



Employment Development Department

It Needs to Address Data Issues to Better Evaluate
and Improve the Performance of Its Employment
Programs for Veterans

Report 2013-102

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October 31, 2013

2013-102

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor (state auditor) presents this audit report concerning the Employment Development Department's (department) services to help veterans find employment.

The report concludes that the department has consistently failed to meet certain goals the U.S. Department of Labor (Labor) established to assist veterans with finding employment. In April 2013 Labor notified the department of multiple lapses in program accountability and reported that the department did not meet key performance measures for the veterans program. In fact, Labor indicated that California is among the lowest performing states when measuring the rate at which veterans participating in the department's programs find jobs. We also determined that while the department routinely reports performance data to Labor, it does not make programmatic decisions based on how veterans fare in obtaining employment compared to nonveterans. Furthermore, the department does not have a formal data collection process to track goals the department established in its five-year plan for the Jobs for Veterans State Grant. Overall, we noted that the department's approach to managing its veterans programs has been to focus on complying with federal grant management requirements instead of finding ways to use its existing data to identify opportunities to improve services to veterans.

We also determined that the poor quality of the data California uses to report information to Labor on participants in its workforce development system, and the methodology the department uses to collate those data call into question the validity of California's performance statistics. The department uses its Base Wage File to report on the rate at which veterans find and retain employment and their average earnings. However, in analyzing information in the Base Wage File, we identified more than 1,400 instances where a single Social Security number was associated with 10 or more names. We noted one instance where one Social Security number was associated with 162 different names. In addition to raising concern about the validity of California's performance statistics, the existence of different names associated with one Social Security number is a possible indicator of identity theft. Yet, according to the department it does not investigate errors in this file until individuals apply for unemployment benefits.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

Through its Workforce Services Branch, the Employment Development Department (department) assists Californians, including veterans, with finding employment. Funding for this work comes from the U. S. Department of Labor (Labor) via the Workforce Investment Act of 1998 (WIA) and the Wagner-Peyser Act of 1933 (Wagner-Peyser). An additional grant—the Jobs for Veterans State Grant (veterans grant)—provides funding for specialized staff to assist veterans in finding work and to conduct outreach to employers on behalf of veterans. Although all veterans receive priority for workforce services offered through the WIA and Wagner-Peyser, the veterans grant focuses on providing services to disabled and economically disadvantaged veterans.

The poor quality of the data California uses to report information to Labor on participants in its workforce development system, and the methodology the department uses to collate those data, call into question the validity of California's performance statistics. Labor compiles data from California on participants in its workforce development system to calculate three common measures Labor uses to assess the system: entered employment rate, employment retention rate, and average earnings. The computation of these measures requires California to use information from its Base Wage File, which tracks total wages paid to individuals in California. However, we noted more than 1,400 instances in the Base Wage File where a single Social Security number was associated with 10 or more different names in a single quarter—in one instance, with 162 different names.

According to the department, when it submits data for its performance metrics to Labor, the Base Wage File's wage information is summarized by Social Security number and reporting period, creating a single record for each Social Security number. This could lead to inflated measures for wages or for misstatements of who did or did not obtain employment. According to a chief of Labor's Division of Workforce Investment, Labor requires that states perform due diligence for accuracy and data integrity when using wage data for performance measurements. Labor expects states to review the data and identify anomalies. Without such monitoring, confidence in the department's data erodes.

Further, the association of different names with one Social Security number is a possible indicator of identity theft. According to the department, state law prohibits the department from sharing this information with other entities, such as law enforcement, that

Audit Highlights . . .

Our review of the Employment Development Department's (department) efforts to assist veterans in finding employment highlighted the following:

- » *We question the validity of California's performance statistics.*
 - *Data from California's Base Wage File—which is used to calculate performance measures on the State's workforce development system—is problematic. We noted more than 1,400 instances where a single Social Security number was associated with 10 or more different names in a single quarter.*
 - *The process it uses to summarize data could lead to inflated measures for wages or misstatements of who did or did not obtain employment.*
- » *It does not periodically review data in the Base Wage File to report suspicious activity to the appropriate authorities.*
- » *It is not always meeting its goals for the grant it receives from the U.S. Department of Labor (Labor) under the veterans grant program—Labor indicated that California is among the lowest performing states.*
- » *It does not make program decisions based on how certain groups of veterans who have accessed the department's job assistance services fare in obtaining employment compared with nonveterans.*
- » *Although it participates in an interagency council and is developing initiatives in cooperation with other entities to improve veterans' ability to find work, it is too soon to tell if those initiatives will be effective.*

might investigate such cases unless the department receives a request from the affected entity. However, according to federal regulations, disclosure of this information to a public official for use in the performance of his or her duties is permissible under certain circumstances. As an entity of state government, the department has a responsibility to the State's citizens to provide information to law enforcement when the department reasonably suspects that individuals are reporting or otherwise using Social Security numbers inappropriately. Unless it periodically reviews data in the Base Wage File and reports suspicious activity to the appropriate authorities, the department is missing an opportunity to thwart potential identity theft.

Even based on the data the department submits to Labor, it is not always meeting its goals for the grant it receives from Labor under the veterans grant program. The department and Labor negotiate annual goals for the veterans grant. The department has consistently failed to achieve the negotiated goals for the entered employment rate since fiscal year 2009–10. In an April 2013 letter to the department's former director, Labor indicated that California is among the lowest performing states when measuring the rate at which program veterans enter employment. In its response, the department asserted that a new data system, implemented in March 2013, would have the capacity to record veteran outcomes more effectively. Further, the department asserted that it had begun training all veterans employment representatives to use the new system; however, we noted that as of August 2013, it had not yet done so. In September 2013 the department provided us with several draft training materials that generally focused on educating veterans employment representatives on how the three common measures are calculated and how department employees can use the new CalJOBS data system to improve their case management of veterans. A manager within the department's Workforce Services Division expected the department to finalize the training in late September or early October 2013, after we completed fieldwork for our audit.

In addition, although the department routinely reports performance data to Labor on its services to veterans, it does not make program decisions based on how certain groups of veterans who have accessed the department's job assistance services fare in obtaining employment compared with nonveterans. According to the chief of the department's Workforce Services Division, although the department maintains data for both the general and veteran populations that it serves, it does not routinely compare the two data sets to identify any disparities or to identify best practices that may help either program population become more successful. He stated that the department considers its services to veterans

successful if it reaches the goals it negotiated with Labor for the veterans grant program. However, as we already noted above, the department does not always meet its goals.

Although the department primarily measures the success of the veterans grant through the three common measures it negotiates with Labor, the department does not monitor whether it has performed additional actions contained in its State Veterans' Program and Budget Plan (five-year plan) for the veterans grant. The five-year plan states that California will, for example, promote hiring and retention through developing business relationships with organizations in health care, banking, and other sectors and through assessing and targeting veteran-friendly industries for additional recruiting and marketing. Nevertheless, a veterans program support specialist within the department stated that the department has no formal data collection process for the goals it is trying to accomplish in the five-year plan. For example, we requested information from the department's central office regarding the status of the action steps in the five-year plan. The department's personnel at the central office did not have information to answer our questions and asked the field divisions to respond. The field divisions provided narrative descriptions of the work being done. However, these responses were not part of a routine reporting process that the central office could use when making program policy decisions. According to a deputy chief in the Workforce Services Division, the department does not monitor the results of these action steps at its central office. As a result, the central office does not know whether its action steps are being implemented or are effective or successful in accomplishing the plan's goals.

The department participates in the Governor's Interagency Council on Veterans (interagency council) established in 2011 and is developing initiatives in cooperation with other entities to improve veterans' ability to find work, but it is too soon to tell if those initiatives will be effective. For example, in April 2013, the department signed a memorandum of understanding with the Sacramento Area Human Resource Association (SAHRA) under which SAHRA will help department staff acquire the skills needed to better assist veterans with networking and resume writing. Further, the employment workgroup of the interagency council—chaired by the deputy director of the department's Workforce Services Branch—is exploring the creation of a California Transition Assistance Program. While service members are required to attend a federal transition assistance program, the California program would provide a refresher course on the services available to veterans and the ways to access veterans benefits. However, as of August 2013, there was no timeline for implementing the California program.

Finally, the department does not assess the success of a grant program to benefit veterans based on two of the program's goals—their average earnings over a six-month period, and their retention of employment for six months. The Veterans Employment-Related Assistance Program (veterans assistance program) provides federal funding in the form of grants to transition veterans into high-wage, high-growth occupations by training them for specific jobs in specific sectors. Grant recipients must forecast their performance goals based in part on the two measures just described. However, upon completion of the grant programs, the unit in charge of monitoring the grants does not calculate job retention or average earnings of the veterans who participated in the grant programs. According to the head of the unit responsible for monitoring these grant programs, the unit's staff does not analyze data on retention and the average earnings each grantee reports following the conclusion of the grant's active status. He stated that unit staff could obtain this information if necessary; however, doing so is beyond the scope of the unit's work. Nonetheless, as the unit responsible for monitoring the grant programs, it should track all established performance measures. If it does not do so, the department cannot demonstrate that the grant programs are successful in providing positive employment outcomes for veterans nor can it make informed decisions regarding future grants.

Recommendations

To improve the quality of the performance reporting it submits to Labor, the department should work with Labor to develop reasonable controls to avoid reporting overstated and inaccurate performance measures.

To help protect the State's citizens from identity theft, the Legislature should expressly authorize the department, on its own initiative, to share information from the Base Wage File with appropriate law enforcement officials when evidence exists of the potential misuse of Social Security numbers. If the department receives such legal authority, it should, at least annually, review the Base Wage File for associations of multiple names with a single Social Security number. The department should also establish a reasonable threshold for the number of associated names that will trigger further scrutiny from the department or referral to law enforcement.

To improve the department's performance on its negotiated goals with Labor, the department should, by January 2014, ensure that all veterans employment representatives are fully trained to use the new data system it implemented in March 2013.

To identify ways to better serve veterans in California, the department should assess the success or struggles of veterans within demographic categories, such as age, race, or educational attainment, by comparing veterans' performance with respect to finding employment to that of nonveterans in the same demographic categories and across demographic categories and use this analysis to inform program decisions.

To better optimize its leadership role in the interagency council's employment workgroup, the department should ensure that the employment workgroup develops a timeline for completing its action items and develops a process for measuring its success in improving employment outcomes for veterans. Specifically, the department should take the lead for establishing a time frame for evaluating tools to help assess and translate military skills into finding civilian jobs and establishing a transition assistance program.

To evaluate the success of the veterans assistance program going forward, the department should analyze the performance of the grant recipients across all three established common measures.

Agency Comments

The department chose not to respond to three of the nine recommendations we made beginning on page 38. For those recommendations where the department did respond, it generally agreed but expressed concerns about its ability to implement certain recommendations due to either legal restrictions or limited resources.

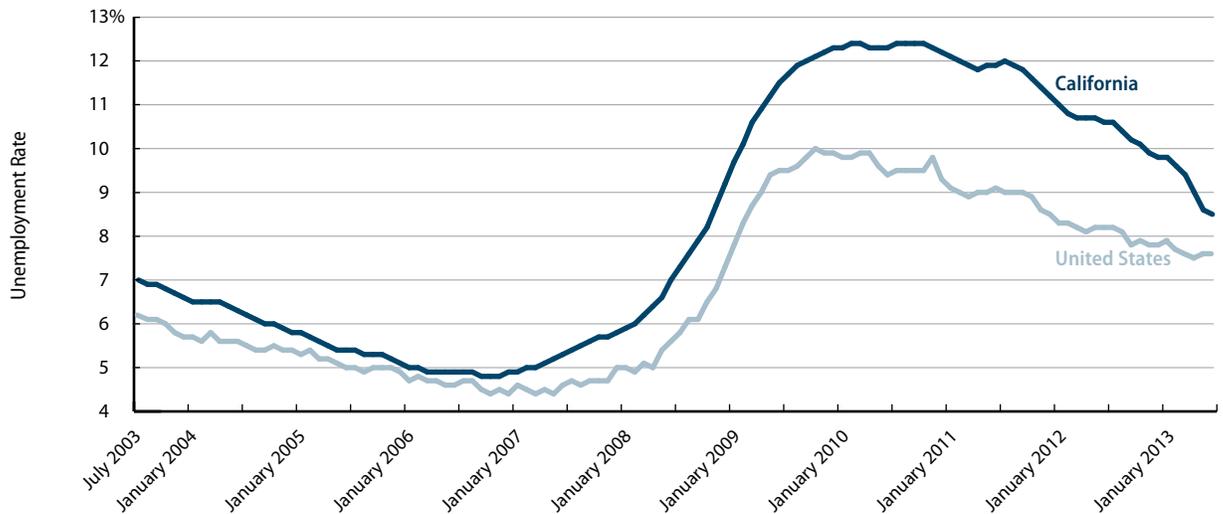
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Introduction

Background

Although California’s unemployment rate is improving, it remains higher than the national rate. According to the U.S. Bureau of Labor Statistics, the unemployment rate in California peaked at more than 12 percent in September 2010. An analysis by the Labor Market Information Division of the Employment Development Department (department) found that the rapid rise in long-term unemployment can be tied to the collapse of the housing market, which also affected both the construction and finance industries. California’s unemployment rate has improved since that time and stood at about 8.5 percent as of June 2013. Nevertheless, the State’s unemployment rate remained 0.9 percentage points above the national rate, which was 7.6 percent in June 2013. Figure 1 shows a comparison of California’s unemployment rate to the national rate over the preceding decade.

Figure 1
Monthly Unemployment Rates in the United States and California
July 2003 Through June 2013



Source: U.S. Bureau of Labor Statistics, Monthly Unemployment Statistics (seasonally adjusted).

As shown in Table 1 on the following page, veterans fare slightly better with regard to unemployment than nonveterans, with some exceptions. An analysis of American Community Survey¹ data showed that the unemployment rate among veterans during 2011 was

¹ The U.S. Census Bureau conducts the annual American Community Survey. The survey asks households throughout the United States to answer questions designed to provide current demographic, social, economic, and housing information on communities across the country.

11.3 percent, compared to 11.9 percent for the nonveteran population. However, the unemployment rate among veterans age 25 to 34 was 17.1 percent, compared to 11.7 percent among nonveterans in the same age group. Further, the unemployment rate for both veterans and nonveterans age 18 to 24 was 22 percent or more—nearly double the overall rate for both nonveterans and veterans.

Table 1
Unemployment in California Among Nonveterans and Veterans
2011

CATEGORY	NONVETERAN UNEMPLOYMENT RATE	VETERAN UNEMPLOYMENT RATE
Age		
18-24	23.0%	22.0%
25-34	11.7	17.1
35-64	9.9	10.7
65+	9.0	9.3
Overall	11.9%	11.3%
Gender		
Male	12.2%	11.2%
Female	11.6	11.7
Overall	11.9%	11.3%
Disability		
Not disabled	11.5%	10.8%
Disabled	20.7	12.9
Overall	11.9%	11.3%
Race		
White	11.2%	10.8%
African American	19.4	16.2
American Indian	18.6	*
Alaskan Native	*	*
Indian/Alaskan Tribe Specified	17.0	*
Asian	9.5	10.4
Hawaiian/Pacific Islander	14.3	*
Other	14.5	9.2
Two or More	15.7	12.9
Ethnicity		
Hispanic	14.3%	12.9%
Overall	11.9%	11.3%

Source: California State Auditor's (state auditor) analysis of the one-year data series (2011) from the American Community Survey, U.S. Census Bureau (Census Bureau).

Note: The data presented in this table are unaudited and were prepared based on the state auditor's analysis of raw survey data available from the Census Bureau's Web site. We obtained the data on September 4, 2013, and it contained more than 175,000 records, more than 9,000 of which were individuals who identified themselves as having served in the military but were not on active duty. In some demographic categories, the number of survey observations was small—fewer than 100 observations. Based on our judgment, we excluded information for categories with fewer than 100 observations to avoid potentially misleading results.

* Category with less than 100 observations.

Unemployment among veterans could create challenges for California in the coming years. According to the California Department of Veterans Affairs (CalVet), California is home to more than 1.8 million veterans—representing roughly 9 percent of the veteran population nationwide. Further, CalVet estimates that 35,000 to 40,000 veterans will return to California each year for the next few years. These veterans generally will be in the younger age groups, which have recently experienced the highest levels of unemployment. Moreover, according to the U.S. Equal Employment Commission, 25 percent of recent veterans have service-connected disabilities, compared to about 13 percent of all veterans, which could pose additional challenges for them in finding work.

California’s Workforce Development System

California’s approach to workforce development incorporates multiple partners, funding sources, and physical locations; and it stems from two major federal employment and training programs: the Workforce Investment Act of 1998 (WIA) and the Wagner-Peyser Act of 1933 (Wagner-Peyser). The department, in collaboration with several other entities, administers the State’s workforce development system, including services to veterans. The WIA requires each state to establish a statewide workforce development board to oversee workforce development policy and to review the plans of the state’s local workforce investment agencies (local workforce agencies), of which California has 49. These local workforce agencies set policy for the portion of the system within their local area and receive the majority of the WIA’s annual funds through allocations the department administers and monitors. Each local workforce agency oversees one or more one-stop career centers (one-stop centers)²—physical locations that offer various programs to assist those seeking employment and training assistance. The text box gives examples of the types of assistance offered at the one-stop centers.

Examples of Assistance Offered to Job Seekers in One-Stop Career Centers

The Workforce Investment Act of 1998 (WIA) established one-stop career centers (one-stop centers) to offer assistance under various federal programs. Such assistance for job seekers include:

- Job search and placement assistance, such as providing information on online job postings or assistance with creating resumes.
- Job counseling.
- Training.
- Adult education and literacy programs.

Additional benefits to job seekers who are also military veterans include:

- Priority in accessing services at one-stop centers.
- Dedicated staff at one-stop centers who focus on helping veterans with disabilities or with barriers to employment.

Sources: Various federal statutes.

² One-stop career centers are now formally known as *American Job Centers*. In June 2012 the U.S. Department of Labor (Labor) issued guidance to states strongly encouraging them to use the new brand name. However, as the centers are still commonly called one-stops and because federal law refers to a one-stop delivery system, we chose to adopt *one-stop centers* as our naming convention.

Labor's \$411 million WIA grant awarded to the State in March 2012 primarily funds efforts to prepare individuals for the workforce by providing training and skills development opportunities, such as those offered through local one-stop centers. Labor's \$84 million grant award to the State via Wagner-Peyser pays for efforts to match job seekers and employers. To do this, department staff assist job seekers in finding employment and translate job seekers' existing skills into employer needs through such services as skills assessment, career guidance, and job search workshops. Further, the department provides public access to CalJOBS, a department-administered online resource that allows job seekers to search for jobs and build resumes, while employers can search for qualified candidates for employment openings.

Specialized Services for Veterans Seeking Employment

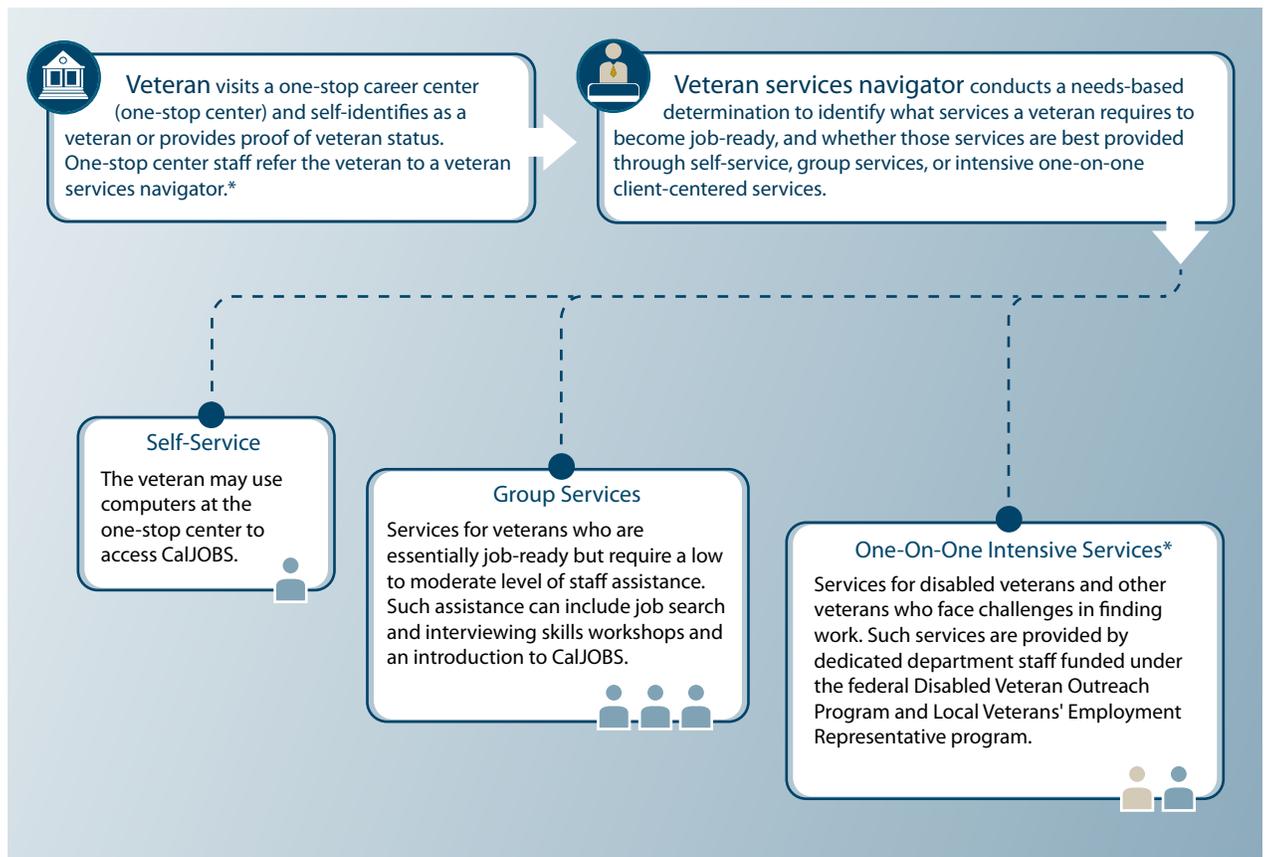
Veterans generally constitute a small proportion of the job seekers who receive employment services from the department. According to a report from the department, between October and December 2012, about 138,000 veterans received services in California, out of a total of about 2.1 million people receiving services. To better serve job seekers who are veterans, the U.S. Congress passed the Jobs for Veterans Act, which requires that veterans receive priority service in Labor-funded programs; the act provides funding through the Jobs for Veterans State Grant (veterans grant) to assist veterans seeking jobs. The \$19 million allocation for the 2013 federal fiscal year funds department staff who specialize in case management and job development services primarily for those veterans identified as having significant barriers to employment, including disabilities and educational and economic disadvantages.

The veterans grant is actually two separate programs, each funding different positions at the department. The Disabled Veterans Outreach Program funds specialists who provide intensive services to disabled and other eligible veterans, with an emphasis on meeting the employment needs of veterans who are economically or educationally disadvantaged. The Local Veterans Employment Representative Program funds specialists who conduct outreach to employers, which includes seminars for employers and job search workshops as well as establishing job search groups and facilitating employment, training, and placement services for veterans. We refer to staff in both of these programs as *veterans employment representatives*, and representatives from both programs provide services to veterans at one-stop centers. Federal law requires, to the extent practicable, that these positions work only with veterans and that the veterans employment representatives be—with limited exceptions—veterans themselves.

Veterans seeking employment services who are job-ready and require little or no direct assistance can enroll and enter their resumes in CalJOBS, either remotely or at one-stop centers.

In contrast, veterans who require one-on-one intensive services can work with veterans employment representatives at the one-stop centers. Figure 2 shows the process by which veterans may obtain services through one-stop centers.

Figure 2
Veterans Employment Services Available Via One-Stop Career Centers



Source: The Employment Development Department's (department) *Veterans' Services Manual*.

Note: One-stop centers are operated by public or private entities, or a consortium of entities, that the local workforce investment board designates.

* The department assigns veteran-specific staff to only certain locations.

Allocation of Veterans Employment Representatives Among the Department's Three Field Divisions

Federal law requires the states to employ veterans employment representatives to meet the needs of eligible veterans and to carry out employment training and placement services. The department uses an allocation formula to determine the distribution of the veterans employment representatives to the department's three field divisions: Northern, Southern, and Los Angeles–Ventura. The department's formula reflects both the State's population of veterans and the department's potential workload. The department uses census data to determine the veteran population and also considers the number of newly registered veterans in the CalJOBS system for each of the department's three field divisions. By using CalJOBS registrants, the department is also indirectly factoring in unemployment, as unemployment insurance recipients must generally register with CalJOBS. According to the department, managers have some discretion to shift positions among the regional offices, subject to Labor's approval.

According to the department's staffing plan, as of May 2013, there were 238 full-time equivalent positions authorized for veterans employment representatives, of which 192 were filled and 46 were vacant. When we asked the veterans grant manager why there were so many vacancies, she stated that the department may not be able to afford to staff all the positions because of fluctuating grant funding. The manager also indicated that the department has been conservative in its approach to filling vacancies because of the

federal sequestration and uncertainty about future funding levels for the veterans grant. For federal fiscal year 2014, the manager expects that the department will reduce the number of full-time equivalent positions to 214, including filled positions and vacancies.

For all federally funded operations of the one-stop centers, including department staff who work with veterans, Labor uses three common measures for evaluating California's workforce development system. The text box describes these common measures. Each quarter, the department reports data to Labor on participants in its workforce services programs. Labor then uses these data to calculate the three common measures for veterans and nonveterans receiving Wagner-Peyser and veterans receiving grant services, and the department and Labor meet yearly to establish performance targets for each common measure.

Common Measures for Assessing the Performance of Workforce Development Programs

The U.S. Department of Labor (Labor) uses three common performance indicators to evaluate California's workforce development system.

Entered employment rate: The percentage of program participants who obtained employment after receiving services.

Employment retention rate: The percentage of program participants who remained employed for at least six months after receiving services.

Average earnings: The average six-month earnings for program participants who obtained employment after receiving services.

Source: Labor.

Other Job Assistance for Veterans

In addition to the services that the department and local workforce agencies provide, veterans have access to other federally funded programs outside of one-stop centers. For instance, military personnel who will soon leave active duty are enrolled in a mandatory federal program called the Transition Assistance Program. Until recently, states assisted by providing services as part of this program. However, beginning in 2013, the federal government is providing these services. Table A in the Appendix includes a listing of some major veterans employment programs.

Protecting Veterans From Discrimination

Federal and state laws protect active duty military personnel and veterans from employment discrimination. Federal law enacted under the Uniformed Services Employment and Reemployment Rights Act (USERRA) prohibits any employer from discriminating or acting in reprisal against persons who serve in the uniformed services. The USERRA protects any person who applies to serve, is serving, or has served in the military from discrimination in employment decisions such as hiring or promotion. State law offers similar protections for active duty personnel.

Additionally, the State recently added veterans to the list of individuals protected against employment discrimination under the Fair Employment and Housing Act (FEHA). FEHA states that it is an unlawful employment practice for an employer to make employment decisions—such as hiring or firing—based on certain protected characteristics. Some of those characteristics are race, religion, physical or mental disability, and gender. As of January 1, 2014, veterans will be included in the list of classes protected from employment discrimination. Further, the new law will shield employers from charges that policies giving veterans preferential treatment in hiring are discriminatory. The California Department of Fair Employment and Housing receives and investigates complaints under FEHA, prosecutes cases, and provides technical assistance to employers regarding their responsibilities under the law.

Neither federal nor state law requires the department to investigate instances of employer discrimination against veterans. Further, the department's *Veterans' Services Manual* explicitly states that the department must not make determinations of eligibility nor offer solutions to problems relating to the USERRA. Instead, the manual requires department staff to refer any problems to the local federal representative for resolution. As the department does not have responsibility in this area, it does not keep statistics related

to employer discrimination. However, according to a federal USERRA investigator, Labor has reviewed 365 cases in California since October 2010. Such a caseload seems relatively small when compared to the more than 14,000 campaign veterans³ who entered employment between October and December 2012 according to the department's performance report to Labor.

Department-Sponsored Veterans Job Fairs

The department's Honor a Hero, Hire a Vet job and resource fairs (veterans job fairs) help connect veterans to employers. Each year throughout California the department conducts job fairs directed primarily toward veterans who recently left military service, although nonveterans are also allowed to attend. Event participants include private sector employers and government agencies. According to the department's planning documents, other attendees might include community resources such as vocational schools and community colleges. The department uses funds from the WIA to support the events.

According to the department, thousands of veterans and hundreds of employers attended the fairs held in 2012. As of May, approximately 900 veterans, 600 nonveterans, and roughly 160 employers had attended three veterans job fairs in 2013. The department tracks interviews and job offers occurring at the veterans job fairs. It also conducts an anonymous employer survey at the events, asking general questions about satisfaction with the event, the venue, and the job candidates. According to a department manager, employers may choose to report job offers or hires using the survey, the results of which are then reported to the department's central office. For example, in 2012 the department recorded 60 job offers or hires resulting from the veterans job fairs. According to the department's records for 2012, it scheduled 11 veterans job fairs throughout California, for which it had budgeted \$250,000. In 2013 the department expects to conduct another 11 veterans job fairs.

Scope and Methodology

The Joint Legislative Audit Committee asked the California State Auditor to audit the department's efforts to assist veterans in securing employment. Table 2 lists the nine objectives and the methods we used to address those objectives.

³ *Campaign veterans* are veterans who served on active duty in the U.S. military, ground, naval, or air service during a war or in a campaign or expedition for which a campaign badge has been authorized.

Table 2
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	We reviewed federal and state law relevant to veterans and employment. For example, we reviewed various provisions of federal statutes, such as those originating from the Wagner-Peyser Act of 1933, the Workforce Investment Act of 1998 (WIA), and the Jobs for Veterans Act, as amended. We also reviewed guidance provided by the U.S. Department of Labor (Labor).
2 Identify the roles and responsibilities of the various federal, state, and local agencies in providing employment assistance and job training to veterans. Review and evaluate the type of employment assistance and job training programs offered by the Employment Development Department (department) and determine which programs are offered exclusively by the department and those that are offered in partnership with other entities. Identify, for each of these programs, whether they are exclusive to veterans or are open to all Californians but give preferences to veterans.	We interviewed workforce development managers at the department, staff from Labor's Veteran Employment and Training Service, and staff from the California Workforce Investment Board (state workforce board). We also reviewed information from the Catalog of Federal Domestic Assistance, as well as the Web sites for federal, state, and local entities serving veterans.
3 Determine whether the department has a strategic plan, and evaluate the factors it considers in planning, coordinating, and prioritizing its veterans programs. Determine whether the department considers the various demographics and projections concerning veterans, federal priority mandates, any innovative interagency initiatives, and any issues or recommendations raised by the Governor's Interagency Council on Veterans (interagency council) in its planning and prioritizing of programs.	We reviewed the current strategic plans for the department and its Workforce Services Branch. We also reviewed the State Veterans' Program and Budget Plan for its administration of a federal grant for veterans and the 2013–2017 statewide plan for the WIA. We interviewed staff responsible for planning at the department and at the workforce investment board. We also interviewed staff at the department's Labor Market Information Division and reviewed information published by that division. Finally, we interviewed the chair of the employment workgroup of the interagency council and reviewed documentation the council produced.
4 Review evaluations and audits regarding the effectiveness of the department's employment assistance and job training programs, if any, and determine what type of oversight exists for the department's veteran services.	We reviewed recent reports by the California State Auditor and the U.S. Government Accountability Office related to veterans programs. Further, we made inquiries with the department's management regarding any internal reviews it had performed with respect to veterans services and reviewed requirements for oversight of veteran services.
5 Review the overall structure of the department's veterans programs and, to the extent possible, review the following programs to determine their effectiveness in increasing veteran employment, and assess whether changes are needed to make them more effective:	We performed the following for the items listed below:
a. One-stop career centers (one-stop centers).	Labor measures the department's effectiveness in administering federal grants through a performance reporting process. This process uses negotiated performance goals, including goals that are specific to helping veterans find employment. Labor provides funding for department staff—many of whom work at one-stop centers—to assist veterans in finding jobs. We reviewed the department's performance goals and actual performance as reported to Labor. We also reviewed the department's corrective action plan for increasing its performance and determined whether it considered existing data to identify potential enhancements to how it serves veterans. Finally, during the audit we reviewed the department's process for reporting its performance to Labor and found significant weaknesses in the department's reporting methodology, which we discuss in the Audit Results section beginning on page 19.

continued on next page . . .

AUDIT OBJECTIVE	METHOD
b. Veterans employment representatives—Determine the number of veterans employment representatives statewide, how the positions are funded, and how the department allocates them in various communities and regions.	We refer to the veterans program staff who work at the one-stop centers collectively as veterans employment representatives. We interviewed department staff to understand how they allocate veterans employment representatives throughout the State. In addition, as stated in 5a on the previous page, we reviewed the effectiveness of veterans employment representatives through the negotiated goals, which we discuss in the Audit Results.
c. The 24-hour hold on job postings at CalJOBS.	We interviewed department staff to determine if they monitor whether their practice of placing a 24-hour hold on job postings in CalJOBS—so that only veterans can initially review such opportunities—is effective in helping veterans find employment. Based on our understanding of how the department implements the 24-hour hold policy, we used our professional judgment to evaluate the 24-hour hold’s effectiveness. We also reviewed a federal report on how states are prioritizing services to veterans.
d. Veterans Employment-Related Assistance Program—Determine the grants made under this program and whether the department monitors the long-term job retention of the veterans assisted by these program grants to measure their cost-effectiveness.	We reviewed the department’s lists of grantees for the last four years. Further, we reviewed close-out reports from grants made in 2010—the most current reports available—to determine the extent to which the department monitors the performance of these grants in helping veterans find and keep jobs.
e. Federal contractors job listing.	We interviewed the department’s veterans program staff. Further, we reviewed the department’s performance reports, which included data on veterans receiving employment with federal contractors. We also reviewed reports from Labor concerning field visits it conducted to certain one-stop centers and determined Labor had no findings related to the federal contractors job listing.
f. Honor a Hero, Hire a Vet job fairs.	We interviewed department staff regarding how they track and assess the effectiveness of the department’s job fairs for veterans and whether such information is consistently reported. Further, we determined whether the department has established performance goals or expectations that would otherwise define success for such job fairs. We reviewed documentation related to the job fairs.
6 Determine what, if any, analyses the department has performed of the unemployment and postmilitary civilian employment demographics—such as age, gender, disability, and military training and experience—related to veterans and whether the department uses the analyses in setting program priorities, determining the effectiveness and needed changes, or identifying reasons for changes in unemployment rates for veterans.	We reviewed analyses the department’s Labor Market Information Division performed and interviewed managers from that division and from the department regarding how the department uses those analyses in its planning. Further, we used American Community Survey data to develop a table of unemployment rates among various demographic categories.
7 Determine whether the department has identified best practices for translating military training and experience into comparable civilian job skills, or engaged in interagency initiatives that would integrate the department’s veterans programs and services with those of other entities.	We reviewed the department’s <i>Vocations for Vets</i> publications and interviewed department staff to understand current initiatives for translating military experience into skills needed in the civilian workforce.
8 Review the department’s efforts to identify, measure, and address anti-veteran employment discrimination and whether the department has found any evidence that employers are reluctant to hire active, currently serving National Guard or federal reserve members.	We reviewed federal and state law relevant to discrimination against active duty military personnel and veterans, as well as recently passed legislation related to discrimination against veterans. We also interviewed managers at the department and at Labor’s Veteran Employment and Training Service.

AUDIT OBJECTIVE	METHOD
9 Identify and assess any other issues that are significant to the department's efforts to assist veterans in finding employment.	During the course of our review of the department's data systems, we determined that one of the databases the department uses to generate performance statistics—the Base Wage File, which contains data reported by employers on their employees and wages—included instances where multiple names were associated with a single Social Security number. Refer to our comments under Assessment of Data Reliability for the additional procedures we performed.

Source: The California State Auditor's analysis of audit request 2013-102 and the analysis of information and documentation identified in the table column titled *Method*.

Assessment of Data Reliability

In performing this audit, we relied upon electronic data extracted from the department's Base Wage File. The U.S. Government Accountability Office, whose standards we follow, requires us to assess the sufficiency and appropriateness of computer-processed information that is used to support findings, conclusions, or recommendations. As shown in Table 3, we identified multiple names associated with the same Social Security number in the Base Wage File. Further, we analyzed the department's unemployment insurance payment data (payment data) to determine if the department issued payments to multiple individuals using the same Social Security number, although such analysis was not included in the original audit objective. However, we did not perform accuracy and completeness testing of the payment data. Consequently, we found the payment data to be of undetermined reliability for the purpose of this audit.

Table 3
Methods Used to Assess Data Reliability

INFORMATION SYSTEM	PURPOSE	METHODS AND RESULTS	CONCLUSION
Employment Development Department's (department) Base Wage File. Data as of June 12, 2013.	To calculate the number of job seekers who entered employment, the number who retained employment for six months, and their average base wage.	We performed data-set verification procedures and electronic testing of key data elements and found a number of instances in which a single Social Security number was associated with multiple different names. According to the department, it summarizes reported wages by Social Security number when it sends the data from the Base Wage File to its CalJOBS and Job Training Automation (JTA) systems. The department asserted that it is unable to provide a true matched wage for records in its CalJOBS and JTA systems. In addition, the calculation as to whether an individual entered employment or retained employment is based on whether that individual has reported wages. Therefore, summarizing wages by Social Security number could skew these figures.	Not sufficiently reliable for the purposes of this audit. Nevertheless, we present the U.S. Department Labor's reports, which are based on these data.

Sources: California State Auditor's analysis of various documents, interviews, and data obtained from the department.

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Audit Results

Because the Data It Collects From Employers Exhibits Significant Errors, the Department Cannot Accurately Measure the Performance of Its Workforce Development System

The poor quality of the data California uses to report the performance of its workforce development system to the U.S. Department of Labor (Labor), and the methodology the Employment Development Department (department) uses to collate those data, call into question the validity of California's performance statistics. In order to generate the performance statistics specific to the three common measures described in the Introduction, California must submit data on participants in its workforce development system. Labor uses these data in its three common measures to assess the workforce development system via entered employment rate, employment retention rate, and average earnings. The computation of the common measures requires California to use information from its Base Wage File, which tracks total wages paid to individuals in California based on information employers submit, in conjunction with information from its CalJOBS and Job Training Automation (JTA) systems. These systems track clients receiving services under the Wagner-Peyser Act of 1933 (Wagner-Peyser) and the Workforce Investment Act (WIA), respectively.

In reviewing data from the Base Wage File, we noted more than 1,400 instances where a single Social Security number was associated with 10 or more different names in a single quarter—in one instance, with 162 different names. According to the department, when these data are queried by either CalJOBS or the JTA system, the Base Wage File's wage information is summarized by Social Security number and reporting period, creating a single record for each Social Security number. This could lead to the department reporting inflated wage figures, because a single record may contain the sum of wages for numerous individuals. In fact, for the Social Security number with 162 different names, the sum of wages in just one quarter was more than \$600,000. CalJOBS allows only one occurrence of a Social Security number; however, 6 percent of unique Social Security numbers in CalJOBS had multiple names in the Base Wage File. Because CalJOBS is the principal database for tracking participation in Wagner-Peyser and Wagner-Peyser veterans grant-funded programs, this calls into question the integrity of the department's data.

Additionally, these poor-quality data call into question both the measures for entered employment rate and employment retention rate, as these measures may fail to accurately count the number of individuals who entered or retained employment. Since CalJOBS and the JTA system determine if an individual entered employment or retained employment based on whether he or she has reported

wages for the quarter, multiple individuals with reported wages under the same Social Security number could skew these figures if the true owner of the Social Security number was not actually employed. We do not have confidence in the three common measures in the reports Labor has generated using the department's data. Nevertheless, we used Labor's reports to assess the department's performance in the workforce development system as they are the best source of information available. According to a chief of Labor's Division of Workforce Investment, Labor requires that states perform due diligence for accuracy and data integrity when using wage data for performance measurement. Labor expects states to review the data and identify anomalies. Without such monitoring, confidence in the department's data is eroded.

The existence of multiple names linked with a specific Social Security number raises concerns that go beyond the department's ability to provide accurate performance data to Labor.

The existence of multiple names linked with a specific Social Security number raises concerns that go beyond the department's ability to provide accurate performance data to Labor. During the audit, we identified 99 instances in fiscal year 2012–13 where the department issued payments under the unemployment insurance program to different first and last names using the same Social Security number—for context, the department issued payments to nearly 2 million Social Security numbers in fiscal year 2012–13. As of October 1, 2013, the department had reviewed 76 of the 99 records and concluded the payments were appropriate. We asked the department to provide us with supporting documentation for seven of the 76 instances it reviewed to see how the department concluded that the different names were for the same individual. The department was able to show that the payments were due to legal name changes, to instances where the federal Social Security Administration verified multiple names under one Social Security number, or to instances where the applicant had misstated a Social Security number and the erroneous number matched that of another claimant; the department was also able to show that it corrected these errors. While it appears, based on the instances the department reviewed and the evidence it provided, that its process for matching individuals with Social Security numbers is working, we expect the department to complete its review of the remaining 23 cases.

Further, the existence of different names associated with one Social Security number in the employer-reported Base Wage File is a possible indicator of identity theft. However, according to the department, the information employers provide is confidential and state law prohibits the department from sharing this information with others unless requested. Nonetheless, according to federal regulations, disclosure to a public official for use in the performance of his or her duties is permissible if authorized by state law to the extent that it does not interfere with administration of the unemployment insurance program. Moreover, the department's

regulations state that the department shall conduct an investigation should it have probable cause to believe a person has used a fictitious name or Social Security number for the purpose of obtaining benefits. While such an investigation would likely be conducted after the person has applied for benefits, we also believe it is in the interest of the citizens of California for the department to share information with the appropriate law enforcement officials when the department has evidence of potential misuse of Social Security numbers, as in the cases where multiple names were associated with a single Social Security number.

As an entity of state government, the department has a responsibility to provide law enforcement with information when it reasonably suspects that individuals are reporting or otherwise using Social Security numbers inappropriately. State law prohibits individuals from reporting fictitious wages or employees for the purpose of obtaining or increasing benefits. Unless it periodically reviews data in the Base Wage File and reports suspicious activity to the appropriate authorities, the department is missing an opportunity to thwart potential identity theft.

Unless it periodically reviews data in the Base Wage File and reports suspicious activity to the appropriate authorities, the department is missing an opportunity to thwart potential identity theft.

The Department Has Not Met Certain Goals Labor Established for Assisting Veterans, Resulting in a Corrective Action Plan

In an April 2013 letter to the department, Labor's Veterans Employment and Training Service (DOL-VETS) notified the department of multiple lapses in program accountability and reported that the department did not meet key performance measures for the veterans program. The letter required the department to develop a corrective action plan that included an analysis of program and performance deficiencies, steps to address the deficiencies, and expected outcomes and time frames to implement changes. Most notably, DOL-VETS cited poor performance on one of the common measures—entered employment rate—as a major reason for requesting that the department develop the plan. The department submitted its corrective action plan in May 2013, which DOL-VETS accepted.

The department and DOL-VETS negotiate annual goals for the veterans grant. As discussed in the Introduction, Labor measures the success of its programs based on the three common measures. In addition to using the common measures to evaluate the department's performance in the veterans program, Labor and the department agree on similar targets to measure the effectiveness of the one-stop career centers (one-stop centers). According to the department's own tracking of its performance, it has consistently failed to achieve the negotiated goals for the entered employment rate since fiscal year 2009–10. In the

It is too soon to tell whether the department's governance council will be effective in helping the department improve the entered employment rate for veterans.

April 2013 letter to the department's director, DOL-VETS indicated that California is among the lowest performing states when measuring the rate at which program veterans enter employment. In its response, the department asserted to DOL-VETS that its new data system would have the capacity to record veteran outcomes more effectively, that it began implementing the new system in March 2013, and that it was training all veteran employment representatives to use the new system. In addition, the department's former director asserted that its newly created Veterans Program Governance Council (governance council) was tasked with improving the overall direction of the provision of veteran services at the department. To that end, in April 2013, the governance council established a 100-day action plan to improve overall program management, including improving policies and procedures, implementing the new data system, and providing training and development for field staff. Table 4 on page 24 shows the department's performance against negotiated goals for 2011 for the veterans grant programs as well as for other workforce services programs available to veterans.

However, it is too soon to tell whether the department's governance council will be effective in helping the department improve the entered employment rate for veterans. Although the governance council's action plan established an August 30, 2013, deadline for training the department's veterans employment representatives, it has not yet done so. In September 2013 the department provided us with draft training materials; these materials generally focus on educating veterans employment representatives on how the common measures are calculated and how department employees can use the new CalJOBS system to improve their case management of veterans. A manager within the department's workforce services division expects the department to finalize the training in late September or early October 2013.

Another important action item for the governance council is its plan to establish clear lines of communication for the effective management and performance of the veterans grant. To this end, the governance council has established a process where both the department's central office and its field divisions will have regular weekly meetings to discuss topics that are significant to the veterans grant, such as potential changes in policy or the best use of the financial resources the veterans grant provides. However, it is unclear whether the department is fully leveraging the governance council to benefit the veterans grant. In a later section, we discuss how the department's central office does not know whether its field divisions are accomplishing the activities noted in its State Veterans' Program and Budget Plan (five-year plan) for the veterans grant. We believe that it would be an effective use of the governance council if the department had a standard practice of discussing each field division's performance

regarding the three common measures and of identifying and disseminating best practices or innovative ideas for helping veterans find employment. For example, if a field division found that participating in a particular job fair or working with a particular type of employer yielded positive employment outcomes for veterans, such practices should be shared with the other field divisions so that they might replicate those positive results.

The Department Can Do More to Use the Data It Already Has to Improve Its Services to Veterans

The department needs to better analyze the demographic data that it already reports to the federal government and use that analysis in planning its veterans programs. In addition, the department's Labor Market Information Division (information division) collects and analyzes a wide variety of information on California's labor markets, but the department does not use this information when making program decisions. Finally, although the department shares this labor market information with local entities providing workforce services, it does not monitor how local entities are using the information and is therefore unaware of potential opportunities to improve the support services it offers to them. Overall, our review noted that the department's general approach to managing its veterans programs has been to focus on complying with federal grant management requirements instead of finding ways to use its existing data to identify opportunities to improve services to veterans.

The Department Should More Thoroughly Analyze Demographic Data to Assess the Success of Its Services to Veterans

Although the department routinely reports performance data to Labor on its services to veterans, it does not make program decisions based on how certain groups of veterans who have accessed the department's job assistance services fare in obtaining employment compared with nonveterans. In its strategic plan, the department identifies using its resources effectively to continually improve the quality of its services as one of its core values. However, according to the chief of the Workforce Services Division (workforce services chief), although the department maintains data for both the general and veteran populations that it serves, it does not routinely compare the two data sets to identify any disparities or to identify best practices that might help either population become more successful. He noted that the department considers its services to veterans successful if it reaches the goals it negotiated with Labor for the Jobs for Veterans State Grant (veterans grant). However, as we note in Table 4 on the following page, the department has met its goals in roughly half of those measured.

The department's general approach to managing its veterans programs has been to focus on complying with federal grant management requirements instead of finding ways to use its existing data to identify opportunities to improve services to veterans.

Table 4
Overview of the Employment Development Department’s Involvement with Veteran Employment and Job Assistance Programs in California

PROGRAM NAME	PROGRAM BACKGROUND
Programs with specific goals negotiated with the U.S. Department of Labor (Labor)	
Wagner-Peyser Act of 1933 (Wagner-Peyser)	Through an \$84 million grant from Labor in March 2012, Wagner-Peyser helps people find employment and workforce information by providing a variety of job search assistance and information services without charge to job seekers, including persons with disabilities and to employers seeking qualified individuals to fill job openings. Veterans receive priority service.
Workforce Investment Act of 1998 (WIA)—Adult Programs	Through a \$411 million grant from Labor in March 2012, WIA programs help prepare workers for good jobs through grants to states. Using a variety of methods, the State provides employment and training services through a network of one-stop career centers (one-stop centers). The Adult Program focuses on low-skilled, low-income workers, while the Dislocated Workers Program supports the reemployment of laid-off workers. Veterans receive priority service.
WIA—Dislocated Workers Program	
Disabled Veterans Outreach Program (DVOP) of the Jobs for Veterans State Grant (veterans grant)	The veterans grant is a \$19 million grant from Labor under the Jobs for Veterans Act. The objective of the DVOP is to provide intensive services to meet the employment needs of disabled and other eligible veterans with maximum emphasis on meeting the employment needs of those who are economically or educationally disadvantaged, including homeless veterans and veterans with barriers to employment.
Local Veterans Employment Representatives (LVER) program of the veterans grant	The objective of the LVER program is to conduct outreach to employers including conducting seminars for employers; conducting job search workshops and establishing job search groups; and facilitating employment, training, and placement services furnished to veterans through the State’s employment service or one-stop career centers.
Programs without specific goals negotiated with Labor	
24-hour hold on job postings within CalJobs	The federal Jobs for Veterans Act requires that various federal programs such as the WIA, Wagner-Peyser, and others provide veterans with a “priority of service.” The Employment Development Department (department) has used a 24-hour hold on job postings on its labor exchange system—CalJOBS—allowing veterans to see job postings and submit resumes before the general population of CalJOBS users.
Veterans’ Employment-Related Assistance Program	Using \$4 million in funds from the WIA, the department provides grants to promote the use of industry sector strategies to help veterans, especially those veterans recently discharged from service, transition into high-wage, high-growth occupations.
Federal contractor job listing	The federal Jobs for Veterans Act requires that all contractors that have at least \$100,000 in federal contracts must post their available job listings with each state’s labor exchange. California’s labor exchange system is CalJOBS, an online system that matches employers with those seeking employment. The department records statistics on how often clients are referred to federal contractor job postings and how often veterans enter into employment with federal contractors.
Honor a Hero, Hire a Vet job and resource fairs	The governor began this initiative in 2007 and it continues today by providing annual job fairs throughout California. The fairs are open to the public, although the focus is on helping veterans find employment. The department uses a portion of the State’s allocation under the Dislocated Workers Program under the WIA for this program. The department holds approximately 11 job fairs a year.

Sources: Department records and unaudited information and correspondence from Labor; department program records; the Catalog of Federal Domestic Assistance; the A-133 Compliance Supplement for 2012; and guidance from Labor.

Notes: The table illustrates the department’s actual performance against the goals it had negotiated with Labor. The different colors under “performance goals” indicate whether the department’s performance was consistent with the negotiated goals as noted below:

■ The department’s actual performance was 100 percent or more of the goal it negotiated with Labor.

□ The department did not meet its negotiated goal.

■ The department has not established metrics to define success.

* The department does not negotiate a separate earnings goal for the DVOP and LVER programs, only a combined one.

† The project manager unit does not actively track six-month employment retention or average earnings. Actual data were obtained from the Program Reporting and Support Group.

‡ See the “Assessment of Data Reliability” in the Introduction regarding the electronic data presented in this table.

FUNDING SOURCE	ELIGIBILITY		PERFORMANCE GOALS AS APPLIED TO VETERANS/ NONVETERANS, IF APPLICABLE	THREE COMMON MEASURES, 2011 PROGRAM YEAR		
	VETERAN-SPECIFIC	NOT VETERAN-SPECIFIC		ACTUAL ENTERED EMPLOYMENT RATE [‡]	ACTUAL EMPLOYMENT RETENTION RATE [‡]	AVERAGE SIX-MONTH EARNINGS [‡]
Federal		●	Nonveterans	41%	78%	\$17,917
			Veterans	34	76	21,480
Federal		●	Nonveterans	55.9	79	12,938
Federal		●	Nonveterans	63	83	17,146
Federal	●		Veterans	34	75	18,525*
Federal	●		Veterans	32	69	18,525*

PERFORMANCE MEASURES / MEASURES OF SUCCESS

Federal	●		The department has not established any performance metrics for the 24-hour hold and only institutes this practice to demonstrate a "priority of service" for veterans.		
Federal—WIA discretionary funds	●		Entered employment rate for grants commencing in 2010: 59% [‡]	Employment retention rate for grants commencing in 2010: 79% ^{‡,‡}	Average earnings for grants commencing in 2010: \$16,516 ^{‡,‡}
No specific funding source	●		Although the department collects statistics on performance, it has not established any performance metrics to define success.		
Federal—WIA funds		●	Although the department collects statistics on performance, it has not established any performance metrics to define success.		

It will be difficult for the department to take a leadership role in determining how to best serve veterans if it does not use its demographic data to question program performance and to develop specific actions to improve performance where needed.

The department's focus on meeting federal requirements may cause it to miss opportunities to better analyze its data to improve outcomes for certain veterans who need the most help. Instances in which veterans in certain age groups, ethnicities, or gender experience greater unemployment highlight the need for the department to take specific steps to address these groups. For example, as we indicated in Table 1 on page 8, the unemployment rate among veterans age 25 to 34 exceeds the rate among the civilian population by approximately 5 percentage points, whereas veterans in most other demographic categories have roughly the same unemployment rate as nonveterans. The department should use these data to identify groups for which it needs to develop strategies for improving employment outcomes.

The demographic data that the department already reports to the federal government provides information that could lead to a critical evaluation of its veterans programs. For example, for the last quarter of federal fiscal year 2012, the department reported that roughly 81 percent of the veterans seeking its services who had reported their education level had at least a high school diploma or equivalent education.⁴ Further, 44 percent of veterans had a postsecondary degree or similar certification. Considering such data could help the department recognize that even though veterans seeking services may have adequate levels of education, they may need help translating the work experience they gained in the military to well-suited civilian occupations that require similar skills. Alternatively, given that more than 67 percent of the veterans seeking services during that same quarter who had reported their race as white, the department may question whether it can do more to reach nonwhite veterans. It will be difficult for the department to take a leadership role in determining how to best serve veterans if it does not use its demographic data to ask questions about program performance and, where necessary, to develop specific actions to improve that performance.

The department recently began upgrading its CalJOBS system, which, according to a manager in the department's Information Technology and Program Accountability Branch (IT branch), may hold promise for a more frequent and refined analysis of its performance data. According to the IT branch manager, the new information system can produce ad hoc performance reports more easily than the old system could. However, she indicated that as of June 2013, the IT branch had not received specific direction from the department's workforce branch or veterans program unit to evaluate performance or informational data to identify trends

⁴ Program participants are not required to report certain demographic information, such as race or education level.

specific to veterans program participants. She stated that the department is conducting ongoing tests within the new system to determine the types of reports that the system can generate and the accuracy of those reports. She also indicated that the IT branch plans to compile and evaluate the data from the new information system related to veterans programs in the future; however, as of June 2013, it had not formalized plans to do so. Without firm plans to evaluate a wider variety of data on veterans, the department cannot demonstrate that its new system will facilitate any better outcomes for veterans than its old one did.

Without firm plans to evaluate a wider variety of data on veterans, the department cannot demonstrate that its new system will facilitate any better outcomes for veterans than its old one did.

The Department Could Better Use and Monitor the Information It Produces on the Labor Market in California

The department's information division collects, analyzes, and publishes information about California's labor markets. It provides economic development and planning information, staffing patterns for certain industries, and wage information, among other data. According to its chief, the information division both self-generates reports and produces reports in response to requests that workforce development stakeholders make. For example, the information division periodically publishes information on specific populations, such as veterans. In 2011 the information division published a report profiling the State's veteran population and highlighted certain demographic and labor market statistics and, according to the division's chief, it plans to release a similar report in the fall of 2013.

Although this information is available, the workforce services chief stated that the department does not use it when making program decisions. However, if it did, the department could evaluate veterans' results in the workforce development programs in a specific region, and if the results are poor, the department could determine whether the strategies that local workforce agencies are using to help veterans find employment are consistent with local job opportunities. For example, in 2012, the information division published an analysis containing growth industry projections for Los Angeles County in which it noted that more than two-thirds of all projected nonfarm job growth would be concentrated in certain industries, such as health care and social assistance, business services, hospitality services, and retail trade. The report also included projections for the average annual job openings by required education level, including the number of projected jobs for which prospective job seekers need only possess a high school diploma or equivalent, an associate or bachelor degree, or a postsecondary degree, among others.

The department could use labor market information to help local workforce agencies that are not meeting their negotiated performance goals determine if untapped job opportunities for veterans exist.

The department could use this information to help local workforce agencies that are not meeting their negotiated performance goals determine if untapped job opportunities for veterans exist. For example, if the department reviewed performance data and found that certain difficult-to-place participants lacked the requisite education and skills for available jobs, the department could use that information to inform the local workforce agency of the occupations for which an advanced degree is not a requirement for employment, such as certain health care service careers, or the department could work with the local workforce agency to identify training tailored to veterans so the veterans could learn a specific skill set and obtain a certification or license that could lead to employment opportunities.

When we asked the workforce services chief why his unit does not perform this type of analysis, he stated that although the department has access to demographic data for veterans, he does not currently have staff resources with the technical expertise to compare trends for veterans' performance in the workforce programs against trends in demographic data and draw conclusions that will help the department in the future strategic design of its veterans programs. Instead, he stated that the central office monitors how the grants are being used locally and provides technical assistance for compliance-related issues, among others, in its capacity as grant administrator. However, while compliance is important, so too are consistent efforts to improve outcomes, in keeping with the department's strategic plan.

Further, the department does not monitor how users of its reports are employing the labor market information. While the department's central office does not use the demographic data in its planning, the information division publishes demographic and labor market information on the department's Web site, and thus all workforce development entities, such as the local workforce agencies, can use that information to inform their planning efforts. However, according to the chief of the information division, neither the department nor the information division follows up with users of its information—such as workforce branch staff or field division staff—to determine whether the reports and other tools the information division produces are useful. As a result, the department does not know whether the local workforce agencies are using these reports when providing services for veterans, or whether the local workforce agencies find the reports to be effective tools for helping veterans find employment. Unless the department solicits feedback from the local workforce agencies on the effectiveness of the information division's reports, it may be unaware of opportunities to help provide better services to program participants.

The Department Lacks Information to Assess Whether It Can Better Help Veterans Match Their Military Skills With Civilian Job Requirements

Both service members who are actively transitioning from the military and current veterans sometimes need help understanding how the skills they developed in the military translate to potential job opportunities in civilian life. Between 2010 and 2012, the department issued a series of publications called *Vocations for Vets*, which listed prevalent military occupations such as “radioman” or “infantry” and identified the types of civilian careers that best matched those military backgrounds. For example, the department’s publication stated that someone serving as a radio operator might be well suited for a career as a police dispatcher, a telecommunication installer, or an audio and video technician. Similarly, someone in the infantry may want to consider a career in law enforcement.

However, despite investing the time to prepare these publications, the department lacks information as to how useful they actually are in helping veterans find employment. We interviewed the deputy chief of the information division, which prepared the publications, to find out if the department has a feedback loop to determine whether the users of its publications have found them useful. According to the deputy chief, his unit does not track usage rates for its publications but can track how often a web page is viewed or how often one of its publications is downloaded. The department’s tracking showed that the *Vocations for Vets* publication series was downloaded over 2,000 times during 2010, increasing to 12,000 downloads in 2011. For perspective, the department provided employment services to more than 130,000 veterans, transitioning service members, and similar individuals for the 12-month period ending December 31, 2012. The deputy chief cautioned that his unit cannot infer the success of the *Vocations for Vets* tool based on its popularity; however, in our opinion, the increasing download rate suggests that the publications were seen as a useful tool. Nevertheless, the limited distribution of the publication in relation to the number of veterans seeking employment assistance raises questions as to whether the department sufficiently promoted the publications to both veterans and its own employees who assist veterans. We interviewed one department employee who worked as a veterans employment representative in Southern California. He stated that he was not familiar with the *Vocations for Vets* publications, although he did use data from the department’s information division to get information on employment projections, wages, and other occupational data to help veterans with their job search. The limited use of the publications and the lack of information on how useful the publications actually are may cause the department to miss an

The limited distribution of the Vocations for Vets publication raises questions as to whether the department sufficiently promoted the publications to both veterans and its own employees who assist veterans.

opportunity to enhance the value of its publications. According to the deputy chief, the department expects to publish additional *Vocations for Vets* publications in November 2013.

Another way in which the department helps translate military experience to civilian occupations is through its CalJOBS system, which allows veterans to search for jobs that they might qualify for based on their military background. For example, job seekers on CalJOBS can indicate their veteran status and their branch of service and military occupation code. Based on these entries, CalJOBS will return a list of civilian occupation groups. For example, a sergeant in the Army could be matched with the civilian occupation *human resources manager*. The employment workgroup of the Governor's Interagency Council on Veterans⁵ (interagency council) has recognized the need to identify one or two tools that can help veterans translate their military skills into civilian occupations and has created an action item to "research and investigate preferred military occupational skill translator" tools. The employment workgroup added this action item to its agenda in February 2013, but as of August 2013, it had not developed an approach or timeline for researching these translator tools. The employment workgroup indicated that it would begin discussions at its next meeting, scheduled for October 2013. Conducting this research is important because it provides an opportunity for the department, the California Department of Veterans Affairs (CalVet), and the CalJOBS system to consistently refer veterans to the one or two translation tools that will be the most helpful in finding the right field of work. Otherwise, veterans may use less helpful translator tools and become frustrated in their job search.

The State Does Not Set Specific Goals or Performance Measures Pertaining to Veterans Employment

According to CalVet, between 35,000 and 40,000 veterans may return to the State each year over the next few years, and it is too soon to tell if current state planning will address these veterans' employment needs. The department does not centrally monitor its progress in implementing the State's five-year plan for the veterans grant. In addition, the State's strategic workforce development plan (state workforce development plan) for fiscal years 2013–14 through 2016–17 does not include performance measures beyond those Labor requires.

Between 35,000 and 40,000 veterans may return to the State each year over the next few years.

⁵ The interagency council's employment workgroup is composed of representatives from government and private entities including the department, CalVet, the California National Guard, and the Salvation Army, among others.

The Department Has Not Developed Its Own Specific and Measurable Performance Goals for Veterans Services

The department's effort to plan services specifically for veterans consists of its five-year plan for the veterans grant, but the department's central office does not monitor the effectiveness of the plan's key steps because it has not defined or measured its success in accomplishing those steps. DOL-VETS requires states to submit a five-year plan to receive funding for the veterans grant program. This plan identifies each state's approach to operating and delivering employment and workforce services to veterans. In its most recent five-year plan for federal fiscal years 2010 through 2014, the department identified broad steps such as "continuing to assess and target veteran-friendly industries for additional recruiting and marketing programs to veterans" and developing "partnerships with public utilities and community colleges to train and employ veterans." Some of the broad tasks and action items the department cited in that plan are shown in the text box.

Although the department primarily measures the success of the veterans grant through the three common measures it negotiates with Labor, it does not monitor whether it has performed the steps listed in the text box or measure whether such efforts actually help veterans find jobs. A veterans program support specialist within the department stated that no formal data collection process exists for the goals the department is trying to accomplish in the five-year plan, even though staff are performing the work. For example, we requested information regarding the status of the action steps in the five-year plan from the department's central office. The department's personnel at the central office did not have information to answer our questions and asked the field divisions to respond. The field divisions provided narrative descriptions to demonstrate that they were making efforts to achieve the goals. However, these responses were not part of a routine reporting process that the central office could use when making program policy decisions. According to a deputy chief in the workforce services division, the department does not monitor the results of these action steps at its central office. As a result, the central office does not know whether its action steps are being implemented or are effective in helping veterans. The workforce services chief indicated that the department does not

Selected Action Items From the Employment Development Department's State Veterans' Program and Budget Plan for Improving Services to Veterans

California will promote the hiring and retention of veterans through:

- Establishing partnerships with public utilities and community colleges to train and employ veterans.
- Developing business relationships with various organizations in health care, banking, and other sectors.
- Assessing and targeting veteran-friendly industries for additional recruiting and marketing.

Additional measures that will further improve the outlook for veterans include:

- Providing Employment Development Department (department) staff with laptops and video projectors for presentations to employers about hiring veterans.
- Researching a performance incentive program for the department's employees.

Source: Employment Development Department's Five-Year Plan for Veterans Services as required under the federal Jobs for Veterans Act (for federal fiscal years 2010 to 2014).

It is of little value to tell Labor that the department will take certain steps when the department cannot demonstrate to itself or anyone else that these efforts are, in fact, effective in improving services to veterans.

receive the necessary resources to provide this type of oversight, and Labor does not monitor the State's progress in accomplishing these action items.

Nevertheless, it seems unlikely that it would be cost-prohibitive for the department to find some method to track its performance and evaluate whether the steps in its five-year plan result in positive outcomes. Otherwise, it is of little value to tell Labor that the department will take certain steps when the department cannot demonstrate to itself or anyone else that these efforts are, in fact, effective in improving services to veterans. Although local staff may compile additional information on performance and outcomes, staff at the central office set program policy, establish the goals for the five-year plan, and identify departmentwide best practices. Therefore, we would expect the central office to have a system in place to evaluate the progress made on the steps listed in its plan and whether such efforts are yielding positive results for veterans.

Recent State Planning for Workforce Services Focuses on Veterans to Some Extent, but It Is Too Soon to Evaluate Its Success

The state workforce development plan for the WIA and Wagner-Peyser grant programs has not historically identified veteran-specific goals and metrics, outside of the common measures. According to federal law, states must submit a workforce development plan to the secretary of Labor outlining the state's five-year strategy for its workforce investment system.

In June 2013 Labor approved the state workforce development plan for fiscal years 2013–14 through 2016–17, as required by law. Although no specific measures of success beyond the three common measures negotiated with Labor are in place, the plan does identify goals related to the State's veteran population. For example, the state workforce development plan includes an action item to adopt a consistent process for community colleges to recognize and grant credits to veterans for educational training completed in the armed forces. Another action item in the state workforce development plan requires the California Workforce Investment Board (state workforce board) to work with local workforce agencies to identify strategies for one-stop centers to align their services with those that veterans services organizations, the department, and CalVet provide.

Further, in May 2013, the state workforce board approved a recommendation to develop additional performance measures regarding all participants in the State's workforce system. In August 2013 the state workforce board reviewed and approved suggested measures, such as placement in livable-wage jobs and

attainment of industry-valued credentials. In the minutes to its August 2013 meeting, the state workforce board stated it would work with local boards between August 2013 and January 2014 to further define measurements, the process for their implementation, and individual benchmarking of pilot efforts. According to the minutes, this process will result in formal guidance and direction on how data are to be evaluated and reported.

The Interagency Council Recently Announced Steps to Improve Statewide Collaboration on Employment Services to Veterans

The department participates in the interagency council and is developing initiatives in cooperation with other entities to improve veterans' ability to find work. The interagency council was established by a 2011 governor's executive order to identify and prioritize the needs of California's veterans and to coordinate the State's efforts to address those needs. Composed of state agency secretaries, department directors, and invited federal partners and other veterans program stakeholders, the interagency council established workgroups to develop ideas for addressing key areas of concern, including employment. Currently, the deputy director of the department's Workforce Services Branch is the chair of the interagency council's employment workgroup. At an August 2013 meeting, the employment workgroup identified several actions it is taking to assist veterans, including those shown in the text box.

In September 2012 a representative of the interagency council met with representatives of the Sacramento Area Human Resource Association (SAHRA) and the California State Council of the Society for Human Resource Management (CalSHRM) to discuss a memorandum of understanding in support of veterans. In April 2013 the department entered into a memorandum of understanding with SAHRA, under which SAHRA may help veterans employment representatives—such as department employees assisting veterans at one-stop centers—acquire the skills needed to better assist veterans with networking and resume writing. The interagency council hopes that its agreement with SAHRA will serve as a model for future agreements with CalSHRM's other chapters.

Actions Being Taken by the Employment Workgroup to Increase Employment Outcomes for Veterans

Partnering with the Sacramento Area Human Resource Association, which will:

- Help Employment Development Department (department) staff develop human resources skills to better assist veterans with resumes, interviews, and career coaching.
- Help department staff review military resumes for skills that are transferable to local employers.

Providing financial support for a Web site called Vets 101, which is intended to:

- Help veterans more easily navigate veterans benefits programs, including understanding changes in rules and regulations.
- Be an information resource for those who help veterans find employment.

Developing a curriculum for a new California Transition Assistance Program (CAL TAP)

CAL TAP will provide veterans returning to California with a "refresher" course on the services available to them, focusing on employment and other issues.

Source: Public meeting of the Governor's Interagency Council on Veterans, August 2013.

Further, the department is a funding partner for a Web-based tool to assist veterans. Vets 101 is a free online service that offers career planning tools and information for veterans and their families. Its objective is to help veterans more easily understand and navigate veterans benefits programs. For example, Vets 101 includes a benefits calculator that can help veterans determine how employment might affect these veterans benefits, such as health coverage or assistance through Social Security Disability Insurance. Vets 101 also provides explanations and information on veterans benefit and employment assistance programs in a single place so veterans do not become frustrated with a complex system. Additional funding partners for Vets 101 include the Department of Rehabilitation and San Diego State University.

Finally, in August 2013 the employment workgroup reported on a new idea to create a California Transition Assistance Program (CAL TAP). When current service members are about to leave the military, the federal Transition Assistance Program helps them transition to civilian life and includes a workshop that Labor offers. All members leaving the service are required to attend the federal Transition Assistance Program. According to the employment workgroup report, CAL TAP will focus on developing a curriculum to serve veterans returning to California who may need a refresher course on the services available to them and the ways to access their benefits. As of August 2013 there was no timeline for implementing CAL TAP.

It is too soon to assess whether these activities will increase the number of veterans entering and retaining employment. For example, the department and SAHRA entered into their agreement in April 2013, and CAL TAP is still in development. A director of workforce innovation at the state workforce board provided us with the interagency council's priority action grid from April 2013, roughly four months before the council's more recent public meeting in August. The priority grid was intended to provide recommendations and tactics for improving veteran outcomes, such as the ones previously discussed. However, the priority grid for the interagency council's employment workgroup lacks timelines or measurable goals for many activities, even though the employment workgroup has been in place since January 2012 and thus, in our opinion, it has had time to establish such timelines and goals.

The priority grid for the interagency council's employment workgroup lacks timelines or measurable goals for many activities, even though the employment workgroup has been in place since January 2012.

The Department Could Do More to Assess Whether Certain Programs Help Veterans Find and Keep Jobs

The department administers several programs that provide assistance to veterans looking for work, but it does not fully measure the success of the programs. The programs provide grants to organizations

that train veterans for high-wage, high-growth occupations; refer veterans to jobs with federal contractors, which are required to give priority to veterans; and provide veterans-only access to job listings on CalJOBS for the first 24 hours after employers post the listings. Without developing a process to identify and collect meaningful data that measure the success or utility of these veterans programs, the department risks not identifying ways it can improve employment outcomes for veterans.

The Department Cannot Fully Evaluate Its Veterans Employment-Related Assistance Program Without Better Information

The department developed the Veterans Employment-Related Assistance Program (veterans assistance program) to provide federal funding to transition veterans into high-wage, high-growth occupations by training them for specific jobs in specific sectors. The department solicits proposals from different groups, such as local workforce agencies, nonprofit organizations, and private businesses (grant recipients), who describe their plans for providing focused training to veterans in specific industries. For example, a grant recipient may identify strong demand in the local labor market for health care workers and seek to provide veterans with the skills necessary to obtain employment in that industry. Federal statute allows the State to use a portion of the funds it receives under the WIA for discretionary grant programs that the State believes are particularly important or effective. The veterans assistance program is one such program, and the department awarded 48 grants totaling roughly \$28 million between May 2010 and June 2013.

As part of this program, grant recipients must forecast their performance goals. According to the solicitation documents for the veterans assistance program, the department requires grant recipients to generally meet the same performance goals as the WIA program as a whole or explain why the recipient's goals are lower. For grants made in 2013, the department generally requires that at least 80 percent of all veterans participating in the program receive education or training services, that 59 percent obtain unsubsidized employment upon completing the program, and that 81 percent of those obtaining unsubsidized employment remain employed for at least six months after completing the program and earn at least \$13,700 over a six-month period.

However, the department does not determine whether grant recipients have met two goals for the program, specifically the goals related to employment retention or the earnings of individuals participating in the veterans assistance program following the end of the grant period. Grant recipients must submit a report 60 days

The department awarded 48 grants from the veterans assistance program totaling roughly \$28 million between May 2010 and June 2013.

following the end of the project that includes a comparison of the recipient's goals to its actual performance. For example, a particular grant recipient predicted that it would enroll 250 veterans in its program and it reported it enrolled 266. According to the department's records, 180 of the veterans participating in that program entered employment, compared to the goal of placing 170 veterans in jobs (68 percent of the 250 veterans that the program planned to serve). However, the staff of the department's project manager unit, which is responsible for monitoring the veterans assistance program, do not collect and review information on job retention or the wages earned over the six-month period following completion of the program. According to the head of the project manager unit, the grant recipients do not include these two measures on their final report, as the report is due within 60 days of the end of the grant. He stated that the department only analyzes the data received from grantees while the grant is active to identify which grants are struggling to meet performance measures. However, the unit staff do not analyze data on retention and the average earnings for each grantee following the conclusion of the grant's active status. He stated that unit staff could obtain this information if necessary; however, doing so is beyond the scope of the work for the unit. Nonetheless, as the unit responsible for monitoring the program, it needs to be able to track all performance measures established for the program.

The veterans assistance program's performance is mixed, as shown by a combination of data from the project manager unit and reports from the JTA system.

The veterans assistance program's performance is mixed, as shown by a combination of data from the project manager unit and reports from the JTA system; however, inconsistencies exist between the two data sources, which calls into question the validity of the project manager unit's data on the entered employment rate. According to the department's performance records for grants made in 2010, grant recipients reported that they served roughly 2,400 veteran participants, or approximately 109 percent of that year's goal. However, fewer participants than planned entered employment—81 percent of the goal of about 1,500. Although the project manager unit does not analyze data on job retention or average earnings, we asked the department's reporting unit to provide information on these measures. According to grant recipients' data from the JTA system, 13 of 15 grant recipients with programs ending in 2012 met or exceeded that year's goal for veterans completing the programs to earn, on average, \$12,500 over a six-month period. However, while the program manager unit's reports indicate that just over 1,200 participants in the grant programs that ended in 2012 obtained employment, reports from the JTA system indicate that only 830 participants obtained employment following the program. According to the manager of the reporting unit, specific federal requirements address how the department must report participants in the JTA system, and these requirements may cause the JTA system's numbers to be lower. Nevertheless, given the magnitude of

the discrepancy in the data on veterans entering employment, the department cannot be certain that it is getting reliable information from grant recipients for this performance measure.

The Department Needs to Evaluate Why So Few Veterans Find Employment With Firms Contracting With the Federal Government

Although employers that contract with the federal government must actively recruit veterans, the department's ability to take advantage of this requirement is unknown. Federal law requires employers that hold contracts of \$100,000 or more with the U.S. government to take affirmative action in hiring veterans. In addition, these contractors must list all job openings with employment systems such as CalJOBS, where, as discussed in the next section, the listings are subject to a 24-hour hold during which only veterans may view them.

However, it does not appear that a large number of veterans benefit from these job postings. According to a quarterly report it submitted to Labor in February 2013, the department referred approximately 1,000 campaign veterans⁶ to federal contractor job listings; furthermore, as of May 2013, more than 17,000 positions with federal contractors were listed in CalJOBS. Despite the number of referrals, only 28 campaign veterans reported to the department that they had obtained jobs with federal contractors. When asked why this number was so low, the manager of the department's veterans program stated that the department had no opinion because it has not researched this issue. However, unless the department can identify these reasons, it is missing an opportunity to identify potential weaknesses in its veterans programs and develop solutions that could improve employment outcomes for veterans.

The State's 24-Hour Hold on Job Listings Helps Give Veterans Priority, but It Is Unclear Whether This Policy Actually Benefits Veterans

The State's 24-hour hold on jobs posted to CalJOBS helps prioritize services to veterans but may not assist veterans in finding employment. Federal law requires that veterans receive priority for job training or employment services funded through Labor. For example, when a veteran visits a one-stop center, the staff there is required to assist the veteran ahead of any nonveteran. As part of implementing this priority, California allows veterans

It does not appear that a large number of veterans benefit from the federal contractor postings.

⁶ Campaign veterans are veterans who served on active duty in the U.S. military, ground, naval, or air service during a war or in a campaign or expedition for which a campaign badge has been authorized.

to view job listings in CalJOBS for 24 hours before nonveteran job seekers. However, the value of such a policy to veterans seems at best uncertain, as it is unlikely that an employer would close the application period for a new job after the first day of posting it in CalJOBS, which would significantly limit the potential pool of job candidates from which the employer could select. In fact, while some states have similar holds for online job postings, according to a June 2010 report commissioned by Labor to review states' implementation of the policy giving veterans priority service, the State of Florida eliminated its 24-hour hold because it believed the hold resulted in a disservice to employers.

We asked the department whether it had any data showing the effectiveness of the 24-hour hold. According to the deputy chief of the IT branch, the department does not track information related to the use of this hold or the hold's ability to help veterans find employment. Furthermore, according to the division chief, the 24-hour hold is primarily to comply with the federal requirement regarding priority service. Although the 24-hour hold helps the department demonstrate that it is providing veterans with priority service, it seems—in our judgment—that the effectiveness of this policy in helping veterans secure employment is, at best, uncertain. Employers are likely to take more than 24 hours to fill a job opening that was posted on CalJOBS, potentially resulting in veterans and nonveterans competing for the same position. Other aspects of CalJOBS, such as the ability for employers to screen for the resumes veterans have submitted, seem more effective at targeting veterans for employment. However, the decision to seek out veterans is one that only the employer can make.

Recommendations

To improve the quality of the performance reporting it submits to Labor, the department should work with Labor to develop reasonable controls to avoid reporting overstated and inaccurate performance measures.

To help protect the State's citizens from identity theft, the Legislature should expressly authorize the department, on its own initiative, to share information from the Base Wage File with appropriate law enforcement officials when evidence exists of the potential misuse of Social Security numbers. If the department receives such legal authority, it should, at least annually, review the Base Wage File for associations of multiple names with a single Social Security number. The department should also establish a reasonable threshold for the number of associated names that will trigger further scrutiny from the department or referral to law enforcement.

To improve the department's performance on its negotiated goals, it should:

- By January 2014 ensure that all veterans employment representatives are fully trained to use the new version of CalJOBS.
- Through its governance council, the department should regularly assess whether its actions under the 100-day plan are improving performance on the three common measures.

To identify ways to better serve veterans in California, the department should assess the success or struggles of veterans within demographic categories in finding employment, such as age, race, or educational attainment, by comparing veterans' performance to that of nonveterans in the same demographic categories and across demographic categories and use this analysis to determine whether specific populations of veterans could be better served through more targeted efforts and to identify best practices for improving employment outcomes for these specific populations. Further, the department should provide the results of this analysis annually, beginning in 2014, to stakeholders, including local workforce agencies, the state workforce board, the interagency council, the Legislature, and the public.

To ensure that it is using its limited resources effectively, the department and its information division should develop and implement, by July 2014, a means to receive and analyze feedback from workforce branch staff and from local workforce agencies to determine whether they have ideas for improving the employment outcomes for veterans. Specifically, the feedback method should include a means of identifying whether the staff in the field are accomplishing the department's veteran-specific objectives and whether the tools being used—such as labor information reports and the *Vocations for Vets* publications—can be made more useful and effective.

To better optimize its leadership role in the interagency council's employment workgroup, the department should ensure that the employment workgroup develops a timeline for completing its action items and develops a process for measuring its success in improving employment outcomes for veterans. Specifically, the department should take the lead for establishing a time frame for evaluating tools to help assess and translate military skills into finding civilian jobs and establishing a transition assistance program for veterans.

To evaluate the success of the veterans assistance program going forward, the department should analyze the performance of the grant recipients across all three common measures. Further, the

program manager unit and the reporting unit should work together to ensure that the data the program manager unit is using to assess program performance are the most appropriate and the best available.

To assess whether it is doing enough to take advantage of federal requirements that federal contractors give preference to veterans when hiring, the department should determine why the reported number of veterans receiving employment with federal contractors is so low relative to the number of job referrals made and it should provide appropriate direction to the veterans employment representatives to better leverage the federal contractor job listing.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the scope section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: October 31, 2013

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at (916) 445-0255.

Appendix

Selected Programs to Assist Veterans

Numerous programs exist to assist veterans. The federal government funds many of these programs. For example, the VOW to Hire Heroes Act of 2011 made participation in the federal Transition Assistance Program mandatory, extended rehabilitation and vocational benefits, and improved access to apprenticeship programs for members of the armed forces who are separating from active duty or who are retired. Table A provides a selection of programs to assist veterans in finding employment, beyond those discussed in the Background and Audit Results sections of this audit report.

Table A
Selected Employment and Training Programs Available to Veterans as of June 2013

PROGRAM	DESCRIPTION	ENTITY DELIVERING THE PROGRAM
Veterans Business Outreach Program	The U.S. Small Business Administration provides entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business.	U.S. Small Business Administration
Post 9/11 GI Bill and Montgomery GI Bill	The GI Bills will pay for education, including degree and noncollege-degree training, on-the-job and apprenticeship training, licensing and certification, and correspondence courses.	U.S. Department of Veterans Affairs
The Transition Assistance Program (TAP) and Transition Goals Plans Success (Transition GPS)	TAP provides employment instruction, information, and assistance to separating and retiring military personnel and their spouses through domestic and overseas facilities by offering job search and other related services. The VOW to Hire Heroes Act of 2011 made participation in the TAP mandatory. According to the U.S. Department of Defense, the TAP has been redesigned into a comprehensive new program called Transition Goals Plans Success, or Transition GPS, to change the program from a discontinuous set of activities into a cohesive, outcome-based program. Transition GPS includes modules such as providing information and tools to identify financial responsibilities, translating military to civilian sector skills, and developing an individual transition plan. The U.S. Department of Defense expects Transition GPS to replace the old TAP by the end of 2013.	The U.S. Department of Defense and other federal entities
Work Opportunity Tax Credits	Employers can receive tax credits for hiring veterans. The amount of the tax credit varies based on whether the veteran is disabled and how long the veteran had been unemployed. This credit expires in December 2013.	Internal Revenue Service
Veterans Retraining Assistance Program (VRAP)	VRAP offers up to 12 months of retraining assistance for unemployed veterans between the ages of 35 and 60. The program served 45,000 veterans in federal fiscal year 2012.	U.S. Department of Veterans Affairs and U.S. Department of Labor (Labor)
Special Employer Incentives (SEI)	The SEI program provides eligible veterans an opportunity to obtain training and practical hands-on experience. It reimburses employers up to 50 percent of the participating veteran's salary during the program, which is typically six months.	U.S. Department of Veterans Affairs

continued on next page . . .

PROGRAM	DESCRIPTION	ENTITY DELIVERING THE PROGRAM
Stand Down events	Stand Down events are events organized by community-based veterans services organizations, nonprofit organizations, and veterans service offices with cooperation from a variety of state, federal, and private agencies. Vital services, such as food, shelter, clothing, health screenings, benefits counseling, and referrals to a variety of other necessary services are provided. In addition, access to Homeless Courts, where veterans are able to resolve minor violations and warrants, are available. According to its Web site, the California Department of Veterans Affairs (CalVet) allocates funds to support Stand Down events.	CalVet
Homeless Veterans Reintegration Project	Labor provides grants to public and private entities to provide employment and training services and support services to help homeless veterans to reenter the workforce. According to a representative of Labor, as of August 2013 there were more than 30 active grants throughout California with diverse organizations such as Volunteers of America, Goodwill Industries, and Swords to Plowshares.	Labor

Sources: Web sites of the federal and state departments referenced in Table A, the VOW to Hire Heroes Act of 2011 and other federal laws, and the Catalog of Federal Domestic Assistance.

California Labor and Workforce Development Agency



Edmund G. Brown Jr.
Governor

October 9, 2013

Elaine M. Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Ms. Howle,

Thank you for the opportunity to respond to your audit report entitled "Employment Development Department: It Needs to Address Data Issues to Better Evaluate and Improve the Performance of its Employment Programs for Veterans." ①

The Employment Development Department (EDD) is fully committed to effectively assisting veterans in finding employment. The EDD has consistently acted to further improve upon the quality and effectiveness of its services where it has the resources and authority to do so.

Upon reviewing the audit report, EDD noted that several factors were not taken into full consideration in the recommendations. First, EDD must operate its programs in compliance with federal laws and regulations and, accordingly, any recommendation regarding how EDD should use Social Security information must take into full account the implications and potential conflicts with federal law. Second, much of the audit time period coincided with the Great Recession, which significantly impacted federal performance measures for California. Finally, EDD may only spend federal funding for specifically allowed activities. The EDD notes that the audit includes no recommendation that the California Legislature provide additional funding to pay for the additional activities recommended in the report. The EDD has taken these factors into consideration in its responses to the audit recommendations that follow. ②

Recommendation 1 – To improve the quality of the performance reporting it submits to Labor, the department should work with Labor to develop reasonable controls to avoid reporting overstated and inaccurate performance measures. ②

The Employment Development Department (EDD) is committed to providing accurate and timely performance measurement information to the United States Department of Labor (DOL). Accordingly, EDD will work with DOL on developing additional controls to further improve the quality of reported performance data as needed. The current reporting of performance data fully complies with DOL requirements including the expectation that EDD exercise due diligence in investigating situations where data irregularities are identified. The EDD notes that DOL recognizes that the return on investment in using resources must be considered in determining what DOL can expect of states with regard to reported information.



* California State Auditor's comments begin on page 49.

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The EDD gathers and maintains information in the Base Wage File (BWF), which is the repository for the wage data submitted to EDD by employers for use in the administration of the Unemployment Insurance (UI) Program. The wage data are comprised of the Social Security Numbers (SSN) and names, which employers receive from their employees, and the quarterly earnings attributed to those SSNs.

3 The BWF currently contains information from 1.3 million employers who reported over 22 million wage lines. The audit identified more than 1,400 instances where a single SSN was associated with 10 or more different names in a single quarter. These instances represent a statistically insignificant potential discrepancy rate of 0.006364 percent.

The EDD continuously acts to ensure the accuracy of the data submitted including robust outreach, education, and marketing programs, and new and improved electronic reporting tools aimed at preventing transposition and typographical errors. While striving for 100-percent accuracy, EDD depends on the information reported by employers who, in turn, depend on the information reported by their employees.

Recommendation 2 – To help protect the State’s citizens from identity theft, the Legislature should expressly authorize the department to share information from the Base Wage File with appropriate law enforcement officials when evidence exists of the misuse of Social Security Numbers. If provided with such legal authority, the department should, at least annually, review the base-wage file for instances where multiple names are associated with a single Social Security Number. The department should also establish a reasonable threshold for the number of associated names that will trigger further scrutiny from the department or referral to law enforcement.

4 The EDD questions whether the recommendation is legally viable, consistent with EDD’s primary responsibilities, and is an allowable activity to be paid for with federal funds.

5 The EDD already has strong internal controls operating within the UI Program to ensure correct benefit payments in instances where there are multiple names associated with one SSN. The EDD contracts with the Social Security Administration to validate the SSN that the claimant provides when filing for UI benefits in order to accurately determine entitlement and eligibility. As noted in the report, the auditors identified 99 claims (out of 2 million) with multiple names associated with one SSN. The EDD rechecked each of those claims and found that all 99 claimants were entitled to benefits. There was no evidence of fraud or identity theft associated with any of the claims.

The EDD’s primary responsibilities, pursuant to federal and State laws, are to:

- Determine UI operational methods and directly administer the program.
- Take claims from individuals, determine eligibility, and ensure timely payment of benefits to workers.
- Determine employer liability, and assess and collect contributions.

While EDD recognizes the severity and impact of identity theft, it is restricted at the federal level from releasing this data as recommended in the audit. Further, EDD is prohibited from

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using federal funds to perform the recommended function and it lacks the information necessary to determine when identity theft has occurred outside EDD programs.

The EDD is governed by federal regulations in regards to maintaining and using data contained in the BWF. The DOL UI Program Letter (UIPL) No. 34-97, in interpreting federal confidentiality regulations, permits disclosure, via subpoena or court order, of this information to a public official, including law enforcement officials, for use in the performance of the official's duties provided that: (1) disclosure of the specific record(s) requested is permitted by California law; (2) the disclosure would not significantly hinder or delay the processing of unemployment claims or significantly hinder other activities of the State agency, or such disclosure would not impede the efficient administration of the State law; (3) the public official continues to safeguard the confidentiality of the records; and (4) if disclosure entails more than casual or incidental staff time, arrangements are made for the reimbursement of the costs involved in providing the information.

⑥

Information provided by employers in the reports that populate the BWF are State records compiled and maintained for the purposes of the Federal-State UI Program. The EDD is the designated State agency in California to operate the UI Program. Federal funding to administer the UI program is based on California being in compliance with federal requirements. The EDD's grant agreement with DOL gives assurances that California laws will handle BWF information in compliance with the confidentiality provisions.

Sharing information from the BWF with law enforcement officials would create conformity issues with DOL should EDD have to review SSNs it might deem suspicious. This would create a new governmental function outside the scope and the purposes of the Federal-State UI Program. To require periodic reviews of data in the BWF, and to report activity to the appropriate authorities that EDD believes is suspicious, EDD would be required to execute a new agreement with the Social Security Administration for the sole purpose of thwarting potential identity theft. Because EDD cannot use federal funds for purposes unrelated to the administration of the UI Program, EDD would require State General Fund appropriations to pay for the work. Regulations would also be necessary to define reasonable suspicion for law enforcement purposes and what would constitute inappropriate use of SSNs.

⑥

The audit alludes to potential identity theft but does not provide substantive findings that establish the existence of identity theft in the BWF, nor occurrences of inappropriate use of the SSN. There are many valid reasons why multiple names could be associated with a single SSN, including: legal name changes, cultural naming conventions, protection from domestic violence, transposition errors, and typographical errors. Currently, EDD's Tax Branch and Investigation Division maintain fraud hotlines and the Investigation Division examines cases of fraudulent activity with its law enforcement partners when there is actual evidence of criminal activity related to the UI Program.

⑦

In summary, even if the Legislature enacts the audit recommendation, EDD would still be restricted at the federal level from the release of SSN information to law enforcement absent knowledge of a crime being committed. Further, EDD is precluded from using federal funds for this activity and is not funded for it at the State level. Finally, this activity would create an additional burden on California employers to resolve potential SSN issues unrelated to UI

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benefit claims. Again, the BWF is a repository of wage information used for benefit purposes and EDD has demonstrated that SSN issues related to UI claims are effectively addressed during the UI claim filing process.

Recommendation 3 – To improve the department's performance on its negotiated goals, the department should, by January 2014, ensure that all employment representatives are fully trained to use the new data system it implemented in March 2013.

⑧

The EDD did fully train all of its Employment Program Representatives, along with all other users of the system, prior to its implementation in March of this year. This included training a cadre of "super trainers" that have provided ongoing training and support to EDD's field staff since the system was implemented. In addition, by December 31, 2013, EDD plans to provide supplemental, veteran-specific training on the new CalJOBS system to all staff working primarily with veteran customers.

Recommendation 4 – To identify ways to better serve veterans in California, the department should assess the success or struggles of veterans within various demographic categories, such as age, race, or educational attainment, by comparing veterans' performance with respect to finding employment to that of nonveterans in the same demographic categories and across demographic categories and use this analysis to inform programmatic decisions.

⑨

The EDD is willing to implement this recommendation as resources and circumstances allow. However, current funding levels would impose the dilemma of deciding what mandated activities are not performed so that the recommended analysis can be done instead. The EDD receives very limited resources to administer its veteran-related services. For example, the DOL-Veterans' Employment Training Service Program authorizes a total of three full-time equivalent positions to administer its California's Jobs for Veterans State Grant which includes over \$18 million and funds nearly 200 positions. The auditors note that EDD is focused on complying with federal grant requirements but do not identify which federally mandated responsibilities should be discontinued in order to complete the recommended comparative analysis.

Recommendation 5 – To better optimize its leadership role in the interagency council's employment workgroup, the department should ensure that the employment workgroup develops a timeline for completing its action items and develops a process for measuring their success in improving employment outcomes for veterans. Specifically, the department should take the lead for establishing a timeframe for evaluating tools to help assess and translate military skills into finding civilian jobs and establishing a transition assistance program.

⑩

The EDD will continue in its efforts to help coordinate and facilitate the work of the Interagency Council's employment workgroup, including the establishment of timelines for completing its action items. The council determines its goals, objectives, and timelines in accordance with its leadership, and EDD does not have direct control and authority

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over workgroup members who are volunteers that meet on an infrequent basis. Accordingly, EDD faces considerable challenges in ensuring that the workgroup accomplishes the audit recommendations.

Recommendation 6 – To evaluate the success of the veterans assistance program going forward, the department should analyze the performance of the grant recipients across all three established measures.

The EDD does calculate and analyze performance for its Veteran's Employment-Related Assistance Program grantees. The issue, from an EDD perspective, is that performance is only reviewed and analyzed when a prior grantee is considered for subsequent funding, rather than as a routine business practice. The EDD has always considered past performance when evaluating whether an applicant is deserving of additional funding; this is incorporated into the grant solicitation scoring process. In the future, EDD will ensure that performance of all its Veteran's Employment-Related Assistance Program grantees is reviewed and analyzed as routine business practice.

⑪

We thank the California State Auditor staff for their professionalism and openness during this audit. If you have questions about this response, please contact Mark Steinwert, Chief, Audit and Evaluation Division, at (916) 654-7000.

Sincerely,



SHARON HILLIARD
Chief Deputy Director

cc: Dennis Petrie, MIC 88
Sabrina Reed, MIC 39
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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE EMPLOYMENT DEVELOPMENT DEPARTMENT

To provide clarity and perspective, we are commenting on the Employment Development Department's (department) response to our audit. The numbers below correspond to the numbers we have placed in the margin of the department's response.

The department chose only to respond to six of the nine recommendations we present in our audit report and stated that it anticipates providing a complete response to all of our recommendations during its 60-day, six-month, and one-year updates. As a result, the department's response does not fully address our recommendations for improving its performance in meeting federal standards, centrally monitoring the performance of its staff who serve veterans, and determining whether more can be done to help veterans find employment with federal contractors.

①

The department's response states that the audit did not take certain factors into full consideration when drafting our recommendations. We disagree and stand by our recommendations. The department's cited factors—such as perceived limitations in federal law, the great recession, and limited financial resources—are all without merit. As we state on page 20 of the report, federal regulations allow the department to share unemployment insurance information with public officials as long as doing so does not interfere with the administration of the federal unemployment insurance program. Further, the great recession had no bearing on the department's ability or willingness to critically evaluate and improve its employment programs for veterans. Finally, the department's claim of limited financial resources seems inconsistent with the fact that in fiscal year 2012–13 the department had more than \$1 billion in spending authority for its staff costs and other operational activities.

②

We are disappointed that the department attempts to downplay our observation that the employer-reported wage data in the July through September 2012 Base Wage File contained more than 1,400 instances where a single Social Security number was associated with 10 or more names by characterizing it as "statistically insignificant." In one instance, we noted one Social Security number had 162 different names. We believe the 1,400 individuals who properly belong to these Social Security numbers would all deem this a significant issue. For this reason, we recommended that the Legislature authorize the department to share this information with appropriate law enforcement officials when available information suggests potential misuse of Social Security numbers.

③

- ④ The department's response questions the legal viability of our recommendation that the Legislature authorize the department to share information on potential identity theft with law enforcement. As we state on page 20, federal regulations allow such sharing in certain circumstances and the department's additional concerns that doing so is neither its responsibility nor an allowable use of federal funds is troubling since the department as an entity of state government has a responsibility to provide law enforcement with information when it reasonably suspects that individuals are using Social Security numbers inappropriately.
- ⑤ The department's response misconstrues the testing we performed during the audit in an attempt to minimize our observations about the existence of multiple names associated with a single Social Security number in the employer-reported Base Wage File. The existence of more than 1,400 Social Security numbers with 10 or more different names in the July through September 2012 Base Wage File caused us to perform additional audit work (beyond the initial scope of our audit) to determine whether the department was paying unemployment insurance claims to different individuals who were using the same Social Security number. We identified 99 instances where the department issued unemployment insurance payments to individuals with different first and last names using the same Social Security number. We asked the department to explain its rationale for issuing payments in these 99 instances and, as of October 1, 2013, the department has reviewed 76 of the 99 records and concluded that the payments were appropriate. We obtained evidence for seven instances to corroborate the department's explanations that the payments were going to the same individual. We describe the results of this review on page 20 of our audit report. Nevertheless, the fact that we did not find evidence of improper payments in the unemployment insurance program does not minimize the fact that the department has access to employer-reported data that could be used to investigate potential identity theft.
- ⑥ The department's response cites federal regulations and guidance issued by Labor as a basis for rejecting our recommendation that it share instances of potential identity theft with law enforcement. However, the guidance letter that the department refers to in its response is outdated and the department has interpreted it incorrectly. Neither the outdated guidance nor current federal regulations require a public official to subpoena these records from the department.
- ⑦ The department attempts to minimize the value of our recommendation by stating that we did not find substantive instances of identity theft. Our report clearly states on page 20 that the existence of multiple names with a single Social Security number is only a possible indicator of identity theft. We agree that an individual can change his or her name as a result of marriage or

other actions that may legitimately result in different names being associated with a single Social Security number. However, we find it unlikely that more than 1,400 individuals changed their names 10 times or more in a single quarter, or that one individual has 162 valid names. As such, we believe our recommendation is an important step in helping to protect the State's citizens.

The department's response states that it has fully trained its employment representatives and all other users prior to the implementation of the new system in March 2013. This conflicts with what we were told and the evidence we obtained during the audit. As we state on page 22 of the report, in September 2013 the department provided us with draft training materials and a department manager indicated that the department expected to finalize training in late September or early October 2013.

⑧

The department's response to our recommendation that it consider demographic information when planning its veteran programs states that the audit did not identify what responsibilities the department should give up to perform such an analysis. We believe this response is both shortsighted and significantly overstates the effort involved to perform such an analysis. We performed the initial analysis shown in Table 1 on page 8 in about one day with one person. The department has an entire workforce services branch that includes a labor market information division that is staffed with employees that could easily perform such an analysis on a regular basis if the department were so inclined.

⑨

The department's response incorrectly claims that it lacks the ability to control or influence the outcomes of the employment workgroup of the Governor's Interagency Council on Veterans (interagency council). We find the department's perspective surprising given that the head of the department's own workforce services branch also serves as the chair of the interagency council's employment workgroup.

⑩

The department's assertion that it calculates and analyzes performance for its Veterans Employment-Related Assistance Program (veterans assistance program) contradicts what we were told by knowledgeable program staff. As we state on page 36, the head of the unit within the department that administers the veterans assistance program stated that his staff do not collect and review data on the employment retention or the average wages veterans earned over a six-month period after completing the program. These are two performance measures that the department had established for this program. Therefore, we stand by our recommendation on page 39 that the department analyze the performance of grant recipients across all three common measures.

⑪

cc: Members of the Legislature
Office of the Lieutenant Governor
Little Hoover Commission
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press