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GAO'S REPORT, ''VETERANS' EMPLOYMENT AND TRAINING SERVICE: FLEXIBILITY AND ACCOUNTABILITY NEEDED TO IMPROVE SERVICE TO VETERANS,'' AND THE VA'S IMPLEMENTATION OF THE VOCATIONAL REHABILITATION AND EMPLOYMENT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON BENEFITS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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TUESDAY, OCTOBER 30, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON BENEFITS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:10 a.m., in room 334, Cannon House Office Building, Hon. Mike Simpson (chairman of the subcommittee) presiding.

Present: Representatives Simpson, Reyes, and Evans.

OPENING STATEMENT OF CHAIRMAN SIMPSON

Mr. SIMPSON. Good morning. This hearing will come to order. I apologize for being just a few minutes late, but it was like herding armadillos this morning on the interstate. You know about that, don't you, in Texas?

The subcommittee is taking testimony this morning on the General Accounting Office report titled, "Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Services to Veterans," requested by Representative Steve Buyer, chairman of the Oversight and Investigations Subcommittee, and also on VA's ongoing administration of the Vocational Rehabilitation and Employment program for disabled veterans under chapter 31, title 38, United States Code.

The General Accounting Office report is its seventh report on veterans' employment issues since 1997. Members, including Terry Everett, former chairman of the Subcommittee on Oversight and Investigations, Bob Stump, former chairman of the Veterans' Affairs Committee, and Chairman Buyer, have requested past studies.

Previous GAO reports have focused on a myriad of issues associated with the Labor Department's administration of veterans' employment and training programs. These services are furnished, essentially, through state job services and one-stop service centers throughout the Nation.

The reports that the GAO has issued have focused largely on a lack of vision and strategic planning and on inadequate performance measurement systems, as administered by the Veterans' Employment and Training Service.

The May 15, 2001, report requested by then-Chairman Stump reported a national veterans entered-employment rate of about 30 percent for program year 1999. Said another way, 70 percent of veterans who sought employment through public labor exchange offices did not get jobs. We must do better.

With respect to the VA's Vocational Rehabilitation and Employment program, the 1999 report of the bipartisan Congressional Commission on Servicemembers and Veterans Transition Assistance, chaired by current Secretary of Veterans Affairs Anthony Principi, found the following: "VA's vocational rehabilitation and counseling program is not achieving its statutory purpose of assisting service-connected disabled veterans to become employable and to obtain and maintain suitable employment."

According to the VR&C management reports, approximately 87 percent of program participants are pursuing college-level classroom training, including associate degrees. An attrition rate, compiled by the VR&C design team in 1996 revealed that large numbers of participants dropped out of the program to get a job.

The subcommittee is most interested in ensuring that this program focuses on putting disabled veterans in long-term sustained employment, not just putting them in the classroom.

I welcome all of today's witnesses and guests, and now turn to my friend, Mr. Reyes, the subcommittee's ranking member, for his opening statement.

OPENING STATEMENT OF HON. SILVESTRE REYES

Mr. REYES. And thank you, Mr. Chairman. As one homeless Member of Congress to another, we are having to make do without an office. Both of us are in the Longworth Office Building, and I think at this point, we do not know when we are going to get back.

So we want to wish you good morning as well, and I would like to take this opportunity to thank Chairman Simpson for his leadership on what will likely be important legislative issues for those of us on this subcommittee during the second session of the 107th Congress.

As always, I would like to recognize the strong efforts of my friends and colleagues, Representative Chris Smith, our chairman of the full committee, and Representative Lane Evans, who is joining us here this morning, our ranking member on the Democratic side. I commend each of them for their work, as well as their continuing efforts to keep America's veterans at the forefront of the debate in the 107th Congress.

I would like to welcome all of you here this morning to what will likely be the final hearing of this subcommittee for the first session of the 107th Congress, and I'm sure we can all agree that this has been a rather difficult year.

At no other time in recent memory have the contributions and sacrifices of the men and women who defended this country in uniform been made so abundantly clear to all of us. I want to commend each of you here this morning for your own unique contribu-

tions to Americans veterans, many of which we hope to review here this morning.

At some point, our military service members will return home. Because of this, our focus today on employment assistance for the soldiers, sailors, airmen, and Marines is entirely appropriate. As stated in title 38, we have a national responsibility to assist veterans in their efforts to find and maintain stable, permanent jobs.

Additionally, in its final report to Congress, Secretary Principi's Transition Commission stressed that employment is, indeed, the dominant concern for most veterans making this transition to civilian life. I believe it is our clear responsibility to provide the tools and assistance necessary to maximize opportunities for job-seeking veterans.

I am pleased that we have this opportunity to hear from the General Accounting Office on the findings and recommendations included in its report last month, which, as the chairman said, is entitled "Veterans' Employment and Training Service—Flexibility and Accountability Needed to Improve Service to Veterans."

At the request of my fellow committee member, Mr. Buyer, GAO has reviewed the efficiency and effectiveness of the way this agency, within the Department of Labor, administers the DVOP and the LVER programs.

I strongly believe that we are going to need to update title 38 to provide some amount of flexibility to respond to the changing needs over time. Clearly, the funding cycle for these programs must be updated to reflect all other programs from the Workforce Investment Act.

However, I would like to stress the point that significant changes to the structure and the staffing of our veterans' employment programs must be made only after a great deal of thought and thorough discussion, involving all the various interests involved.

I do not think that any of us want to do anything that would reduce the number of our already overburdened DVOPs and LVERs, and I know that I would certainly not support such an effort.

Finally, I am particularly pleased that the Vocational Rehabilitation and Employment program is also included on today's agenda. I understand that one of our VR&E witnesses has traveled here from Los Angeles to answer questions at her first congressional hearing. And she's a little bit nervous, but it will be a relatively painless process.

So, welcome, and thank you for coming such a long distance. I want to extend a warm welcome to Mrs. Gloria Young, and as I said, thank her for coming all the way from the West Coast here.

In times past, the VR&E program has been criticized for a perceived cultural resistance to placing veterans in employment, rather than preparing them for employment. I think this flagship program, under the leadership of its director, Julius Williams, has made solid progress with this cultural shift in focus, and I look forward to hearing what he and his staff have to say.

We have several excellent witnesses here with us, Mr. Chairman, one of which is a personal friend from Texas, and I want to particularly welcome Commissioner Terry O'Mahoney, and he is—I know he is here, he is back there.

I just want you to know that prior to his appointment as commissioner, Mr. O'Mahoney served as labor representative on the Texas Council on Workforce and Economic Competitiveness, where he was the chairman of strategic planning. He is a veteran, a naval aviator commission in the U.S. Marine Corps, honorably discharged with a rank of major. He also, Mr. Chairman, served and completed 32 years of service with Delta Airlines. So, I want to welcome our good friend from Texas.

And with that, Mr. Chairman, I appreciate the opportunity for an opening statement.

Mr. SIMPSON. Thank you, Mr. Reyes. Both Texas and Idaho are represented. We do have a representative, a personal friend of mine, that served in the Idaho State Senate when I was in the Idaho State House, and has been the director of our Department of Labor in Idaho. Mr. Madsen will be testifying today, and we welcome you also, coming all the way from Idaho.

Do other members have opening statements? Yes, Mr. Evans?

OPENING STATEMENT OF HON. LANE EVANS

Mr. EVANS. Thank you, Mr. Chairman. I want to thank you for holding today's hearing, and I want to begin by thanking those of you who are here with us today from the Department of Labor.

Over the years I have served on this committee, I know the Veterans' Employment and Training Service has made efforts to evaluate and improve upon the number of veteran job-seekers who they can place into permanent, high-quality employment opportunities. I know efforts have also been underway to transform a troubled strategic planning process. I want you to know that these efforts are being recognized.

However, if we are to ever have hope of the government's ability to provide quality employment service to our veterans, some changes in the law are going to be needed. That is why I was happy to learn of Mr. Buyer's request that a GAO review of the efficiency and the effectiveness of these programs as they currently exist, and I am looking forward to receiving witnesses' testimony on what I think is an important area in need of legislative attention.

While the path to linking good jobs with veterans is not entirely clear, I think there are certainly some steps that we can take to ensure that the path has begun to be cleared. I strongly support a cooperative effort among my colleagues and within the Department of Labor to evaluate the roles and functions of veterans employment specialists. Changes in the number and responsibilities of these important positions must be made very carefully, and with consensus among the veterans and employment service communities.

I am also looking forward to re-visiting the issue of the VA's Vocational Rehab and Employment program. We all know that pursuing a satisfying career is a primary component to living a full and rewarding life.

Now that my friend, Julius Williams, has had some time to assume the reigns of VR&E, and to help re-focus its goals on job placement, I am looking forward to hearing about how they have

improved their mission to help service-disabled veterans with independent living.

I look forward to hearing from the witnesses this morning. The issues we are considering are very significant.

And I want to say that many of our colleagues cannot be here today, this is not a day that we have votes until after 6:00. That does not mean that there is a lack of interest, Mr. Chairman, on this issue. I think, quite the contrary, there is a great degree of interest, and I just want to make every—assure the audience and the testifiers today that we are very interested in what they have been doing.

And thank you for the time.

Mr. SIMPSON. Thank you, Mr. Evans. I also have an opening statement from Mr. Buyer that we will submit for the record at this time, without objection.

[The statement of Hon. Steve Buyer appears on p. 55.]

Mr. SIMPSON. Panel one will please come to the table. Mr. Julius Williams is here today, representing the Department of Veterans Affairs, and is accompanied by Ms. Gloria Young.

I would also note that Mr. Williams' daughter, Sparkle, a student at Westfield High School in Northern Virginia, is here today to see democracy in action. Ms. Williams, we welcome you here today, also.

Mr. Williams, you may begin when ready.

STATEMENT OF JULIUS WILLIAMS, DIRECTOR OF REHABILITATION AND EMPLOYMENT, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY GLORIA M. YOUNG, VOCATIONAL REHABILITATION AND COUNSELING OFFICER, VA REGIONAL OFFICE, LOS ANGELES, CA

Mr. WILLIAMS. Good morning, Mr. Chairman, and members of the Committee. It is a pleasure for me to be here today to discuss with you the status of the Vocational Rehabilitation and Employment program for service-disabled veterans.

I have written testimony that has been provided, and I would like to submit for the record.

Mr. SIMPSON. Without objection.

Mr. WILLIAMS. Today I am accompanied by Ms. Gloria Young, VR&E officer and manager of the program in our Los Angeles regional office.

Mr. Chairman, no one could have said it more eloquently than the 65th Congress when it passed the World War Veterans Act in 1924, which said, "The test of rehabilitation shall be employability." The VA takes very seriously the charge to help disabled veterans overcome employment barriers and find and keep suitable employment.

I would like to acknowledge our employment partners at the Department of Labor, who are also here today. We recognize we have challenges and that we collectively have to ensure that our Nation's disabled veterans achieve their rehabilitation and employment goals. I look forward to working with the incoming leadership of the Veterans Employment and Training Program, to that end.

Today, I am pleased to report to this subcommittee that, while focusing on the two statutory program outcomes of veterans achiev-

ing and maintaining suitable employment, and the most seriously disabled veterans achieving appropriate independent living goals, that for the third year in a row, the VR&E program has rehabilitated more than 10,000 disabled veterans, a threshold that 5 years ago was considered a stretched goal.

However, the leveling off and slight decline in employment opportunities and placements serves as a reminder that we must be aggressive, effective, and vigilant over our program strategies.

We feel that there are several initiatives that have substantially contributed to our recent improvement. The successful roll-out of corporate WINRS, a comprehensive information and case management system that supports the clinical and business requirements of our program, is one of those initiatives. This has also proven to be one of the most successful roll-out of a VBA IT initiative.

The successful piloting, and now roll-out, of case management and employment services initiatives have also been key success factors. The case management initiative incorporated best clinical practices into VA's model, and ensures that veterans receive the appropriate level of case management, rather than the one-size-fits-all approach.

It also provides that initial evaluations include comprehensive needs assessments to better identify all barriers veterans encounter to successfully complete their program of rehabilitation.

The employment specialist pilot integrated into the VR&E program is a position that focuses on shaping the expectations of veterans and employers. We need veterans to think, and understand employment from the moment they apply through rehabilitation, training, and through the job search phase. Employment specialists also work aggressively to create an anxious pool of employers that will hire disabled veterans.

These initiatives complimented our strategy, ensuring that we are where veterans are, and leveraging technology while providing rehabilitation services to veterans. This is especially important when serving our most disabled clients.

Other key and ongoing initiatives are re-engineering quality assurance program; a complete re-write of our program's regulations; training VR&E staff, emphasizing the current rehabilitation best practices, such as the transferable skills analysis.

The Vocational Rehabilitation and Employment Service developed these strategies by collaborating with internal and external partners, such as field VR&E staff, the Department of Labor, Small Business Administration, Veteran Service Organizations, the private and professional rehab community and employers, to name a few.

Mr. Chairman, I hope these strategies, initiatives, and performance indicators demonstrate that VA and VR&E has raised the bar to meet the expectations of this Congress, the American people, as well as the needs of disabled veterans.

However, as important, if not more important than the strategies, has been the work of the VR&E staff in VA regional offices and out-based locations across the Nation who have stepped up to the plate the last 3 years, hitting over 30,000 home runs, one veteran at a time, meeting their individual needs and making a dif-

ference in each of their lives. I am extremely proud of them, and grateful for their efforts and commitment.

Mr. Chairman, in these uncertain times, I also can assure you that the program stands ready with the same experience, concern, and dedicated counseling staff to serve America and its veterans, particularly in the areas of grief and crisis counseling. We have been there in past tragedies, to serve in whatever role we were needed. We confirm to you, and the rest of America, our readiness to the same in the future.

Thank you, Mr. Chairman. This concludes my statement, and I will be pleased to answer any questions that you or the other committee members may have.

[The prepared statement of Mr. Williams appears on p. 57.]

Mr. SIMPSON. Thank you, Mr. Williams. I appreciate your statement.

We have been focused on getting results and good outcomes for veterans in the programs we authorized, and in fact, that is our purpose.

In your statement, for the record, you noted that the VR&E had rehabilitated over 10,000 disabled veterans. What do you define as "rehabilitated," and is that the same as employed?

Mr. WILLIAMS. As I mentioned earlier, we have two statutory outcomes. One is finding a veteran, or assisting a veteran, in obtaining and maintaining suitable employment. The other is, in those more seriously disabled cases, where employment is not feasible, assisting a veteran with all the services needed to help them obtain and maintain maximum independence in independent living.

Over the past year, in the year 2001, we found suitable employment for 8,559 disabled veterans. And in the more difficult category of serious employment handicap and independent living cases, we assisted veterans to achieve their goal in 1,557 cases.

Mr. SIMPSON. How many veterans were in the VR&E program last year, what percentage became employed after completing the program, and what percentage did the VA define as rehabilitated?

Mr. WILLIAMS. We have 63,000 veterans currently in the program. Of those exiting the program last year, 65 percent were rehabilitated. That is the highest rehabilitation rate in the history of the program.

Mr. SIMPSON. On page 5 of your written statement, you say that, "Current legislation relating to the number of veterans who may enter programs of independent living jeopardizes VA's legal standing to serve disabled veterans." Could you please elaborate, and has the committee previously heard from the VA about this?

Mr. WILLIAMS. Well, currently, there is a statutory limit of the number of veterans that may enter into an independent living program in any given year, and that limit is 500.

As we began over the last 3 years to focus more on the most seriously disabled, that limit has become a problem for us. We have, in fact, contacted your staffs and briefed them on this issue.

Mr. SIMPSON. Do you have a suggestion as to what that limit ought to be, if we need to change that?

Mr. WILLIAMS. Well, my desire would be that there not be a limit, in order that we would always be able to serve all veterans that fall into this very seriously disabled category.

Mr. SIMPSON. I appreciate your comments and the testimony that you have delivered today. Let me ask one other thing. It may seem a little strange, and I do not expect an answer right now. But as I read through some of these reports of what we have done in the past, it seems like we always look at the box that we are currently in, the situation that we currently have, the structure we have. And as we look at ways to improve it, we look at ways to try to improve that box, by tweaking it here and there, and that type of thing. Sometimes protecting current employees comes into the situation, protecting what preconceived notions people have of the best way to do something.

What I would like—and I will ask the other panelists to do the same thing, and I will follow up on it not, maybe, in written form, but in personal conversations with you, and so forth—if we had no program in existence today, and Congress said, "We want to provide employment opportunities at a higher level for veterans," and that it is a priority for veterans, what changes would you make?

What system would you establish if you eliminated everything that currently exists, and said, "Okay, we want to develop the best system to deliver employment opportunities for veterans that we could possibly deliver." And think outside the box that currently exists. If there are opportunities to develop a better system, then we ought to be looking at those.

Some of them may not be politically practical, some of them may not be financially practical, but I would like all of our witnesses to start thinking in those terms, and looking at what we might be able to do to improve the entire system, regardless of the system that currently exists, if you understand what I'm saying.

Mr. WILLIAMS. Very clearly.

Mr. SIMPSON. I appreciate that, and I am sure we will have an opportunity to sit down and talk about this in the future. But it is kind of what I have been looking at, as I read through some of these reports. Maybe that is because I come to this as somewhat of a neophyte in the area, that I try to look at it in terms of how we might be able to address the entire system, rather than tweak the system that currently exists. So, I appreciate your testimony.

Mr. WILLIAMS. Thank you.

Mr. SIMPSON. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman. And I did not want to interrupt you, but currently in conference, the elimination of that 500 limit—person cap—is on the Senate provision. It is not on ours, but hopefully we can support elimination of that so that would address the concerns of Mr. Williams. So we hope and agree that that should be done.

Mr. WILLIAMS. Thank you for that.

Mr. REYES. I was going to congratulate you for the testimony that shows that over 10,000 disabled veterans have been rehabilitated under VR&E.

There are a couple of areas that the GAO report talks about, one of which is providing data about these over 10,000 veterans that are helped through this VR&E. Can you tell me what data is cur-

rently available, such as the kinds of jobs, the wages that they earn? Do we have—is there a system in place that actually tracks that data and makes it available, as the GAO is suggesting that we track?

In addition to that, what types of jobs the veterans are obtaining, how much money they are able to earn, and the—on the average, the amount of time that veterans are able to hold on to these jobs.

In other words, I think what we are getting at here is making sure that we look at, statistically, not just the statistics of veterans that have been served. Because I know from my experience in my district, a lot of the veterans complain that they are often used just as tic marks on a statistical score sheet, and then we do not have the capability of looking underneath those statistics and seeing exactly the kind of long-term benefit that they are gleaning.

So, do you have that kind of information?

Mr. WILLIAMS. Yes, we do, and I would be very glad to provide it to the committee. One of the things I would like to say about that, and that is the employment specialist position has been one that has been very key in making sure that we identify these types of statistics, and this type of information, because it is very important in establishing strategies to make sure that we attract employers.

Interestingly enough, one of the statistics I can draw to real quickly, the average earned income of a veteran entering into our program during the last fiscal year was $4,841. The average earned income of a veteran leaving our program during that same period was $28,004.

Now, I have to put a little caveat on that, and that is that that does not represent the income that a veteran may have had, had they not entered in our program. They then may have gotten some type of employment that maybe would have been greater than the 4,841 number. But that is the actual income when they entered the program.

Certainly, one of the things that the employment specialist position also did was enabled us to look at the top 10 categories of jobs that were out there, and then make sure that we go back and line up training and our rehabilitation plans with those market job categories that are out there, so that we were not training veterans for jobs that did not exist. That was one of the criticisms that the program had received earlier.

So, I tell you that I think that VBA, as a whole, but VR&E in particular, has become data-savvy. This has served us, I think, better. In our VBA annual report there is certain information that answers a number of the questions that you just asked, and I would be glad to provide that for you, so that you could have that statistical data.

Mr. REYES. Well, thank you. And I think that the concern—or, the GAO wants there to be a comparative analysis between what is achieved through the VA, and the corresponding program through the Department of Labor. Apparently, we have not been able to track that. Maybe we can get some of that information, as well.

Mr. WILLIAMS. Sir, we have very recently met with the members of the staff at the Department of Labor to look at joint reporting

requirements, and how we can better do that. So we would be more than willing to do that.

Mr. REYES. If I can switch to Ms. Young, with regard to the federal contractor job listing, can you tell us, from your own experience, how useful this is to you when you are trying to help VR&E program participants? And in particular, is this list kept up to date, and does it usually result in successfully getting a veteran a job?

Ms. YOUNG. First of all, I would like to thank you for inviting me. It is such an honor to be here, although I am a little nervous, as you said earlier. I was told this was a friendly panel, so not to panic.

When I first heard about the federal listing, I was rather excited, because here was a pool of potential employers that we could use to directly place veterans into jobs. But as we tried using that list, I found that it was of no benefit. There was no direct connection between our veterans who are job-ready, and the openings—or no openings—that might be listed with the Federal agencies. So, it did not help us much.

Mr. REYES. And the reason for that? Was it because the veterans lacked the skills, or the program did not provide the kind of training that was available for contractors? Was it just a perfunctory listing by federal contractors in order to comply with maybe a certain provision of the federal contract? What?

Ms. YOUNG. I found it to be a perfunctory listing that had no real openings. We may have had job-ready veterans, but there was no connection between our veterans and the employer listing.

Mr. REYES. Do you have any recommendations as to how we could better mesh those, the availability of jobs with the veterans training programs?

Ms. YOUNG. If the listing were more active, let's say. It is just a perfunctory listing, and that is not useful. There are, I believe, DVOPs who work with that listing, but when we worked with that DVOP, there was no direct job referral. There was a gap there. The idea was good.

Mr. REYES. Mm-hmm. So it was absolutely of no use?

Ms. YOUNG. I found it not useful.

Mr. REYES. Okay. I see my time is up. Mr. Chairman, I have some other questions, but I will defer to Mr. Lane.

Mr. SIMPSON. We will come back for a second round, if you would like to ask them. Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman. Ms. Young, we appreciate your coming from California.

Ms. YOUNG. Thank you.

Mr. EVANS. And we are very impressed with the work that you have been doing, so we are glad to have you. I understand that your office, in 1993, rehabilitated 46 veterans. But by the year 2001, some 376 veterans are planning to be rehabilitated. That is an outstanding record. We wish we had other agencies of the government working as efficiently as your office has.

Can you tell us why you were so successful, in a few phrases?

Ms. YOUNG. We, the staff and I, put our heads together. We did hear the mandate from Congress that we needed to do better, and we brain stormed. Previously, we would focus on training and edu-

cation, and keeping veterans in the program. Later, in the past, let's say, 5 years, and more so in the past 3 years, we focused very strongly on employment placement services, employment, job skills, what the employers are looking for, not so much school, length of training, college, degrees.

We found that veterans did not have the sustaining power to stay in school for long periods of time, although our program could fund long periods of training. So we looked at skills-based and short-term training. That has made a major difference to our program, and in the success of veterans being placed.

We had a large staff turnover in the past several years, and what we looked to hiring in place of staff who left, transferred, retired, were employees who were committed to serving veterans. I learned through the Nordstrom business practice that you cannot pay for nice, you have to hire nice. And that is what we did. We cannot train commitment, we have to hire commitment. And one of the things that I look most for in qualified employees, or potential employees, is their commitment to serving veterans. And that has helped a lot.

Our employees are held accountable. We use what is called a balanced score card, and it is, in essence, a report card. And we track data and post their performance, and it has been very effective in giving feedback.

The economy, of course, helped in the past several years, the job market was open and we could help veterans get jobs easier, than it is during a recession.

We have had visionary leaders. Julius Williams is one of them. He has really focused on employment and job skills. His initiatives have helped the program, you have heard some of his initiatives this morning. He is supportive of field operations, he recognizes achievements and that helps.

Stewart Liff, I am sure some of you have heard of him, he is the director of the Los Angeles regional office. He has the talent and capability to combine mission with metrics. He is unusual in that he is left-brained and right-brained. He is artistic, and also business-minded. Mr. Liff has transformed the Los Angeles regional office with what he calls "visual management."

And if I may submit some displays and pictures of our office. Our office looks like an office that serves veterans, not just a government agency or government office with halls, but we have pictures honoring veterans, we have pictures of veterans in their uniforms hanging from the ceiling. We are reminded daily of our mission. We are reminded that our mission is very single-minded. And we are—it is exciting to work for a director like that. Besides having an overwhelming focus on serving veterans, he also is big on recognizing individuals and awarding for success.

We use contractors. I know this is somewhat of a controversial subject, but contractors have helped us in the past. We have used contractors for probably 6 years in Los Angeles, and over time, have learned to use them effectively. We track their performance.

One of the nice things about contractors is their location. We have—Los Angeles is located at a regional office. We have five outbased sites. But that is very limited in serving the veterans in the eight-county area that we serve in California. Their locale

saves veterans a one to 3-hour drive to our office, and having to make two or more visits for their evaluation. Contractors can provide that service a lot better than we can in limited locations.

As Mr. Williams mentioned, he talked about serving seriously disabled veterans with independent living services. This is one of our nicest additions. We have had the program in place for all these years, but more lately have focused on seriously disabled veterans who, in the past, we pretty much said we could not help, they were not able to return to employment. But with independent living services, we have been able to help them improve the quality of their daily living.

I have some instances, if you want, some stories about veterans who we have helped through independent living services.

Mr. EVANS. Mr. Chairman, I yield back.

Mr. SIMPSON. Thank you, Mr. Evans. Ms. Young, I would like to hear about some of those. I appreciate your comments. I was going to ask you to talk a little bit about your program, and you have done that.

I might, by way of introduction, say that Ms. Young is a Vocational Rehabilitation and Counseling Officer at the VA Regional Office in Los Angeles, and was born and raised in the garden island of—which one is the garden island?

Ms. YOUNG. Kauai.

Mr. SIMPSON. Kauai, Hawaii. Makes you wonder why she left. (Laughter.)

She earned her bachelor's degree from Indiana State University in education, and a master's degree in clinical psychology from Pepperdine University in California. Mrs. Young started her VA career as a counseling psychologist working with disabled veterans and has been in management for the past 12 years.

She and her husband Jack, a retired economist, have two children, Lesley and Jared, and—there is a misprint here, that says they are 28 and 26. That can't be so, can it?

Ms. YOUNG. They are, they are. (Laughter.)

Mr. SIMPSON. Gloria enjoys golfing, gardening, and gourmet cooking. Yes, we are in luck. You will best remember her for her skills in acupressure and reflexology, if you should ever need some "hands on" rehab. And many of us around here need that.

But I appreciate your comments, and if you do have some instances of examples that have gone on in your office, we would be glad to hear those.

Ms. YOUNG. We had a visually impaired veteran, who we helped through the independent living services. He was home-bound, sitting in a dark room, no socialization.

We evaluated his situation and provided him with an ocular lens, which enables him to mobilize out of his home, which means walking down the street, meeting with his buddies, and socializing. And it really expanded his world, and he is grateful for that.

We know of a paraplegic veteran who was, again, rather homebound with his wheelchair. We provided him with an electric scooter. And I don't know if you have seen electric scooters, but they increase mobility over rough terrain—it empowered him.

He can now escort his little daughter to the edge of his property, which is off of the main road, as she takes the school bus and

meets her there, so you know, he has a lot more involvement with home activities and can go outside of his home. We have helped some other veterans with scooters, too.

Veterans are provided with artwork, woodwork, stained glass training. And this is not for employment purposes, but it is to enhance their activities of daily living. We have yet other veterans that we provide personal computers, software and training, and some extensive training, not for the purpose of employment, again. But with the Internet, they have really expanded their world.

And their families, their families comment that not only do the veterans have something to look forward to, but they are more social in the family setting, and it has helped them reach out.

Mr. SIMPSON. I appreciate that, and I do appreciate your comments that it is truly the commitment of the individual working in the center that makes the difference in how successful any program is. That is probably true throughout business anywhere.

So, the more we can find committed individuals to work in this program, and with a goal of focusing on making sure that veterans receive the services that they are entitled to and deserve, the better off any program we have will be. So, I appreciate that. Mr. Reyes?

Mr. REYES. Thank you, Mr. Chairman. I was curious, based on your comments in support of the role of contractors, Ms. Young, how do you provide oversight, and how do you get accountability? What is in place, in terms of goals and tracking, and those kinds of management tools that are necessary to tell you if you are being successful through a contractor?

Ms. YOUNG. My staff and I monitor contractors closely. We work directly with them, staff every case that we assign or put into the program. We are very closely connected to the contractors on a regular basis. This is for evaluation and planning purposes.

What we do to track them and to hold them accountable, which is something they do not like too much, is to use, a balanced score card on them, in essence, a report card. So we are measuring how many cases were assigned, how many veterans they helped us find entitled with the evaluation, how many rehabilitation plans they wrote—this is the program that is designed for the veteran, whether it is just placement services, or whether it involves training.

We want contractors to write as many plans as they can. They can provide evaluations, but if they do not put the veteran into the program, it doesn't serve the veteran. So number of plans is important. Later on, we will track how many rehabilitations they helped realize. As mentioned, earlier, 376 veterans were rehabilitated last fiscal year in Los Angeles. We want to see how many of those came through the contractors. So they have their report card, and this is their feedback.

Mr. REYES. Are there any particular kinds of incentives built in to help them take their role in helping veterans more seriously, or accelerated, or however you want to describe that?

Ms. YOUNG. The chief incentive is continue working with us, assigning cases to them, which keeps their funding, as they get paid for their contracts.

They all, generally speaking, say how they appreciate working with veterans. They feel somewhat patriotic, they just enjoy the

work, working with veterans. Veterans are respectful, for the most part, and their other work is very different from working with veterans, per se.

So, the incentive is one, working with veterans, the other is continuing to be assigned cases by our office.

Mr. REYES. Okay. Thank you. Mr. Williams, I am curious on the employment specialist initiative.

I did a little bit of this after I got discharged from the Army and awaiting to get my appointment with the border patrol. And back then, it was not an employment specialist or anything that fancy, I was just called a job coach. And my duties were to canvas in the community and find job openings that the program could find people to place in.

I am curious, under your initiative, what kind of market research and analysis is required of these individuals?

Mr. WILLIAMS. One of the things that we found is that as we focused on suitable employment for the more seriously disabled veterans, that there are many more challenges. Just finding the openings and the jobs, certainly, we partner with the Department of Labor, and the DVOPs, and certainly they help us with that.

But one of the things that we found in our program was that we needed to do 2- to 5-year projections, since the average period of time a veteran spends with us is somewhere around 30 months, that we need to make sure that we are projecting the types of jobs that will be out there, and the types of employment opportunities that will be out there, to make sure that we then feed that information back through the rehab counselors who are working with the veterans so that that veteran's employment expectations are checked at the very beginning.

So, quite often, we are doing extensive market analysis to identify the jobs, and we are also working very closely with the VR&E staff to make sure that the expectations within the staff—within our program, either on the part of the staff, or on the part of the veterans—are correct so that we can best position ourselves for success.

Mr. REYES. One of the biggest—again, based on my brief experience in this area—one of the biggest challenges was in making sure that you established, basically, a good reputation for providing employers solid performers in there.

How does this interplay between the individual that's out there looking for these positions and the ones that are preparing veterans to go into these positions, how is that accomplished?

Mr. WILLIAMS. I think that is very key. One of the things we must do is make sure that we case-manage, virtually, the employers, to make sure that if we place a veteran with that employer we do follow-up, both from the standpoint of making sure that veteran has the best opportunity for success, but that that employer then will look to us when they have future employment needs, and they will look at the rehab program for a possible resource.

We virtually must stay with that employer and that veteran. Now, statutorily, we have 60 days, but I will tell you that I don't think there is anyone that would suggest that 60 days is adequate. And we must stay with that employer and that veteran to make sure that there is a continuous success story.

Mr. REYES. And finally, are there any anecdotal stories that you want to share with us of things that worked out really well that made a difference for the employer, as well as the veteran?

Mr. WILLIAMS. Actually, it is interesting. We are just preparing a film for our employment specialists to take out to employers. And there is a story—I believe it is in Atlanta with Fish and Wildlife—where we have a story where they hired one veteran. That veteran did a very good job, got promoted. Hired another veteran, that veteran did a very good job for them, got promoted. And now they have a third veteran, and that veteran, hopefully, is looking forward to getting promoted.

But we will make sure you get a copy of that film, because it does portray that particular story. And we find that, you know, the type of work that we like to see.

Mr. REYES. Very good. Well, thank you very much, Mr. Williams and Ms. Young, for being with us this morning.

That is all, Mr. Chairman.

Mr. SIMPSON. Mr. Evans.

Mr. EVANS. Mr. Williams, just one question. I am interested in the military-civilian transferability skills identifier. Can you tell me what the transferable skills of a Marine Corps rifleman are?

Mr. WILLIAMS. Yes, the transferable work skills analysis is a requirement for us. And what we are basically trying to do is to look at the skills and the experiences that a service person may have had, and try and identify ways that we can better analyze those skills and experience, so that we can determine how to transfer those into civilian life.

This is not particular to VR&E, as a matter of fact. DOL, the Department of Defense, all have collaboratively been trying to work on making our work in this area more proficient. Certainly, the Department of Defense has certain tools that they give us so that we can identify MOSs, or the skills and the competencies associated with that, so that we can do a better job of transferring a veteran's experiences into civilian life.

Mr. SIMPSON. Thank you, and I thank this panel for your commitment to veterans, and I look forward to working with you to provide the best services we can for our veterans. Thank you for your testimony today.

Mr. WILLIAMS. Thank you for listening.

Mr. SIMPSON. Thank you for traveling from California.

Ms. YOUNG. Thank you for having me.

Mr. SIMPSON. We are ready for our second panel. The Honorable Charles (Chick) Ciccolella is the Deputy Assistant Secretary for Veterans' Employment and Training Services at the Department of Labor. We welcome you, Chick.

He is accompanied by Mr. Stanley Seidel.

Dr. Sigurd Nilsen is here on behalf of the General Accounting Office.

We will begin with Mr. Ciccolella and hold our questions until both of you have testified. Chick.

STATEMENTS OF CHARLES S. CICCOLELLA, DEPUTY ASSISTANT SECRETARY, VETERANS' EMPLOYMENT AND TRAINING, DEPARTMENT OF LABOR; ACCOMPANIED BY STANLEY A. SEIDEL, DIRECTOR, OFFICE OF OPERATIONS AND PROGRAMS, VETERANS' EMPLOYMENT AND TRAINING, DEPARTMENT OF LABOR; AND SIGURD NILSEN, DIRECTOR OF EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE

STATEMENT OF CHARLES S. CICCOLELLA

Mr. CICCOLELLA. Chairman Simpson, Mr. Ranking Member, Mr. Reyes, thank you very much for the opportunity to appear before your committee.

The letter of invitation asked our organization, VETS, to discuss two sections of the GAO's report concerning the delivery of employment and training services by this agency and our state partners.

Sir, we have submitted detailed testimony for the record, we would ask that that be a part of the record.

Mr. SIMPSON. Without objection.

Mr. CICCOLELLA. I would like to use my time here to tell you how VETS will address the issues that were addressed by the General Accounting Office. Also, I would like to talk to you for a moment about our philosophy on how we intend to lead the Veterans' Employment Training Service, and most importantly to you, we will answer any questions that you pose before us.

Sir, before beginning, I would like to express the Department of Labor's gratitude to the work that is being done by not only our organization, but the Department of Defense, the VA, and this committee as well, in terms of advising and protecting service members' rights and re-employment rights, employment and re-employment rights.

I would note that this committee was the first committee that put a press release up on a website. That was the first press release that I saw. And of course, we have done the same, VA has done that, Veterans' Administration has done that, and the employer support for the Guard and Reserve are all working very hard.

But this is an area that does not get a lot of attention. And while continuing to fulfill the overall employment and training mission that we have, our state and assistant state directors have given over 100 briefings to National Guardsmen and Reservists, their employers, and employment specialists.

In addition, we have had an outreach program to the labor associations, human resource associations, and we are going to be working with the unions and the U.S. Chamber of Commerce.

Now, the reason I mention that is because it illustrates the commitment that the Secretary of Labor, Elaine Chao, and President Bush have to our Nation's veterans and the contributions that they make. And with a close working relationship with this committee and the entire Congress, we will continue to build on that level of effort, and we are going to extend that to all level of VETS' programs and services.

The GAO has given VETS and the Congress an important blueprint on how our programs can best fit into the Workforce Invest-

ment Act infrastructure, and the steps that this agency needs to take.

GAO has recommended that title 38 be revised. We agree with that, and we want to work with you on that. We appreciate the opportunity to work with you on that. We believe that can be done while keeping the original intent and mission of the DVOP and the LVER programs so that they may continue to assure the priority in the provision of all services to our veterans.

We also agree that the roles and responsibilities of the DVOPs and the LVERs should not be narrowly prescribed by law. It's the services to those veterans that should be preserved, not overly prescriptive roles. We are certain that this can be done while preserving the specialized services that the DVOPs and the LVERs provide to the different categories of veterans.

Since the DVOP and the LVER are intended to separate, or perform separate functions requiring different skill sets, we are uncertain whether a single staffing grant would best meet the needs of America's veterans. But we are open to discussion on that point, for the best model for funding those important positions.

We agree with the General Accounting Office that past administration and oversight of the grants has focused on prescriptive outputs, instead of continuous improvement process in finding the systemic problems and the best practices, and spreading those around. For that reason, we are developing new monitoring guidelines for our VETS staff that address teamwork, negotiation skills, technical assistance, and capacity-building.

The General Accounting Office recommended that VETS develop flexible performance goals for the states, and a performance measurement system based on accurate and timely data. We have done that.

We have published the proposed new state performance measures last May, we will publish the final notice on them in December. Those measures, we believe, will improve the way state performance is measured and the outcomes are determined, how they are measured and how they are evaluated.

Beginning in January, we will start negotiating with the states to establish their expected levels of performance for the program year, the next program year, which is 2002. And those negotiations will include recommended prototype performance standards that can be used as a guide for the states, for them to establish the performance standards and the acceptable level of standard for the DVOP and LVERs.

Together with our partners within the labor department, the employment and training administration, VETS has developed new data collection strategies for the unemployment insurance wage records. The UI wage records are a reliable source of information that will eliminate the existing duplicate data collection efforts, and they are going to save a lot of time.

VETS is committed to striking the appropriate balance between its legislatively mandated requirements, and the need for the states to operate their programs with flexibility and in the best interests of their veterans. We are committed to better integrating our services into the new environment.

Finally, Mr. Chairman, let me talk for just a moment about how we intend to operate in this administration. First of all, we will honor and faithfully serve America's veterans by fostering cooperation and partnership with the states that will nurture and make the situation where every veteran can realize his or her full potential in the civilian economy. That means the best service to our veterans for quality careers with good pay and benefits for them and their families.

Secondly, I assure you that we are committed to making judicious and effective use of all of our resources, and to involving all of our stakeholders in this agency's mission, and to modernizing and streamlining this agency's operations, its programs, and its regulations. We can't serve veterans in the 21st century with 20th century tools or outdated ideas. We are working now to give our folks on the front lines the right tools and the training to do their job effectively.

Thirdly, we are going to keep the lines of communication open with Congress, this committee, and the counterpart committee on the Senate side, and our state partners, and the VSOs, and the National Association of State Workforce Agencies, so that together we can form the cornerstone of the modernization process for VETS.

Finally, Mr. Chairman, VETS will be responsive, candid, and honest to all our constituencies. That will enable us to achieve our goals under our new assistant secretary, and those goals are that every veteran who looks to the public employment service deserves to find a good job and a good career, that we take homeless veterans off the streets of this great Nation, and we put them on the road to self-sufficiency and self-respect, and that every Reservist or National Guardsman or military member who leaves a civilian job to answer the call to this country should be able to easily return to that job or a comparable job.

So that completes my statement, and I would be happy to take any questions.

[The prepared statement of Mr. Ciccolella appears on p. 65.]

Mr. SIMPSON. Thank you. Mr. Nilsen.

STATEMENT OF SIGURD NILSEN

Mr. NILSEN. Thank you, Chairman Simpson, and Ranking Member Reyes. I am pleased to be here today to present the findings of our report on employment assistance provided to veterans through the Department of Labor's Veterans' Employment and Training Service, and the two grant programs, the Disabled Veterans Outreach Program, DVOP, and the Local Veterans Employment Representative program, or LVER. And I ask that my full statement be read into the record.

Mr. SIMPSON. Without objection.

Mr. NILSEN. Thank you. As you know, these grant programs allow states to hire staff to serve veterans exclusively, and are mandatory partners in the one-stop system created in 1998 by the Workforce Investment Act.

One of the Workforce Investment Act's goals is to unify the services provided by numerous programs through the one-stops, and to give states the flexibility to design services to fit local workforce

needs. Our report assessed the efficiency and effectiveness of VETS administration of the DVOP and the LVER programs.

In summary, we found that first, VETS does not adequately assess the effectiveness of the assistance provided to veterans; second, that VETS does not adequately oversee the DVOP and LVER grant programs; and third, that the DVOP and LVER programs have not adequately adapted to the new one-stop environment created by the Workforce Investment Act.

We conclude, as the deputy assistant secretary has mentioned, that in order to make better use of the DVOP and LVER staff services, VETS needs the legislative authority to grant each state more flexibility to design how the staff will fit into the one-stop system. Also, VETS needs to be able to hold states accountable for achieving agreed-upon goals.

I would like to elaborate some on each of these points. First, while veterans receive priority employment services at the one-stops, as required under the law, the effectiveness of these services cannot be determined. Priority service to veterans at one-stops is usually demonstrated by the higher rates of service for veterans, as compared to those for non-veterans. However, VETS does not currently collect appropriate data for determining the effectiveness of these services, and the agency lacks sufficient employment outcome data that would indicate whether services provided to veterans are effective.

VETS has proposed changes to its performance measures, such as requiring states to report job retention. But these will not be implemented until July 1, and I commend the deputy assistant secretary for saying that these are on track and that, in fact, they will be effective with the next program year.

The only outcome data that states currently report to VETS, the percentage of veterans entering employment, is collected inconsistently, from state to state, making state-by-state comparisons difficult.

Secondly, despite recently proposed improvements to its performance measures, VETS' overall management of the DVOP and LVER grants is ineffective because the agency does not have a comprehensive system in place to manage state performance in serving veterans.

In order to oversee a program effectively, an agency must have a performance management system that establishes clear goals for those administering the program. However, VETS does not communicate a consistent message to states on expected performance. For example, while one agency goal is to provide high-quality case management to veterans, the agency does not have state performance measures related to case management.

Also, VETS' performance management system lacks meaningful incentives to encourage states to perform well. Presently, states are neither rewarded for meeting or exceeding their performance measures, nor penalized for failing to meet these measures.

To provide effective oversight, an agency must also gauge the quality of service offered by the program, and monitor the program's progress. VETS has federal staff in every state to monitor the DVOP and LVER grants. However, this federal monitoring is often unproductive and state officials characterize the DVOP and

LVER grants as being micro-managed by VETS. Also, we found that VETS' monitoring is often redundant with the state monitoring done under the Workforce Investment Act.

Third, according to the state and local officials we interviewed, the DVOP and LVER grant programs do not operate well in the one-stop centers. As you know, title 38 prescribes how DVOP and LVER staff is to be assigned to local offices, and does not give states the flexibility to move staff to locations where officials believe veterans could best be served. This restriction may result in too many staff in some locations and too few in other areas. In addition, the separate DVOP and LVER grants also limit states' flexibility in staffing decisions.

States are also constrained when it comes to deciding what DVOP and LVER staff members do, and whom to serve. The law specifies the duties for DVOP and LVER staff, but we found that they generally perform similar duties.

Furthermore, DVOP and LVER staff may not serve certain individuals who may qualify for veterans' services under other employment and training programs. For example, DVOP and LVER staff are not allowed to serve veterans who were on active duty for 180 days or less, and are generally not permitted to serve Reservists or National Guard members.

In conclusion, while the Congress has clearly defined employment assistance to veterans as a national responsibility, the law has not been amended to reflect the recent changes in the employment and training service delivery system introduced by WIA.

In our report, we recommend that the Congress consider revising title 38 to eliminate much of its prescriptive nature to allow for more local flexibility. Some examples would be allowing VETS and states the flexibility to define the roles and responsibilities for staff serving veterans, providing states and local offices more discretion to decide where to locate DVOP and LVER staff, and to allow for half-time DVOP positions.

Also, we recommend that the Congress consider combining the DVOP and LVER grant programs into a single staffing grant to provide states and localities with more flexibility.

In addition, we recommend that the Secretary of Labor direct VETS to establish more effective management and monitoring of the DVOP and LVER programs, by allowing states flexibility in planning how to best serve veterans while at the same time holding states accountable for meeting the agency's goals.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions that you or Mr. Reyes may have at this time.

[The prepared statement of Mr. Nilsen appears on p. 73.]

Mr. SIMPSON. I thank both of you for your testimony. Chairman Smith could not be here today, he is back in New Jersey helping his district constituents that have been poisoned with anthrax. And so, on his behalf, I have a question.

Mr. Ciccolella, the GAO is essentially saying that VETS is hamstrung by current law from reforming or holding states more accountable. Do you agree with this assessment?

Mr. CICCOLELLA. Mr. Chairman, in the past, we've gauged state performance based on relative measures, the number of services

that were provided to veterans versus the number of services that were provided to non-veterans. That is a process-oriented performance measure.

States need outcome measures. States get the grant money, they want to own that money. And states truly, in most cases I believe, know what to do with the grant money. But because the responsibility for our Nation's veterans and their employment is a national responsibility, this program has always been oriented and organized so that states were to be accountable.

Now, we have looked at the performance measures that we had, and we are changing those. And they start, the new measures begin on the first of July of next year. That is the beginning of the state's program year. And they will measure entering employment, and they will measure employment after 6 months, which is really an important measure, and they will measure entered employment after staff-assisted services. So, many veterans today and in the future who are disabled will need those staff-assisted services.

I believe that if our state directors and assistant directors are working well and closely with the State Employment Security Commission people and one-stops, there is absolutely no reason and no excuse why states cannot be held accountable. And for those states that are performing well, we need to do things that enhance their ability to do better.

Mr. SIMPSON. Well, I appreciate that, and I am glad you're changing the focus from process to outcome because, quite frankly, the outcome is what counts here. We are trying to get employment services for veterans and, frankly, I do not care how we do it, as long as we deliver the services for the veterans.

And it seems like often times in government we look at the processes, and we get so ingrained in the detail of the processes that the outcomes become lost. So I appreciate that change in focus, and I think this report points that out to a large degree, that increased flexibility will, hopefully, help those states meet those goals, and the Department of Labor meet those goals, as long as we have some type of way of measuring whether we are achieving what are attempting to achieve, and that is employment for veterans.

Do we have a problem with the two monitoring entities—the Federal Government and the State government, and the chain of command of the DVOPs and the LVERs that are out there in the field and who they report to, and so forth?

Mr. CICCOLELLA. Well, the DVOPs, Mr. Chairman, work for the states. So——

Mr. SIMPSON. But they are funded by a grant from the——

Mr. CICCOLELLA. They are funded by grants from the unemployment trust fund that comes into the Federal Government and goes out to the states.

The chain of command for VETS, for the Veterans Employment Training Services is, obviously, from national headquarters through our regional administrators, state directors, and assistant directors. The chain of command for the DVOP and the LVER is the office director.

I am certain that there are problems in certain employment offices, local offices, one-stops, where the relationship is not as good as it should be. On the other hand, the function and the purpose

of our national oversight of this program ought to be with the directors of veterans employment working with those state directors to find out why performance is not where it should be, as opposed to the checklist mentality of coming in on office reviews and merely checking off things.

The results are not forthcoming. There may be systemic problems. Now, we run this program in 50 states. Surely, there are best practices that are working, given that every state has its own labor market and its own labor market conditions and its own high or low employment rate.

But those best business practices ought to be communicated to our state directors, and they ought to be communicating those in an advisory way, through the state chain of command so that the DVOP and LVER can both be more productive.

Mr. SIMPSON. Are they doing that? Are they taking those best management practices and communicating them to the state level?

Mr. CICCOLELLA. In all honesty, we are beginning to do that, sir. The title 38 requires us to issue prototype performance standards for the DVOP and the LVER. In the past, those standards were based on the old title 38, those very prescriptive job descriptions of the DVOP and LVER.

Now, we are taking those and we are looking at the legislation that exists. But we are also looking at our strategic plan and our experience, and we are trying to tailor those measures to provide them as a guide to those office managers and the State Employment Security Commission people, so that they can, in turn, establish performance standards for the DVOP and the LVERs. Now, if that is done well, it should be a very successful approach.

Mr. SIMPSON. You mentioned rewarding those states that are doing well, and penalizing those states that are not doing as well. Obviously, penalizing states that are not doing as well, if you do it financially, means that money is coming out of those services for the veterans that need those services, so that is sort of problematic to start with.

Do you have suggestions on the best way to reward success and to penalize non-compliance, or non-success?

Mr. CICCOLELLA. Sure. There are a number of ways to do that. I think we just need to think them through. We have a recapture process, and which, fundamentally, the purpose of that is to prevent the money from going back into the treasury so that at some point down in the second or third or fourth quarter, a state that doesn't use all its money, that staffing grant money, for staff, then can get access to that, or states can be plussed-up if some states are not going to use it for staffing grants.

But there is other flexibility—and that is monetary —there is other flexibility that you can give to the states. The state directors can work with the State Employment Security Commissions on the locations of the DVOP and the LVERs. States know very well where those DVOP and LVERs should best be positioned. We know, from experience, working with that state, what we would advise them to do.

In some cases where you have a rural area, or a sparsely populated area, and you have a DVOP who is not working full-time to

help disabled or special disabled veterans, then we ought to look at a part-time DVOP.

Now, if we do that, we would like that part-time DVOP to be working DVOP functions 100 percent of the time that he is working part-time. Because otherwise, we are fearful that he is going to lose his skill level. But that is another thing that we could do.

And we could also work with the states on outstationing of the DVOPs and LVERs, because that may—the outstationing, for example, at the VA regional centers, that will help the state to improve its performance.

There are probably a number of other incentives, and I know as the assistant secretary for VETS gets on board, we have already identified this as an area that we want to look at very carefully, and we want to work it out not only among ourselves, but we want to get the states, the National Association of Workforce Agencies involved in this so that, in effect, we are partnering with them, and so it is a collaborative effort.

Mr. SIMPSON. If you have a DVOP that works part-time, you want him working 100 percent of the time on those issues. Is it possible, can a state currently pay the salary of that individual for the other part-time—say they were working half-time and being paid by the grant from the DVOP, could they be paid by the state and work regular employment services in the state office the rest of the time?

Mr. CICCOLELLA. They would have to be charged to another account. May I ask Stan Seidel to respond to that, sir?

Mr. SIMPSON. Sure.

Mr. SEIDEL. Currently, we have authority for half-time local veterans employment representatives, which is a similar concept with half-time disabled veterans outreach program specialists. If a state is hiring a half-time LVER, then half of the funds in that position, half of it is funded by our grant, the other half is funded through the employment and training side.

Currently, we do not have anything in the legislation or in our policies that allow us to have half-time DVOPs. So that is a legislative issue that this body might want to look into.

Mr. SIMPSON. I appreciate it. My time has expired. Mr. Reyes.

Mr. REYES. It is only you and I, so we can——

Mr. SIMPSON. So we can take as long as we want, eh?

Mr. REYES. As long as we want. (Laughter.)

In that vein, Mr. Chairman, I am advised that we have Mr. Fred Juarbe, the nominee for assistant secretary of labor for veterans employment and training, who is here today. I think he is in the front row, there. Welcome, and we look forward to——

(Applause.)

Mr. REYES (continuing). I hope to a speedy Senate confirmation, and I look forward to working with you. Welcome this morning, thank you for being here.

And I am also told that Mr. Ciccolella's wife and daughter are here. Is that correct?

Mr. CICCOLELLA. Yes, sir, they are.

Mr. REYES. Well, welcome to them, as well. This is—I have only had—I have testified before Congress in another career many times, and one time my wife and one of my daughters assisted. I

used to work for the border patrol, so that was a much more contentious testimony than I hope this experience is for you. But welcome, we are glad that you are all here.

I was going to ask my first question to Mr. Nilsen. The Department of Labor, among many others, is telling us that combining the DVOP and the LVER, combining those funding streams would result in undesirable impact on service to the veterans. I am curious, how do you respond to that observation?

Mr. NILSEN. Well, what we saw was, in practicality, how these programs are operated at the local level. There is very little difference between what a DVOP does and what an LVER does. While, if you look at title 38, it is clear that a DVOP is to focus on disabled veterans, if there is not a DVOP in the office, the LVER does it.

The training that each gets is very similar through the National Veterans Training Institute.

The other responsibility that differs between them is that the LVER has some supervisory responsibility. But beyond that, the duties are the same.

The other issue is that by combining the grants, it gives the states and local areas much more flexibility on where and how to locate people. And that was the motivating factor behind us making that recommendation, that this would allow the states greater flexibility on how to use these resources to serve veterans.

Mr. REYES. One of the concerns that I have is that when we are talking about disabled veterans, they are normally, in most circumstances, a bigger challenge for the individual.

Human nature being what it is, if you have got a really challenging area to focus in on one side, you have got a much easier time with another, and you can generate either more assistance or more statistics, however you want to categorize it, human nature is that you are going to do one over the other.

That is the concern that I have. When we are dealing with a veterans population, particularly a population that is, by virtue of the definition, a disabled population, I think that is why it is inherently not just proper, but imperative that we do have specialists in those areas to take care of those particular needs.

And in fact, when the chairman was asking the question, "Would it be practical to have a disabled veteran program individual for half-time, and then the other half picked up by the state for something else," I would have the same kinds of concerns there as well.

Because, again, it is specifically focused on a segment of the veterans population that is difficult to serve, that has unique needs, and you know, we have an obligation to provide that service.

Mr. NILSEN. Right.

Mr. REYES. And that is why I ask you that question.

Mr. NILSEN. It is a good point, Mr. Reyes, and I think it points out the importance of what you measure, in terms of your performance measures. You do not want to drive a system, if you want to provide intensive services, you do not want to have performance measures that just count numbers and give people an incentive to not spend the time that certain people may need, the intensive time.

But I think the issue is if, for example, a local area —I have a couple of points I would like to make—if a local area cannot support a DVOP, a full-time DVOP, then there are no services in that area specialized for that disabled veteran.

That is why, I think, the added flexibility of either or both of our suggestions regarding DVOP and LVER positions may help veterans. You know, our first suggestion was to allow half-time DVOPs, the other is by combining, but making sure that the veteran specialists have the training they need to provide the intensive services, and then giving them the incentive.

I think the other issue here is making sure that you—the VETS management—provide some guidance to the states and the localities to see how best to serve the veteran population in the area. Some of the people that are easier to serve do not need the specialized services of the DVOP and the LVER.

They can be served by other people in the employment service office or the one-stop, and then saving those resources, those intensive resources, for those people, those veterans who come in who really require the intensive resources. And provide the incentives for them to do that, and measure that intensive service so that you are not giving the kind of perverse incentive of not providing the intensive services.

Like I said in my statement, case management is a priority, yet it is not measured. And if you do not measure it, you are not going to guarantee yourself that you are getting that kind of service.

Mr. REYES. The flip side to that is that in today's marketplace, veterans, like the rest of the population, tend to be very mobile. And when—the concern, as it relates to veterans, specifically, is that once a segment of the population is served by a non-DVOP or LVER program, and it goes someplace else, there are two things that are likely to happen.

Number one, you have to fight for those resources to come back once the population is there again, or shows up, and so you have to fight for those kinds of resources to be back, and the second thing is that if you don't get them, then you are forced to provide services with people that have not been trained, that perhaps do not understand the uniqueness of the needs of disabled veterans and local veterans as much.

I am wondering, Mr. Ciccolella, do you have any views on this particular issue?

Mr. CICCOLELLA. Yes, sir. We maintain that there was an original intent behind the DVOP and the LVER. Those individuals, while the jobs may be similar in a lot of respects, there are very clear distinctions between the roles that they play.

The LVER is a facilitator, he is a manager. He works with the office manager. He makes sure that priority of service, however that is defined, is applied to veterans when they come in. Some veterans, as Mr. Nilsen says, they need very little help. Others come in and they are not IT-savvy, and they need resume writing and they need to learn how to use a computer so they can go up on America's job bank, or they need the services of someone else, maybe the WIA staff.

The DVOP needs different skills. That individual needs to understand how to assess someone, and how to work with someone, and

work through the barriers, or work through the barrier that is presented by that individual's disability. And they need to stick with those folks.

Mr. Nilsen is absolutely correct on the issue of the outcomes. We need to figure out a way to weight the outcomes for highly case-managed individuals, so that states get good credit, and that it encourages the DVOP to do that. Because if we are only looking at numbers, then the DVOP is in a heck of a position. "What do you want me to do? Do you want me to case manage, or do you want me to give you numbers?" So, that is not what we want.

The analogy that I can think of, just off of the top of my head, is like, in the information technology world you have a webmaster and you have software developers. Now, can they both do each other's job? Yes. But not entirely.

You know, a webmaster has certain responsibilities: to post that web page; to keep it up to date; to make sure the policies are set right. The software developer, you know, is into the details, he is programming.

So, to answer your question, we do maintain that there are distinct roles. And the intent of those roles was very carefully thought out in 1944 and 1977, when those positions were established. So, that is really the best way I can respond to your question.

Mr. REYES. And thank you for that response. I also want to ask you to reiterate. It is my understanding, based on your testimony, that you feel very strongly that if DVOP or LVERs function on a part-time, or would do half-time one program and then half-time to the states for the general population, that, in itself, would be a detriment to the veterans and to those specific programs, either due to lack of expertise, or focusing on other areas.

Did I understand you correctly in your testimony to be concerned about that?

Mr. CICCOLELLA. Yes, sir. What I was trying to say was that if you use a DVOP half-time, the half-time that he works should be only disabled veterans outreach program activities. Now, and that is what he does 100 percent of the time.

Our position would be that we would not advise that the duties be blended, because when they are blended—in other words, help the disabled veterans, but, "Oh, by the way, you need to go over here and work these other issues"—if that is the situation, over time you are going to see a diminution of that DVOP's skills and less attention that he or she pays to those skills. So, if they are going to use them half-time, I think our position is we would like to see them 100 percent for that half-time.

Mr. REYES. And can you expand your observation that if, in fact, there is a need for something less than a full-time, that your observation is that it should be a part-time versus a half-time so that, again, the individual would focus specifically on veterans' needs?

Mr. CICCOLELLA. Yes, sir.

Mr. REYES. Can you expand on that a little bit, just for the record?

Mr. CICCOLELLA. Yes, sir. Let us take a case where you have the DVOP operating in a rural area. And you have a limited population of veterans with barriers, or disabled, or special disabled veterans. Maybe you have them in two or three locations. It would make

sense that the state would have the flexibility to use the DVOP for—on a half-time basis to serve those veterans in need.

Now, when they complete that, that is their part-time job. I am not sure we want to comment on what that individual does for the rest of the time, whether he works in that Employment Security Commission local office or one-stop, or what he or she does. Our concern is that when they are working as a DVOP, that is what they are doing.

Mr. REYES. Very good. That is all I have, Mr. Chairman. Thank you both.

Mr. SIMPSON. Thank you for that explanation, because that—as you said, if they are working part-time, the time that they are working as a DVOP, they ought to be doing that all of the time. But the other time, if they are working at JCPenney's or Burger King, or at the Employment Agency, that probably would be okay, as long as the time that is spent working as a DVOP is 100 percent of the time that they are doing the DVOP work, right?

Mr. CICCOLELLA. Yes, sir. It would make sense that a state would use a DVOP, based on its base requirement.

Mr. SIMPSON. Right.

Mr. CICCOLELLA. I think that would be the best way to answer that.

Mr. SIMPSON. Okay. We have one other question on behalf of Chairman Smith. Mr. Seidel, thank you for participating in the work session with representatives of the Workforce New Jersey.

In regard to the Department of Labor recapturing expended funds for vacant DVOP and LVER positions each quarter, it was my understanding that the DOL has changed its process to recapture funds every two quarters of the year, rather than every quarter. Is that correct?

Mr. SEIDEL. That is correct.

Mr. SIMPSON. Good. I thank the panel for their testimony today. I look forward to working with you, and to make sure that we deliver the veterans services that I know that we all agree that they deserve in the most efficient manner that we can. Thank you.

If panel three would come forward. Mr. Rex Hall is representing the National Association of State Workforce Agencies. Mr. Roger Madsen is director of the Idaho Department of Labor, and Mr. Terrence O'Mahoney is with the Texas Workforce Commission. When you are ready, we will begin with Mr. Hall and work our way down the table. Mr. Hall.

STATEMENTS OF REX HALL, CHAIRMAN, VETERANS AFFAIRS COMMITTEE, NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES; ROGER MADSEN, DIRECTOR, IDAHO DEPARTMENT OF LABOR; AND TERRENCE P. O'MAHONEY, COMMISSIONER REPRESENTING LABOR, TEXAS WORKFORCE COMMISSION

STATEMENT OF REX HALL

Mr. HALL. Mr. Chairman, Mr. Reyes, thank you for the opportunity to be here this morning. I am assistant director of program operations with the Missouri Department of Economic Development Division of Workforce Development, and chairman of the National

Association of State Workforce Agencies, Veterans' Affairs Committee.

NASWA is the national association and organization of state officials responsible for workforce security and workforce development services. We administer the Nation's employment service, the DVOP and LVER programs, unemployment insurance laws, labor market information programs, and in almost all states, job training or workforce development programs. Our members are the lead officials in implementing the bipartisan Workforce Investment Act, which Congress passed in August of 1998.

It is a pleasure to be asked to testify before you today. Over the past 2 years, our organization has testified before this subcommittee, and staff from our national association has participated in the numerous working sessions sponsored by this subcommittee. In addition, subcommittee staff have met with the National Veterans Affairs Committee to discuss various legislative and related program issues.

The public funded workforce system has undergone a great deal of change since the passage of the Workforce Investment Act. The DVOP and LVER programs are delivered through employment service, one-stop career centers that are codified under WIA. As the GAO report states, title 38 "has not been updated to reflect the recent changes in the employment and training service system introduced by WIA."

We believe that it is now time to make changes to title 38, chapter 41, and the federal oversight of the DVOP and LVER programs. The national veterans' affairs committee met with the GAO officials and identified many of the findings in the report that face states in the delivery of these programs. NASWA agrees with many of the findings and recommendations in the GAO report.

I recently had the opportunity to meet with the new Bush administration officials that are responsible for these programs. These officials indicated a willingness to meet with the states and discuss ideas states have to improve the DVOP and the LVER programs.

We are looking forward to working with the administration, Congress, this subcommittee, the full committee, and the veterans service organizations in developing legislation to address the statutory needs, and we are anxious to begin working with the administration and addressing the policy-related and administrative grant issues that can be updated and improved, immediately.

The GAO report's major conclusion is that the prescriptive nature of title 38 creates a one-size-fits-all approach for service delivery. NASWA agrees with this conclusion. The GAO identified several revisions to title 38 that Congress should consider.

In particular, NASWA agrees that Congress should consider reviewing title 38 to: (1) provide states and local one-stops more discretion to decide where to locate DVOP and LVER staff, and provide states the discretion to utilize half-time DVOP positions; (2) allow USDOL/VETS and states the flexibility to better define the roles and responsibilities of staff serving veterans, instead of including these duties in the law; (3), provide USDOL/VETS with the flexibility to consider alternate ways to improve the administration and oversight of the staffing grants, for example, eliminating the prescriptive requirements for monitoring DVOP and LVER grants;

(4) eliminate the requirement that USDOL/VETS report to Congress a comparison of job placement rate of veterans with that of non-veterans; (5) eliminate the requirement that USDOL/VETS report on federal contracted job listings the FCJL lists; and lastly, (6) the DVOP and LVER grant funding cycle consistent with that of the other employment and training programs.

This past spring, USDOL/VETS published several new measures for the veterans employment and training programs for public comment in the Federal Register. NASWA provided comments on these proposed measures. We are very encouraged by the fact that this is an improvement over the current performance accountability system because, for the most part, the measures focus more on what programs achieve, and less on the numbers of service provided by staff serving veterans.

The inconsistency of the DVOP and LVER grant funding cycle with other employment and training programs has caused a great deal of problems for states. Unlike most other labor programs under the Workforce Investment Act which receive their funding on a program-year cycle, July 1 to June 30, the DVOP and LVER programs are funded on a federal fiscal year cycle, October 1 to September 30. This has caused difficulties for states, especially in the past years, with the delay in enactment of a final appropriations bill.

The above problems could be largely avoided if DVOP and LVER grants were awarded to states on a program year cycle, like most other federally funded programs under the Workforce Investment Act. In addition, provisions to allow for a 2-year carryover would greatly assist states in managing this program.

We would like to take this opportunity to thank the chairman and the ranking member of the House Veterans' Affairs Committee for writing to the chairman of the House Appropriations Committee and the director of the Office of Management and Budget, asking that the DVOP and LVER programs be switched to the program year funding cycle. We are hopeful that this change will be proposed in the President's Fiscal Year 2003 budget.

The GAO recommended that the Secretary of Labor establish more effective management and monitoring for the DVOP and LVER programs. In general, NASWA agrees with these recommendations. We agree with the GAO findings that the USDOL/VETS federal monitoring effort, which includes on-site evaluations at every local office is often unproductive and redundant with other one-stop monitoring done by the states.

Moreover, this oversight results in confusion about the lines of authority between the federal and the state monitoring staff and the DVOP and LVER staff, who are state employees.

The time and effort that state workforce agencies spend on administering the DVOP and LVER grant is far greater in relative terms than that of all other workforce programs. In particular, USDOL/VETS has instituted a quarterly recapture process that creates a great deal of problems for states and results in an inordinate amount of time spent on the grant process.

NASWA strongly recommends that USDOL/VETS eliminate this quarterly recapture process and provide states with a full year's worth of funding with up to 2 years to spend carryover funds.

In summary, NASWA agrees with most of the findings and recommendations made in the General Accounting Office report. We look forward to working with Congress, the subcommittee, the committee, the administration, and the veterans' service organizations in addressing these issues that are identified in the report, and believe that, in the end, the changes will result in improved services to this Nation's veterans.

That concludes my testimony, and I look forward to your questions.

[The prepared statement of Mr. Hall appears on p. 114.]

Mr. SIMPSON. Thank you, Mr. Hall. Mr. Madsen.

STATEMENT OF ROGER MADSEN

Mr. MADSEN. Mr. Chairman Simpson, and Ranking Member Reyes. I bring greetings, Mr. Chairman, from our mutual friend, Kent Phelps, from our Blackfoot Job Service office. You may be aware that Kent recently received an American Legion national award for his exceptional service to veterans.

Thank you for this opportunity to speak briefly about our programs for veterans, and the contributions veterans are making across our state and Nation.

These veterans programs developed in the seventies and eighties, met the needs of the Nation at a time we were bringing Vietnam veterans home to an unwelcoming society. The world of work was based on long-term employment, where an entry-level job was a ticket to a career, and skills were good for much of a lifetime.

Today, the effective life span of a technical skill is frequently only about 18 months, and in some fields, 5 years in a job is considered stagnation.

Today's service members and veterans have the technical skills and the work ethic needed to succeed in this world of work. What we do not have is a career development program for these veterans with the flexibility to respond to rapid economic changes, and the demands of business.

We have reviewed the GAO report to the committee concerning the Veterans Employment and Training Service, and agree with many of their findings. We recommend, therefore, the following.

First, I join with many others in asking the Congress to fund the Local Veterans Employment Representative and Disabled Veterans Outreach Program grants at a more reasonable level, and on a program year, rather than fiscal year cycle.

As do colleague, I wish to express appreciation to the chairman, Mr. Smith, and Member Evans, for their support of this proposal to fund our programs on a program year, rather than a fiscal year cycle.

Two, allow veterans representatives to be cross-trained and to provide veterans a full range of services available in the one-stop. One of our biggest challenges is integrating veterans services into our one-stop environment.

The current restrictions regarding the types of services LVER and DVOP staff can and cannot provide make it nearly impossible for veterans staff to be fully integrated within the one-stop system, although they very much want to be. This is not only a disservice to our veterans staff, but is a disservice to the veteran customers.

While others may have their employment and unemployment insurance needs met by one individual, the veteran customer cannot. From a customer perspective, this is hardly seamless service. From an organizational perspective, this is not cost-effective.

The single most effective change to national policy that could be made is to relieve these restrictions on the types of services that an LVER or DVOP can provide for their veteran customers.

Number three, remove unnecessary restrictions, and allow states greater discretion, flexibility, and accountability to design, administer, and operate veterans programs in the way most effective in each state.

For example, allow the funding of partial DVOP and LVER positions, rather than requiring that DVOP positions be only full-time positions, and LVER positions be no less than half-time. The increased flexibility in the use of veterans resources would allow a small state, such as Idaho, to maximize return on investment, and to maximize the customer service provided by limited LVER and DVOP funds.

Four, simplify the myriad of definitions and categories of veterans to allow dedicated veterans staff to help anyone who has served in the military, including that nearly one-half of the Nation's fighting force in Reserve or National Guard units, as well as those service members within one year of the completion of their military obligation.

Five, fund the employment program for veterans similar to other employment programs. With similar definitions for program and administrative costs, under the current law, only the direct salary and benefit costs of the front line staff are allowable as program costs. All other expenses, including even the cost of maintaining space for an LVER in a job service office, are considered administrative expenses.

Should the veterans grants assume the funding model of the Workforce Investment Act, all costs associated with directly serving the veterans would be program costs, and true administrative staff and technical services costs would be overhead. This would simplify reporting, and reduce reporting costs.

Six, task the U.S. Department of Labor with developing meaningful performance measures, and allow each grantee to propose a service plan to address those measures, as they apply to the local area.

Seven, eliminate the duplicative federal review of each service delivery point. While we have a strong working relationship with the VETS director in Idaho, her local office reviews rarely finds issues our management staff were not already addressing.

These reviews are an unnecessary level of federal oversight that last year consumed 24 weeks of her time, and resulted in one minor finding.

Eight, the GAO report recommends combining the LVER and DVOP grants into a single grant. While we see the administrative advantages for this consolidation, we are concerned that the total funding and the total number of veterans representatives available may well be reduced under such a plan.

We would ask that if a single grant program is adopted, a financial guarantee be included so states can maintain the stability and flexibility necessary to be effective.

As you know, Mr. Chairman, we in Idaho respect and appreciate the sacrifice our veterans have made to defend our Nation.

At the Idaho Department of Labor, we have the skills, expertise, community support, and dedication to help our veterans find their place in the civilian economy. Your assistance and continued support will help America keep its promises to its veterans. Thank you.

[The prepared statement of Mr. Madsen appears on p. 118.]

Mr. SIMPSON. Thank you, Mr. Madsen. Mr. O'Mahoney.

STATEMENT OF TERRENCE P. O'MAHONEY

Mr. O'MAHONEY. Good morning, Mr. Chairman, Mr. Reyes. My name is Terry O'Mahoney, I am the Commissioner Representing Labor at the Texas Workforce Commission, the agency responsible for workforce employment and training in Texas. I have submitted my testimony to the committee, for the record.

I am pleased and honored to be with you today to address the General Accounting Office's report on the Veterans' Employment and Training Services.

As a former United States Marine Corps major and naval aviator, I admire and respect the sacrifices that members of our armed forces everywhere have made in serving our country. And we all owe these individuals a debt of gratitude. Insuring that veterans' needs are addressed is an essential element in honoring that debt, and I commend the committee for continuing its efforts towards that end.

Through the leadership of then-Governor George W. Bush and the Texas legislature, Texas began reforming the state's workforce system in 1995. The system later was used as a model for the national workforce reform through the Workforce Investment Act of 1998, the cornerstone of which is local control and flexibility.

Texas has 28 local workforce development boards, and over 142 workforce centers, which, along with the agency, comprise the Texas workforce network. Each of these local boards is required by state law to have at least one veteran as a member. The local boards ensure the delivery of service through integrated one-stop centers. For the one-stop center, flexibility is a key to meeting the needs of local employers, job seekers, and the community.

Unfortunately, the federally funded disabled veterans outreach program and the local veterans employment representative program provided through the U.S. Department of Labor, Veterans Employment and Training Services, are rigid and prescriptive. These programs lack the flexibility necessary to meet the demand of today's integrated workforce initiatives.

I applaud the GAO study, and believe the conclusions and recommendations contained therein are valid and worthy of support. From the study and from our experience, the basic foundation of today's workforce structure is a locally-controlled, integrated workforce system that is envisioned in the Workforce Investment Act.

To be effective and efficient in serving our customers, efforts must be taken to align other federal programs providing similar

services toward the WIA model. Now, to facilitate this move, Congress should consider the following six items.

The GAO states, "Provide states and local one-stops more discretion to decide where to locate DVOP and LVER staff and provide states the discretion to have half-time DVOP positions."

In short, let the operator decide how to task organize its resources to meet the local situation. As all of us who are veterans know, the front line is where the action is. The local people are in the best position to assess what is needed, and how to get it done.

The GAO recommends, "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."

Now, I believe that roles and responsibilities for the DVOP/LVER positions should not be enumerated in the law. Inclusion of these items in statutes severely restricts those who manage the grant and those that deliver the services. Let us, instead, give the local level the flexibility to meet the day-to-day service demands.

Number three, the GAO recommends combining the DVOP and LVER grant programs in the one staffing grant to better meet states' needs for serving veterans. As it stands now, a state could be overspent in one program—say, DVOP—and then underspent in LVER. Because the two funding streams are categorical, and cannot be commingled, funds from one cannot be used to offset the cost in another.

A single funding source would enable more flexibility in staff positions, offer better upward mobility for staff, and enhance the total operations by allowing more funds to directly reach the point of services without regard to category.

Alternatively, this same objective could be accomplished if states were allowed to expand funds on either staff category as the overall situation dictates.

Number four, the GAO recommends, "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 the monitoring of DVOP and LVER grants."

In other programs available in the one-stop, which most times are vastly larger than the DVOP and LVER grants, the state performs the monitoring role, and our federal partners provide technical assistance to the state.

Another grant area that I am concerned with is the DOL/VETS staff in the state. I believe the grant for this program and other state-administered services should be used to support state staff and their associated costs in the one-stop centers, and not pay for the administrative cost to federal employees.

Number five, the GAO recommends make the DVOP/LVER grant funding cycle consistent with the other employment and training programs.

I notice you are already working on this, and I wanted to thank the chairman and ranking member of this committee for writing the chairman of the House Appropriations Committee and the Office of Management and Budget. Thank you for your efforts in this matter.

The sixth and last point that the GAO makes, is eliminate the requirements that VETS report on the federal contract job listings. Other recent GAO studies have also supported this stance.

From a state perspective, there is little role for us in this area. A federal entity contracts with a business for goods and services. The contract identity must file with DOL/VETS an annual VETS100 report, detailing the number of veterans in the workforce. And another Federal agency, the Office of Federal Contract Compliance, is charged with monitoring the contractors.

It would seem sufficient mechanisms are already in place at the federal level to satisfy any information needs relating to the federal contractors without requiring states to track the quantity of their job listings.

To further move toward DVOP/LVER program improvement, several items in the GAO study were recommended for executive action, and I support these recommendations, but ask you to refer to my written testimony for any details.

This concludes my comments on the specific recommendations contained in the GAO study. I would like to take this opportunity to extend my appreciation to the National Association of State Workforce Agencies, and its veterans affairs committee for its outstanding effort in working with the House Veterans' Affairs Committee, DOL/VETS, the veterans organization, and the states themselves.

And I will be happy to answer any of your questions. Thank you.

[The prepared statement of Mr. O'Mahoney appears on p. 123.]

Mr. SIMPSON. Thank you, Mr. O'Mahoney. I would tell this panel that Mr. Reyes and myself will be asking for a meeting with Mitch Daniels, from OMB, to discuss the program year issue that you have brought up. That seems like it should be a relatively simple thing to correct, if everybody is on board with that.

You all mentioned the two grants, the possibility of making them one grant, or the transfer of funds between grants, or the inability to transfer funds between the different grants. Would you have a preference of allowing transfer of funds just between the two grants, or making them one grant?

I know that some people are concerned, as Mr. Madsen said in his testimony, that the concern might be that overall funding for those grants would then decrease if you combined them into one grant; that there ought to be some way of ensuring that we maintain staffing levels for both those programs if you made them one grant.

Mr. O'MAHONEY. I don't have that concern. I think that what we are looking for is flexibility. We have done very well with the block grants.

In fact, I think your first question was if we had to start all over again, what would we do, and my recommendation would be, integrate veterans' services using the Workforce Investment Act and our workforce boards as the lynch pin for economic development and job placement in the State of Texas. Incidentally, when it comes to veterans, we are in the top five percentile, and we have placed over 56,000 veterans in jobs, which is 11 percent of the national total.

I would recommend that we block grant the funds to our agency, the Texas Workforce Commission, and from then we would put them out to the 28 workforce boards.

Mr. HALL. Mr. Chairman, from the committee that I represent, there is not a consensus on that issue. We are still in conversation. From Missouri's perspective, I, as the program operations assistant director, would be more interested in having the flexibility between the two programs.

Mr. SIMPSON. Mr. Madsen.

Mr. MADSEN. Mr. Chairman, I mentioned in my testimony that it will be helpful if there is a financial guarantee. I realize that is difficult, to guarantee anything under the current budget system. But we have been working in the last several years under basically increasing demands and reduced levels of funding, or at least funding that have not kept up with the cost of living increases. So, we have had to subsidize these programs, and that has been very harmful.

And the recapture of the granting and the recapture process is also very difficult. Dealing with that on a quarterly basis is, in my opinion, not acceptable business practice.

Mr. SIMPSON. Now, Mr. Hall, you mentioned on the recapture, that you would rather have that—be able to retain those funds for a 2-year cycle. Did I understand that right?

Mr. HALL. What the committee has talked about, Mr. Chairman, is that much like the Wagner-Pizer grant, where we have the appropriation given in a given year, and any funds that are left over at the end of the year still have a 2-year authority for expenditure, we feel that such a measure as that with the veterans program would give the states a great deal of flexibility to better manage their program.

Of course, this would require full funding up front, and we would have to work with the committee as well as our USDOL counterparts to see how this would play out.

Mr. SIMPSON. Mr. Madsen, the testimony of The American Legion defends at great length many of the current restrictions on states which you and your colleagues here advocate be removed. How would you respond to their defense of the status quo?

Mr. MADSEN. Mr. Chairman, I have great respect for The American Legion position on this issue. I respectfully disagree. We, at the state level, who work with this on a daily basis in 24 local offices, find that the program is very restrictive.

For instance, each LVER and DVOP—in our state, at least—must report to the local office manager. I think that is an inappropriate federal requirement. And I think that not permitting, or not allowing an adequate cross-training function for these folks restricts their ability to serve veterans on a daily basis, and I think it limits their ability to integrate themselves into the one-stop operating system.

So, as much as I respect The American Legion's opinion on this, I think they are wrong.

Mr. SIMPSON. You heard our discussion with the last panel for allowing the DVOP individual, in those places that might require one to work part-time in that capacity, and then maybe part-time

in other capacities within the state department, or something along those lines.

Do you think that that would hinder their ability to focus on veterans issues when they were working as the DVOP individual?

Mr. MADSEN. On the contrary, Mr. Chairman, I think that would enhance their ability to work with all of their customers, and we would never—at least in Idaho—want to see their commitment to veterans, employees, and customers lessened—prospective employees, that is.

We support that idea tremendously in our state, and I am sure the other states do, as well. But they need to be integrated into the one-stop career center environment to be able to provide much more services to their customers than what is limited by law.

Mr. SIMPSON. Is that the same——

Mr. HALL. Yes, it is, Mr. Chairman. One of the things that we have noted in Missouri, and I have listened to around the table of the committee meetings that I have attended for the national veterans affairs committee is exactly that point, that under WIA, the responsibility to design the delivery system is not a cookie-cutter approach.

So, in rural America, where there is not necessarily a population sufficient to warrant a full-time DVOP, those services are not present. We see this as a mechanism that, while not every region in the United States will need a part-time DVOP, there are regions that could utilize one and maximize the benefits to its veterans population.

Mr. O'MAHONEY. I would generally agree. I think that what we are really looking for is flexibility, and I think that what you would see would be that somebody that is working in one of our one-stops would have a split duty, working with regular customers half a day, and then devoting to DVOP. And I do not see any way that there would be any reduction in any kind of service or dedication.

Mr. SIMPSON. Just one last question. When we talk about flexibility, I think some of the concerns of some people who may have opposition to this type of flexibility is accountability.

Can we put in place adequate accountability and measurable standards to make sure that those veterans are being treated, and not being, in the name of flexibility, ignored, or——

Mr. O'MAHONEY. I would just like——

Mr. SIMPSON (continuing). To a lesser extent, ignored?

Mr. O'MAHONEY. If I may, I would just like to give you some of the statistics in Texas. As I said, we placed over 56,000 veterans into jobs. That is 45.8 percent.

And in particular, when we take a look at our disabled veterans, we had 7,000 that received services, 5,000 were referred to jobs, and we have 3,490—53 percent of our total intake of disabled veterans—are put in jobs.

So, I think the dedication which we have in Texas is—we have very high standards. And quite frankly, until we place every veteran in a job, I do not think we are really doing what we are supposed to do.

Mr. MADSEN. Mr. Chairman, under the current system, occasionally we seem to work for the numbers, rather than working strictly

to help the customer. And I think accountability, in our state at least, would not bother us at all.

We support accountability measures and performance measures, and we would work closely with you and the USDOL to ensure that our customers receive the full services that they need.

Mr. HALL. And I can echo those comments from the committee. We are more than willing to come to the table and work on this issue because we, like you, are most interested in ensuring that we have a quality performance.

Mr. SIMPSON. Thank you. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman, and I want to certainly commend Mr. Hall for the professionalism and the expertise that your organization brings to the table year after year, and in particular, I want to single out your acting executive director, Katie Cashen, who I know is here, for her outstanding work in your organization and support to this committee on both sides. So we appreciate that very much.

Mr. HALL. Thank you, Mr. Reyes.

Mr. REYES. In that vein, can you explain to me how a hold-harmless provision for small states would actually be structured, in the context of recapturing the funds and minimum staffing, in a little more detail? I know the chairman covered a little bit of that.

Mr. HALL. Mr. Reyes, one of the concerns that the small states have with the possibility that we are going to go to a different funding mechanism for these programs is the fact that part of their life blood has been the recaptured funds.

What we are wanting to do with this provision is to ensure that we do not cut off one part of the body to benefit another part of the body. So what we are needing to do—and this will take a great amount of discussion, we are a long way from having a plan to the degree that I think that you would like today—but what we are trying to do is to ensure that we are able to better manage the resource, both the fiscal resource and the human resource, in a way that the large states, the mid-size states, and those small states are not harmed, and that the bottom line is that the veterans population continues to have high-quality services, both from the disabled veteran and the veterans, as a whole unit, perspective.

Mr. REYES. You heard my comments earlier, in terms of the mobility of the veteran population as well, and that is why I was curious to get more information on this particular issue from your perspective, because that is one of the biggest challenges that, since being a member of this committee, we have had to deal with, in terms of having the infrastructure in one part of the country, and having the veterans in another part of the country, and then again, being in competition for resources that are perhaps no longer needed, but vitally important to that part or that region of the country, and not being able to get them, where the actual work load is.

That is one of the biggest concerns that I think we face as a committee, to provide that kind of leadership. And I am wondering if you agree with that, or you have some other thoughts.

Mr. HALL. Absolutely, sir. We find not only with the veterans programs, but with all workforce programs, that the mobility issue and the funding issues that we face all are being hampered by both interactions.

There is another side of this story of recapture that we also need to look at as we go into a funding year stream, as you well know, running from October to September, sometimes states do not get their funding until second quarter of that year. Due to hiring freezes implemented by governors in states, states cannot fill up and staff to their appropriated levels.

And what you end up having happen is states have to have layoffs, therefore taking away resources from people that need those resources in those states, those funds are recaptured and moved. So there are two sides to the recapturing issue.

Mr. REYES. Right.

Mr. HALL. And the mobility issue. Sometimes you rob Peter to pay Paul, and consequences on both sides of the equation are detrimental.

Mr. REYES. Thank you. Switching to the issue of block grants with my good friend from Texas, you know, block grants do not always work. I can give you a number of examples, but I will just give you one from—since we are both Texans—and that involves the disparity in the funding formulas in Texas for medical services.

As you probably know, along the border, for instance, a child born on the border, the doctor gets reimbursed at $300. If that same child is born in Houston, that figure is $580, if it is in Dallas, it is $640 for the same type of service.

Well, that is why I think it is important to keep two things in perspective as we talk about giving the maximum amount of flexibility at the local level, and giving the states the ability to do local control.

And that is, first of all, I think, Mr. Chairman, as a committee, we need to understand that protecting veterans benefits has to be a national program, a national-scope, controlled at the federal level.

Secondly, there has got to be some built-in accountability so that if, in fact, we give flexibility—which I hope we do not, based on the Texas experience—but if we have that flexibility, then there has got to be some kind of accountability, because of the fluid nature of the movement of veterans, because of the ability to intermesh programs that service a difficult population of veterans versus a less difficult one.

And then you throw into that mix the ability of having a half-time and half-time. And in a world where you are wanting to make sure you protect your funding stream, and that everybody wants to look good, you provide, inadvertently, a system that, perhaps human nature being what it is, gives service to those that are easier to service, rather than those that are in most need.

And you know, I could not agree more with the intent of this panel and everyone that we have heard this morning, and all of us here, that we are all interested in making sure that the veterans get the service. They put their life on the line for this country, and we owe them the ability, through a national priority program, to transition them from military to a civilian job.

So, I hope we do not get lost in the shuffle again. I appreciate everybody's perspective and their viewpoints, I just hope we understand not just the complexity, but the direction that veterans expect us to give to the states and to these programs.

So, I do not have a question, I just wanted to have an opportunity to express those observations.

Mr. SIMPSON. Well, I thank you, Mr. Reyes. I agree with you. Just like the term "freedom" requires responsibilities, flexibility also implies that there is certain accountability, and that is why I asked the question that if we determine that more flexibility is necessary out there, we have to be sure that those goals that are still national goals are being met by that increased flexibility. That is why we have to put in place, I think, those accountability measures which these gentlemen seem to recognize.

I appreciate the panel for your testimony, and being here in Washington today. Thank you very much.

And we will now have the fourth panel.

On this panel, we will hear from Mr. Steve Robertson of The American Legion, Mr. James Magill, of the Veterans of Foreign Wars, Mr. Rick Weidman, of the Vietnam Veterans of America, and Mr. Calvin Gross, chairman of the Employment, Training, and Business Opportunities Committee of the VVA National Board of Directors.

Steve, we will begin with you.

STATEMENTS OF STEVE ROBERTSON, LEGISLATIVE DIRECTOR, THE AMERICAN LEGION; JAMES N. MAGILL, DIRECTOR OF EMPLOYMENT POLICY, VETERANS OF FOREIGN WARS OF THE UNITED STATES; RICK WEIDMAN, DIRECTOR OF GOVERNMENT RELATIONS, VIETNAM VETERANS OF AMERICA; AND CALVIN GROSS, CHAIRMAN, NATIONAL EMPLOYMENT, TRAINING, AND BUSINESS OPPORTUNITIES COMMITTEE, VIETNAM VETERANS OF AMERICA BOARD OF DIRECTORS

STATEMENT OF STEVE ROBERTSON

Mr. ROBERTSON. Thank you, Mr. Chairman. The American Legion deeply appreciates the opportunity to testify today before your subcommittee. As a former DVOP, I would like permission to unscrew the light bulb so that I can talk in great length about things that I have heard today. My tongue is bleeding from where I have been biting my tongue.

It seems that a lot of folks have forgotten why VETS came around to begin with. VETS was created because the states were not doing the job, and veterans were not being properly served.

From a pure analytical business perspective, this GAO report on VETS is outstanding. However, VETS is not a business, but rather a public service to America's veterans. VETS should be viewed from a philosophical perspective instead.

VETS is not a headhunting firm. Therefore, some of the recommendations by GAO would be counterproductive to the veterans VETS was designed to serve.

I find it ironic, all of the changes that are being recommended after an evaluation has been conducted on a program that has never been fully funded. A lot of the laws that are in place in title 38 are not being complied with, especially when you talk about manning.

The American Legion believes that to compromise qualitative objectives purely for quantitative goals lacks vision. The vast majority

of Americans still consider the local job service office as the unemployment office, a place you visit when it's time to apply for unemployment benefits. Likewise, many employers still look to headhunting firms and private job placement companies to recruit their future employees.

Local Employment Security offices do not provide an end product, but rather a series of services. The quality of these services may very well impact on the employability of its customers. The vast majority of job-ready applicants, including veterans, will never step foot into a local job service office.

For those experienced job hunters that understand the networking process and will seek employment without assistance, fortunately TAPS was created to try to reach that goal to where local veterans employment representatives and DVOPs would participate with active duty military people to help them find a job before they ever left the military, and to give them the job-hunting skills necessary to find meaningful employment.

Secondly, as a DVOP, one of my goals was to eliminate retreads. In other words, once somebody went through my services, I wanted to give them every tool that they needed, that they would never have to walk into a job service office again. And that was a goal that I pursued emphatically.

Looking at the two distinctive roles of a DVOP and an LVER, each plays a vital part. The DVOP is designed to assist the hard-to-place veteran. Commonly, these veterans include the service-connected disabled—which I would disagree with you, Congressman, I think that because the Americans with Disability Act and with the Voc Rehab, the disabled veterans are not your toughest clients. The ones that are the hardest to employ are the recovering drug addicts, the recovering alcoholics, the convicted felons, the homeless veterans, and others with significant barriers. Normally, these veterans require dedicated casework, vocational counseling, job training, and job search training. These hard-to-place veterans have faced rejection so often that they have given up on ever obtaining meaningful employment.

That attitude further complicates the job of a DVOP or an LVER. The DVOP is tasked with finding veterans and bringing them back into the system, to restore their confidence, and to help them become employable. That is why the outreach element of the DVOP program job description is so critical.

The DVOP needs the opportunity to have face-to-face meetings with employers to sell them on the idea of giving these veterans, the hard-to-place veterans, a second chance. The outreach element also enables DVOPs to establish a networking within the local veterans community.

When the job is done properly, you find these veterans that have walked away from society coming back into the organization, into the workforce. You also find employers coming back and saying, "Hey, here are some job opportunities that I have, and hopefully we can place veterans in."

Often, the local job service office manager, who the DVOP and LVER report to, is the one that governs the degree of outreach that can be done in that office. And I was kind of perplexed by the comment that DVOPs and LVERs have to report to the job service of-

fice manager. If the law changed, who would they be reporting to? I would submit probably the local job service office manager.

The LVER is different of that of the DVOP. The LVER should be the chief sales representative of the VETS program in the business community and the local job service office. The LVER outreach role is much greater than the DVOP. The LVER should be attending meetings with business hiring personnel, convincing them that veterans make good hiring decisions. The LVER should be in contact with federal contractors early in the process, so that they can assist in putting qualified veterans in those positions.

I can tell you, for a fact, that most of the federal job service listings that we got in our office were after-the-fact. All the employees had been hired, and we just went through the formality. And no compliance group is going to argue, "Did you send the paperwork?" "Well, when did you send it in?" Nobody is going to question that, and nobody is going to be out there advocating for veterans, other than DVOPs and LVERs.

Finally, the LVER's casework load should be minimal. That is what the DVOP is for, is to take care of those. One of the things that I would urge you to seriously look at before any changes are made—and The American Legion agrees that there are some changes that should be made.

But you have to look at the impact that the small states are going to have when decisions are made. A lot of times they are made for big states. If we made decisions for DVOPs and LVERs based on what is good for Texas, Idaho would probably have the repercussions of it, because there is only so much money in the pot, and somebody is going to get shortchanged.

One of the greatest tragedies in the DVOP and LVER program is the limited training opportunities, the funds to where I can take a veteran and put him in a program that is strictly for veterans. We used to have one called VJTA, and these were programs that were focused for veterans. The idea was getting them into a job, and to be able to subsidize them while they were going through their training. We used to have tax credits that we could offer to employers to try to get them to take on these people, but that has been limited.

And also, compliance with veterans' preference. I would hate to tell you how many letters we get at The American Legion from a veteran who was denied an opportunity for employment with the Federal Government or the State government, and was not hired and his appeal process was a moot issue.

The American Legion strongly encourages this subcommittee that before any dramatic changes are made in the job descriptions of LVERs and DVOPs, that serious consideration be given to what they are tasked to do, and what they are actually allowed to do.

The one-stop centers may be excellent concepts for job-ready applicants, but integrating VETS into the concept of—and this is the original congressional intent of VETS—The American Legion believes integrating VETS into the one-stop centers would re-create a problem that VETS was created to solve.

Mr. Chairman, thank you very much for this opportunity to testify. We look forward to working with you on any changes to title 38 dealing with these programs.

[The prepared statement of Mr. Robertson appears on p. 131.]

Mr. SIMPSON. Thank you, Mr. Robertson. Mr. Magill.

STATEMENT OF JAMES N. MAGILL

Mr. MAGILL. Thank you, sir, for the opportunity to express the views with respect to VETS.

As a VFW travels around the country, and actually the world, visiting military bases, one of the most frequently expressed concerns is, "Will I be able to find a job?"

We are also being asked this question from the veterans who work for companies that are downsizing and also we are beginning to get more and more concerns from veterans who have retired and now find that their income makes it that they have to go and look for another job.

We believe that veterans have earned and deserve their own dedicated program. We believe they have that program right now. And while some people say it is broken, we do not agree with that, but we do believe that it needs and should be repaired.

We agree with the report that VETS needs to be held accountable. This is the cornerstone in making this system work. There needs to be a set of measurements that must be established and they need to be enforced. And to do that, we believe VETS must have the tools, in order to accomplish this.

Last Congress, we met several times in this room with your staff and we worked to come up with a set of measurements and standards and those ways that VETS can improve. I would hope and encourage that we continue those talks, and next year, possibly come up with a bill that will allow VETS to do its job.

This concludes my statement.

[The prepared statement of Mr. Magill appears on p. 139.]

Mr. SIMPSON. Thank you, Mr. Magill. Mr. Weidman.

STATEMENT OF RICK WEIDMAN

Mr. WEIDMAN. Thank you, Mr. Chairman, and thank you for allowing Vietnam Veterans of America to join you this morning to present our views.

The Vietnam Veterans approaches the issue of all veterans benefits and services from the point of view of the whole veteran. We literally spend billions upon billions of dollars to help veterans get physiologically, you know, psychiatrically, and otherwise well, only to get folks dressed up and no place to go.

You talk to any of the VA folks in your state at the VA medical center, or right here in Washington, DC, or at the VETS centers, and they will tell you that generally, there is not much of a relationship at all, if any, with the local job service.

So, the original intent of all of this is to fulfill that key last step in the rehabilitative process. Because if you don't do that, and you have spent an enormous amount of resources and time and energy helping that homeless veteran get to the point where he or she is ready to go to work and you cannot find a job, they will be back on the street—and sustain a job, not just obtain a job, but sustain a job—he or she will be back on the street in 6 months, and this time it is going to be much harder to get them back in.

The same is true of disabled veterans. Profoundly disabled veterans are mostly out of the job market—meaning 60 percent or more, Mr. Chairman—not because they do not want to work, but because they are discouraged workers. And they just simply have given up finding something in any job market, even a booming job market.

So, we proceed from that point that it is too important a function not to work, not to work in coordination with all of the myriad of other services, both federal and, to some degree, state and private that are devoted to helping veterans live the fullest possible lives, where they have been lessened by virtue of military service.

Now, the original intent Mr. Robertson eloquently touched on about why there was a veterans employment and training service and the federal monitoring, but also let's think about the programs themselves.

LVER program was put in in 1944 because there were problems, they wanted to make sure the job service offices were responding to the veterans who were starting to come home, and that veterans priority was for real. And it was only because it was a problem that that special program was created.

DVOP program was created in the late seventies, when the state employment securities agencies testified that the only reason why they weren't placing Vietnam vets, and particular disabled vets, was they could not find them. And many of us were very perplexed with that, because veterans are very good about passing the word. Veterans will go where they believe they are going to really find help. So, that is why the DVOP, disabled veteran outreach program, was created, in order to fulfill that need.

We come, now, to today, and it is—there are a couple of assumptions in the GAO report that, frankly, are very troubling. We do agree very strenuously and very whole-heartedly with the need for sanctions, rewards, and some kind of variegation for good performance and sanctions for bad performance.

But the whole report makes an assumption that the one-stop centers are working well for everybody. We would challenge that. There is absolutely no empirical data that would support that notion. If you ask the folks who created the one-stop centers what business they are in, they will not tell you job placement. They will tell you they are in the information-sharing business.

Now, you try to measure that little sucker. They can tell you how many hits they have in their various little devices, but they cannot tell you how many people got a job.

Then they want to go the next step and use the wage records six quarters down the line, that if somebody finds a job—maybe not through their fault at all, or through their help at all—that they would be able to count that as a positive termination. That is a classic example of the fallacy, if I may suggest, Mr. Chairman, and simply not intellectually, or otherwise, honest.

The real problem also, beyond that, is that which Mr. Robertson touched upon, which is DVOPs and LVERs are now not often allowed—allowed—to do their job.

In my experience in 9 years as a state veterans program administrator in the State of New York which, at that time, was the second largest program in the State, I met a lot of DVOPs, not just from New York, but from all over the country.

And every one of those folks I talked to told me the same thing, is that the majority of veterans who are service-connected-disabled, and particularly the most profoundly disabled veterans, they do not get a job off the job listing, they are the ones who have the ability to go out and develop the job around that individual veteran. That works.

But it does not work if you are chained to your desk in the office doing clerical work, doing all kinds of other things, which happens a great deal, which is why VETS was brought into the picture, to monitor what were declared to be illegal activities.

The real question here is how do we get beyond where we are now. Frankly, I think what you are hearing reflected in all the veterans service organizations here today and their distinguished colleagues in the other VSOs is a distinct lack of trust.

When people from the workforce development agencies say, "Trust us, we have always had the best interests of veterans at heart," there is not a lot of empirical data or, more importantly, experience that would necessarily support that. I do not say that people are out to do things badly, and certainly not the gentleman here today, but I just want to say that it has not necessarily been a good track record.

It is useful to remember that, in regard to training monies to help veterans adjust, that there are billions upon billions that are out there under the WIA system today. None of it gets devoted towards VETS. Yet, the title 4-C, which is, bluntly, chump change—chump change—and, what is it, two-tenths of one percent goes to veterans, and they will tell you when they are allocating those training dollars, "Veterans already have those, this is for everybody else."

But veterans are 15 percent of the population, Mr. Chairman, and where they are lessened, they are lessened, by and large, by virtue of military service. The same people who control that—first it was Office of Economic Opportunity, there was Manpower Development Training Agency, then it was Comprehensive Employment and Training Program, or CETA, then it became JTFA, Job Training Partnership Act, and now it has become WIA.

But it is the same people in charge, the same people in charge who, frankly, today have billions that they cannot figure out that float around in the system. Not in this dollars, but in last year's dollars, that they will tell you that they are broke. Well, they are not broke, because they have not yet figured out how to spend those dollars, and they only know one thing, that they are darn sure not devoted to veteran-specific programs, and that is the problem that we have in building that trust level.

Where do we go from here? We will continue to work with you, Mr. Chairman, with your very hardworking staff, who in this committee has shown enormous leadership for taking on a real tough—there have to be changes in the system because it is not working today, and it is going to continue to diminish in its effectiveness if we do not change and focus on how can we make this relevant to the lives of veterans, not necessarily strengthen the workforce development agencies, because maybe that is not the way to go.

We are not saying what it is, or it is not. But we know that the function for veterans is so key that we have to keep persevering in this regard.

Mr. Chairman, I thank you. And if I may, I would turn it over to my little brother from New Jersey. You have heard of the little brother from Sicily. Well, this is my little brother from New Jersey, Mr. Calvin Gross.

Mr. SIMPSON. Thank you, Mr. Weidman. Mr. Gross.

STATEMENT OF CALVIN GROSS

Mr. GROSS. Good morning, Mr. Chairman. Yes, I am from New Jersey. And when things work well there, we are a veterans preference State. We have worked hard with Governor Whitman when she was there.

One of the things that we were able to do is get her attention. We showed up at her mansion, and she tried to start talking to us. And one of the things we were able to bring to bear to her was more than anecdotal results in the State. We were able to chapter, verse—and she said, "Look." She did look. And there she made the corrections.

And I am here to say that I have met people who have said to me, "Oh, I am working here temporarily. I lost my job because I had to give it up to veterans preference." It works. And the person who I was talking to, I said, "What type of assistance are you getting?" He said, "Oh, I am fine with it. It was okay that the person got the veterans preference."

Sometimes top-down leadership works. Top-down management does not always work, but in this case it did work, because it was the attitude of the executive officer that made it work.

But I have too much testimony—this is my third time sitting at this table talking to a different person in your chair.

One of the things that—my question as I am just—this is my seventh year being a chairman of employment and training, and business opportunities—what I decided to do after my first 2 years is to look into what are veterans being asked to do, and what are they being shown to do. And none of them are preparing them for what the workforce today—because what workforce is there? What are you going to prepare them to do?

I, as a downsized veteran, I started analyzing my own data. I started my own company and offered services where there was a niche. I have been, for Vietnam Veterans of America, worked with, on my own, with Department of Labor and SBA.

And I am afraid to give the rest, because I am ready to kick in the doors of Congress, because these are the three government entities that need to collaborate to make the world a more receptive place for the veterans I know, and the veterans that were deployed in the field today.

Because TAP is a great concept, and it takes, once again, a perceptive leader and a creative leader to take the troops and put them through TAP properly, or you get the other guy who will say, you get, in 30 days, "Go ahead, go to TAP." And 30 days is nothing.

So, I will tell you some things you already know. Disabled vets require time to develop trust to work with either the LVER or the

DVOP. Their life experience tells them they cannot trust anyone, other than the nurse who took care of them.

And today's problems come from yesterday's solutions. The GAO report, which I read extensively, I have listened to my comrades from the American Legion and from the VFW, they are on point. What I am saying is we need to take a fresh new look, because you can pass all the laws you want, you can—I have ready everything that there is to read in this subject matter.

I sat on a secretary's advisory board at the Department of Labor, I know half the people in this room personally. The issue is the world has changed. America has changed. What are these people who are giving our dollars prepared to present to the veterans who come through the door?

And I submit to you that they are not ready for prime time, they are not ready for the workforce of the day. The workforce of the day is looking for the individual who could offer them a service because they downsized everything out. They are looking for the accountant, they are looking for the IT person, they are looking for the people who could bring their services to them, and they could be hired.

And that is the direction I have taken Vietnam Veterans of America. We have developed tools, but that is just for the people who are our members, or who touch our membership. The world is much bigger than that, when it comes to veterans.

I can go on, but all I am saying to you is the design is not meant to fit 2001. Thank you.

[The prepared statement of Mr. Weidman and Mr. Gross appears on p. 141.]

Mr. SIMPSON. I thank you, and I thank all of you for your testimony on this subject. Let me assure you that what this subcommittee wants and what the full committee wants is to make sure that those programs that we deliver to our veterans are the best programs that we can develop and that veterans receive the services they deserve.

Someone said that veterans deserve their own program. I do not disagree with that, which is why we have veterans preference for employment, and those types of things. We need to make sure, and work to make sure, that while those things are maintained, that we are, in fact, developing a program that works as well as it can work.

And as I read through this report, I guess one of the things that kind of got me started on this was—and let me assure you that the reason that there have been three members sitting in this chair while you have spent your 7 years there is because we have those irritating little things called elections that come up. (Laughter.)

Sometimes these individuals change. But look at this: Veterans' Employment and Training Service, Focusing on Program Results to Improve Agency Performance, May 7, 1997; Veterans' Employment and Training Service, Strategic and Performance Plans Lack Vision and Clarity, June 28, 1999; Veterans' Employment and Training Service, Better Planning Needed to Address Future Needs, September 27, 2000; Veterans' Employment and Training Service, Proposed Performance Measurement System Improved, But Further Changes Needed, May 15, 2001; Veterans' Employment and Train-

ing Service, Further Changes Needed to Strengthen its Performance Measurement System, June 7, 2001. And now we have Veterans' Employment and Training Service, Flexibility and Accountability Needed to Improve Services to Veterans.

It seems like we have an awful lot of data that indicates that 70 percent of the veterans that go through the VETS program itself are not receiving jobs, and that we need to improve that. I mean, that is unacceptable.

We need to improve that, and whether we disagree or agree on any specific way to do it, as I mentioned to the very first panel that was talking, I think we need to look outside of the box of what currently exists, and say, "If we were developing a system, is this what we would end up with, or are there changes needed that can improve this system?"

And there may be disagreements among various groups, even within the VSOs, as to what might be necessary to improve it, but our goal, I think, is all the same.

While I understand that when you look back in 1944, when the LVER program was put in place, that states were not responding to the needs of veterans in that time, you know, that was 57 years ago. That does not mean that states will not respond to the needs of veterans in this day and age.

But I do believe that, as a couple of people mentioned, trust is one of the big issues. And you know, I am kind of like Ronald Reagan in that it is "trust and verify."

And that is why you have to have some type of performance and measurable standards to make sure that these individuals, if given flexibility to do things to better address veterans, if we think that is the way to go, that there is accountability there, that we do verify that veterans are being treated and served as they are intended. And if not, then they lose the trust and they lose the flexibility.

So I guess that is what I am saying. But given that many of the veterans are not receiving the service now, are not getting jobs, not being placed in jobs now, can we defend the current system as it exists, or do you have specific changes that ought to be made? Mr. Robertson?

Mr. ROBERTSON. Yes, sir. First of all, I took a little statistics class a long time ago, and one of the first lessons I learned is figures never lie, and liars figure.

I can tell you definitively that veterans do get jobs. Whether job service or the VETS personnel accurately take credit for those jobs is a whole different situation.

I will give you a case in point. I was stationed in Minot, North Dakota. There was an Air Force base there, and I used to do job training programs for the guys leaving the military. A lot of them would come in. The only thing they wanted me to do was to look at their resume and give them some ideas of jobs that are open in Wisconsin, and they would go to Wisconsin.

I would never hear from them again, but that does not mean that they were not employed, because of the oversight, the assistance, and everything else that I gave them in my job service office.

Now, I did, from time to time, get somebody to mail me back a card saying, "Hey, guess what, I am working for Whoever," and I would annotate that in my records, so I would get a credit for a

placement. But to operate from that premise of saying, "Because we can't account for it, it's not happening," is faulty.

I believe that a lot of the services that are provided through the veterans programs end up in employment. And like I say, one of my pet peeves was to focus on whether I was getting retreads, whether I was getting guys that I had run through the entire gamut of services, and then they showed up again looking to start all over in the system.

I would not tolerate that. I used to really give them a rough time if they came back in and said, "Look, I showed you exactly what you needed to do. Now, let me help you with some possible referrals," and then I would work on it on a little closer basis. But my ultimate goal was to make sure that I taught them how to job-hunt for the rest of their life.

Mr. SIMPSON. Well, I appreciate that. But what you are saying, from your experience then, is that accountability is kind of an unmeasurable-type thing.

Mr. ROBERTSON. The only way you could do it is if you were to go back with the IRS and check and see if they were employed. I mean, that is the only way you could legitimately find out if you had Veteran X, and he disappeared, and you had no trace of him, did he wind up employed. The IRS would have a tax statement from him.

Mr. SIMPSON. Is there no way of measuring what is successful placement, and so forth, then? I mean, is that——

Mr. ROBERTSON. In an ideal society, yes. I mean, when I worked for the guy, got his resume put together, arranged for some interviews, he went to interviews, came back and told me how they went, and then bingo, bango, bongo, he calls me says, "Hey, they hired me," that is the way we would like it to work.

But with some of the clients that you have as a DVOP, if they are a recovering alcoholic, it is really tough to get them to remember to come into job service. I mean, it is really a challenge. If they do wind up with employment, I do not think that is going to be one of their top priorities, is to call me and say, "Hey, Steve, I did get a job."

Mr. SIMPSON. How do we measure whether VETS is being successful as it currently is established?

Mr. ROBERTSON. Obviously, if placements is the only outcome that you are looking for, then you are going to have a challenge.

But I think that there are other weighted parts of the job service program. I mean, in my opinion, the most important thing that you can do is to find jobs, to have the job openings that you can refer veterans to. Once the veteran walks through that door to talk to an employer, the obligation is on the veteran to be able to conduct himself properly, and to sell his skills or her skills to that employer and get hired.

But the biggest problem I always found in job service was not being able to attract enough jobs, enough quality jobs. I mean, I could get enough McDonald's jobs, or Burger King jobs, but getting a job that would provide meaningful employment.

I would rather put a veteran in one full-time job that is paying him benefits and making him a decent salary so that he can pro-

vide for himself and his family, than giving him three part-time jobs.

And unfortunately, I think most of the job applications that I saw, I could have gotten him three part-time jobs real quick. But I did not have the quality jobs, the ones that, you know, would make him self-sufficient. And those were the kinds, as a DVOP, the employers, that I would go to to try to open up spots.

And another interesting part is that once you get that job placement, that job announcement, I have got to bring it back to my job service buddies. And if I cannot place it within a certain time period, then they get to send an applicant to it. Not that I have any problem with non-veterans, but you know, I worked hard to get this position, and yes, at the moment in time I may not have somebody exactly that they want, but it is going to be quickly absorbed by somebody else in the shop.

Mr. GROSS. What is needed is for him to be able to go out and network and count it as job time. Part of his 35, 40 hours should be able to go to the Chamber of Commerce, or go to lunches and rub elbows, and whatever the industrial society in that particular town is, to be able to be there and say, "Listen, I have quality people. You ought to give me a turn."

It is, once again, it is exposure and relationship. A man with his skills could do well by being able to get out and spend 5 hours, 6 hours a week just networking the community, building relationships with employers so when he does send the person that he has given life skills to to go and do the interview, he has received quality referrals, and it will come back, it will just keep happening the proper way.

Mr. MAGILL. What I can see as a problem—and Calvin just touched on it—the DVOPs, just as their name implies, disabled veteran outreach program specialists, we were able to get title 38 changed where, for a long time, the DVOP jobs were held exclusively for Vietnam veterans. Now it is expanded.

I do not know if we have seen the results, but a lot of the Vietnam veterans—and I am included in that group—are getting ready to retire. I think we need to put more emphasis on the DVOPs getting out of the office. And that way, when they do go out and they do make contact with employers, if they place a veteran in that company, and they have the relationship with the people that are responsible to bring these folks on board, they will get the word back. They will know that veterans are good hires.

And DVOPs are in the local community. It is not that they are all sitting here in Washington. They are all over the country, and they need to get more and more out of the office.

Mr. WEIDMAN. We concur on everything that my colleague said, Mr. Magill, about getting out of the office and doing job development. It really is the key. There are just not enough good jobs at any of these employment services, and you can verify that by the next time you go home, just going in and looking, or from your—on your desk, go into Idaho—I mean, you can network right into Idaho, and check it out, about what is available in most towns and list it on there.

We know that less than 10 percent of all the jobs in America are listed anywhere, period. And a much less percentage is listed on public resources, like the workforce development agencies.

So, it is getting out and developing those jobs, and the DVOPs who are the most successful, that I know of around the country, have been given that support and that latitude by their supervisors and office managers.

But it varies, supervisor to supervisor, office manager to office manager, and even, from time to time, in the same office, because those folks turn over. And when they do not have that kind of support, then it, frankly, does not work.

Now, second thing you have is having said that, you can, in fact, hold people accountable for placements—not obtained employments, because there are too damn many—excuse my language—there are too darned many games that are played with obtained employments. And some of them are for real, because people did something and helped the person, and they will come back and thank you, like Steve's example, but in most cases they are baloney.

You have a lot of DVOPs and LVERs around the country because their office managers or supervisors put them up to them, are spending the equivalent of a workday a week, if not more, calling veterans not to offer assistance, but to find out if they went back to work, so they could take a chit mark.

And many times, the veterans catch on to this, particularly if they are angry at the office for not really helping them, they said, "No, I have not gotten a job." And they will goad you, saying, "Well, it has been 2 years." "Yes, I have not got a job," and just leave it at that, because they are darned if they are going to tell these people—let these people take a positive hit.

Placements are different. Placements are easily measurable. You can start off with just 50 placements a year, per DVOP or LVER of any vet, and at least 12 a year of disabled or special disabled vets—and we are not talking about a lot of folks there—you should be able to do that rolling off a log.

But I am going to tell you that there are DVOPs and LVERs in this country who have not allowed—who are either incapable of doing that, because of lack of training and support, or they are not allowed to do their job properly.

If you did that across the system, and nobody fell below that minimum threshold, your number of placements would double. It would double, because the good guys who are out there placing 160, 180 people a year, who are difficult to serve, would continue doing that.

So, I guess the way I would disagree with Mr. Robertson is that if you can show a minimum performance, you know that a lot more is happening in order to—beyond that, in terms of salutary activities that are going to help people down the line, as Steve described. And you can set up job clubs and job club alumni coming back to the office in the evening, working with the VETS centers, there are a lot of things that can be done.

But my only point is if you cannot measure it somehow in there, then we have got a real problem. We are back in the information-

sharing business, and then who knows? Quien sabe? I mean, you know, you shake your head.

Mr. SIMPSON. Thank you. Mr. Reyes.

Mr. REYES. Thank you very much, and I want to thank the panel for some outstanding testimony. I think there is two observations that I want to share with the panel and you, Mr. Chairman.

First of all, there are veterans out there getting jobs, and getting good jobs. Every year, I get the privilege in El Paso of presenting some awards to local businesses on behalf of the GI Forum, or in conjunction with the GI Forum, who identify local El Paso businesses who have given the opportunity of employment to veterans. And these are good-paying jobs, jobs that have with them benefits, and all of those things.

But the difference is somebody has worked those businesses, and it is normally the GI Forum, veterans' advocates working the business community, going out there, beating the bush, and by the way, businesses, when they network, saying, "Hey, by the way, you know, I got a really good worker from the GI Forum who is a veteran that I was not even contemplating."

These are all anecdotal stories, but this is exactly what, I think, we need to have these kinds of programs focus on and that, if we look at this from a cold, bottom-line profit or loss margin, then veterans will always lose. The only things veterans will be good for is cannon fodder out there when it comes time to defend this country.

I think these kinds of programs are designed, no matter what it costs, to make sure that we take care of those men and women that go out there and put their butts on the line for this country. That was the point that I was making.

You know, there is one cold, stark reality—and I know you know this, but I have to say it for the record—one of the biggest problems we have when it comes to veterans issues is that only about 30 percent of us in Congress have ever worn that uniform. Dramatic change from when these programs were a priority. And that is not a knock on Members of Congress that have not worn the uniform, it is just the way things are.

So we have to work much harder at making sure that the Congress knows and understands that when it comes to veterans' issues, it is not a profit or loss, it is not whether or not we can meet the standard of GAO, or OMB, or all of these other things, and we have repeatedly heard those arguments not too long ago when we did have a surplus, even, "What do we do with a surplus?"

A number of us were saying, "Hey, put the veterans at the front of the line, and then for the first time, have this country recognize them for the sacrifices that they have made."

That is all water under the bridge. But on the practical side, knowing all you gentlemen are very much aware of the challenge that we have, and knowing that, we are expected to optimize the bang for the buck and all of those other things here. We need you, more than ever, to work with the committee staff and with us, individually.

And I will frankly tell you—and I tell the VFW this every year when they come up here to present their legislative agenda and

other veterans organizations—that you do not have to worry about working veterans on the Hill that are Members of Congress. You work every single body else, because that is the critical point that cannot be stated enough, as far as I am concerned.

So, when we are looking for solutions, when we are hearing the kinds of things that are more—that I think are proposed more from a business-oriented point of view, the issue of block grants and how you can protect, again, the bottom line and how you can show that the program is effective by statistics, I could not agree with you gentlemen more.

And I am glad that—and I hope we never lose the expertise from you and your organizations to give us some sense of reality of why we are here, and why we are here collectively.

And ironically enough today, when we are sitting here doing this hearing, men and women in uniform are half a world away, one more time, serving this great Nation. Let us not ever forget that.

So I do not have any questions. You know, I think we have covered the gamut here, Mr. Chairman. I want to say that I appreciate, certainly, your leadership on this, and your willingness to fully explore all the options that are available to us, because when it really counts, is the ability of us as a Congress to do right by our veterans, no matter where they served, no matter how they served, and no matter what situation they find themselves in.

So thank you again for your testimony, and your leadership on this. Thank you, Mr. Chairman.

Mr. SIMPSON. Well, I thank the ranking member, Mr. Reyes, for his comments. And I associate myself with him. That is what we are about here on this committee—trying to make sure that the veterans both are treated appropriately, and that they get those things that they have been promised. And we want to make sure, as we do that, that we do it and improve the services as best we can.

And the way I look at these reports is not as a vehicle to get rid of anything, but as a vehicle for thought, to try to improve the services to the veterans. And if there are ways that we can improve those services, I think you all would agree we ought to do it.

There will obviously be recommendations made, whether it is the GAO, or by individuals, or different organizations, that may not be the right way to go. And there may be disagreements among those things, and we will sit and fight those out, and argue over those.

But ultimately, our goal is to improve the services to the veterans. And as long as we keep that as our focus, and not whether—who gets credit for what, or whether we are protecting the structure that currently exists, or whatever, I think we will come out better and the veterans will come out much better.

So I appreciate your advocacy of the veterans. I know that you all do a tremendous job here, and keep our feet to the fire, which you should, and I appreciate that.

And I truly enjoy working with Mr. Reyes. He is a true advocate for veterans all across this country, and we will work to improve this, and we will continue to work with you and all of those individuals that testified today.

I appreciate all of you being here today, and if there are no further comments, this hearing is adjourned.

[Whereupon, at 12:10 p.m., the subcommittee was adjourned.]

APPENDIX

Statement of the Honorable Steve Buyer
before
Subcommittee on Benefits
Committee on Veterans' Affairs
Hearing on the General Accounting Office's Report:
"Veterans' Employment and Training Service:
Flexibility and Accountability Needed to Improve Service to Veterans"
October 30, 2001

Chairman Simpson, I want to thank you for holding this important hearing on the General Accounting Office's (GAO) report: "Veterans' Employment and Accountability Needed to Improve Service to Veterans."

The Subcommittee on Oversight and Investigations requested this report because it was apparent from last year's hearing that the Veterans' Employment and Training Service (VETS) program needs to be overhauled. The program as it is currently structured falls short of meeting its stated goal of ensuring that veterans receive priority employment and training opportunities. It is inconceivable that with an operating budget of $187 million for Fiscal Year 2001 that Congress still does not know how effective the program is due to lack of sufficient employment outcome data. This is not a new problem. And, it needs to be addressed if we are serious about wanting this program to work as Congress intended. The Oversight and Investigations Subcommittee held several oversight hearings in 2000 on the VETS organization and it was evident then that VETS had inadequate data and that it still falls short today in this area. VETS lacks valuable data about wages and job retention, therefore, we have no way of measuring the effectiveness of the services provided to our veterans.

In May 1995, when I was Chairman of the Subcommittee on Education, Training, and Employment, we held a hearing on the effectiveness of the VETS program. Regrettably, many of the obstacles that prevented the program from being truly effective then are still present today – almost seven years later. In fact, the GAO report, which is the subject of this hearing, verified what we already knew from last year's hearings. Namely, that VETS has yet to make the necessary changes to its program in order to achieve the goals of the Workforce Investment Act (WIA) to facilitate training and employment in a one-stop environment.

The Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) grant programs cannot operate successfully because they are hampered by having to operate under outdated and cumbersome rules and regulations which denies them the flexibility that is needed by states to serve our nation's veterans in a one-stop location. This is due in large part to the fact that VETS has taken a backseat approach by waiting for the states to implement their programs before deciding how DVOP and LVER programs will be integrated into the new

system. VETS did not have a plan to integrate with the Workforce Investment Act (WIA) in 2000, two years after its passage. So, it comes as no surprise that a year later, or three years after Congress passed this law that VETS has made virtually no progress to adjust the DVOP and LVER programs to the one-stop environment. As a result, these programs will be forced to play catch up and veterans will not have these valuable tools readily available to them.

There are several reasons why VETS does not make the grade when it comes to its stated goals of assisting veterans in finding gainful employment. As I stated before, VETS still does not have a mechanism in place to collect data to measure or baseline any performance outcomes. While VETS has proposed changes to its performance measures such as requiring states to report job retention, these changes have not been implemented. Our veterans deserve better than this type of ineptitude. What's the point of drafting proposals to improve the system and then not moving forward to implement them?

The GAO report also found that VETS does a poor job in how it manages its monitoring of DVOP and LVER programs. How can VETS successfully monitor these programs when they are subject to both federal and state oversight, which is often a duplication of efforts and results in confusion as to the authority over the DVOP and LVER staffs? Not to mention that VETS operational manuals are outdated, training of monitoring staff is limited and there is no clear guidance from the national office. VETS has performed poorly in setting goals and putting incentives in place to reward good performance by any specific state.

The GAO makes several recommendations to improve VETS that we should look at closely. I fully endorse the legislation that is being contemplated by the Benefits Subcommittee, which incorporates several of the suggested changes made by GAO, such as unifying the DVOP and LVER grant programs into one staffing grant, and placing the DVOP and LVER grant funding cycle within the same cycle as other employment and training programs.

The Subcommittee on Oversight and Investigations will continue to monitor the VETS organization because our veterans are counting on us and we will not let them down. I believe it is apparent that passing legislation to fix this program is necessary at this time, but our role does not stop there. We must be vigilant and make sure the law is also fully enforced.

STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE HOUSE VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS
TUESDAY, OCTOBER 30, 2001

Good morning Mr. Chairman, and members of the Subcommittee.

It is a pleasure for me to be here today to discuss with you the status of VA's Vocational Rehabilitation and Employment (VR&E) program for service disabled veterans.

I'd like to acknowledge our employment partners at the Department of Labor who also are here today. No one could have said it more eloquently than the 65th Congress when it passed the World War Veterans Act in 1924: "The test of rehabilitation shall be employability." Certainly both we at the Department of Veterans Affairs and our colleagues at the Department of Labor take very seriously the charge to help disabled veterans overcome employment obstacles and find and keep suitable employment. We recognize the challenges we collectively have to ensure our Nation's disabled veterans achieve the rehabilitation goal.

You may note that the program's name has changed since the last time we addressed the Subcommittee. The Department made the change from "Vocational Rehabilitation and Counseling" to "Vocational Rehabilitation and Employment" to emphasize our commitment to helping disabled veterans transition from their military life to suitable, career-oriented employment. This new name conveys a more meaningful message to most VR&E program participants of the programs ultimate mission, while not detracting from the fact that rehabilitation is at the heart of what we do – especially for the most seriously disabled.

This refocused commitment to serving the rehabilitation and employment needs of America's disabled veterans has meant much more than a simple name change. In the past few years, we have dramatically transformed the VR&E program to one that is more strategic and outcome-oriented. For a third year, the VR&E program has rehabilitated over 10,000 disabled veterans, a goal that was considered five years ago to be a "stretch goal."

The key catalyst that underlies VR&E's success and continues to drive our strategies for the future is our desire to provide the most effective, highest quality, state-of-the-art rehabilitation and employment services to disabled veterans. We define quality services in terms of several overarching themes that directly influence our success in achieving our mission and goals. These themes are a focus on positive outcomes, quality assurance, strategic planning, succession planning and workforce development, and enhanced technology.

Positive Outcomes. The VR&E program has two primary outcomes –

- suitable employment for those disabled veterans who are able to overcome employment barriers created by their disabilities,
- independence in daily living for the most seriously disabled veterans who are unable to return to work because of their disabilities but who do achieve an improvement in independence in their living activities.

For the past several years, VR&E has focused on improving its performance in both of these outcome areas. We have improved the rate of rehabilitation from 41 percent at the end of Fiscal Year 1998 to 65 percent in Fiscal Year 2001. During this same time, we have seen the rehabilitation rate of disabled veterans with serious employment handicaps increase from 35.8 percent to 64 percent.

Quality Assurance. In November 1998, VR&E reinstated the Quality Assurance program. This collaborative process filled a tremendous void left by four years without any VR&E Quality Assurance review. A sampling of each regional office's work is reviewed twice a year. At the conclusion of each review, the regional office receives notification of the results, to include the identification of both successes and deficiencies, and instructions of how to submit cases for re-evaluation. When areas of concern are identified, the review results in additional refresher training for VR&E staff, improved accuracy and improved services to better meet the needs of disabled veterans.

At the end of the first year of review, September 1999, VR&E established a baseline for measuring the accuracy of cases in future reviews. For example, at the end of Fiscal Year 2000, baseline accuracy for decisions relating to a veteran's program entitlement was measured at 89 percent. At the end of Fiscal Year 2001, accuracy in this area rose to 93 percent. Other areas of VR&E's performance are not so easily measured because veterans participating in the VR&E program receive individualized services based on their unique needs. Performance relating to overall accuracy, therefore, represents some challenges. However, we continue to develop the most measurable criteria in a program that is very subjective in nature.

Beginning this fiscal year, we are adding a fourth category to focus on the accuracy of decisions regarding a veteran's achieving and maintaining suitable employment or independence in daily living.

Succession Planning and Workforce Development. VR&E's workforce is key to achieving all of our goals. Not unlike many organizations, we too are faced with a retirement-eligible workforce. Historically, the career pattern within the Department has been increased hiring after World War II and the Korean Conflict to address the needs of veterans returning from those engagements. Over time, these employees retired and the Vietnam Era employee entered our workforce. At the beginning of this year, the average age of VR&E's field managers was 54 years and the average age of the clinical staff in the field was 51 years. The Vietnam Era employee has reached or nears retirement and we will once again find VA in a hiring cycle that coincides with a shift in military focus and activities. We have an obligation to hand-off a quality program to the next generation of dedicated and trained staff.

We must recruit, retain, and develop the best staff if we are to continue the improvements we have achieved in our performance. In the past two years, we have aggressively augmented our workforce by adding new competency mixes to our clinical staff. We have hired Vocational Rehabilitation Counselors who bring to service delivery knowledge and experience in clinical skills and case management techniques.

Additionally, we have hired Employment Specialists who bring an entirely new skill mix to our program's staffs. Employment Specialists act as case managers for employers, advocates for the value of hiring disabled veterans, and workforce consultants to an anxious pool of employers. The positive relationship and role the Employment Specialist plays as the employer's case manager will become increasing more critical in times of economic shifts – upward or downward, but particularly the latter.

Enhanced Technology. Parallel to VR&E's commitment to improving service delivery and performance is our commitment to improving the program's information management and technology infrastructure. VR&E must track a veteran's progress through the phases of rehabilitation and employment for a number of reasons. Most important is for us to be able to respond to the veteran's needs in efficient ways and be able to use the data about program participants for strategic and resource planning.

In September of this year, we completed national deployment of VR&E's new case management information management system, which we call Corporate WINRS. This new case management information system supports field VR&E staff in their case management efforts and assists VR&E managers, case managers and veterans in making well-informed decisions affecting the veterans entitlement to benefits and services. Corporate WINRS also reduces redundant computer-based inputs and facilitates interactive communication between regional offices, out-based staff and veterans.

The power of these themes is derived from the focus on redefining the most important goals and the development of effective strategies, which I will now describe, that lay the groundwork to continue our momentum for improvement.

Corporate WINRS. As mentioned, our new case management information system, Corporate WINRS was deployed nationally in September. In addition to the benefits described earlier, this new technology tool enables us to computerize tremendous amounts of data about program participants, such as benefits data; financial data, including payments to contract service providers; and statistical data that will enhance our ability to make data-driven decisions in the future.

Regulation Rewrite. We have completed a draft revision of the Code of Federal Regulations pertaining to the VR&E program. Our goals in this initiative are to ensure we have incorporated into the regulations all necessary substantive provisions, as well as instructive procedural requirements; to simplify the rules governing our program; and to prepare the regulations in the Reader Focus Writing format. Our next steps in this process include meeting with key stakeholders, as well as VA's Office of the General Counsel, to ensure legal sufficiency. It is our desire to have these draft regulations through the regulatory process by spring 2002.

Case Management Redesign. This initiative promotes three concepts to better serve disabled veterans participating in programs of rehabilitation and employment.

- VR&E will ensure that disabled veterans receive more individualized services based on their needs and will receive these services in a timely manner.
- VR&E will bring its case management services more in-line with the general trends in the field of rehabilitation, whereby clients have a more active role in their rehabilitation programs.
- VR&E is developing a caseload-management tool to assist its field staff to effectively deliver services to the large numbers of veterans in their caseloads.

Following a successful case management demonstration project, we have begun implementing redesigned practices to improve case management and promote effective and efficient service delivery to disabled veterans. These redesigned practices include emphasizing employment at the earliest point in assessing the veteran's need for services, focusing on increasing the veteran's self-sufficiency; and redirecting case managers to veterans who have multiple rehabilitation needs, particularly the most seriously disabled.

Employment Specialist Program. VR&E initiated the Employment Specialist Pilot Project to better serve veterans, meet employers' recruiting and staffing challenges, and demonstrate that program participants are on a track to employment. After studying other rehabilitation organizations, VR&E benchmarked itself against best practices found within the rehabilitation community. Our Employment Specialist Program was implemented and this program has recently received strong endorsement from the Department's VR&E Blue Ribbon Panel of Experts which was comprised of rehabilitation professionals, academicians, key service organization representatives, many of whom testified before the Congressional Commission on Servicemembers and Veterans Transition Assistance.

VR&E's Employment Specialist position adds a new skill and competency mix to the rehabilitation staff that allows for the effective case management of potential employers.

The Employment Specialist Pilot was another success for the VR&E program in Fiscal Year 2000 and the concepts of this program have been deployed nationally. The methodology being used by Employment Specialists includes:

- creating significant market awareness related to the value of employing disabled veterans
- stimulating employer demand for trained disabled veteran-employees to satisfy recruitment, retention, and succession planning strategies
- communicating these career opportunities back to veterans
- target veteran educational and training efforts specifically to meet market and employer demands

Independent Living. Within VR&E's overall focus on meeting the needs of the most seriously disabled veterans, we find that current legislation relating to the number of veterans who may enter programs of independent living jeopardizes our legal standing to serve disabled veterans. Consistent with the aging veteran population and the expansion of rules permitting VA to recognize a variety of disabilities that pose serious health issues, we are finding a rapidly increasing number of veterans eligible for and in need of independent living services.

Under current law, however, the number of veterans to whom the services can be provided is limited to 500 annually. We note that S. 1088 contains a provision that would remove this cap. We would urge the House to support the enactment of this provision which would enable us to provide these needed independent living services.

Increased Access Points. Affording veterans quick, convenient access to information and assistance remains a cornerstone of VR&E's vision. Communications and outreach efforts have already improved access by directing veterans to preferred sources of information. VR&E expanded its definition of access to apply beyond a purely regional office to a more community-based focus. Within the scope of this definition, VR&E staff is being located where veterans need them. Within the past two years, VR&E has created more out-based locations at a variety of access points such as Benefits Delivery at Discharge (BDD) sites and VA community-based outpatient clinics. This has produced more flexible office hours, and has expanded the use of teleconferencing for orientation and group sessions as a means of access to veterans in remote areas.

Additionally, our access strategy applies to information technology as well as staff. Through the use of the Corporate WINRS system for veteran-specific information, the Internet to conduct searches of employment resources such as Department of Labor's America's Job Bank, Talent Bank, and Career Infonet, veterans and staff are connected to an increased amount of valuable information to help them succeed.

These information technology capabilities, coupled with VR&E's new transferable skills analysis tool, which is also Internet based, not only enhances the VR&E staffs' abilities to provide services but also promotes the self-sufficiency concepts prescribed by Case Management principles.

Executive Order 13163. Under the Executive Order, the federal government is asked to increase the number of disabled persons in its workforce over the next several years by 100,000 individuals. Disabled veterans, especially those VR&E serves, represent a valuable resource solution to the recruitment strategies being implemented within all federal departments and agencies. VR&E stands ready to provide well-trained, talented employees to any federal department recruiting under this Executive directive.

VR&E is developing an aggressive strategy and marketing plan to get federal agencies to look at VR&E's program graduates as their first option to fulfill their disabled hiring goals.

Quality Assurance Redesign. Earlier in my statement, I mentioned that in November 1998, we reinstated the Quality Assurance program. The first stages of the reinstatement have been well tested. Now we are examining ways to improve the review process, determining if any additional elements or service delivery activities need to be reviewed, such as accuracy of outcome decisions, and we are improving our data collection and retrieval mechanisms. We expect to have identified areas for improvement in place by the first review process in late November of this year.

Financial Activities. One area of our business most in need of streamlining is the process VR&E undertakes to purchase routine goods for veterans participating in training as part of their rehabilitation and employment plans. VR&E is collaborating with the Department of Treasury to pilot test the use of debit cards for certain financial activities. We believe use of the debit card will facilitate the purchase of routine goods, services, or supplies, such as books or payment of tuition and fees, without the handoffs and delays that currently occur between the veteran, the VR&E staff member, the training facility, and supplier. We expect to begin pilot testing the use of debit cards sometime this fall or early next year.

Leveraging Partnerships. VR&E is dedicated to establishing strategic partnerships with other government agencies, employers, employment services providers, and educational and training institutions to improve the percentage of veterans who achieve rehabilitation and attain suitable employment. Strong networks and linkages with professionals outside the VR&E program greatly enhance our ability to meet the needs of disabled veterans and decrease the time it takes for a veteran to become employed. It also is an efficient and effective way for staff to expand its knowledge on a variety of issues, including new developments in vocational rehabilitation, training, labor markets, and comprehensive employment services.

One of our greatest partnering opportunities is with the Department of Labor. In order to improve effectiveness of this partnership, VA and DoL have jointly conducted training for our staffs that capitalize on the principles of case management, employment services, job placement, and the shared desire to see veterans rehabilitated with suitable employment. Additionally, we have met with DoL to discuss our shared data needs, especially as they relate to measuring outcomes. This partnership is not only necessary, but also enhances our ability to mutually understand the complex needs of disabled veterans and the issues implicated in the conceptual goal that veterans participating in the VR&E program are considered rehabilitated only when they get and keep a suitable employment.

We realize there are challenges ahead of us and VA's Vocational Rehabilitation and Employment Service is anxious to work with the incoming leadership at DoL's Veterans Employment and Training Service to ensure that we collaborate to achieve the highest level of service we can provide to disabled veterans.

Additionally, consistent with Public Law 106-50, we, along with VA's Office of Small and Disadvantaged Business Utilization and the Small Business Administration, are strengthening our support to disabled veterans who are seeking self-employment opportunities.

Economic Impacts. Beyond the obvious economic damage of September 11, 2001 - the stock-market plunge, airline layoffs and the heightened risk of recession - is another threat: an end to the late-1990s era of low unemployment. On October 5, 2001, DoL released its monthly employment report for September, which reported the unemployment rate remained at 4.9%, the same as in August. But the report was based on surveys taken before the wave of post-Sept. 11 layoffs. And, even the report's earlier data suggest a considerable weakening of the labor market, pointing to higher joblessness in the future - a challenge for VR&E's program participants who benefited from the late-1990s boom. Businesses cut payrolls by 199,000 in September, the biggest monthly cut of jobs since February 1991, during the last recession. Since January, payrolls have fallen by 800,000 persons.

To address these emerging issues, we are convening a symposium of experts from the fields of rehabilitation, economics, commerce, labor and employment to help us develop both short- and long-term strategies to address any future fluctuations in employment and the economy. It is our goal to develop strategies both from the rehabilitation perspectives and from the standpoint of projected employment opportunities.

Many of the initiatives described today, particularly our Access initiative, are being implemented in effective ways due largely to the flexibility created by the authority granted us to transfer funds from the VR&E Readjustment Account to the General Operating Expense Fund. Aligning resources consistent with best

service delivery models allows staff in the field offices the ability to increase or decrease dependency on contract service providers.

Mr. Chairman, I would like to end my testimony by again expressing VA's commitment to meeting not only the needs of the current population of disabled veterans, but also the needs of future disabled veterans. With these uncertain times, I can assure you that the program stands ready with a cadre of experienced, concerned and dedicated counseling staff to serve America's veterans and their families particularly in areas of grief counseling and crisis counseling. We have been there for past tragedies to serve in whatever role we are needed, and we confirm to you, the Subcommittee, and the rest of America our readiness today to do the same.

Thank you, Mr. Chairman and I will be pleased to answer any questions you or other members of the Subcommittee may have.

STATEMENT OF CHARLES S. CICCOLELLA
DEPUTY ASSISTANT SECRETARY FOR
VETERANS' EMPLOYMENT AND TRAINING
BEFORE THE
VETERANS' AFFAIRS COMMITTEE
SUBCOMMITTEE ON BENEFITS
U.S. HOUSE OF REPRESENTATIVES

OCTOBER 30, 2001

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before you to comment on the General Accounting Office's (GAO) report, "Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Service to Veterans" (GAO-01-928). Your letter of invitation specifically requested testimony on two sections of the GAO report - Matters for Congressional Consideration and the Recommendations for Executive Action. In addition, you requested an update on the Department's coordination of services for disabled veterans within the Department of Veterans' Affairs' (VA) Vocational Rehabilitation and Employment (VR&E) services.

The Veterans' Employment and Training Service (VETS) takes seriously its responsibilities under Title 38 of the United States Code to provide maximum employment and training services to America's veterans throughout the public labor exchange while ensuring priority of service to veterans is maintained. 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 veterans as we have adjusted to the new service delivery environment resulting from the 1998 enactment of the Workforce Investment Act (WIA). During this period, VETS has worked closely with the Employment and Training Administration (ETA) to review and consider a number of possible solutions to some very complex issues. Every effort has been made to align VETS performance measures with those of WIA and the United States Employment Service making it easier for service providers to achieve our mutual goal of integrated employment and training services through the One-Stop service delivery system.

I would like to assure you that this Administration is committed to working with the Congress in addressing any question or issue, including legislation, impacting on the employment and training needs of America's veterans. We are looking forward to working with you, with our state partners, the Veteran Service Organizations and all others interested in improving employability and the delivery of quality services to veterans, particularly those veterans with barriers to employment. Equally important is the need to carry out this mission with the unwavering support of all our stakeholders.

Stakeholders' support can only be born out of their confident belief that VETS is responsive to their concerns and welcomes their contributions to building more effective employment and training service delivery to America's veterans. This credibility can only come from an increased willingness on our part to be held accountable to the highest possible standard of

service.

That is what President Bush and Secretary of Labor Chao have charged VETS to do. I pledge to you our commitment to do just that.

In response to the questions for which you specifically requested testimony, I offer the following:

1. Matters for Congressional Consideration

The GAO report states that Congress should 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 . . . Congress should consider revising [T]itle 38 to":

- *Provide states and local offices more discretion to decide where to locate DVOP and LVER staff and to provide states the discretion to have half-time DVOP positions;*

We agree that states and local offices should have more discretion to determine the locations of DVOPs (Disabled Veterans Outreach Program specialists) and LVERs (Local Veterans' Employment Representatives). We must, however, also remain mindful of the work and cost-related factors which can impact on those assignment locations. For instance, the distance from military bases can affect the delivery and cost of providing separating military personnel Transition Assistance Program (TAP) services. The coordination and transfer of Vocational Rehabilitation and Employment clients to local offices for employment assistance may require outstation assignments at the VA. Further, the assignment of DVOPs and LVERs at locations with a minimum number of veteran registrations may not be cost effective.

With limited Wagner-Peyser resources and increased emphasis on outcomes, there is a temptation by local office managers to use DVOPs and LVERs to serve the general applicant population in order to increase the number of all applicants who enter employment. VETS believes this may de-emphasize services to the veterans most in need of the DVOP's and LVER's assistance. The DVOP and LVER positions are funded to provide a public safety net for those veterans having extensive employment barriers and requiring more time and assistance in finding jobs. The intensive support offered to veterans targeted by our specialists may, however, contribute to a perceived low level of positive outcomes because it can often result in fewer numbers to report. We do understand states' dilemmas and want to work with them toward finding win-win solutions. In keeping with the original intent and mission of the DVOP and LVER programs, we must also assure priority in the provision of all levels of service required by veterans.

In practice, VETS has found it is difficult to ensure that funds provided for half-time LVER positions are used proportionately in serving veterans and non veterans. For example, findings during local office evaluations indicate that veterans are served at a disproportionately lower level than non veterans in offices with half-time LVERs. This practice has caused a strain in the relationship between Federal and state staff. We believe the same problem would exist for half-time DVOPs. In fact, VETS has disallowed costs to several state agencies using full time DVOPs

to serve non veterans. This situation would be further exacerbated with half-time DVOPs. Therefore, the best model may be a part time position. Further, the excessive use of a LVER or DVOP for the service of non veterans may erode the level of expertise each has in serving veterans and may result in a reduced level of service to veterans, particularly disabled veterans. Thus, VETS maintains that a DVOP or a full time LVER should be used to serve non veterans only under exigent circumstances where the benefit of the service provided is clearly demonstrated.

VETS is aware of the pressures faced by many local employment offices as they address the growing demands of those seeking employment services. To that end, we agree that greater latitude is needed to allow state specific grant negotiations for funding part time DVOP personnel in rural or sparsely populated areas.

- *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;*

Congress' legislative mandate to protect veterans' priority, a mandate that we believe has been achieved primarily through LVERs and VETS' oversight of local operations, does need to be examined relative to the service delivery environment in which we operate. The roles and responsibilities of staff serving veterans should not be narrowly prescribed in law. The specialized services that DVOPs and LVERs provide to the different categories of veterans with unique needs, however, must be preserved.

We would be receptive to exploring with Congress several different approaches to determine how best to fit DVOPs and LVERs into this new service delivery environment. However, the original intent of the DVOP and LVER programs needs to be continued. The DVOP function is to provide intensive employment and training services that help support those veterans with disabilities, including homeless veterans. The LVER purpose is to ensure that priority of service to veterans, particularly those who are recently separated from the military, is maintained by the local public labor exchange. Both functions are essential to serving veterans in the 21st century employment and training environment even with the increased reliance on self-service as a method for accessing these services. It is, therefore, critical that VETS, the Congress, and the states continue to work in partnership to determine the specific roles and performance outcomes for these positions.

- *Combine the DVOP and LVER grant programs into one staffing grant to better meet states' needs for serving veterans;*

In theory, one staffing grant for the DVOP and LVER programs appears to be a sound business model. However, the devil is in the details. Combining the two grant programs could have undesirable consequences. A combined grant, for example, would allow states to shift funds between programs which would impact on who is being served - those veterans needing intensive

services or those veterans requiring basic labor exchange services. DVOPs and LVERs, as originally intended, perform separate functions, each requiring a different skill set. DVOPs need to employ social service, rehabilitation and assessment skills. LVERS are facilitators, who ensure veterans receive priority for Wagner-Peyser services. Combining the grants could have the effect of displacing these intended functions; thus eroding states' ability to deliver these distinct services to those veterans most in need and diluting priority of service.

We are open, however, to discuss and find the best model possible in the provision of employment and training services to 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;*

VETS agrees that the prescriptive nature of the current statute is problematic. In particular, it has meant that VETS' local office reviews have focused on checklists and corrective action plans when problems were identified. In an effort to move away from the prescriptive statute, VETS will focus on outputs instead of process.

In that regard, we are developing new monitoring procedures and tools which emphasize two way communication and stress training, teamwork, and the building of staff and system capacity. New grants management training is being developed for Federal staff to reinforce these concepts. VETS also is in the process of conducting an evaluation of the unmet needs of unemployed veterans in order to help identify ways to improve the services provided to veterans by DVOPs and LVERs.

We welcome the opportunity to assist in the effort to change the law so this agency has the flexibility to improve administration and oversight of the DVOP and LVER grants. It is essential that VETS work more closely with our state partners to resolve problems and create new opportunities for services.

- *Eliminate the requirement that VETS report to Congress a comparison of the job placement rate of veterans to non veterans;*

We completely agree with this recommendation. It is consistent with VETS' new proposed outcome measures for the public labor exchange, and consistent with the Workforce Investment Act. These new measures become effective July 1, 2002. In addition to these state performance measures, VETS is working on new prototype performance standards for DVOPs and LVERs to be implemented in FY2003. These measures can be used by states when analyzing their performance and preparing their appraisals. Both measures should result in better performance

and accountability of our state partners in the provision of service to this nation's veterans.

- *Eliminate the requirement that VETS report on the Federal Contractor Job Listings;*

This requirement, to report annually the number of "contractors listing suitable employment openings ," should be eliminated.[1] Doing so will also eliminate the requirement in 38 U.S.C. § 4104(b)(6) for LVERs to monitor Federal Contractor listings and referrals to Federal Contractor jobs. The information currently reported on the VETS 100 Report by Federal Contractors under 38 U.S.C. § 4212(d), however, is used by DOL's Office of Federal Contract Compliance Programs to ensure employers are taking affirmative action to hire veterans and should be retained.

It should be noted that, after reviewing public comments on our proposed performance measures, VETS eliminated the Federal Contractor criteria from its measures of performance.

2. Recommendations for Executive Action

- *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;*

VETS published its proposed performance measures in the Federal Register in May 2001, and we expect to publish the Final Notice by the end of the first quarter of FY2002 (December 31, 2001). The new performance measures will significantly improve the way base levels of performance are established as well as the way in which performance outcomes of the state public labor exchange system are determined, measured and evaluated. The new measures also parallel our goals in VETS' draft FY 2003 Annual Performance Plan.

Starting in the second quarter of FY 2002 (January 1, 2002), VETS will negotiate with states to establish levels of expected performance for FY 2003. These goals, and how the states intend to achieve them, will be part of each state's grant application process. Satisfactory performance will be determined by the new reporting system jointly developed by the Employment and Training Administration (ETA) and VETS.

- *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;*

Because a performance measurement system is dependent on performance expectations and

[1] 38 U.S.C. § 4212(c).

consistent with GAO recommendations, VETS is partnering with states to develop appropriate performance measures for the DVOP and LVER grants to more accurately measure outcomes of services. As I mentioned previously, VETS also is developing prototype performance standards for the DVOP and LVER positions. We believe these prototype standards are absolutely necessary and that they will provide a useful guide for the states in establishing performance standards for their DVOPs and LVERs.

The GAO expressed continuing concerns about VETS' ability to collect data from the states for determining the effectiveness of DVOPs and LVERs. In response to those concerns, VETS and the United States Employment Service (USES) are working to develop data collection strategies supporting the newly proposed performance measures for joint use. For example, during FY 2001, VETS and USES introduced a new performance reporting system based on Unemployment Insurance wage records, a data source which will provide significantly more reliable information and eliminate duplicate data collection efforts.

- *Implement a performance management system for state grantees that provides incentives for meeting goals and penalties, beyond corrective action plans, for not meeting goals;*

Incentives and sanctions are both important to improve performance. However, current monetary incentives are not possible because DVOP and LVER grants are fully used to support staff positions. Nevertheless, VETS, with the assistance of our state partners, is investigating other forms of incentives to recognize good performance or to impose sanctions when performance is consistently unsatisfactory. VETS plans to test these new ideas for incentive measures during FY 2002. For example, one idea we are exploring is those states exceeding their negotiated performance measures would not be subject to our recapture of unobligated funds and would retain those funds to enhance the program and/or to support additional staff positions. Another idea is to change the criteria for awarding Veterans' Workforce Investment Program (VWIP) state grants to include bonus points for those state applicants that exceeded their negotiated performance measures. These points will be added to their numerical score on their VWIP grant application.

- *Update oversight guidelines and improve staff training to ensure consistent monitoring of DVOP and LVER programs in one-stop centers;*

VETS is committed to striking the appropriate balance between its legislatively mandated requirements and the need for states to operate their programs in the best interest of their citizens and the state labor market. We believe the key to maintaining this balance is effective communication and interaction between our Directors for Veterans' Employment and Training (DVETs), state and Federal partners and the DVOPs and LVERs. The Department of Labor, ETA and VETS are committed to working together to develop joint solutions to address the challenges of this new workforce system.

This will not only help better gauge accountability of state programs, but also will assist those

states that are not performing well by helping them become more productive and clarifying technical issues regarding grant compliance. VETS will develop a communications strategy and require DVETs to report what is being accomplished without compromising each state's supervisory structure or breaking existing chains-of-command protocols.

We have already begun this effort by inviting states to participate in a newly developed *Licensing and Training Certification Course*, which will help provide DVOPs and LVERs the skills and resources to better assist veterans. VETS also is developing a new grants management course at the National Veterans' Training Institute. This training course will focus on technical assistance, communication, negotiating, capacity building and team building skills. The application of these skills will be incorporated into our field staff's performance standards. In conjunction with the new course of instruction, VETS will publish a new grant review guide based on the concepts contained in the ETA grants management training guide.

3. Update on the Department's coordination of services for disabled veterans within the Department of Veterans' Affairs' Vocational Training and Rehabilitation program.

Service jointly provided to disabled veterans by the VA's Vocational Rehabilitation and Employment (VR&E) program and VETS has steadily improved since the two agencies signed a Memorandum of Understanding (MOU) in 1995. Under this cooperative initiative, VETS and VR&E partner in training initiatives, information exchanges and problem solving. Teamwork is the hallmark of our efforts towards reaching the mutual goal of successful job placement and adjustment to employment for disabled veterans without duplication, fragmentation or delay in the services provided.

Of particular note is the recent joint development and issuance of the VETS/VR&E Partnership Operating Guide and three iterations of follow-on training provided to hundreds of staff completed last year. VETS and VR&E continue to aggressively focus on improved cooperation, coordination, and measurable interaction on behalf of disabled veterans enrolled in the VR&E program. As a result of this inter-agency initiative, 72% of referred and registered VR&E clients at public labor exchange offices nationwide entered employment through the 3rd quarter of FY 2001.[2] This is more than a 100% improvement over job placement results in this program at the start of our expanded partnership.[3]

In conclusion, America's veterans have earned the highest quality programs and services the government can deliver. VETS appreciates the constructive evaluations by the Congress and the GAO. The Department of Labor is committed to continuous improvement in all aspects of our

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[2]Compilation of Local Veterans' Employment Representatives Managers' reports through the 3rd Quarter for FY 2001 show, of the 4,038 VR&E clients registered, 2,897 (72%) entered employment.

[3]Compilation of Local Veterans' Employment Representatives Managers' reports for FY 1996 show, of the 5,631 VR&E clients registered, 1,863 (33%) entered employment.

mission to reduce unemployment and underemployment among veterans. We look forward to working with the GAO and Congress in addressing these issues. I welcome any questions that the Chairman or Members of the Subcommittee may have.

United States General Accounting Office

GAO

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

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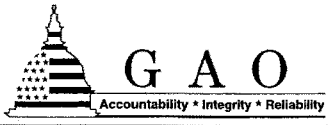
VETERANS' EMPLOYMENT AND TRAINING SERVICE

Greater Flexibility and Accountability Needed to Better Serve Veterans

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



GAO-02-192T

Mr. Chairman and Members of the Subcommittee:

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

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

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

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

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

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

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

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

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

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

Background

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

VETS provides states with grants for DVOP and LVER staff according to the formula outlined in the law.[3] The grant agreements include assurances by states that the DVOP and LVER staff members serve eligible veterans exclusively. Under federal law, all employment service staff[4] must give priority to serving veterans, and the assignment of DVOP and LVER staff to local offices does not relieve other employment and training program staff of this requirement. The law prescribes various duties to DVOP and LVER staff members that are intended to provide veterans with job search plans and referrals and job training opportunities.

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

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

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

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

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

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

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

Veterans Receive Priority Service, but Effectiveness of Service Is Unknown

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

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

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

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

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

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

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

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

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

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

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

VETS Does Not Adequately Manage DVOP and LVER Grants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

States are also constrained when it comes to deciding what DVOP and LVER staff members do and whom they serve. The law specifies the separate duties for DVOP and LVER staff, although we found that they generally performed similar duties. Furthermore, DVOP and LVER staff members may not serve certain individuals who may qualify for veteran services under other employment and training programs. The law governing the DVOP and LVER programs defines veterans eligible for employment assistance more narrowly than WIA or VETS for its other veterans' activities. Because of this more restricted definition, DVOP and LVER staff are not allowed, for example, to serve veterans who were on active duty for 180 days or less, and they are not permitted to serve Reservists[8] or National Guard members.

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

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

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

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

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

Conclusions and Recommendations

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

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

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

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

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

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

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

GAO Contact and Staff Acknowledgments

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

United States General Accounting Office

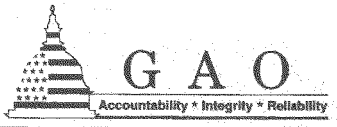
GAO

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



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

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.

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.

6

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-01-580, 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

STATEMENT BY REX HALL
CHAIRMAN
NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES'
VETERANS' AFFAIRS COMMITTEE
AND
ASSISTANT DIRECTOR, DIVISION OF WORKFORCE DEVELOPMENT,
MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE OF VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS

OCTOBER 30, 2001

My name is Rex Hall. I am Assistant Director of Program Operations with the Missouri Department of Economic Development, Division of Workforce Development, and Chairman of the National Association of State Workforce Agencies' (NASWA) Veterans' Affairs Committee. NASWA is the national organization of state officials responsible for workforce security and workforce development services. We administer the nation's employment service, veterans' employment and training programs (Disabled Veteran Outreach Program (DVOP)/Local Veteran Employment Representative (LVER)), unemployment insurance laws, labor market information programs and, in almost all states, job training or workforce development programs. In most states, we are also responsible for coordinating workforce development one-stop centers, and play an important role in welfare-to-work services. Our members are the lead officials in implementing the Workforce Investment Act which Congress passed in August 1998.

It is a pleasure to be asked to testify before you today. Over the past two years, our organization has testified before this subcommittee, and staff from our national organization have participated in the numerous working sessions sponsored by the subcommittee in which we reviewed and provided comments on legislative language. In addition, the subcommittee staff have met with the state members of the NASWA Veterans' Affairs Committee to discuss various legislative and related program issues.

On behalf of the states, we wish to commend the subcommittee for examining the veterans' employment and training issues. In particular, we appreciate the time and effort that Mr. Kehrer and Mr. Houchins have spent in responding to our questions and concerns. Both have made themselves available for numerous meetings and conference calls with our staff.

We wish to commend the House Veterans' Affairs Committee for requesting the General Accounting Office (GAO) to conduct a review of the efficiency and effectiveness of the U.S. Department of Labor's administration of the DVOP and LVER programs. Let me state up front that the state workforce agencies are committed to providing this nation's veterans with quality employment and training services to assist them in transitioning from military service to the civilian workforce. We want to work with our federal partners, the U.S. Department of Labor's Veterans' Employment and Training Service (USDOL/VETS), in meeting this commitment.

The publicly funded workforce system has undergone a great deal of changes since the passage of the Workforce Investment Act in 1998. WIA passed by a wide bipartisan majority in part because it was designed to permit communities and states to build a workforce investment system that respects individual choices, reflects local conditions, and results in increased employment, retention, and earnings of participants, and increases occupational skills attained by participants.

The DVOP and LVER programs are delivered through Employment Service/One-Stop Career Centers that were codified under the Workforce Investment Act. WIA made changes in the way in which employment and training services were delivered to employers and jobseekers. As the GAO report states, Title 38 "has not been updated to reflect the recent changes in the employment and training service system introduced by WIA." We believe that it is now time to make changes to Title 38, Chapter 41, and the federal oversight of the DVOP and LVER programs.

The NASWA Veterans' Affairs Committee met with GAO officials and identified many of the findings in the report that face states in the delivery of the DVOP and LVER programs. In addition to these discussions, GAO interviewed state workforce agency officials in 30 states and conducted on-site visits in five states.

NASWA agrees with many of the findings and recommendations in the GAO report. Some of the findings require legislative fixes, but others can be addressed by changes in policy by USDOL/VETS and changes in the grant agreements. I recently had an opportunity to meet with the new Bush Administration officials that are responsible for these programs. These officials indicated a willingness to meet with the states and discuss ideas states have to improve the DVOP and LVER programs. We are looking forward to working with the Administration, Congress and the Veteran Service Organizations (VSOs) in developing legislation to address the statutory needs. Moreover, we stand ready to meet with the Administration in addressing many of the policy-related and administrative grant issues that can be updated and improved.

GAO Recommendations for Congressional Consideration

The GAO report's major conclusion is that the prescriptive nature of Title 38 creates a one-size-fits-all approach for service delivery. 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. NASWA agrees with this conclusion.

The GAO identified several revisions to Title 38 that Congress should consider. In particular, NASWA agrees that Congress should consider revising Title 38 to:

- Provide states and local one-stops more discretion to decide where to locate DVOP and LVER staff and provide states the discretion to have half-time DVOP positions;
- Allow USDOL/VETS and states the flexibility to better define the roles and responsibilities of staff serving veterans instead of including these duties in the law;
- Provide USDOL/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 USDOL/VETS report to the Congress a comparison of the job placement rate of veterans with that on non-veterans;
- Eliminate the requirement that USDOL/VETS report on Federal Contractor Job Listings (FCJL); and,
- Make the DVOP and LVER grant funding cycle consistent with that of other employment and training programs.

This past spring, USDOL/VETS published several new measures for the Veterans' Employment and Training Programs for public comment in the Federal Register. NASWA provided comments on these proposed measures and in our comments, we stated that the proposed measures are an improvement over the current performance accountability system because for the most part, the measures focus more on what programs achieve and less on the number of services provided by staff serving veterans.

As suggested by GAO, the proposed measures remove the requirement to compare the level and associated service outcomes provided to veterans with those provided to non-veterans. There appears to be some attempt to more closely align the proposed measures with the recently released Wagner-Peyser measures and some of the Workforce Investment Act measures. Unfortunately, the proposed measures maintain the FCJL measure, and in our comments, we recommended that this measurement be eliminated. We strongly urge Congress to include new measures in any re-write of Title 38.

The inconsistency of the DVOP and LVER grant funding cycle with other employment and training programs has caused a great deal of problems for states. By way of background, unlike most other Labor Department programs under the Workforce Investment Act, which receive their funds on a program year cycle (July 1-June 30), the DVOP and LVER programs are funded on a federal fiscal year cycle (October 1-September 30). This has caused difficulties for states, especially in the past few years with the delay in enactment of a final appropriations bill. Because these grants are staffing grants, the delay caused extreme problems in many states last year when final funding notification was not provided until mid-January, nearly 14 weeks into the fiscal year. Many states' grants had significantly changed from the previous year and this late notification caused major program upheaval for states which were forced to lay off staff and/or find jobs for veterans staff that they could no longer afford to fund.

The above problems could be largely avoided if the DVOP/LVER grant was awarded to states on a program year cycle, like most other federally funded programs under the Workforce Investment Act. In addition, provisions to allow for a two-year carryover would greatly assist states in managing this program.

We would like to take this opportunity to thank the Chairman and Ranking Member of the House Veterans' Affairs Committee for writing to the Chairman of the House Appropriations Committee and the Director of the Office of Management and Budget (OMB), asking that the DVOP and LVER programs be switched to the program year funding cycle. We are hopeful that this change will be proposed in the President's FY 2003 budget request.

Recommendations for Executive Action

The GAO recommended that the Secretary of Labor establish more effective management and monitoring of the DVOP and LVER programs. In general, NASWA agrees with these recommendations which direct USDOL/VETS to:

- Specify performance goals and expectations for serving veterans and allow states the flexibility to present a plan for how states 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.

We think it is important to note that USDOL/VETS can and has proposed a new performance measurement system for the DVOP and LVER programs. However, until Title 38 is changed and updated, by law, USDOL/VETS must require states to report on various measures that do not make sense in today's one-stop environment. It is imperative that the statutory changes are made also.

GAO found that USDOL/VETS' oversight of the DVOP and LVER grants is inadequate. We believe that the federal oversight of these programs is too focused on process issues and overly burdensome grant requirements. We agree with the GAO finding that USDOL/VETS' federal monitoring effort, which includes on-site evaluations at every local office, is often unproductive and redundant with other one-stop monitoring done by the states. Moreover, 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.

The time and effort that state workforce agencies spend on administering the DVOP and LVER grant is far greater in relative terms than all other workforce programs. In particular, USDOL/VETS has instituted a quarterly recapture process that creates a great deal of problems for states and results in an inordinate amount of time spent on the grant process. NASWA strongly recommends that USDOL/VETS eliminate this quarterly recapture process and provide

states with a full year's worth of funding, with up to two years to spend any carryover funds. In order to protect small states, we recommend that USDOL/VETS institute a hold harmless clause that provides these states with funds that allow them to maintain a minimum number of staff to operate a program.

Conclusion

In summary, NASWA agrees with most of the findings and recommendations made in the General Accounting Office report. We look forward to working with Congress, the Administration and Veterans' Service Organizations in addressing the issues identified in the report, and believe that the changes will result in improved services to this nation's veterans.

The world of the publicly-funded workforce development system is an ever-evolving environment. Title 38, Chapters 41 and 42, which established the veterans' employment and training system, were written over a quarter century ago when one-on-one service was the norm and programs were funded at a level that allowed for this type of personal service for all jobseekers. Legislative and prescriptive service delivery systems which are outmoded and outdated must change if we truly want to provide our customers with the most efficient and convenient services that focus on their current and future needs.

On behalf of the states, we commend the subcommittee for conducting an open process in gathering input on these programs. We appreciate the opportunity to testify before this committee and look forward to continuing to work together in developing comprehensive legislation that truly brings the veterans' employment and training programs into the 21st century. I would be happy to answer any questions.

TESTIMONY FOR THE U.S HOUSE OF REPRESENTATIVES
COMMITTEE OF VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS

STATEMENT BY ROGER B. MADSEN
DIRECTOR
IDAHO DEPARTMENT OF LABOR

OCTOBER 30, 2001

Mr. Chairman and Members of the Subcommittee:

My name is Roger Madsen. I am the Director of the Idaho Department of Labor, a position I have held since January 1995. Our Department is the grantee for the Local Veterans' Employment Representative (LVER) and Disabled Veterans' Outreach Program (DVOP) programs in Idaho as well as the Employment Service, Unemployment Insurance program and other programs of the Workforce Investment Act. While not a veteran, I am a deeply committed veteran's advocate and former chair of the NASWA Veterans' Affairs Committee. I bring greetings, Mr. Chairman, from our friend Kent Phelps in our Blackfoot office. You may be aware that Mr. Phelps recently received a national award from the American legion for his exceptional service to veterans.

Thank you for this opportunity to speak briefly about our programs for veterans and the contributions veterans are making to our communities and our state. These veterans' programs, developed in the 1970's and 1980's, met the needs of the nation at a time we were bringing Vietnam veterans home to an unwelcoming society. The world of work was based on long term employment, where an entry level job was a ticket to a career and skills were good for a lifetime. Today the effective lifespan of a technical skill is frequently only about eighteen months and, in some fields, five years on a job is considered stagnation. Today's service members and veterans have the technical skills and the work ethic needed to succeed in this world of work. What we do not have is a career development program for those veterans that allows us the flexibility to respond to rapid economic changes and the demands of business.

We have reviewed the General Accounting Office report to the committee concerning the veterans employment and training service and agree with many of their findings.

We recommend the following:

1. I join with many others in asking the Congress to fund the Local Veterans Employment Representative and Disabled Veterans Outreach Program grants at a more reasonable level and on a Program Year rather than Fiscal Year cycle. These grants are currently the only Department of Labor Employment and Training programs funded on a Fiscal Year cycle. Since all reporting on these programs is done on a Program Year cycle, it is difficult to match funding and performance data to accurately represent the return on investment for this program. I wish to express my appreciation to the committee, especially Mr. Smith and Mr. Evans, for your letters of support for this proposal. We also appreciate the proposed two-year carry over provision and the hold harmless provision that will allow small states like Idaho to stabilize staffing plans and provide consistent and reliable service to our veterans.

2. Allow veterans' representatives to be cross trained and provide to veterans the full range of services available in the one-stop. One of our biggest challenges is integrating veterans' services into our one stop environment. The current restrictions regarding the types of services LVER and DVOP staff can and cannot provide, for example, the prohibition against providing any unemployment insurance services to veterans, make it nearly impossible for veterans staff to be fully integrated into the one stop environment, although they very much want to be. They can see the future, but they cannot fully participate in it. In addition to being a disservice to our veterans' staff, it is a definite disservice to the veteran customers. While other customers may have their employment and unemployment insurance needs met by one individual, the veteran customer cannot. From a customer perspective, this is hardly seamless service. From an organizational perspective, this is hardly cost effective. The single most effective change to national policy that could be made is to relieve these restrictions on the types of services that an LVER or a DVOP can provide to a veteran.

3. Remove unnecessary restrictions and allow states greater discretion, flexibility and accountability to design, administer and operate veteran's programs in the way most

effective in each state. Specific duties, management structures and staffing plans should be the responsibility of the state organization and not described in law, federal regulation or grant agreements. For example, the current law requires that LVER and DVOP staff be directly supervised by the Manager of the Service Delivery Point. This is overly restrictive, and impedes the operational design of the One-Stop. We would also suggest that the law requiring that all DVOP positions be full time and that LVERs may be only half or full time restricts the state's ability to maximize the use of these professionals to best serve our veterans. Increased flexibility in the use of veterans' resources would allow a small state like Idaho to maximize the return on investment and the service to our customers with the limited LVER and DVOP funds provided. Again, we feel that it is our responsibility to meet the needs of Idaho's veterans and businesses, but we must have the flexibility to move staff and resources to address the changing nature of those needs. For example, at our office in McCall the area's unemployment rate is forecast at 7.6 percent, in a community in a very remote location. Nearly 20 percent of all registered applicants in that office are veterans. Yet, we must request a waiver of the law to post a half time veterans' representative there because fewer than the 350 veterans mandated for a half time position are registered. We are now told that this waiver may no longer be allowed. If that is the case, those veterans will lose a resource they have come to trust at a time when they need help from the government they served. As you know, Mr. Chairman and members of the Committee, like many rural areas of our nation, much of rural Idaho has been in a recession for several years with many counties having unemployment rates in double digits. The Department of Labor has focused other resources on these communities, but the veterans' program has been restricted by outdated legislation and uncertain funding.

4. Simplify the myriad of definitions and categories of veterans to allow dedicated veterans staff to help anyone who has served in the military, including that nearly one-half of the nation's fighting force in Reserve or National Guard units, as well as those service members within one year of the completion of their military obligation.

5. Fund the employment program for veterans similar to other employment programs, with similar definitions for program and administrative costs. Under the current law, only the direct salary and benefit costs of the front line staff are allowable as program costs. All other expenses, including even the cost of maintaining space for an L.V.E.R. in an office, are considered administrative expenses and are tightly controlled and monitored. Should the veterans grants assume the funding model of the workforce investment act, all costs associated with directly serving veterans would be program costs and true administrative staff and technical services costs would be overhead. This would simplify reporting and reduce reporting costs. The current funding structure allows for little or no time for planning, often leaving us in the position of reacting to Congressional budgetary decisions after the fact. Additionally, VETS' recapture and modification process serves their purposes well in insuring the full expenditure of their allocated funds, but leaves the states bearing all the risk with no opportunity for reward. The majority of these funds are for staff costs which cannot be increased or decreased quickly without a serious impact on the performance and credibility of our program.

6. Task the U.S. Department of Labor with developing meaningful performance measures and allow each grantee to propose a service plan to address those measures as they apply in the local area. In our response to VETS proposed performance measures, we commended VETS for aligning their measures with those proposed by the Employment Service. We find the measures of entered employment and retention to be meaningful when taken in context of the economic conditions that exist at the time they are measured. We find the proposed measure on the listing of openings by businesses with federal contracts to be unnecessary and non productive. We feel that it is our responsibility to help every veteran secure a job that meets his or her needs and skills and to help each employer in our state find and maintain the workforce necessary to be productive and profitable. We offer every business in Idaho a range of services to assist in solving employment and training related challenges. We would welcome the opportunity to partner with VETS to help businesses understand how the skills and work ethic of our veterans can be a part of those solutions. We do not see how it is appropriate for the U.S.

Department of Labor to task us with the enforcement of their affirmative action regulations.

7. Eliminate the duplicative federal review of each service delivery point. While we have a good relationship with the V.E.T.S. Director in Idaho, her local office reviews rarely find issues our management staff were not already addressing. These reviews are an unnecessary level of federal oversight that, last year, consumed 24 weeks of her time and resulted in one minor finding.

8. The G.A.O. report recommends combining the LVER and DVOP grants into a single grant. While we see the administrative advantages for this consolidation, we are concerned that the total funding and the total number of veterans' representatives available may well be reduced under such a plan. We would ask that, if a single grant program is adopted, a financial guarantee be included so states can maintain the stability and flexibility necessary to be effective.

As you know, Mr. Chairman, we in Idaho respect and appreciate the sacrifice our veterans have made to defend our nation. At the Idaho Department of Labor we have the skills, expertise, community support and dedication to help our veterans find their place in the civilian economy. With your assistance and continued support we will help America keep its promise to its veterans.

Thank you.

TESTIMONY FOR U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS

TERRY O'MAHONEY
COMMISSIONER REPRESENTING LABOR
TEXAS WORKFORCE COMMISSION

October 30, 2001

Chairman Simpson, Members of the Committee, my name is Terry O'Mahoney, Commissioner Representing Labor, for the Texas Workforce Commission (TWC), the agency responsible for workforce employment and training in Texas. I am pleased, and honored, to be with you today to address the General Accounting Office's (GAO) September 2001 report on "Veterans' Employment and Training Service; Flexibility and Accountability Needed to Improve Services to Veterans."

As a former United States Marine Corps Major and Naval aviator, I admire and respect the sacrifices that members of our armed forces everywhere have made in serving our country and we all owe these individuals a debt of gratitude. Ensuring that veterans' needs are addressed is an essential element in honoring that debt, and I commend the Committee for continuing its efforts toward that end.

We in Texas honor that debt as well, and have established a history and tradition of helping veterans. From the early days of Texas to the present, we have taken great pride in serving veterans and have achieved a good deal of success. It is upon that success that we would like to build, and we believe the points identified by the GAO Study will help us do just that.

Through the leadership of then Governor George W. Bush and the Texas Legislature, Texas began reforming the state's workforce system in 1995, a system later used as a model for national workforce reform through the Workforce Investment Act of 1998. The cornerstone of which is local control and flexibility. Texas has 28 Local Workforce Development Boards and over 142 workforce centers which, along with the agency,

comprise the Texas Workforce Network. Each of these local Boards is required by state law to have at least one veteran as a member.

Our customers - the employers, job seekers, and communities of Texas - are in an environment that is constantly moving forward. They are able to access services seven days a week, 24 hours a day. Job orders, applications, job matching and job referral can be done over the Internet. Gone are the days when employers or applicants had to go to the "Unemployment Office" to register and obtain services. It is impressive to see where we are and how far we have come.

Local Boards ensure the delivery of service through integrated One-Stop centers. For the One-Stop center, flexibility is the key to meeting the needs of local employers, job seekers, and the community. Unfortunately, the federally funded Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) programs, provided through the U.S. Department of Labor Veterans' Employment and Training Service (DOL-VETS), are rigid and prescriptive. These programs generally lack the flexibility necessary to meet the demand of today's integrated workforce initiatives.

As established by Title 38 U.S. Code, Chapter 41, DOL-VETS provides the funds for the program to the state, then services are delivered at the local level. However, often it appears the lines of authority, operational management, and expectations are blurred. Moreover, the funding cycle, fiscal operations, and reporting demands makes these grants some of the most closely monitored, staff intensive program in the agency.

I applaud the GAO study and believe the conclusions and recommendations contained therein are valid and worthy of support. From the study and from our experience, the basic foundation for today's workforce structure is a locally controlled, integrated workforce system that is envisioned in the Workforce Investment Act. To be effective and efficient in serving our customers, efforts must be taken to align other federal programs providing similar services toward the WIA model.

To facilitate this move Congress should consider the following six items:

1. GAO - "Provide states and local one-stops more discretion to decide where to locate DVOP and LVER staff and provide states the discretion to have half-time DVOP positions."

   TWC - In short, let the operator decide how to task-organize its resources to meet the local situation. As all of us who are veterans know, the front line is where the action is. The local people are in the best position to assess what is needed and how to get it done.

2. GAO - "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."

   TWC - I believe that roles and responsibilities for the DVOP/LVER positions should *not* be enumerated in law. Inclusion of these items in statute severely restricts those that manage the grant and those that deliver the services. Let us instead give the local level the flexibility to meet the day to day service demands.

3. GAO - "Combine the DVOP and LVER grant programs into one staffing grant to better meet states' needs for serving veterans."

   TWC - As it stands now, a state could be overspent in one program, say DVOP, and under spent in LVER. But, because the two funding streams are categorical and can not be commingled, funds from one can not be used to offset costs in the other. A single funding source would enable more flexibility in staff positions, offer better upward mobility for staff, and enhance total operations by allowing more funds to directly reach the point of services without regard to category. Alternatively, this same objective could be accomplished if states were allowed to expend funds on either staff category as the overall situation dictates.

4. GAO - "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."

   TWC - In the other programs available in the One-Stop, many of which are vastly larger than the DVOP/LVER grants, the state performs the monitoring role and our federal partners provide technical assistance to the state.

   Another grant area I am concerned with is the DOL-VETS staff in the state. I believe the grant for this program and other state-administered services should be used to support state staff and their associated costs in the One-Stop centers, and not to pay for the administrative cost of federal employees.

5. GAO - "Making the DVOP and LVER grant funding cycle consistent with that of other employment and training programs."

   TWC - I know you are already working on this and I want to thank the Chairman and Ranking Member of this Committee for writing the Chairman of House Appropriations Committee and the Office of Management and Budget. Thank you for your efforts on this matter.

6. GAO - "Eliminate the requirement that VETS report on Federal Contractor Job Listings."

   TWC - Other recent GAO studies have also supported this stance. From a state perspective, there is little role for us in this area. A federal entity contracts with a business for goods or services. The contracted entity must file to DOL-VETS an annual VETS 100 report detailing the number of veterans in its workforce. And, another federal agency, the Office of Federal Contract Compliance is charged with monitoring the contractors. It would seem that sufficient mechanisms are already in place at the federal level to satisfy any information needs relating to federal contractors, without requiring states to track the quantity of their job listings.

To further move toward DVOP/LVER program improvement several items in the GAO study were recommended for Executive Action. 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." This would bring the DVOP/LVER program in line with other similar workforce elements and would result in a comprehensive and cohesive approach toward workforce initiatives and service delivery.

"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." I think it should be recognized that DOL-VETS has taken a major first step in this direction with the development of new standards for veteran services. These new standards are similar to those already approved for the Public Labor Exchange and are closely related to those in place for the Workforce Investment Act.

"Implement a performance management system for state grantees that provides incentives for meeting goals and penalties, beyond corrective action plans, for not meeting goals." I wholeheartedly support this recommendation. As pointed out in the GAO study, Texas achieved a veteran Entered Employment rate of 45.8 percent, placing Texas in the top five percentile of all states. Even more important in that ranking is that Texas' 45.8 percent equated to some 56,589 veterans entering jobs through our Texas Workforce Network, or 11 percent of the national total.

This concludes my comments on the specific recommendations contained in the GAO study. I would like to take this opportunity to extend my appreciation to the National Association of State Workforce Agencies (NASWA) and its Veterans' Affairs Committee for its outstanding efforts in working with the House Veterans' Affairs Committee, DOL-VETS, the Veteran Organizations, and the states themselves.

In closing let me add, the tasks that lie ahead are not easy. The DVOP/LVER programs were borne out of a sincere effort to ensure our nations' veterans receive the support and service they so richly deserve. We do not take this obligation lightly. I believe our record and demonstrated performance reflects Texas' commitment and dedication to serve those who have served, and those who continue to serve our country. Even as I affirm our dedication and commitment, I can also assure you that the systems of the past will not meet the demands of the future. I applaud you for recognizing the need for change and I welcome the opportunity to work with you, and all our partners, to develop a structure that enhances and improves services to veterans not only for today, but for tomorrow as well.

I will be happy to answer any questions.

TEXAS WORKFORCE COMMISSION
VETERANS' SERVICES
PERFORMANCE STATISTICS

TESTIMONY OF OCTOBER 30, 2001

The following statistics reflect services provided to veterans via the Texas Workforce Network for the year ending June 2000. This period was the baseline utilized by the General Accounting Office for their study on "Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve Services to Veterans."

CATEGORY	NUMBER ACHIEVED	PERCENTAGE ACHIEVED
Applicants Registered		
Non Veterans	**1,322,720**	
Veterans	**123,651**	
Vietnam Era Vets	**43,214**	
Disabled Veterans	**7,348**	
Receiving Services		
Non- Veterans	**1,086,239**	**82.1%**
Veterans	**121,364**	**98.2%**
Vietnam Era Vets	**42,423**	**98.2%**
Disabled Veterans	**7,323**	**99.7%**
Referred to Jobs		
Non-Veterans	**577,132**	**43.6%**
Veterans	**73,693**	**59.6%**
Vietnam Era Vets	**26,584**	**61.5%**
Disabled Veterans	**5,097**	**69.4%**
Entering Jobs		
Non Veterans	**386,080**	**29.2%**
Veterans	**56,589**	**45.8%**
Vietnam Era Vets	**19,958**	**46.2%**
Disabled Veterans	**3,490**	**53.4%**

In the measured areas, veterans received a higher level of services than non-veterans and disabled veterans received a level of service higher than all others received.

TWC also operates 11 joint sites with the Department of Veteran Affairs (VA) specifically to provide intensive employment support to veterans undergoing Chapter 31, Vocational Rehabilitation and Employment Training. For the performance period, 396 veterans were referred to TWC from VA and 260, or 63 percent, entered jobs at an average starting wage of $11.82 per hour.

Another veteran service area is a joint venture among the Department of Defense (DOD), Department of Labor-Veterans' Employment and Training Service (DOL-VETS), and TWC to provide Transition Assistance Program (TAP) seminars to separating service members and their spouses. TAP seminars were provided to 5,889 military service members and their spouses at 13 military bases in Texas. The seminars, lasting one to three days, provide information on VA benefits, job search techniques, interviewing skills, translation of military duties into civilian job skills, resume preparation, and labor market information.

Additionally, TWC Veterans Training Grant provided an important bridge to civilian employment for those veterans with little or no job skills. The training grant provided veterans with training and placement, including classroom training, on-the-job training and remedial education. Texas was one of only 16 state to receive the grant. For the year, 306 veterans were trained and placed at an average starting wage of $9.21 per hour.

The agency has actively supported efforts to recognize and honor employers, local staff and workforce center operators who have demonstrated excellence in hiring and serving veterans.

Last year:

- the Physically Challenged Services Industry (PCSI) of Fort Hood received the Disabled American Veterans' *National Small Employer of the Year Award*;
- PCSI also won the Veterans' of Foreign Wars *National Small Employer of the Year Award.*
- The Copperas Cove Workforce Center received the *International First Place Employment Center Award* from I.A.P.E.S.
- The Texarkana Workforce Center received the Veterans' of Foreign Wars *Second Place National Award for Employment Centers.*

STATEMENT OF
STEVE ROBERTSON, DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ON
GENERAL ACCOUNTING OFFICE'S REPORT
VETERANS' EMPLOYMENT AND TRAINING SERVICE: FLEXIBILITY AND ACCOUNTABILITY NEEDED TO IMPROVE SERVICE TO VETERANS
AND THE
DEPARTMENT OF VETERANS AFFAIRS' VOCATIONAL TRAINING AND REHABILITATION PROGRAM

OCTOBER 30, 2001

The American Legion deeply appreciates the opportunity to offer testimony today before this Subcommittee. As the author of the original Serviceman's Readjustment Act of 1944 – the GI Bill of Rights -- The American Legion continues to recognize America's obligation to assist veterans in obtaining meaningful employment. As a grateful nation, its lawmakers provide earned benefits to those citizen soldiers who choose to step out of their civilian lifestyle and readily accept the awesome responsibility and challenge of military service. The hardships and sacrifices during military service is well documented. At the end of their honorable military service, these brave men and women warrant a smooth transition back into the civilian workforce.

While in the armed forces, these men and women are trained to fight and win wars. Without question, America's all-volunteer force has changed dramatically due to sophisticated weaponry and technology. Leadership and management skills are taught throughout the rank structure. Fortunately, military training also provides transferable job skills that are highly marketable in the private sector. Recently separated veterans offer many job-related traits attractive to civilian employers:

- ✓ strong work ethic,
- ✓ individual responsibility,
- ✓ experienced teamwork,
- ✓ leadership training,
- ✓ resourcefulness,
- ✓ certifiably drug-free, and
- ✓ flexibility.

Although many of these soldiers are trained in military career fields with civilian vocational counterparts, others are trained in occupational areas unique to the military. However, all veterans are capable of learning and performing to levels of competency. Given the opportunity and ample training, veterans have proven to be excellent private sector employees.

Just as technology has transformed the military, its impact on the civilian workforce is also well documented. Computers have linked nations, governments, citizens, and families around the world. Today, a cell phone can put a person in instant contact with someone else on the other side of the world. Yet, as we meet, there are millions of Americans (including veterans) that are unemployed or underemployed across this country.

In the early 1980s, The American Legion played a key role in the development and refinement of the Veterans Employment and Training Service (VETS). At that time, the unemployment rate among veterans was disproportionate to non-veterans, especially disabled and minority veterans. Wisely, Congress enacted laws to help smooth the transition of veterans into meaningful civilian employment. The American Legion believes VETS is a success story.

Unfortunately, neglect and under-funding have taken their toll on VETS. For over a decade, VETS has never been fully funded nor fully staffed. Regardless of these budgetary obstacles,

VETS is to be applauded for meeting the employment needs of veterans, especially the service-connected disabled veterans. No program can excel when inadequately funded and understaffed.

VETS was created to work with the local employment service office, not to be incorporated into those offices. Prior to the creation of VETS, the local employment service offices were failing to meet the employment and training needs of veterans, especially disabled and minority veterans. Many veterans were faced with significant barriers to employment that needed more focused case management and personal assistance. In the beginning, VETS had the necessary funding and staff personnel to effectively deal with the employment problems throughout the veterans' population.

Most veterans enter military service immediately following high school and have never actively participated in the job search process. Their knowledge of resume writing, job interviews, networking, and other effective job search techniques is very limited. The majority of recently-separated veterans have families and financial obligations; therefore, they are seeking immediate employment. Some are willing to accept several part-time jobs with limited professional development opportunities. College education and vocational training may not seem a viable option due to financial concerns.

Job placement efforts included job search workshops, aptitude testing, and vocational programs. Throughout the 1990s, VETS funding for vocational training declined as the costs for such vocational training programs increased. Fewer and fewer vocational training opportunities were available. Most employment specialists found themselves trying to qualify veterans under other nonveteran job training programs and save the scarce veterans' job training dollars for those veterans that could not qualify under other Department of Labor (DoL) programs.

One bright spot was the establishment of the National Veterans' Training Institute (NVTI). For the first time, VETS had a vehicle to provide standardized training on an array of issues from case management to job development. This excellent program helped to prepare employment service personnel to professionally address the vocational needs of veterans, especially those with barriers to employment. Even NVTI has faced stagnant funding during the 1990s.

The Front Line Warriors

The heart and soul of VETS are the dedicated professionals tasked with facing the employment challenges of hard-to-place veterans: the local veterans' employment representatives (LVERs) and disabled veterans outreach program (DVOPs) specialists. Clearly, the unique roles of these two programs are outlined in Chapter 41, Title 38, United States Code. However, annual under-funding and understaffing have blurred the lines of responsibilities from what is suppose to be done into what realistically can be accomplished. LVERs and DVOPs were never designed to sit at their desk everyday seeing one veteran after another.

The concept versus the reality results in a skewed interpretation of VETS performance. The role of VETS is to augment local employment service offices and handle the hard-to-place veterans, not just any veteran that walked into the door. Clearly, an LVER is required to effectively wear many hats. A quick review of the LVER's role:

- make sure veterans are receiving quality services from local employment services employees;
- maintain regular contact with community leaders, employers, labor unions, training programs, and veterans' service organizations;
- provide directly or facilitate labor exchange services to eligible veterans;
- job development with employers and labor unions – to include on-the-job-training and apprenticeship programs;
- promote and monitor the participation of veterans in federally funded employment and training programs;
- monitor the listing of jobs and subsequent referrals to Federal contractors;
- work closely with VA's Vocation Rehabilitation Program;
- refer veterans to training, supportive services, and educational opportunities;
- assist in securing and maintaining current information on employment and training opportunities;
- assist in identifying and acquiring prosthetic and sensory aids and devices needed to enhance employability of disabled veterans; and

- facilitate guidance and counseling service to certain veterans.

The LVER has no counterpart in a local employment service office. The only supervisory control the LVER has is over any assigned DVOP. As taxed as the LVER may be, the DVOP is just as demanding:

- develop jobs and job training opportunities through contacts with employers;
- promote and develop apprenticeship and on-the-job training opportunities with employers;
- carry out outreach activities to locate veterans in need of job assistance;
- provide assistance to employers in securing job training opportunities for eligible veterans;
- assist local employment services office employees with their responsibilities for serving veterans;
- promote and assist in the development of entry-level and career job opportunities;
- develop outreach programs with VA Vocational Rehabilitation Program participants;
- provide vocational guidance and counseling services to include participation in the Department of Defense's Transition Assistance Program (TAP); and
- provide case management.

Like the LVER, DVOPs have no counterpart in the local employment service office. The American Legion believes these two federal programs were designed to support local employment service office personnel not integrate. VETS must retain complete autonomy in order to be successful. Congress wanted to assure:

- all veterans received priority of service,
- certain veterans received extensive case management;
- employers hire veterans;
- outreach activities recruited and assisted chronically unemployed or underemployed veterans;
- close contact was established and sustained with the veterans' community;
- effective marketing of federal and state vocational training opportunities;
- monitoring of veterans' hiring practices by federal contractors; and
- the presence of veterans' employment advocates throughout the local community.

GAO Report

The American Legion commends Director Nilsen and his staff for an excellent job. The American Legion agrees that improvements, both managerial and statutory are necessary, but compliance with staffing mandates and appropriate funding must also improve. The American Legion is deeply concerned with *cookie-cutter* recommendations that:

- fail to address each state's unique demographic or geographic factors;
- attempt to *blur* the lines of job responsibility of LVERs and DVOPs;
- restrict VETS activities to in-office services;
- limit VETS outreach activities;
- stymie VETS role in job development with local employers;
- remove VETS obligation to monitor hiring practices of federal contractors; or
- substitute quality of services for quantity.

Major Findings:

1. **VETERANS RECEIVE PRIORITY SERVICE, BUT EFFECTIVENESS OF SERVICE IS UNKNOWN.**

The American Legion is pleased to see the reaffirmation that veterans are receiving priority service. That is a major achievement. It is equally important that they are receiving this service at the most appropriate level. LVERs or DVOPs should not routinely see job-ready veterans. Only veterans with barriers to employability should receive the specialized services available by VETS. However, The American Legion agrees that the measurement of effectiveness of service would be helpful information in justifying additional funding and full staffing.

The local employment service office should be able to capture all services provided to each enrolled veteran. Services provided by local employment service office personnel should be critical data in determining the effectiveness of VETS personnel assigned to that office. If veterans in the local community are aware of the services available through the local employment service office, this level of awareness is a measurable outcome of the VETS staff. Due to effective VETS outreach activities, the local veterans' community remains informed as to the services available.

However, there are many other services performed by VETS staff that may not be accurately tallied. For example, outreach activities. VETS attend and participate in TAP sessions. How does the VETS staff member take credit for the active-duty service members and their family members? If these participants learn about new job hunting techniques that result in a smooth transformation from the military lifestyle into the civilian workforce, how is that job placement accounted for accurately – especially if the job is in another state?

2. VETS DOES NOT ADEQUATELY OVERSEE DVOP AND LVER GRANTS.

The American Legion strongly advocates improvement in this area. VETS goals and state performance measures must be better synchronized. The American Legion believes the ASVET is fully aware of this issue and will take proactive steps to implement corrective action.

3. DVOP AND LVER PROGRAMS DO NOT ALWAYS OPERATE WELL IN ONE-STOP CENTERS.

The American Legion believes VETS was created to complement the local employment service office with enhanced services for veterans. DVOPs and LVERs were never designed to be just unemployment insurance specialists, job placement specialists, vocational counselors, or vocational training specialists. DVOPs and LVERs are veterans' employment advocates.

Their roles in a state's employment agency are very diverse, but not limited to job placement or case management. Their role is to recruit unemployed or underemployed veterans that aren't likely to walk into a local employment service office, because they have given up all hope for meaningful employment. Their role is to educate the veterans' community about what the local employment service office has to offer unemployed or underemployed veterans. Their role is to visit with employers, that may or may not use the local employment service office as a resource, and convince them to hire veterans. Their role is to visit with active-duty service members that are preparing to leave the military and help them begin their job search – many may never step into the local employment service office.

After reviewing the duties and responsibilities of the DVOP, to blame federal statute for justification for half-time employment is simply ludicrous. Poor schedule management, micro-management, inadequate supervision, or dereliction of duties and responsibilities is a more appropriate explanation for under utilization of DVOPs. The smaller the local employment service office or the more rural or sparsely populated the area, the harder the DVOP should be working both in ***and*** out of the office. Many chronically unemployed or underemployed veterans tend to seek out such communities where the cost of living is minimal and social services may be more readily obtainable due to limited indigent populations.

LVER and DVOP are two unique programs with specific objectives. However, some people fail to recognize the distinctions because of the closely coordinated effort between LVERs and DVOPs to provide veterans the best possible employment services. Due to significant understaffing, the LVER or DVOP may very well be the only veterans' advocate employment specialist in a local employment service office and must perform both roles – while being paid to perform only one – to assure veterans receive the services they have earned through honorable military service.

In VETS, there are limited promotional opportunities. Many veterans' employment advocates believe in training their replacements; therefore, many LVERs train their DVOPs to perform roles above and beyond their job description. This serves several purposes:

- prepares DVOPs for LVER positions,
- provides excellent documentation for DVOP's annual personnel evaluation review,
- provides continuity of service during the absence of the LVER, and
- takes advantage of windows of opportunity when the LVER is not readily available.

The American Legion strongly recommends a revision of existing VETS reporting requirements for measuring performance standards and for determining compliance with requirements for providing employment services to veterans. The American Legion supports reorganization of VETS to make it more effective, efficient, and responsive to the needs of America's veterans. But more importantly, The American Legion adamantly recommends Congress provide

appropriations to fully fund VETS' staffing at the levels described by federal statute and provide funding for vocational training programs available only to eligible veterans.

Report's Recommendations

In reviewing GAO's recommendations for congressional consideration, The American Legion strongly objects to GAO's premise *to ensure that these programs are able to be more fully integrated into* the current employment and training system.

Matters for congressional consideration:

- *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;*

The American Legion agrees that state and local offices should have more discretion to decide where to locate DVOP and LVER staff. However, the remainder of this recommendation is seriously flawed. The assumption is DVOPs have no outreach activities, job development activities, or case management activities planned outside of the office. The vast majority of DVOPs are philosophically or psychologically tethered to their desks seeing one veteran after another – whether or not the veteran is job ready.

- *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;*

The American Legion believes this is exactly the reason VETS was needed in the first place. Congress recognized the needs of unemployed and underemployed veterans and created statutory language to specifically address these shortcomings. The American Legion strongly encourages a thorough review of statute job requirements and making necessary corrections to enhance services and performance.

- *combine the DVOP and LVER grants programs into one staffing grant to better meet states' needs for serving veterans;*

The American Legion strongly disagrees with this recommendation. Each program has distinct roles that are not met by other local employment service office personnel. The American Legion would recommend full funding and staff 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 requirement for monitoring DVOP and LVER grants;*

The American Legion agrees with this recommendation conceptually and would welcome the opportunity to assist the ASVET and his staff in the development of the alternative approaches.

- *eliminate the requirement that VETS report to the Congress a comparison of the job placement rate of veterans with that of nonveterans; and*

The American Legion disagrees with this recommendation and believes this is a relevant comparison. This is a benchmark that reflects a focus on a national responsibility.

- *eliminate the requirement that VETS report on Federal Contractor Job Listings.*

The American Legion disagrees with this recommendation and believes Congress created this requirement to assure veterans that federal contractors would give favorable consideration to hiring veterans. Oversight of this federal statute by VETS is critical. If these job listings are not appearing in local employment service offices, veterans lose – not the Federal contractor or the Office of Federal Contract Compliance Programs (OFCCP). VETS serves as their watchdog.

Recommendations for executive action:

- *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;*

The American Legion strongly embraces this recommendation as a sound management practice.

- *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;*

The American Legion conceptually agrees with this goal.

- *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*

The American Legion theoretically agrees with this goal, but questions the rationale for penalties. As previously stated, VETS' role is to augment and enhance services. Motivation should come from positive rewards for exceeding standards rather than penalizing underachievement. The question must be asked, who is really penalized – the state employment agency or the state's unemployed or underemployed veterans? Will penalties strengthen or further weaken the program? The *penalty* for underachievement should be closer supervision and additional assistance by the ASVET and DoL officials.

- *Update oversight guidelines and improve staff training to ensure consistent monitoring of DVOP and LVER programs in one-stop centers.*

Clearly, The American Legion agrees with this recommendation, but reemphasizes VETS role is to supplement and expand existing services not merely be integrated into the bureaucracy. Veterans must know that when they see a LVER or DVOP, they are receiving services they earned through honorable military service.

Vocational Rehabilitation and Employment

The mission of VA's Vocational Rehabilitation and Employment (VR&E) program is to provide far-reaching assistance essential to enable service-disabled veterans to attain maximum independence in daily living and to the greatest extent feasible, obtain and maintain suitable and productive employment.

Veterans participating in Vocational Rehabilitation receive monthly subsistence allowance, tuition, books, supplies, and equipment. Both educational and vocational counseling services are also made available. Vocational Rehabilitation also provides job placement activities that usually include a referral to VETS.

An important aspect of Vocational Rehabilitation is insuring veterans are trained in marketable career fields. A tremendous waste of time, energy, effort, and resources occurs when a veteran is trained in an occupation with limited opportunities for meaningful employment. Vocational Rehabilitation, like VETS, must place the emphasis on holistic successful outcome, rather than a statistical successful outcome. The big difference is simply sustained meaningful employment.

Under current practices, VA contracts many vocational services available through VETS. The American Legion would like to see greater *resource sharing* between VETS and VA. However, The American Legion would adamantly oppose any and all efforts to move VETS under VA. VETS must remain in DoL to sustain access to local employment service office resources to better meet the needs of the entire veterans' community.

VR&E administers a vital program of education and training programs for certain dependent children who suffer from the disease Spina bifida as a consequence of a veteran parent who served in the Vietnam War. The program also affords educational and vocational counseling for eligible service members, veterans and dependents. This program further assists participants in choosing an educational and vocational objective and facilities that may satisfy the intended objective.

The VR&E program benefited over 1 million of America's veterans following the end of World War I. At that time, the objective of the vocational and rehabilitation program was to restore disabled veterans to employment. Unfortunately, the program ended in 1928, after the last

World War I veteran completed training. The program was subsequently reestablished during World War II in response to the needs of veterans and extended to veterans of the Korean, Vietnam, and Persian Gulf Wars and to peacetime service-disabled veterans.

The American Legion believes that rather than repeating specific problems associated with the program, which have been clearly highlighted in two General Accounting Office reports on VA's VR&E problem areas, that solutions must be advocated. We consider VA's Strategic Plan for fiscal year 1998–2003 as a good plan for VR&E. In our judgement, given its mission and the present workload, it is extremely critical that resources (financial and personnel) are made available by the Congress to meet these challenges.

Over the past several years, VR&E has initiated a number of activities aimed at emphasizing the organization's focus on employment outcomes and validating their commitment to providing quality services to disabled veterans. VR&E is to be commended for their efforts:

- The development of a quality VR&E brochure that clearly outlines the organization's focus toward assisting the veteran in obtaining and maintaining suitable employment. The brochure provides VR&E with an effective information tool to inform both internal and external constituencies of the organization's commitment to employment outcomes and an effective marketing tool to recruit eligible veterans in need of employment services.

- The study of possible legislative changes that will expand the use of on-the-job training (OJT) programs with private industry and enable veterans to gain valuable work experience and training while receiving a subsistence allowance. The potential expansions of OJT opportunities for veterans at all stages of the rehabilitation process will provide staff and recipients with an alternative method of obtaining the training needed to be gainfully employed. This alternative appears to provide for an effective means of reducing training costs and increasing employment outcomes for veterans.

- Implementation of the Employment Specialist Pilot Project. This project placed an employment specialist at 10 selected regional VR&E offices for the purpose of contacting local employers to identify the skills required for today's job and to establish a workforce network through which employers can hire veterans who possess the skills they need. While the success of the pilot is still under study, preliminary findings suggest that the pilot has been successful in increasing employment opportunities for veterans. However, The American Legion asks why not use VETS personnel instead.

- The Transferable Work Skills Analysis (TWSA) Initiative. Under the initiative VR&E is attempting to develop a consistent system under which staff throughout the organization can assist veterans to evaluate how their work skills and experiences can transfer to jobs currently available in the local market. This system has great potential for helping veterans identify suitable employment options available to them with or without further formal training.

- The development of a clearly defined vision statement that identifies the nine key areas to be addressed to position VR&E as a rehabilitation provider of excellence. This collective vision would provide VR&E with the framework around which to develop a comprehensive rehabilitation model that can be implemented uniformly across the country.

- The extensive use of the task force model to address significant issues designed to strengthen VR&E services and outcomes. VR&E consistently convened groups of internal and external stakeholders to develop pilot programs to test and validate new initiatives. The task force model has been very effective in developing promising new initiatives and in providing VR&E staff with ownership of new and innovative strategies to improve services for disabled veterans.

- The use of statistical data to measure performance and validate outcomes. The Balanced Scorecard as developed by VBA measures overall program performance and progress toward important program goals. The Scorecard uses measurable data to assess performance indicators within five categories including speed, accuracy, unit cost, customer satisfaction, and employee's development for each VBA business line. The data collected with the Balanced Scorecard provides VR&E with the information necessary to

conduct an effective performance appraisal process to validate the quality and cost effectiveness of services provided for disabled veterans.

- The development of Corporate WINRS, a centralized case management information/data management system. Corporate WINRS will enable VR&E staff, located throughout the United States and in several international offices with a uniform computer driven system, to track case data; generate reports and form letters; access real-time data; process expense vouchers; and schedule and track appointments. This system will result in more consistent and timely services for disabled veterans, increased efficiency, and improved resource management.

The American Legion believes that staff levels should be increased to meet the demands to improve on VR&E's previous and ongoing initiatives to better serve veterans. The number of disabled veterans requiring vocational rehabilitation should determine the resources needed, rather than the resources available driving how many disabled veterans will receive vocational rehabilitation and employment placement. The American Legion believes that increased funding to enhance this program is a national obligation, if we are to honor the earned commitment to those who served.

Conclusion

Since its inception, The American Legion has recognized the importance of VETS throughout the veterans' community. As long as unemployment and underemployment persists among veterans in America, VETS must continue to play a key role. VETS must be prepared, staffed, and funded to increase opportunities for veterans to receive job placement, vocational counseling, or vocational training necessary to obtain meaningful employment.

The greatest resource in VETS is the dedicated men and women that serve as LVERs and DVOPs. Funding, staffing, and vocational training options must match this dedication. These professionals are mission oriented – putting veterans to work. The American Legion is confident that performance measures can be established that document the successful outcomes.

The American Legion stands ready, willing, and able to assist the ASVET and Congress with corrective actions that improve the delivery of employment services to veterans; however, quality of service offered to veterans must not be compromised for the sake of quantitative expediency.

Mr. Chairman, that concludes my statement.

STATEMENT OF

JAMES N. MAGILL, DIRECTOR
NATIONAL EMPLOYMENT SERVICE
VETERANS OF FOREIGN WAR OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE GENERAL ACCOUNTING OFFICE'S SEPTEMBER 2001 REPORT ON THE VETERANS EMPLOYMENT AND TRAINING SERVICE AND THE DEPARTMENT OF VETERANS' VOCATIONAL TRAINING AND REHABILITATION PROGRAM

WASHINGTON, DC **OCTOBER 30, 2001**

Mr. Chairman and Members of the Subcommittee:

On behalf of the 2.7 million members of the Veterans of Foreign Wars of the United States and its Ladies Auxiliary, I would like to thank you for the opportunity to express our views on these important issues. We appreciate your continuing concern for our nation's veterans and their ability to be gainfully employed.

As representatives of the VFW travel throughout our nation and military bases overseas, one of the most frequently expressed concerns is whether these individuals will be able to find a job. Soon to be released Armed Forces personnel worry that they will not be able to transfer their skills to the private sector. In today's economy, veterans are concerned about lay-offs and whether they will be able to find a new job. And finally, veterans who reach retirement age and realize they need to supplement their retirement income are concerned they may not be able to find employment.

Mr. Chairman, veterans deserve and have earned an Employment Service dedicated specifically to them. They do have such a system and while the VFW does not believe that system is broken, we do believe it should and can be improved.

In its report to the House Veterans Affairs Committee, the General Accounting Office made several recommendations, which parallel the VFW's views. Ironically, the title of the report mirrors our two greatest concerns; that being "Accountability" and "Flexibility." For years, the VFW has called for the Veterans' Employment and Training Service to be held accountable in ensuring that veterans receive priority of service in all federally funded job-training programs. Likewise, VETS must have the flexibility to accomplish this mandate.

In order for a program to be successful, a set standards and measurements must be implemented in order to assess its effectiveness. As stated in the GAO report, while veterans' do receive more services and in a more timely fashion than non-veterans, the effectiveness of these programs and those that administer them cannot be verified. A set of standards and measurements must be implemented to identify when success is being achieved as well as where improvements need to be initiated. We do not believe, however, that a single set of standards and measurements can be adopted by all states – one size cannot fit all. Each set of measurements and standards must reflect the demographics unique to each state.

The VFW understands the difficulties associated with assisting hard to place or severely disabled veterans and the increased workload, which must be preformed to support the needs of theses veterans. Still, because of more staff operation and the increased intensive service required, standards that reflect this type of casework must be used to maintain and enforce superior service to our nations veterans who need the best service available.

Once a set of measurements and standards is adopted, there must be a consistent system for evaluation that will allow flexibility and expansion for future needs and requirements. VETS has established the will to address standards, but maintaining them with consistency between states is a hurdle that must be overcome.

Another area addressed in the GAO Report was " Rewards" and "Sanctions". Currently, states are neither rewarded for meeting or exceeding their performance measures nor penalized for failing to meet these measures. The VFW supports a system of rewards and sanctions. We do believe, however, that sanctions should be positive in nature. While rewarding states that meet or exceed measurements with increased funding, we see withholding or decreasing funding to those states that do not meet or expected measurement as inappropriate. The withholding of funds, in all likelihood, will only exacerbate the situation and ultimately do harm to the veterans the states are trying to help. States not meeting the measurements need guidance and assistance in improving their performance. If states continually fail to meet standards, then additional measurers must be taken.

In your letter of invitation to participate in this hearing, we were asked to comment on VA's Vocational Rehabilitation and Employment Programs.

The VFW believes The Vocational Rehabilitation and Employment (VR&E) Service has made major improvements in quality of service since incorporate its name change. With this change has come an increased focus on follow-up and end goal results rather that creating a warehouse of veterans who have college degrees and nothing in the way of opportunities for meaningful employment.

An improvement that cannot be overlooked is that over 10,000 veterans have been benefited through focusing on quality control and after action reporting, through not only educating the veteran, but making them employable within the past three years. The VFW sees this, as a quantifiable measurement that shows education, preparation and opportunity, followed by aftercare, will equal success for our nations disabled veterans.

To assist VBA in processing claims for these veterans, VR& E has become proactive in supplying copies of their assessments, which helps adjudicators process claims quicker dealing in cases of unemployability. Through their "Corporate WINRS" program, VR&E has been able to expand accessibility to case notes, important documents and current activities on veterans to stream line the service process, allowing for increased service capably and reducing waiting time through errors.

As a result of these improvements in service and mission focus, the VFW is currently entering into an agreement to create the National Service Officer Program. This program, while still in the planning stage, will allow for training of new service officers at discharge points to assist newly separating veterans. The VFW will assist in developing and implementing an On-The-Job-Training program, along with a training syllabus and the criteria needed to establish a structured block of instruction that will give veterans the opportunity to enjoy a meaningful second career.

Opportunities like this one are valuable in offering the veteran an avenue to restarting their lives. In addition, the independent living service program is another critical tool in enabling the veteran to succeed. Yet, the 500-limit cap on this program places a ceiling on this highly successful program. The VFW urges that there be support to removing or at least raising this limit to a level that many more veterans will be able to benefit.

We are encouraged by the progress VR&E has made and look forward to working with them in the future, in helping to make further improvements in this valuable program to assist Americas' Disabled Veterans.

This concludes my testimony. I will be happy to answer any question you may have.

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Testimony of

VIETNAM VETERANS OF AMERICA

By

Calvin Gross
Chairman, National Employment, Training, and Business Opportunities Committee

Accompanied by

Richard F. Weidman
Director, Government Relations

Before the

House Committee on Veterans' Affairs
Subcommittee on Benefits

Regarding

The Veterans' Employment and Training Service

October 30, 2001

Vietnam Veterans of America
Testimony on VET
HVAC, Subcommittee on Benefits

October 30, 2001

Chairman Simpson, Ranking Member Reyes, and other distinguished members of the subcommittee, Vietnam Veterans of America (VVA) is pleased to have this opportunity to provide our views regarding the status of the Department of Labor's Veterans' Employment and Training Service (VETS).

As you may know, Mr. Chairman, VVA has long had serious reservations and deep concern about the generally not very effective national effort to assist veterans, especially disabled veterans and veterans at high risk to obtain and sustain meaningful employment. Ever year since VVA was founded in 1978, VVA has brought serious concerns to the Congress when it became clear that the Department of Labor (DoL) would not meaningfully address these concerns. There was a time when we thought that the problem was one of poor leadership at the Department of Labor, a flaccid bureaucracy, a lack of adequate resources, and perhaps the arrogant and anti-veteran corporate culture at the Employment and Training Administration of the US Department of Labor and their state partners. VVA has come to the conclusion that while all of the above was (and largely still is) true, the real problem was structure and philosophy.

The VVA National Convention in 1997 scrapped all of the many resolutions that we put on the books to try and provide remedy to the myriad problems of this so-called employment system, and particularly the veteran's portion of these services. One thing was abundantly clear: the average veteran, particularly disabled veterans and others most in need of assistance, simply were not receiving meaningful help in the most populous parts of our Nation. Like our distinguished colleagues at the other veterans' organizations, we had been trying to add proscriptive solutions to real problems by seeking additional black letter law. We were wrong to think that these solutions could ever work.

The people who run what used to be called the Job Service and now the Work Force Development Agencies, take money very, very seriously. It is virtually the only thing that gets and holds their attention. What is wrong with the current structure is that there is no reward for excellent performance, nor any sanctions for terrible performance and behavior. There is no way to get, much less hold the attention of management at every level in these agencies. Therefore, VVA has called for major changes in veterans' employment and training system since that time, and strengthened that call in 1997, calling for meaningful standards, better monitoring and analysis, and for private sector principles to be applied to any entity that purports to meet the employment needs of veterans, particularly disabled veterans and other veterans in greatest need.

The United States is a democratic republic. The United States is also a mercantile country, relying on a variation of market forces (i.e., cash) driven forces to make our economy work well, Our economy generally does work well. Applying a variation of the free market system and our democracy is why veterans served and fought. A carefully structured new system can make this system work.

In its September 2001 report on the status of VETS (GAO –01-928), the General Accounting Office (GAO) raised a number of concerns about the effectiveness of the VETS program in relation to the Workforce Investment Act of 1998 (WIA). A core concept behind WIA was the centralization of workforce-related services in "one-stop" centers. VETS participates in these centers through its Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) programs.

When it examined the effectiveness of these centers and their utilization of DVOP & LVER services, GAO found that VETS was not collecting the data necessary to determine how effective these services were, particularly subsequent job retention and wages earned by program participants. At present, the only outcome data VETS collects is on the percentage of veterans served who gain employment. However, because each state uses different methods for verifying and measuring employment rates, the data submitted to VETS by the states represents a variable patchwork of dissimilar data, making any type of meaningful outcome measurement impossible. VVA does not understand why VETS has failed to negotiate effective agreements with state workforce agencies to develop a common standard for measuring outcomes in this area. This failure by DOL/VETS management has clearly compromised program effectiveness and is, bluntly stated, inexcusable. VVA has been urging a strengthening and simplification of this data gathering for some time, focusing on job placement. (The problem with "obtained employment", and checking wage records is that the Work Force Development Agency (WFDA) may not have provided any real help to the veteran at all in his or her job search.)

Also inexcusable is the failure of VETS' management to provide proper oversight of DVOP and LVER grants. We concur with GAO's assessment that after so many years in existence, VETS still does not have effective performance management systems for monitoring compliance with program objectives. Part of the difficulty is that there are so few tools that the VETS staff has in the field. VETS can declare a state out of compliance and seize the grant funds, or move to recapture funds when the WFDA is caught red handed blatantly breaking the law. Otherwise their only tools are encouragement and moral suasion, or strong letters and potential political embarrassment o0f the agency. This is the fault not of the agency, but of the top political and permanent leadership of the United States Department of Labor, who have never strongly supported VETS pushing for performance in the field. It is also the fault of the Congress for not changing Federal law, to give the VETS staff in the field more control over rewards and sanctions. In other words, there must be real money tools for them to be effective.

Beyond the management oversight problems outlined above, GAO claims that the VETS program suffers from a "lack of flexibility" driven largely by its original authorizing legislation. As GAO noted in its report, existing law does not provide DVOP and LVER programs with the flexibility they need to move staff around within a state to match changing employment and residency patterns. The original law authorizing VETS was written under "Old Economy" conditions. Congress must modernize the VETS statute to bring the program into line with the "New Economy" and rapidly evolving job market.

Mr. Chairman, all of the preceding paragraph and "finding" is just plain eyewash. When the states' WFDAs ask for "flexibility" what they really mean is license for doing whatever they want with the money. There is virtually no proven record of performance on the part of most states that would lead any reasonable person to say yes when they say "Trust us."

The assumption of the GAO that the "new" one stop centers created by the Workforce Investment Act (WIA) are working well to help citizens find jobs is just plain wrong. There is no reasonable basis on which to say this. It is worth noting that the same people who wrote this report also wrote the reports ten years ago that led to the eventual enactment of the WIA. It is worth noting that while the GAO spent much time in person with the state WDTA and others, but only limited phone interviews were used to seek input of the veterans organizations. It is also worth noting that the one stop centers say that they are in the "information sharing" business, rather than job placement. This stated mission is virtually impossible to measure in terms of real and material usefulness in the employment search. Therefore there is no way to hold the WFDAs accountable for how well they are doing in regard to assisting Americans to find meaningful work at a living wage.

Mr. Chairman, there are quite a number of factual mistakes and erroneous assumptions in this report. VVA would be pleased to detail all of these in a report to this distinguished Committee, if you so desire. Let it suffice to say that the GAO is correct that rewards and sanctions are the minimum that needs to be done. GAO is wrong in their assumption of good will and a real desire to do a great job for veterans on the part of the WFDA officials in every state. Some are very good, and very committed to the mission. Many, particularly in our most populous states are not committed or4 only offer lip service.

Vietnam Veterans of America sincerely appreciates the opportunity to present our views on these extremely important issues, and we look forward to working with you, Mr. Chairman, and your distinguished colleagues on this Committee to address and resolve these and other important matters of concern to our nation's veterans.

TESTIMONY OF

RAYMOND G. BOLAND

PRESIDENT

NATIONAL ASSOCIATION OF STATE DIRECTORS

OF

VETERANS AFFAIRS

BEFORE THE

SUBCOMMITTEE ON BENEFITS

COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, D.C.

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Mr. Chairman, as President of the National Association of State Directors of Veterans Affairs (NASDVA), I thank you for the opportunity to testify on behalf of our membership of veterans' directors in the states, commonwealths and territories.

The General Accounting Office's September 2001 Report, "Veterans' Employment and Training Service: Flexibility and Accountability Needed to Improve service to Veterans" (GAO-01-928) has created a window of opportunity for congress to take new, bold steps to alter the manner in which employment services are provided to veterans by both the federal government and the individual states.

The implementation of the Workforce Investment Act of 1998 (WIA) in July 2000 changed the way in which government interacts with service providers in the delivery of employment assistance to the public through the thousands of new, WIA-mandated One Stop Job Centers across the nation.

As stated in the GAO Report, the Department of Labor, Veterans Employment and Training Service (VETS) is directed by law to monitor the delivery of employment and training services to veterans through the Disabled Veterans Outreach Program (DVOP) and the Local Veterans' Employment Representatives (LVER). As is often the case, federal strings are tied to federal dollars, which for the VETS program means that Washington has retained control over the VETS programs. These programs exist and operate solely on the state level. Veterans' employment services are funded through the VETS grant to state employment service agencies and, as a result of WIA, are administered through One Stop Job Centers – there are no end-user, benefits-providers in the system that are federal employees.

The GAO Report stated that VETS 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... the lack of clear guidance from the national office." (GAO Report, Page 14)

We have a federal program with oversight responsibilities for state employees working in state and local job centers. This system is fraught with peril on all levels and contrary to the power-sharing concept advocated by WIA.

WIA directed the governance and function of employment related services be pushed down to the states and other local entities – away from the centralized, traditional approach. Almost eighteen months into WIA, many states have found the greatest challenge to a smooth delivery of services to be the creation and maintenance of partnerships with other job center service providers. It is easier to mandate the sharing of power and control than the disbursement of the same.

There is a disconnect between WIA and Title 38, Chapter 42 of the USC "Employment and Training of Veterans." While VETS embraced the concept of WIA's power sharing, it has not loosened its reins of control over its programs, which in all fairness to VETS it cannot do until congress changes the law. Eighteen months into WIA the states no more control their veterans' employment services than they did under the old Job Training Partnership Act (JTPA) system.

I recommend that congress rewrite Chapter 42 of Title 38 to allow VETS to shift from a posture of control and direction to one of influence and guidance.

Can we do this? Is it wise to divest so much to the local level, out of the control of the federal government?

The NASDVA offers evidence that state veterans' agencies can take the baton from the federal government for the delivery of veterans' benefits on the state level and maintain a high degree of service delivery excellence. Efficient operations have resulted from state departments of veterans' affairs whether they operate multi-locations with hundreds of staff, or are a single office with only a handful of staff.

Forty-five states have created over 100 state-run veterans' homes with more than 24,000 beds. The partnership between states and the USDVA, which offers construction grants and per diem payments to support the homes, is a very effective federal-state collaboration.

Additionally, state veterans' agencies have assumed the mantel of providing services to veterans that were formerly provided only through the auspices of the federal government through the construction and management of state veterans' cemeteries. There are forty-three cemeteries in 22 states with another 71 in the construction or design phases in 36 states.

WIA offers the opportunity for the federal government to do likewise for employment services, to move them from federal control to state control; to consider employment benefits in the same light as other veterans' benefits.

The One Stop Job Center concept offers an appropriate framework to describe the future of veterans' benefits on both the national and state levels: a state-wide, one stop veterans' agency with local or regional one-stop centers spread across each state. Several state veterans' agencies, including the Wisconsin Department of Veterans Affairs, are already moving to a one-stop model for test programs.

The GAO Report recommends Congress to direct VETS to grant "flexibility to consider alternative ways to improve administration and oversight of the staffing grants." (GAO Report, Page 22)

Just as state veterans' agencies of various sizes have proven their effectiveness in the other programs, they will do so in the employment arena if given a chance. I recommend that congress allow VETS to empower the states to manage their own programs through these local organizations.

There is a widespread, but unfortunately very mistaken perception that the management of the VETS programs have been pushed down to the state employment service – nothing could be further from the truth.

The flexibility and local control upon which WIA depends has yet to become a reality in the veterans programs. The GAO Report identifies areas of management and oversight that need to be changed within VETS. If congress accepts the recommendations to make these changes, it will place veterans' employment services on the same footing as the other collaborators in the job centers. This should be the focus of congress as it considers how to best serve our servicemembers as they continue to defend our country and our way of life.

Thank you.

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