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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to provide our views on efforts of the Department of Veterans Affairs (VA) to help disabled veterans obtain suitable employment through its Vocational Rehabilitation and Employment (VR&E) program. This program is crucial to helping veterans with disabilities caused or aggravated by their service in the military obtain and maintain employment, especially now as servicemembers return from Afghanistan and Iraq. Further, at a time when the American workforce is shrinking, the importance of the VA's VR&E program and other federal programs that help individuals with disabilities return to work is paramount. For this and other reasons, we have designated federal disability programs, including VR&E, as "high risk."<sup>1</sup>

In 2003, the Secretary of Veterans Affairs established a VR&E Task Force<sup>2</sup> to conduct an independent review of the agency's vocational rehabilitation program and make recommendations for improving its operation. At the time, there were concerns regarding the management of the program. These concerns included, among other things, the program's continued focus on education rather than employment, the time it took participants to become rehabilitated, and the program's poor track record for helping disabled veterans find suitable employment.

As you requested, my comments are focused on GAO's views about key VR&E Task Force findings and recommendations and challenges that the program currently faces in meeting the

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<sup>1</sup> GAO, *High Risk Series: An Update*, GAO-05-207 (Washington, D.C.: Jan. 2005)

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needs of disabled veterans. My statement is based on prior GAO reports and testimonies. Since 1984, we have reported on the operation of VA's VR&E program, the VR&E Task Force findings and recommendations, and VA's efforts to provide vocational rehabilitation services to injured servicemembers returning from Afghanistan and Iraq. We did our work in accordance with generally accepted government auditing standards.

In summary, GAO's past work and the recent Task Force report point to the need for VR&E to increase its emphasis on finding jobs for veterans with disabilities and managing its operations. We reported as early as 1984<sup>3</sup> that the VR&E program primarily focused on training veterans and not finding them suitable employment. Twenty years later, the Task Force reached similar conclusions and recommended most notably that VR&E institute an employment driven system for providing services to veterans that would re-emphasize the importance of employment. We noted that implementing a system focused on employment would require a cultural shift away from VR&E's longstanding emphasis on education.<sup>4</sup> VR&E would need to overcome the incentive for veterans to use its education benefits, which provide more financial assistance than those available through other VA education benefits programs. While we generally agreed with the Task Force findings and recommendations, we also reported that VR&E faces three important challenges. First, although intervening early after a disabling injury increases the likelihood that a disabled veteran would return to work, VA faces significant challenges to expediting VR&E services to seriously injured servicemembers. We recommended in January

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<sup>2</sup> VA Vocational rehabilitation and Employment Task Force, *Report to the Secretary of Veterans Affairs: The Vocational Rehabilitation and Employment Program for the 21<sup>st</sup> Century*, (Washington, D.C.: March 2004)

<sup>3</sup> GAO, *VA Can Provide More Employment Assistance to Veterans Who Complete Its Vocational Rehabilitation Program*, GAO/HRD-84-39, (Washington, D.C.: May 23, 1984).

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2005, and VA agreed, that VR&E expedite services for veterans returning from Afghanistan and Iraq and improve its follow-up policies and procedures to ensure that they obtain the services they need, which VA is in the process of doing. In addition, VR&E at this time does not have the information technology systems needed to properly manage its operations. Furthermore, it has just begun to initiate the process of using results-based criteria to measure success; that is, whether its services help veterans with disabilities achieve sustained employment.

## BACKGROUND

Since the 1940s, VA has provided vocational rehabilitation assistance to veterans with service-connected disabilities to help them find meaningful work and achieve maximum independence in daily living. In 1980, the Congress enacted the Veterans' Rehabilitation and Education Amendments, which changed the focus of VA's vocational rehabilitation program from providing primarily training aimed at improving the employability of disabled veterans to helping them find and maintain suitable jobs. VA estimates that in fiscal year 2004 it spent more than \$670 million on its VR&E program to serve about 73,000 participants. This amount represents about 2 percent of VA's \$37 billion budget for non-medical benefits, most of which involves cash compensation for veterans with disabilities.

VR&E services include vocational counseling, evaluation, and training that can include payment for tuition and other expenses for education, as well as job placement assistance. Interested veterans generally apply for VR&E services after they have applied and qualified for disability compensation based on a rating of their service-connected disability. This disability rating—

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<sup>4</sup> GAO, *VA Vocational Rehabilitation and Employment Program: GAO Comments on Key Task Force Findings and Recommendations*, GAO-04-853 (Washington, D.C.: June 15, 2004).

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ranging from 0 to 100 percent in 10 percent increments—entitles veterans to monthly cash payments based on their average loss in earning capacity resulting from a service-connected injury or combination of injuries. To be entitled to VR&E services, veterans with disabilities generally must have a 20 percent disability rating and an employment handicap as determined by a vocational rehabilitation counselor. Although cash compensation is not available to servicemembers until after they separate from the military, they can receive VR&E services prior to separation under certain circumstances.<sup>5</sup> To make these services available prior to discharge, VA expedites the determination of eligibility for VR&E by granting a preliminary rating, known as a memorandum rating.

## IMPLEMENTING TASK FORCE RECOMMENDATIONS

### SHOULD IMPROVE VR&E SERVICES

We generally agree with the Task Force’s three key findings, which broadly address three areas of VR&E’s operations. (See Table 1.)

Table 1: Key VR&E Task Force Findings

Finding #1	VR&E has not been a Veterans Benefits Administration (VBA) priority in terms of returning veterans with service-connected disabilities to the workforce.
Finding #2	VR&E has limited capacity to manage its growing workload.
Finding #3	The VR&E system must be redesigned for the 21 <sup>st</sup> Century employment environment.

First, the Task Force found that VR&E has not been a priority in terms of returning veterans with service-connected disabilities to the workforce. Between 1984 and 1998, we issued four reports all of which found that the vocational rehabilitation program had not emphasized its mandate to

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<sup>5</sup> Hospitalized military personnel pending discharge may receive all vocational rehabilitation and employment benefits—such as counseling, evaluation, and training—except for the monthly subsistence allowance. 38 U.S.C. §§ 3102, 3104, and 3113.

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find jobs for disabled veterans. In 1996,<sup>6</sup> we recommended switching the focus to obtaining suitable employment for disabled veterans. In 1992,<sup>7</sup> we still found that over 90 percent of eligible veterans went directly into education programs, while less than 3 percent went into the employment services phase. We also found that VA placed few veterans in suitable jobs. We reported in 1996 that VA rehabilitated less than 10 percent of veterans found eligible for vocational rehabilitation services. VA program officials told us that staff focused on providing training services because, among other reasons, the staff was not prepared to provide employment services because they lacked adequate training and expertise in job placement. Years later, the Task Force similarly reported that top VR&E management had not demonstrated a commitment to providing employment services and lacked the staffing and skill resources at the regional offices to provide this service.

The Task Force also found that VR&E has a limited capacity to manage its growing workload. The Task Force had concerns about, among other things, VR&E's organizational, program, and fiscal accountability; workforce and workload management; information and systems technology; and performance measures. In our report on the Task Force, we stated that, although we have not specifically reviewed VR&E's capacity to manage its workload, we agree that many of the VR&E management systems identified by the Task Force as needing improvement are fundamental to the proper functioning of federal programs, regardless of workload.

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<sup>6</sup> GAO, *Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs* GAO/HEHS-96-155. (Washington, D.C.: Sept. 3, 1996)

<sup>7</sup> GAO, *Vocational Rehabilitation: VA Needs to Emphasize Serving Veterans With Serious Employment Handicaps*, GAO/HRD-92-133, (Washington, D.C.: Sept. 28, 1992)

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In addition, the Task Force found that the VR&E system must be redesigned for the 21<sup>st</sup> century employment environment. The Task Force reported that the VR&E program does not reflect the dynamic nature of the economic environment and constant changes in the labor market. The report suggested that, as a result, only about 10 percent of veterans participating in the VR&E program had obtained employment. We agree with the Task Force finding that the VR&E system needs to be modernized. Our high risk report emphasized that outmoded criteria used to establish eligibility need to be updated.

The Task Force made 105 recommendations, which we grouped into six categories. (See Table 2.) The first category of recommendations was directed at streamlining VR&E program eligibility and entitlement for veterans in most critical need, including (1) servicemembers who have been medically discharged or are pending medical discharge; (2) veterans with a combined service-connected disability rating of 50 percent or greater; and (3) veterans receiving compensation for the loss, or loss of the use, of a limb. In our report, we commented that, among other things, VA's outmoded disability criteria raise questions about the validity of its disability decisions because medical conditions alone are generally poor predictors of work incapacity. For example, advances in prosthetics and technology for workplace accommodations can enhance work capacity by compensating for impairments. As a result, the Task Force recommendation to focus on severity of disability rather than on employability may not ensure that veterans with the most severe employment handicaps receive priority services from VR&E.

Table 2: Key VR&E Task Force Recommendations

Category	Recommendation
#1	Streamline eligibility and entitlement for those veterans in most critical need.

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#2	Replace the current VR&E process with a 5-track employment-driven service delivery process.
#3	Expand counseling benefits to provide VR&E services to pre-discharge servicemembers and post-discharge service members.
#4	Reorganize VR&E and increase staffing.
#5	Improve the capacity of the information technology systems.
#6	Improve intra- and interagency coordination.

Second, the Task Force sought to replace the current VR&E process with a 5-track employment-driven service delivery system. The five tracks include rapid access employment for veterans with skills, self-employment, re-employment at a job held before military service, traditional vocational rehabilitation services and, when employment is not a viable option, independent living services.<sup>8</sup> We commented that the 5-track process could help VR&E focus on employment while permitting the agency to assist veterans less likely to obtain gainful employment on their own. We added, however, that the new system would require a cultural shift from the program's current emphasis on long-term education to more rapid employment. We also observed that, as long as the education benefits available to disabled veterans through VR&E remain more generous than those available through other VA educational benefits programs, eligible veterans will have strong incentives to continue to use VR&E to pursue their education goals.

Third, the Task Force recommended that VR&E expand counseling benefits to provide VR&E services to servicemembers before they are discharged and to veterans who have already transitioned out of the military. We agreed that providing vocational and employment counseling prior to military discharge is essential to enable disabled servicemembers to access

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<sup>8</sup> The Independent Living program is tailored to the veteran whose service-connected disability or disabilities or overall condition make employment goals infeasible at the time of application. The program might incorporate such

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VR&E services as quickly as possible after they are discharged. In prior reports, we highlighted the importance of early intervention efforts to promote and facilitate return to the workplace. In 1996, for example, we reported research findings that rehabilitation offered as close as possible to the onset of disabling impairments has the greatest likelihood of success.<sup>9</sup> In addition, receptiveness to participate in rehabilitation and job placement activities can decline after extended absence from work.

Fourth, the Task Force made several recommendations directed at redesigning the VR&E central office to provide greater oversight of regional office operations and to increase staff and skill sets to reflect the new focus on employment. We agreed that program accountability could be enhanced through more central office oversight and pointed out that, over the past 3 years, VA Inspector General reports had identified VR&E programs at regional offices that did not adhere to policies and procedures and sometimes circumvented accountability mechanisms, such as those for managing and monitoring veterans' cases and those requiring the development of sound plans prior to approving purchases for those veterans seeking self-employment.<sup>10</sup>

Fifth, the Task Force recommended that VR&E seek to improve the capacity of its information technology systems. Many of the Task Force's recommendations in this area are consistent with GAO's governmentwide work reporting that agencies need to strengthen strategic planning and

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devices or services as assistive technology, Independent Living skills training, or connection to community-based support services to improve quality of life with the possibility of employment later.

<sup>9</sup> GAO, *SSA Disability: Program Redesign Necessary to Encourage Return to Work*, GAO/HEHS-96-62 (Washington, D.C.: Apr. 24, 1996).

<sup>10</sup> For recent examples, see Department of Veterans Affairs, Office of Inspector General, *Combined Assessment Program Review of the VA Regional Office, Providence, Rhode Island*, Report No.04-00731-110 (Washington, D.C.: March 24, 2005); *Combined Assessment Program Review of the VA Regional Office, Sioux Falls, South Dakota*, Report No. 04-03200-96 (Washington, D.C.: March 3, 2005); and *Combined Assessment Program Review of the VA Regional Office, Indianapolis, Indiana*, Report No. 04-00603-65, (Washington, D.C.: Jan. 10, 2005).



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investment management in information technology. In addition, we recognized that VR&E would benefit from a more systematic analysis of current information technology systems before making further investment in its current systems.

Finally, the Task Force recommended that VR&E strengthen coordination within VA between VR&E and the Veterans Health Administration, and between VR&E and the Departments of Defense (DOD) and Labor.<sup>11</sup> Improving coordination with agencies that have a role in assisting disabled veterans make the transition to civilian employment should help these agencies more efficiently use federal resources to enhance the employment prospects of disabled veterans.

## VA CONTINUES TO FACE SIGNIFICANT CHALLENGES

### IN IMPROVING ITS VR&E PROGRAM

While VR&E responds to the Task Force recommendations, it faces immediate challenges associated with providing vocational rehabilitation and employment services to injured servicemembers returning from Afghanistan and Iraq. As we reported in January 2005,<sup>12</sup> VR&E is challenged by the need to provide services on an early intervention basis; that is, expedited assistance provided on a high priority basis. VR&E also lacks the information technology systems needed to manage the provision of services to these servicemembers and to veterans. In addition, VR&E is only now beginning to use results-based criteria for measuring its success in assisting veterans achieve sustained employment.

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<sup>11</sup> The Department of Labor provides vocational rehabilitation services through Local Veterans' Employment Representatives and the Disabled Veterans' Outreach Program.

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## VR&E Challenged to Provide

### Services as Early as Possible

VR&E faces significant challenges in expediting services to servicemembers and disabled veterans. An inherent challenge is that individual differences and uncertainties in the recovery process make it difficult to determine when a seriously injured service member will be able to consider VR&E services. Additionally, as we reported in our January 2005 report, given that VA is conducting outreach to servicemembers whose discharge from military service is not yet certain, VA is challenged by DOD's concerns that VA's outreach about benefits, including early intervention with VR&E services, could adversely affect the military's retention goals. Finally, VA is currently challenged by a lack of access to DOD data that would, at a minimum, allow the agency to readily identify and locate all seriously injured servicemembers. VA officials we interviewed both in the regional offices and at central office reported that this information would provide them with a more reliable way to identify and monitor the progress of those servicemembers with serious injuries. However, DOD officials cited privacy concerns about the type of information VA had requested.

Our January 2005 report found that VR&E could enhance employment outcomes for disabled servicemembers, especially if services could be provided early in the recovery process. Unlike previous wars, a greater portion of servicemembers injured in Afghanistan and Iraq are surviving their injuries--due, in part, to advanced protective equipment and in theater medical treatment. Consequently, VR&E has greater opportunity to assist them in overcoming their impairments. While medical and technological advances are making it possible for some of these disabled

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<sup>12</sup> GAO, *Vocational Rehabilitation: More VA and DOD Collaboration Needed to Expedite Services for Seriously Injured Servicemembers*, GAO-05-167 (Washington, D.C.: Jan. 14, 2005)

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servicemembers to return to military occupations, others will transition to veteran status and seek employment in the civilian economy. According to DOD officials, once stabilized and discharged from the hospital, servicemembers usually relocate to be closer to their homes or military bases and be treated as outpatients by the closest VA or military hospital. At this point, the military generally begins to assess whether the servicemember will be able to remain in the military--a process that could take months to complete. The process could take even longer if servicemembers appeal the military's initial disability decision.

We also reported that VA had taken steps to expedite VR&E services for seriously injured servicemembers returning from Afghanistan and Iraq. Specifically, VA instructed its regional offices to make seriously injured servicemembers a high priority for all VA assistance. Because the most seriously injured servicemembers are initially treated at major military treatment facilities, VA also deployed staff to these sites to provide information on VA benefits programs, including VR&E services, to servicemembers injured in Afghanistan and Iraq. Moreover, to better ensure the identification and monitoring of all seriously injured servicemembers, VA initiated a memorandum of agreement proposing that DOD systematically provide information on those servicemembers, including their names, location, and medical condition.

Pending an agreement, VA instructed its regional offices to establish local liaison with military medical treatment facilities in their areas to learn who the seriously injured are, where they are located, and the severity of their injuries. Reliance on local relationships, however, has resulted in varying completeness and reliability of information. In addition, we found that VA had no policy for VR&E staff to maintain contact with seriously injured servicemembers who had not

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initially applied for VR&E services. Nevertheless, some regional offices reported efforts to maintain contact with these servicemembers, noting that some who are not initially ready to consider employment when contacted about VR&E services may be receptive at a future time.

To improve VA's efforts to expedite VR&E services, we recommended that VA and DOD collaborate to reach an agreement for VA to have access to information that both agencies agree is needed to promote servicemembers' recovery to work. We also recommended that the Secretary of Veterans Affairs direct that Under Secretary for Benefits to develop a policy and procedures for regional offices to maintain contact with seriously injured servicemembers who do not initially apply for VR&E services, in order to ensure that they have the opportunity to participate in the program when they are ready. Both VA and DOD generally concurred with our findings and recommendations.

## Outmoded Information Technology Systems Poses a Challenge

GAO's governmentwide work has found that federal agencies need to strengthen strategic planning and investment management in information technology. The Task Force expressed particular concern that VR&E's information technology systems are not up to the task of producing the information and analyses needed to manage these and other activities. The Task Force pointed out that VR&E's mission critical automated case management system is based on a software application developed by four VA regional offices in the early-1990s and redesigned to operate in the VBA information technology and network environments.

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The Task Force identified specific concerns with the operation of VR&E's automated case management system. For example, 52 of VR&E's 138 out-based locations<sup>13</sup> cannot efficiently use the automated system because of VBA's policy to limit staff access to high-speed computer lines. As a result of this policy, many VR&E locations use dial-up modem capabilities, which can be unreliable and slow. The Task Force concluded that VR&E's automated system is so intertwined with the delivery of VR&E services that lack of reliable access and timely system response has degraded staff productivity and its ability to provide timely services to veterans.

In addition, the Task Force pointed out that the number of reports that VR&E's automated case management system can generate is limited. For example, workload data available from the automated system provides only a snapshot of the veterans in the VR&E program at a given point-in-time. The automated system cannot link a veteran's case status in a fiscal year that the veteran entered the program so that the performance of veterans entering the program in a fiscal year can be measured over a period of time. Also, the Task Force reported that VR&E does not have the capabilities it needs to track the number of veterans who drop out of the program or interrupt their rehabilitation plans.

## VR&E Faces the Challenge of Developing Meaningful Outcome Measures

VA faces the challenge of using results-oriented criteria to measure the long-term success of the VR&E program. The Task Force recommended that VR&E develop a new outcomes-based performance measurement system to complement the proposed 5-track employment-driven service delivery system. Currently, VR&E still identifies veterans as having been successfully

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<sup>13</sup> VR&E has staff in locations other than VR&E central office and VA regional offices. These out-based personnel may be located in government buildings or in leased space.

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rehabilitated if they maintain gainful employment for 60 days. In its fiscal year 2004 performance and accountability report, VR&E included four employment-based performance measures: the percentage of participants employed during the first quarter (90 days) after leaving the program, the percentage still employed after the third quarter (270 days), the percentage change in earnings from pre-application to post-program, and the average cost of placing a participant in employment. However, as of February 2005, VR&E was still in the process of developing data for these measures and had not reported results.

Until VR&E is farther along in this process, it will continue to measure performance using the 60-day criteria, which may not accurately predict sustained employment over the long-term. In 1993,<sup>14</sup> we reported that the 60-day measure of success used by state vocational rehabilitation agencies may not be rigorous enough because gains in employment and earnings of clients who appeared to have been successfully rehabilitated faded after 2 years.<sup>15</sup> Moreover, the earnings for many returned to pre-vocational rehabilitation level after 8 years. As VR&E further develops its four employment-based performance measures, it will also face challenges associated with coordinating its efforts with those of other federal agencies, including the Departments of Labor and Education, as they seek to develop common measures<sup>16</sup> of vocational rehabilitation success.

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

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<sup>14</sup> GAO, *Vocational Rehabilitation: Evidence for Federal Program's Effectiveness Is Mixed*, GAO/PEMD-93-19 (Washington, D.C.: Aug. 27, 1993)

<sup>15</sup> The Social Security Act states that people applying for disability benefits should be promptly referred to state vocational rehabilitation agencies for services in order to maximize the number of such individuals who can return to productive activity. The 60-day measure used by state agencies is less rigorous than the criterion used by the Social Security Administration – 9 continuous months of employment in any substantial gainful activity.

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## Contact and Acknowledgements

For further information, please contact Cynthia A. Bascetta at (202) 512-7215. Also contributing to this statement were Irene Chu and Joseph Natalicchio.

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<sup>16</sup> VR&E is working with the Office of Management and Budget and other federal agencies to develop common measures of performance for vocational rehabilitation.

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## RELATED GAO PRODUCTS

VA Disability Benefits and Health Care: Providing Certain Services to the Seriously Injured Poses Challenges (GAO-05-444T, Mar. 17, 2005)

Vocational Rehabilitation: More VA and DOD Collaboration Needed to Expedite Services for Seriously Injured Servicemembers (GAO-05-167, Jan. 14, 2005)

VA Vocational Rehabilitation and Employment Program: GAO Comments on Key Task Force Findings and Recommendations (GAO-04-853, Jun. 15, 2004)

Vocational Rehabilitation: Opportunities to Improve Program Effectiveness (GAO/T-HEHS-98-87, Feb. 4, 1998)

Veterans Benefits Administration: Focusing on Results in Vocational Rehabilitation and Education Programs (GAO/T-HEHS-97-148, Jun. 5, 1997)

Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs (GAO/HEHS-96-155, Sept. 3, 1996)

Vocational Rehabilitation: Evidence for Federal Program's Effectiveness Is Mixed, (GAO/PEMD-93-19, Aug. 27, 1993)

Vocational Rehabilitation: VA Needs to Emphasize Serving Veterans With Serious Employment Handicaps (GAO/HRD-92-133, Sept. 28, 1992)

VA Can Provide More Employment Assistance to Veterans Who Complete Its Vocational Rehabilitation Program (GAO/HRD-84-39, May 23, 1984)