to adjust the DVOP and LVER programs to the one-stop center environment. Instead, VETS officials said that they were waiting to see how states design their one-stop centers before making any adjustments.

DVOP and LVER Programs Lack Flexibility

DVOP and LVER grant programs lack the flexibility states need to effectively meet the needs of veterans through one-stop centers. For instance, the assignment of DVOP and LVER staff to local offices is largely prescribed by the law and allows little variation for state or local office needs and circumstances. LVER staff is assigned to local offices based on the number of veterans registered for assistance at each local office.[24] For the DVOP program, the law stipulates that at least 25 percent of the staff should be located at facilities outside of the employment service system such as veterans' hospitals or community colleges. The Secretary of Labor can waive this requirement only if at least 20 percent of DVOP staff is located at facilities outside of the employment service system nationwide. These requirements may no longer be appropriate as the employment and training environment changes. Since the passage of WIA, many of the locations that were once considered facilities outside the employment service system are now considered part of that system. One state official noted that many community colleges with DVOP staff are now considered to be one-stop employment and training centers. While the state met the assignment requirement before WIA, it may have to move this staff to new locations outside the system simply to comply with the requirement of the DVOP grant.

Smaller employment services offices or one-stop centers may have a more difficult time meeting the employment needs of their veterans because of

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

[24] As nearly as practical, one full-time LVER is assigned to each local employment service office at which at least 1,100 eligible veterans and eligible persons are registered for assistance, one additional full-time LVER is assigned to each office for each 1,500 eligible persons above 1,100, and one half-time LVER is assigned to each office at which at least 350 but less than 1,100 eligible veterans and eligible persons are registered for assistance.

the restrictions in the law. Although the LVER grant allows smaller locations to have a half-time LVER position, VETS does not allow this same flexibility for the DVOP program. Smaller offices in rural or sparsely populated areas that cannot justify a full-time DVOP position would not benefit from the services provided by a DVOP staff member. For instance, a state official noted that if half-time DVOP staff were permitted, this would broaden service to veterans.

The law also specifies the separate duties for DVOP and LVER staff. According to the law, DVOP staff are to carry out 10 duties that include the following: promoting the development of jobs for veterans through contacts with employers, performing outreach activities to locate veterans in need of assistance, and carrying out other duties to promote the development of entry-level and career job opportunities for such veterans. LVER staff are to carry out 12 duties that include: functionally supervising services to veterans provided by the local employment service staff, providing employment assistance to veterans, and encouraging employers to hire eligible veterans. LVER staff must also provide quarterly reports to the local office manager and the state DVET regarding compliance with federal law and regulations concerning special services and priorities for veterans. Although there are some differences between the duties of DVOP and LVER staff, the staff members we visited generally perform similar duties. While the law makes distinctions between DVOP and LVER staff, a VETS official said that, in reality, they perform many of the same duties.

The separate funding streams for the DVOP and LVER grants provide states with little discretion in staffing. 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; however, states are not allowed to transfer money from one grant to another. For example, 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.

Furthermore, DVOP and LVER staff members are not allowed to 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. WIA defines a veteran more broadly as an individual who served in the active military, naval, or air service. VETS, as an agency, also assists a broadly defined

group, which includes veterans, Reservists, and National Guard members. However, for the DVOP and LVER program, the law restricts the population of eligible veterans to those who served on active duty for more than 180 days. Because of this more restricted definition of an eligible veteran in the applicable law, DVOP and LVER staff are not allowed to serve veterans who were on active duty for 180 days or less, and they are not permitted to serve Reservists[25] or National Guard members. One state official explained that there is a large and growing number of Reservists and National Guard members in his state, but fewer veterans because there are no military bases where service members are discharged. Because of the more restrictive definition for veterans, DVOP and LVER staff are not allowed to serve these Reservists or members of the National Guard in that state. This narrow definition does not permit states the flexibility to use DVOP and LVER staff to serve persons that are considered veterans under WIA or persons who VETS would help in securing employment, such as Reservists and National Guard members.

VETS Has Not Adequately Adapted to the One-Stop Center Environment

VETS appears to be taking a reactive rather than a proactive approach to adapting to the one-stop center 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' headquarters officials reported that they are waiting to see how states implement their programs and will decide afterwards how to integrate the staff or adjust their programs. While VETS implemented, in 1997, a pilot project in several states to test new ways of measuring state performance in providing employment assistance to veterans, the agency has not yet implemented changes based on these initiatives.

VETS has required states to sign an agreement to ensure that veterans will continue to receive priority services and that the DVOP and LVER staff will continue to assume duties very similar to those they had in the employment services system. However, these individual agreements with states were all very similar and did not contain any information about specific ways that DVOP and LVER staff might serve veterans within this new environment. Furthermore, VETS has not developed policies and procedures for operating within the one-stop system or adequately shared innovative ways to help veterans find and retain jobs. Because of these outdated policies and procedures, DVOP and LVER staff in many states may continue to operate separately as if they were in the old employment

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

services system and fail to adapt to the new one-stop center environment where employment and training programs are expected to be integrated. According to one-stop managers we interviewed, this lack of integration may diminish services to veterans. For example, the DVOP and LVER staff may be unaware of all the programs and services offered through the one-stop.

VETS has not addressed the fact that, unlike the DVOP and LVER staff, the one-stop center is designed to serve all customers. In order to create one-stop centers that serve all customers through seamless delivery of services, some federal, state, and local officials have developed creative ways of integrating services. For example, one DVET allows the DVOP and LVER staff in his state to serve nonveterans 2 percent of their time. This flexibility allows DVOP and LVER staff to have contact with the universal population in certain circumstances. If a DVOP staff member is the only bilingual staff member in the office, he or she may assist a customer who does not speak English without being reprimanded for serving a nonveteran. However, this flexibility is not universally permitted by the DVET staff, nor has VETS endorsed this concept.

The funding year for DVOP and LVER programs does not coincide with the funding year for other employment programs offered in the one-stop centers, another sign that the DVOP and LVER grants have not been fully integrated into the one-stop environment. 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. One state official explained that information on the other major federal grants, such as Wagner-Peyser funding to support employment service staff, is made available on a program year basis, which allows states enough time to plan for their start date. However, the DVOP and LVER grants are made on the federal fiscal year basis, so the funds are not appropriated until October or later, causing problems or delays in state planning.

Conclusions

While the Congress has clearly defined employment service to veterans as a national responsibility, the law has not been updated 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 planned 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 or 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. While VETS has proposed ways of improving performance measures, these measures have not yet been implemented. VETS has not proposed any incentives to hold states accountable for meeting performance goals.

Matters for Congressional Consideration

We suggest that the 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 are able to be more fully integrated into this new environment. While veterans' employment service is clearly a national responsibility, the Congress should consider updating the law to provide more flexibility and improved accountability and taking other actions, such as adjusting the DVOP and LVER grant funding cycle to correspond with that of other programs. The Congress should 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.

Recommendations for Executive Action

We recommend that the Secretary of Labor establish more effective management and monitoring of the DVOP and LVER programs. Specifically, the Secretary of Labor should direct VETS to

- specify performance goals and expectations for serving veterans and allow states the flexibility to present a plan for how they intend to meet these goals and expectations;
- implement, as soon as possible, a performance measurement system that holds states accountable, reflects the agency's goals and expectations, and defines how the performance data should be collected to ensure accuracy and reliability;
- implement a performance management system for the state grantees that provides incentives for meeting goals and penalties, beyond corrective action plans, for not meeting goals; and
- update oversight guidelines and improve staff training to ensure consistent monitoring of DVOP and LVER programs in one-stop centers.

Agency Comments and Our Evaluation

We provided VETS with the opportunity to comment on a draft of this report. VETS generally agreed with our findings and recommendations and had two concerns about our matters for congressional consideration. Although VETS recognizes that title 38 is prescriptive and limits the agency's flexibility to provide different approaches for more innovative services to veterans, it had concerns about having half-time DVOP staff positions and combining the two DVOP and LVER grants into a single staffing grant. VETS said that if these matters receive further consideration, it would discuss its concerns with the appropriate congressional committee. VETS' comments appear in appendix II.

VETS said that measuring the effectiveness of services provided to veterans in one-stop centers is difficult and that the agency is working with others in the Department of Labor to develop data collection strategies supporting its proposed performance measures. VETS said that this new performance measurement system would not be effective until July 1, 2002. Furthermore, VETS intends to work with states to develop appropriate performance measures for the DVOP and LVER grants and will issue prototype performance standards that states may use for DVOP and LVER staff.

In terms of its oversight of the DVOP and LVER grants, VETS agreed that improved management and monitoring of the grants is needed. VETS said that it would redouble its efforts to ensure that effective communication between its staff and DVOP and LVER staff is accomplished without compromising states' supervisory structure. VETS plans to develop a new grant review guide and a grants management course. VETS said that its management control system parallels its performance plan. According to VETS, this system tracks program activities, performance outcomes, and corrective actions initiated. However, we found that VETS does not use this information to hold states accountable. VETS also said that incentives to encourage states to meet performance goals would be useful but said there are no discretionary funds available. In this case, we would urge the agency to consider the use of nonmonetary incentives.

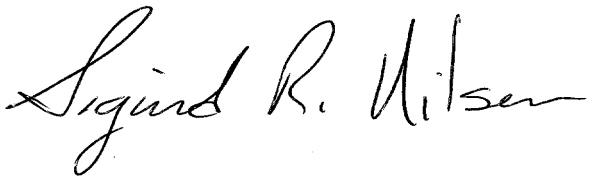
In addition, VETS said that agreements with each state about how DVOP and LVER staff would be integrated into the one-stop delivery system agency were developed prior to implementing WIA. We determined that these individual state agreements ensured that veterans would continue to receive priority services and that the DVOP and LVER staff would continue to assume duties akin to those they had prior to WIA. However, these agreements did not contain any information about specific ways that DVOP and LVER staff might serve veterans within the new environment.

We found that DVOP and LVER programs do not always operate well in one-stop centers.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will then send copies to the Secretary of Labor and the Secretary of the Department of Veterans Affairs. We will also make copies available to others upon request.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or Joan T. Mahagan at (617) 565-7532. Key contributors to this report are listed in appendix III.

Sincerely yours,



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

Appendix I: Scope and Methodology

In designing our study, we obtained legislation, regulations, and Veterans Employment and Training Service (VETS) directives regarding the Disabled Veterans' Outreach Program (DVOP) specialists and the Local Veterans' Employment Representative (LVER) staffing grants to states. We interviewed VETS officials in Washington, D.C., responsible for administering the grants and VETS staff at the Regional Lead Center in Chicago, Illinois, who provided us with documentation regarding VETS' strategic plan and general guidance for the DVOP and LVER staffing grants. To obtain additional information about the oversight of the staffing grants, we also conducted telephone interviews with all of VETS' regional administrators and interviewed the state directors and other federal VETS staff in five states that we visited.

To obtain information on how DVOP and LVER staff are integrated into the one-stop center environment, we interviewed state employment agency officials in 30 states. For five states—Connecticut, Florida, Ohio, Oregon, and Texas—we conducted site visits. For the remaining 25 states, we conducted telephone interviews with state employment officials. To identify the states for our telephone interviews, we developed a stratified random sample. We first identified all states with a veteran population over 1 million. These states included California, Florida, New York, Ohio, Pennsylvania, and Texas. Since Florida, Ohio, and Texas were states where we conducted site visits, we conducted in-person interviews with the state officials rather than telephone interviews. Thus, the states with veteran populations over 1 million that we included for telephone interviews were California, New York, and Pennsylvania. For the remaining states, we randomly selected Alabama, Arizona, Delaware, the District of Columbia, Idaho, Iowa, Kansas, Kentucky, Maine, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, South Carolina, Tennessee, Utah, Virginia, Wisconsin, and Wyoming for telephone interviews.

To understand how DVOP and LVER grants are integrated in the one-stop system at the state level, we visited five states to provide a more in-depth analysis. We selected Connecticut, Florida, Ohio, Oregon, and Texas to provide a mix of different geographic locations, size of veteran populations, and entered employment rates for veterans as well as a both public and privatized service providers. The five states were located in five different VETS regions; the veterans populations varied from about 313,000 in Connecticut to about 1,652,000 in Florida; and the entered employment rates for veterans served in public employment offices ranged from 45.8 percent in Texas to 18.5 percent in Ohio. In the five states, we interviewed state VETS directors as well as state employment agency officials, local office managers, and DVOP and LVER staff. We visited a

total of 17 local offices in the five states and interviewed a total of 39 DVOP and LVER staff at these locations, which were representative of both urban and more rural areas. At the local offices, we also observed operations. In addition, where appropriate, we interviewed local workforce board members.

We conducted telephone interviews with five Veterans' Service Organizations—AMVETS, the American Legion, Disabled American Veterans, Veterans of Foreign Wars, and Vietnam Veterans of America—to obtain their views on the DVOP and LVER staffing grants. We also contacted officials from the National Association of State Workforce Agencies (formerly known as the Interstate Conference on Employment Security Agencies, Inc.) and met with its Veterans' Affairs Committee.

We conducted our work from October 2000 through July 2001 in accordance with generally accepted government auditing standards.

Appendix II: Comments From the Department of Labor

U.S. Department of Labor

Office of the Assistant Secretary for
Veteran's Employment and Training
Washington, D.C. 20210

AUG 28 2001

Mr. Sigurd R. Nilsen
Director, Education, Workforce and
Income Security Issues
U.S. General Accounting Office
441 "G" Street, N.W.
Washington, D.C. 20548

Dear Mr. Nilsen:

Thank you for the opportunity to comment on the General Accounting Office's (GAO's) draft report, *Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Service to Veterans.* As indicated by Assistant Secretary for Policy Chris Spear in his June 7, 2001 testimony, the Labor Department and the Veterans' Employment and Training Service (VETS) are working with Congress and our state partners to improve not only the range of services available to our nation's veterans, but also the accountability of these services.

For several years, VETS has been working with the GAO to address and resolve a number of issues which hamper effective delivery of employment and training services to America's veterans. Recent GAO reports on VETS' programs, service delivery, and performance measurement have been a source of much useful information as this Agency works to reconfigure its programs to meet the needs of veterans in the 21st Century workforce.

VETS appreciates the GAO's recognition of the prescriptive nature of Title 38, United States Code (Title 38) which impacts VETS's flexibility to provide different approaches for more innovative services to veterans by Disabled Veteran Outreach Program (DVOP) specialists and Local Veteran Employment Representative (LVER) staff. The context in which employment and training services are delivered by states to employment service participants has changed dramatically under the Workforce Investment Act (WIA) and through the use of new technology. For example, in administering the DVOP and LVER grants, which are an integral part of the public labor exchange system, VETS must adhere to the prescriptive legislative requirements of Title 38, while attempting to maximize the benefits to veterans provided by the service delivery options made available by the WIA. However, each WIA program has unique structural and policy issues that must be worked through to enable the highest level of integration. In this process, VETS is working to maintain a balance with conflicting mandates in integrating DVOP and LVER staff into the WIA one-stop environment.

In accomplishing its mission, VETS has developed a number of innovative programs, services, and tools which are helping DVOPs and LVERs serve more veterans and do their job better. A brief description of these *New Initiatives to Enhance Services to Veterans* is appended to this letter.

The General Accounting Office Draft Report identified three major areas where VETS needed to take steps:

First Finding: *Veterans Receive Priority Service but Effectiveness of Services is Unknown.*

VETS has been working proactively to address GAO's concerns in administering the DVOP and LVER grants. VETS, along with its federal and state partners, has largely achieved the most important mandate required by Title 38 – ensuring priority of service for veterans in the public labor exchange systems' new service delivery environment. Nevertheless, measuring the effectiveness of that priority service is difficult, primarily due to advances in technology which encourage self access to electronic job banks, bulletin boards and a variety of other labor market information. Because states can have different registration policies under WIA, standardizing such policies cannot be accomplished by VETS alone. The issue of "point of registration" as it relates to performance accountability was identified in the Employment and Training Administration's (ETA's) WIA Readiness Report and is currently being addressed in the WIA Readiness Workgroup, of which VETS is a member.

The GAO expressed continuing concerns about VETS' ability to collect data from the states for determining the effectiveness of DVOPs and LVERs. Secretary Chao has mandated that all Labor Department agencies adhere to strong program performance and accountability standards. VETS and the United States Employment Service are currently working to develop data collection strategies which support the newly proposed Performance Measures for both VETS and USES. This data will help fulfill program oversight and management responsibilities. These strategies were outlined in a Federal Register Notice (Federal Register/Volume 66, No. 109;Wednesday, June 6, 2001) which announced the new reporting requirements for ETA's 9002 report and the VETS' 200 Report. GAO's comments will be considered as we finalize the procedures.

VETS has also begun partnering with states to develop appropriate performance measures for the DVOP and LVER grants that will measure outcomes of services provided by DVOPs and LVERs to veterans covered under Title 38. We anticipate the DVOP and LVER measures will be in place by July 1, 2002.

In addition to the new performance measures for the public labor exchange and the DVOP and LVER programs, VETS is in the process of updating DVOP and LVER prototype performance standards. These prototype standards will provide a useful guide for the states to use in developing and evaluating their own performance standards for individual DVOPs and LVERs covered under the states' merit systems.

In its earlier report of May 15, 2001 (*Veterans' Employment and Training Service, Proposed Performance System Improved, But Further Changes Needed*), the GAO stated that the new outcome measures VETS developed for the public labor exchange in serving veterans were an improvement over the process driven measures of the past decade. VETS recently published these

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measures for comment in the Federal Register. We are currently reviewing more than 25 substantive comments in response to this notice. VETS believes the new performance measures will significantly improve the way we establish base levels of performance, and the way we measure and evaluate the performance outcomes of the state public labor exchange system. After changes are made based on comments, these measures will go into effect for Program Year 2002 (July 1, 2002 - June 30, 2003).

VETS believes that these performance measures and their associated data collection systems will reflect a balance between state and local needs for flexibility and VETS' needs to develop reliable, uniform data and performance outcome measures.

In order to do this, VETS will aggressively pursue improvements in the methods applied to establishing base levels of performance through the introduction of weighted measurements. This would allow VETS to consider each state's specific labor market conditions and client characteristics and adjust expected performance measures accordingly. These refinements would be applied to the measurement of both the public labor exchange and the DVOP and LVER performance goals. Moreover, VETS intends to seek continuous improvement from states, particularly those states that fail to achieve satisfactory performance.

Second Finding: *VETS Does Not Adequately Oversee DVOP and LVER Grants.*

VETS has always been very diligent in ensuring that states use DVOP and LVER funds to maintain staffing levels so that veterans, particularly service connected disabled veterans, are given the maximum employment and training opportunities. This was the original intent of Title 38 and it remains the focus of VETS mission. In this regard, a management control system has been developed that parallels VETS Annual Performance Plan (APP) goals. It tracks program activities, performance outcomes, concerns and corrective actions initiated, based on goals established at the state, regional and national levels. These goals have been incorporated into VETS' managers performance standards.

VETS is committed to striking the appropriate balance between its legislatively mandated requirements and the need for the states to operate their programs in the best interest of their citizens and the state labor market. In this regard, we believe that direct communication and interaction between our Directors of Veterans Employment and Training (DVETs) and the state DVOPs and LVERs is necessary and useful to gauge accountability of state programs. This interactive communication is very valuable in helping poor performing offices become more productive and in clarifying technical issues regarding grant compliance. VETS will redouble its efforts to ensure that this is accomplished without compromising the states' supervisory structure or breaking existing chains of command.

To further assist this effort, and to open new and useful communication channels, VETS is currently developing a new grants management course at the National Veterans' Training Institute. The new training course will focus on technical assistance, communication, negotiating, capacity and team building skills. In conjunction with the new course of instruction, VETS will publish a new grant review

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guide based on the concepts contained in the ETA grants management training guide.
In addition, over this past year, VETS invited its state partners to participate in its tri-regional conferences where employment and training service delivery issues were open to frank, in-depth discussion. At these conferences, a majority of the participants agreed that incentives were an important addition to performance measurement. Unfortunately, since DVOPs/LVERs monies are provided to support formula staff positions, there are no discretionary dollars available to provide monetary incentives.

Third Finding: *DVOP and LVER Programs Do Not Always Operate Well In One-Stop Centers.*

The GAO found the Disabled Veteran Outreach Program and Local Veteran Employment Representative programs are not always well integrated within the state one-stop center environment since the law does not provide these programs the flexibility to design services which are tailored to changing needs. The GAO found that DVOPs and LVERs in many states may continue to operate separately as if they were in the old employment services system. In this regard, they may fail to adapt to the new one-stop center environment where employment and training programs are expected to be integrated.

VETS is mindful that DVOPs and LVERs are employed by the agency providing the public labor exchange functions. Prior to the full implementation of WIA on July 1, 2000, VETS developed agreements with each state agency on how DVOPs and LVERs would be integrated into the one-stop delivery system. Our experience indicates that the extent to which DVOPs and LVERs are integrated into one-stop centers is directly related to the degree the public labor exchange program is integrated into WIA on a state by state basis. We believe VETS' and ETA's training and technical assistance guidance currently under development will help resolve this issue.

Two issues identified by the GAO raise concerns for VETS. The first relates to the GAO suggestion that DVOPs be allowed to work half time. The other concerns combining DVOP and LVER into one staffing grant. Should these issues receive further consideration, we will be pleased to enter into a discussion with the appropriate congressional committees regarding their merits.

VETS concurs with the General Accounting Office's recommendations that improved management and monitoring of the DVOP/LVER programs is essential. This Agency is striving to implement better performance measures which reflect our goals and expectations, while holding states accountable, providing incentives and penalties, and improving staff education and training to ensure more consistent and efficient operation of the DVOP/LVER programs and their integration into state one-stop service delivery systems.

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In addition, VETS is embarking on several new initiatives, including a program evaluation to help us understand what problems veterans face in finding employment in the one stop service delivery environment and what services are required in addressing their needs. These initiatives will be built around the concept of local empowerment, open communication, and cooperative involvement of our partners.

We also recognize that Title 38 is due for revision. VETS is committed to work with the Congress, the states, and the veterans service organizations to bring its controlling legislation and regulations into the 21st century employment and training environment.

Sincerely,

Charles S. Ciccolella
Special Assistant

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New Initiatives to Enhance Services to Veterans

* The PRO VET (Providing Re-employment Opportunities for Veterans) program is a joint effort between the U.S. Department of Labor/Veterans Employment and Training Service and the State Employment Security Agency. It is an employer-focused job development and placement program. Select LVERs within the state focus on screening, matching and placing job-ready transitioning service members into available, career-building jobs in targeted industries.

* The Using your Military Experience and Training (UMET) web-site reduces barriers to employment related to certification and licensing. The web site integrates existing databases and web pages related to credentialing and, for a limited set of occupations deemed most relevant to current and former military personnel, provides detailed information on the gaps between military training and experience and that required by civilian credentialing boards.

* The Federal Contract Award Information System (FCAIS) is an efficient, interactive, and user-friendly Internet-based data information systems that collects and disseminates Federal contract information derived from the Commerce Business Daily (CBD) and the Federal Procurement Data System (FPDS). This tool assists DVOPs and LVERs identify Federal Contractors in their area that may have job openings for veterans.

* Executive Orders 13078 and 13163 are intended to bring adults with disabilities into comparable gainful employment status equal to that of the general population. VETS initiated a project to provide technical assistance to federal human resource decision makers in identifying sources and resources available in hiring disabled veterans. We also will provide lists of local Federal agencies to DVOPs and LVERs to assist them in their job development and job placement efforts on behalf of disabled veterans.

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Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

Sigurd R. Nilsen, Director, (202) 512-7215
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Staff Acknowledgments

In addition to those named above, Jonathan H. Barker, Richard P. Burkard, Lara L. Carreon, Betty S. Clark, Corinna A. Nicolaou, Paul R. Schearf, Salvatore F. Sorbello, Jr., and James P. Wright made key contributions to this report.

Related GAO Products

Veterans' Employment and Training Service: Further Changes Needed to Strengthen Its Performance Measurement System (GAO-01-757T, June 7, 2001).

Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed (GAO-01-580, May 15, 2001).

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).

Veterans' Employment and Training Service: Focusing on Program Results to Improve Agency Performance (GAO/T-HEHS-97-129, May 7, 1997).

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