

California Department of Veterans Affairs

Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans

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California Department of Veterans Affairs' response as of December 2009

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits to provide information related to the California Department of Veterans Affairs' (department) efforts to effectively and efficiently address the needs of California's veterans. As part of our audit, we were asked to do the following:

- Review the goals and objectives in the department's current strategic plan to determine whether they adequately address the needs and issues in the veteran community, such as mental health and housing. Examine the methods the department uses to measure its performance and the extent to which it is meeting its goals and objectives.
- Determine the methods the department currently uses to identify and serve veterans, including performing a review of its interactions and agreements with other state departments and agencies that serve veterans.
- Identify the number of California veterans that received benefits from the CalVet Home Loan Program (CalVet program) for the most recent year that statistics are available and, to the extent possible, determine whether this program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing.
- Review the programs administered by the department's Veterans Services division (Veterans Services), including whether it operates a program for homeless veterans, and determine the extent to which the department assists with the administration of these programs.
- Identify the federal disability benefits that qualifying veterans can receive and, for the last five years, determine the number of California veterans who annually applied for and received federal disability compensation and pension benefits (C&P benefits).
- Identify any barriers veterans may face when applying for federal disability benefits, the services the department offers to help veterans overcome such barriers, and the methods used by the department to improve the State's participation rate.

Audit Highlights . . .

Our review of the California Department of Veterans Affairs' (department) efforts to address the needs of California's veterans revealed the following:

- » *The department sees its role as providing few direct services to address issues California's veterans face, such as homelessness and mental illness. Instead, it relies on other entities to provide such services and its Veterans Services division (Veterans Services) is responsible for collaborating with these different entities.*
- » *The department has only recently shifted its attention from its primary focus on veterans homes, deciding that Veterans Services should take a more active role in informing veterans about available benefits and coordinating with other entities.*
- » *One of the department's primary goals for Veterans Services is to increase veterans' participation in federal disability compensation and pension benefits (C&P benefits). However, its ability to meet this goal is hampered by various barriers, including veterans' lack of awareness of the benefits, the complexity of the claims process, and delays at the federal level in processing these claims.*

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- » *Both Veterans Services and the County Veterans Service Officer programs (CVSOs) assist veterans to obtain C&P benefits. However, better coordination with the CVSOs and the use of additional data may enhance Veterans Services' ability to increase veterans' participation in these benefits.*
- » *The department did not formally assess veterans' needs or include key stakeholders such as the CVSOs in its strategic planning process, nor did it effectively measure its progress toward meeting the goals and objectives identified in its strategic plan.*
- » *As of March 2009 the CalVet Home Loan program served 12,500 veterans. However, the program is generally not designed to serve homeless veterans or veterans in need of multifamily or transitional housing.*

Finding #1: Veterans Services provides minimal direct services to veterans, and is just beginning to improve its outreach activities.

Outside of the services provided by its veterans homes and CalVet Home Loan program (CalVet program), the department provides few direct services to meet the needs of California's veterans. Instead, Veterans Services is responsible for collaborating with the different agencies that provide services to veterans. However, it receives minimal funding for its operations—approximately 2 percent of the department's total budget—most of which is allocated to support a portion of the County Veterans Service Officer programs' (CVSOs) operations, as required by the State's budget act. With its remaining funding, Veterans Services does not administer formal programs that provide direct services to homeless veterans or those with mental health needs, but instead allocates limited funding for local activities that, in part, aim to increase veterans' awareness of benefits available for those with such needs. For instance, it provided \$41,000 in fiscal year 2008–09 to support Stand-Downs, one- to three-day events that provide services such as food, shelter, and clothing to homeless veterans. Veterans Services also provided \$270,000 of its Proposition 63 (Mental Health Services Act) funding to five of the CVSOs in fiscal year 2008–09 for the purpose of providing mental health information to veterans and referring them for services. However, Veterans Services distributed the funds to the five CVSOs it selected without entering into formal contracts that specify how the funds should be used. Without formal contracts, Veterans Services is limited in its ability to ensure that the funds it provided to the CVSO will be used for their intended purposes.

Under the department's direction, Veterans Services has recently taken a more active role in reaching out to veterans to inform them about available benefits. However, it has been hindered in this effort because the department lacks contact information for most veterans in the State. To improve its contact information, Veterans Services has recently begun using a reintegration form that asks veterans to list their contact information and identify the services they may be interested in pursuing. Veterans Services has also started to gather contact information from federal, state, and county entities to increase the department's ability to inform veterans about available benefits, and is working to improve the department's Web site. For example, in June 2009, Veterans Services added a new resource directory to the department's Web site and initiated an effort to increase the amount of information available to veterans on the Web site. However, despite these recent efforts, many of which began after the current deputy secretary of Veterans Services started in his position in July 2008, the department's prior lack of outreach may have contributed to veterans' lack of awareness of and failure to apply for available benefits.

To ensure that Mental Health Services Act funding is used for the purposes intended in its formal agreement with the Department of Mental Health, we recommended that the department, before awarding additional funds, enter into formal agreements with the respective CVSOs specifying the allowable uses of these funds. Further, we recommended the department ensure that Veterans Services continues to pursue its various initiatives related to gathering veterans' contact information and increasing veterans' awareness of the benefits

and services available to them. Additionally, we recommended that the department pursue efforts to update its Web site to ensure that it contains current, accurate, and useful information for veterans' reference.

Department's Action: Partial corrective action taken.

The department reported that it has entered into formal agreements specifying the allowable uses of Mental Health Services Act funds with five of the six CVSOs it selected to receive these funds in fiscal year 2009–10. The department projected that it would finalize the formal agreement with the remaining CVSO in San Bernardino County in January 2010, pending approval of the agreement by the county's board of supervisors. The department also reported that Veterans Services is continuing its efforts to gather veterans' contact information, including developing its veterans reintegration management system that Veterans Services will use to identify the veteran population in California, collect information regarding veterans' needs and concerns, and link veterans with available resources and benefits. The department told us that Veterans Services is working to establish a formal partnership with the Employment Development Department (EDD) by February 2010 to obtain the names and contact information of discharged veterans participating in the Transition Assistance Program. This program provides employment and training information to members of the armed forces within 180 days of separation or retirement to ease their transition from military to civilian life. Additionally, the department reported that it will solicit a contract to scan hard-copy veterans contact information it receives from the U.S. Department of Defense into an electronic format by January 2010, and projected that it would have the information fully scanned by April 2010. The department also stated that it has begun working with the Office of the Chief Information Officer for California to expedite the redesign of its Web site, including the development of a veterans Web-portal, which it projects it will complete in January 2010.

Finding #2: Veterans Services' efforts to collaborate with other state entities are largely in the beginning stages, and it has not strategically assessed which entities to work with.

The department's deputy secretary of Veterans Services acknowledged that the department has only recently stepped up its efforts to collaborate with other state entities. Focusing on the department's collaboration efforts, excluding any collaborations undertaken by the individual veterans homes, department officials provided documentation to show that as of August 2009 the department had five formal agreements with four other state entities, of which three started in June 2007 or later. In addition to its formal agreements, the department has made efforts to informally collaborate with nine other state entities. All but one of these efforts are overseen by Veterans Services and are in the early stages of development. Prior to hiring the deputy secretary of Veterans Services in July 2008, the department had three informal collaborations with other state entities, two of which were related to providing educational opportunities to veterans. Since that time, the department has begun working to collaborate with six additional state entities. Three of these collaborations—with the California Labor and Workforce Development Agency, the California Department of Consumer Affairs, and the California Volunteers—were in the very early stages, with no explicit agreements, timelines, or plans in place, as of August 2009.

Veterans Services recent efforts to work with other state entities highlights the need for it to develop a formal process to ensure that it is identifying agencies that can assist it to better serve veterans. According to the deputy secretary of Veterans Services, in selecting which state entities to approach, he and the department's executive team selected those that they knew offered services to veterans or believed could be helpful in fulfilling the department's goals. The deputy secretary of Veterans Services explained that there was no formal process for deciding which entities to approach and no lists indicating any established priorities. Unfortunately, because it did not engage in a formal approach to these efforts, Veterans Services may have missed key entities that it could work with to increase veterans' awareness of available benefits or enhance the services available to veterans. For example, a 1994 state law requires that state licensing boards consult with the department to ensure that the education, training, and experience that veterans obtain in the armed forces can be used to meet

licensure requirements for regulated businesses, occupations, or professions. The department's current administration discovered this law in 2009 and has only recently contacted the California Department of Consumer Affairs to address this requirement.

To adequately identify the service providers and stakeholders that could assist Veterans Services in its efforts to increase veterans' awareness of available benefits, we recommended that the department ensure that Veterans Services implement a more systematic process for identifying and prioritizing the entities with which it collaborates. Further, we recommended that the department ensure that, where appropriate, it enters into formal agreements with state entities Veterans Services collaborates with to ensure that it and other entities are accountable for the agreed-upon services and that these services continue despite staff turnover, changes in agency priorities, or other factors that could erode these efforts.

Department's Action: Partial corrective action taken.

In its 60-day response, the department reported that Veterans Services has developed criteria and recommendations for identifying and prioritizing the entities with which it collaborates. The department told us that its executive team is scheduled to meet in January 2010 to approve Veterans Services' recommendations, and stated that by May 2010 it would establish an advisory committee of those entities to advise the department's secretary regarding the needs of California's veterans. Additionally, the department asserted that it is working to formalize its collaboration with the Department of Alcohol and Drug Programs in a memorandum of understanding by February 2010, and reported that it is working to establish formal agreements with EDD by February 2010, and with the departments of Motor Vehicles and Consumer Affairs by July 2010.

Finding #3: Veterans face various barriers in applying for C&P benefits and the department could more effectively communicate its concerns about these barriers to the U.S. Department of Veterans Affairs.

California's veterans participate in C&P benefits at rates that are significantly lower than those in other states with large veteran populations, and the department has made increasing veterans' participation in these benefits a primary goal for Veterans Services. However, Veterans Services' ability to influence participation in these benefits is affected by various barriers veterans may face in applying for C&P benefits, such as the complexity of the claims process and the U.S. Department of Veterans Affairs' (federal VA) delay in processing the claims. Although the department is aware that the claims process may pose various barriers to veterans applying for these benefits, it could not provide documentation demonstrating that it had communicated these concerns to the federal VA. Nevertheless, the former secretary of the department explained that the length of time it takes the federal VA to process claims is believed to be a problem experienced by veterans in all states, and that it was a subject at meetings held by the National Association of State Directors of Veterans Affairs (NASDVA). He stated that he and the other NASDVA members directly addressed this issue by meeting with the federal VA's deputy undersecretary for benefits, and that they pressed this issue very hard. He further stated that the federal VA consistently answered that it was experiencing unprecedented increases in claim submissions and was hiring and training more staff to address the increase in claims.

Additionally, according to the secretary for administration, Veterans Services has met informally with the federal VA's regional leadership at the CVSO training sessions, which are held three times a year, and informed them of the department's concerns regarding the claims process, including its complexity. He also stated that department staff periodically meet with federal VA staff at the VA's regional offices to communicate their concerns. To the extent these barriers continue to exist, it is increasingly important for the department to continue to communicate its concerns regarding the claims process to ensure that veterans can receive their benefits in a timelier manner.

To ensure that the federal VA is aware of the barriers veterans face in applying for C&P benefits, such as the complexity of the claims process, we recommended that the department continue its efforts, and formalize these efforts as necessary, to communicate these concerns to the federal VA.

Department's Action: None.

The department did not specifically address this recommendation in its 60-day response to our audit report.

Finding #4: Veterans Services and the CVSOs do not specifically share the same goal of increasing veterans' participation in C&P benefits.

Although both the CVSOs and Veterans Services can assist veterans in applying for C&P benefits, the CVSOs play a key role in informing veterans about all available benefits and do not specifically share the same goal of increasing veterans' participation in these benefits. In particular, the six officers of the CVSOs that we interviewed tended to have more general goals, such as reaching out to as many veterans and veterans' groups as possible and providing veterans with the best possible service. Some CVSOs have numeric goals specific to processing claims for other types of benefits or for increasing overall productivity. These differing goals may hinder Veterans Services' efforts to increase veterans' participation in C&P benefits.

As part of its efforts to coordinate with the CVSOs, Veterans Services communicates the department's goals at conferences and sends e-mails to the CVSOs about the department's commitment to be at or above the national average in terms of veterans' participation in C&P benefits, according to the deputy secretary of Veterans Services. Further, the deputy secretary for administration stated that the department informs the CVSOs where each county stands in the number of veterans receiving C&P benefits by forwarding participation reports from the NASDVA. However, part of the challenge Veterans Services faces is that the presence of a CVSO in each county is an optional function and the CVSOs exist solely under the control of their respective county's board of supervisors. Thus, according to the deputy secretary of Veterans Services, the department would be overstepping its authority by setting goals for the CVSOs relating to C&P benefits and outreach. As a result, to the extent that the counties' board of supervisors establish goals for the CVSOs that differ from the department's goals, the department may be limited in its ability to increase veterans' participation in C&P benefits.

To better coordinate efforts to increase the number of veterans applying for C&P benefits, we recommended that Veterans Services formally communicate its goals to the CVSOs and work with them to reach some common goals related to serving veterans.

Department's Action: Partial corrective action taken.

In its 60-day response to our audit report, the department told us that it had communicated its goal of increasing veterans' participation in C&P benefits to the CVSOs. The department also entered into a formal agreement with the California Association of County Veterans Service Officers (association) in December 2009. The agreement is for an indefinite period of time, and summarizes agreements reached by the association and the department to establish a process by which both parties may seek input into the development of their respective strategic plans. In the agreement, both parties agreed to consider each other's input in the development of goals and objectives and recognized that neither has direct control over the goals and objectives set by individual counties, but agreed to foster common goals in order to provide a more consolidated effort to meet the needs of California's veterans. The department and the association also plan to hold meetings between the department's executive staff and the association's strategic planning committee three times per year (spring, fall, and winter) to discuss veterans needs, progress reports on accomplishing specific objectives, and other issues.

Finding #5: Additional information could enhance the department's ability to increase veterans' participation in C&P benefits.

The department relies heavily on the CVSOs to initiate and develop veterans' claims, including claims for C&P benefits, and to inform veterans about available benefits. However, the department has missed the opportunity to obtain key information from the CVSOs that could help Veterans Services better assess the State's progress in increasing veterans' participation in C&P benefits. In connection with the \$2.6 million in annual funding that the department provides to the CVSOs, a state regulation requires the CVSOs to submit workload activity reports to the department within 30 days of reporting periods established by the department. In implementing this state regulation, the department has required the CVSOs to submit workload activity reports to Veterans Services that include the number of claims they filed that they believe have a reasonable chance of obtaining a monetary or medical benefit for veterans, their dependents, or their survivors. The department uses these data to allocate funding to the CVSOs. However, these workload activity reports do not separately identify the total number of claims filed for C&P benefits by each CVSO, and the department has not required the CVSOs to include this information in the reports.

Further limiting Veterans Services' ability to influence the State's rate of participation in C&P benefits is that it has minimal information on the effectiveness of the CVSOs' outreach activities, as it does not monitor or review these activities. As a result, it has minimal assurance that these efforts are sufficient to increase the State's participation in C&P benefits. However, Veterans Service may have an opportunity to assess the adequacy of the CVSOs' outreach efforts as part of an annual report the department is required to submit to the Legislature. Specifically, state law requires the department to report annually on the CVSOs' activities and authorizes it to require the CVSOs to submit the information necessary to prepare the report. Veterans Services is responsible for compiling this report, and the department could require the CVSOs to submit information on their outreach activities. In part, Veterans Services could use this information to assess the adequacy of the CVSOs' outreach activities and determine where and how it could target its own outreach efforts in counties with greater need—such as those lacking resources to conduct adequate outreach. In doing so, Veterans Services could increase veterans' awareness of C&P benefits and potentially increase their participation in these benefits.

Additionally, Veterans Services could make use of data from the NASDVA and U.S. Census Bureau to better focus its outreach efforts and coordination with the CVSOs. For example, among the six counties we reviewed, Los Angeles may have the greatest potential for increasing veterans' participation in C&P benefits. Specifically, veterans in this county have the lowest rate of participation in C&P benefits—almost 2 percentage points lower than the State's average of 11.77 percent as of September 2007—and the largest number of veterans not receiving C&P benefits. Los Angeles County also has the greatest number of veterans with disabilities, which is an indicator of veterans' potential need for disability compensation benefits. Specifically, more than 32,000 veterans were receiving disability compensation benefits as of September 2007, while the U.S. Census Bureau data indicate that there were nearly 100,000 veterans with disabilities in the county in 2007. This analysis suggests that if Veterans Services were to focus its efforts toward increasing veterans' participation in disability compensation benefits in Los Angeles County, it could generate the highest value for its efforts. Performing a similar analysis of all California counties and including other data that Veterans Services could obtain from the CVSOs, such as the number of claims filed for C&P benefits, may allow Veterans Services to focus its limited resources on the areas with the highest potential for increasing veterans' participation in C&P benefits.

To ensure that it has the information necessary to track progress in increasing veterans' participation in C&P benefits, and to identify where and how best to focus its outreach efforts, we recommended that Veterans Services require the CVSOs to submit information on the number of claims filed for C&P benefits and information on their outreach activities. Further, we recommended that as Veterans Services expands its efforts to increase veterans' participation in C&P benefits, it use veterans' demographic information, such as that available through the U.S. Census Bureau, to focus its outreach and coordination efforts on those counties with the highest potential for increasing the State's rate of participation in C&P benefits.

Department's Action: Pending.

The department reported that it is working to revise its workload activity reporting requirements to increase the level of detail it obtains from the CVSOs, including information on the number of C&P claims filed and awarded. According to the department, it plans to deploy the new workload activity reporting requirements with the development of its Statewide Administration Information Management system (SAIM system). Additionally, the department told us that it plans to negotiate changes in the memorandum of understanding it has with the CVSOs regarding the annual funding the department provides to them. These changes will include obtaining information about CVSOs' outreach activities to better ensure that the department identifies where and how best to focus its outreach and coordination efforts. The department estimated that its negotiation with the CVSOs will be complete in March 2010. Further, the department reported that it will require CVSOs to submit information on their outreach activities as part of the bi-annual reports they submit to Veterans Services, which the department uses to compile its annual report to the Legislature. The department projects that the CVSOs will include this information in their bi-annual reports due in July 2010. However, the department did not specify how it intends to use this information to better focus its outreach and coordination efforts with the CVSOs. Additionally, the department did not specifically address the recommendation regarding its use of veterans' demographic information, such as that available through the U.S. Census Bureau, to focus its outreach and coordination efforts on counties with the highest potential for increasing the State's rate of participation in C&P benefits.

Finding #6: A new system may improve the collection and review of CVSO data, including information on claims for C&P benefits.

Recognizing that it lacks an effective means to monitor the processing of claims by CVSOs and to collect information on veterans' demographics, Veterans Services initiated a joint effort with the CVSOs in 2009 to create the SAIM system. According to the deputy secretary of Veterans Services, the SAIM system will enhance the department's ability to track the number and quality of claims for C&P benefits processed by the CVSOs and submitted to the federal VA. Specifically, the SAIM system will allow department staff to review the claims to ensure that they include certain items, such as any attached documentation and medical records used to substantiate the claims. Well-substantiated claims receive quicker rating decisions in the federal VA claims processing system. According to the deputy secretary of Veterans Services, an additional benefit of the SAIM system is that the department will have access to counties' contact information for the veterans they serve, to use for outreach purposes. The department is in the beginning stages of the process necessary to implement the SAIM system and has developed a budget change proposal requesting funding to cover the administrative costs of such a system. The proposal, according to the deputy secretary of Veterans Services, has been submitted to the Department of Finance (Finance) for review.

Department officials also indicated that the SAIM system would enable it to meet its legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. Although the audit committee did not specifically ask us to evaluate the department's auditing of CVSOs, when we inquired about the SAIM system we learned that the department is not auditing the CVSOs' workload reports, described previously, as required by state law. Department officials stated that the department is currently unable to audit these reports due to resource constraints and the amount of time that would be required to conduct audits at the CVSOs.

Because the department is not verifying the accuracy of the college fee waivers processed by the CVSOs as required by state law, the State may be granting too many college fees. Under the College Fee Waiver program, veterans' dependents who meet the eligibility criteria may have their college tuition waived if they attend a California Community College, a California State University, or a University of California campus. According to the deputy secretary of Veterans Services, in fiscal year 2007-08, the CVSOs processed 15,000 fee waiver applications, which resulted in the granting of \$42 million in fee waivers. Department officials acknowledged that the department did not verify the appropriateness of the fee waivers as required by state law, and recognized that this places the State at risk of waiving college fees erroneously.

We recommended Veterans Services continue its efforts to pursue the SAIM system to enable it to monitor the quantity and quality of claims processed by the CVSOs, and ensure it meets legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. To the extent that Veterans Services is unsuccessful in implementing the SAIM system, the department will need to develop other avenues by which to meet its legal requirements.

Department's Action: Pending.

In its 60-day response, the department reported that the feasibility report for the SAIM system was under review by the Office of the Chief Information Officer for California. If approved, the department projected that it will start using the SAIM system at the beginning of fiscal year 2011–12.

Finding #7: The department did not adequately assess veterans' needs in preparing its strategic plan.

The department missed two steps critical to ensuring that it provides services appropriate to meet veterans' needs in developing its strategic plan covering fiscal years 2007–08 through 2011–12. Specifically, it did not formally assess veterans' needs and concerns, and it did not formally involve the CVSOs when developing the plan. According to its deputy secretary for administration, the department did not perform a structured, formal assessment of veterans' needs as part of its strategic planning process. Such an assessment might include a process, such as surveying veterans and organizations that serve veterans, for identifying key needs and prioritizing how the department will address the identified needs. Instead, the deputy secretary for administration explained that the department obtains information about the needs of veterans through a variety of interactions with the veteran community and veteran stakeholders, such as staff participation in national forums and conventions. He indicated that the department believes its current methods are sufficient to get a good sense of the needs in the veteran community. Although these interactions may provide department officials with some information on the needs of veterans, a formal assessment to identify veterans' needs would minimize the risk that the department is overlooking, or that it is undertaking inappropriate efforts to address, the key needs of the veteran community.

Further, although the department stated that it partners with CVSOs to ensure that veterans and their families are served and represented, the deputy secretary for administration stated that the department did not formally survey the CVSOs or other stakeholders to identify and prioritize the needs of the veteran community as part of its strategic planning process. However, guidelines for strategic planning developed by Finance—which provide a framework to assist state agencies in developing their plans—say the first step in a successful strategic planning process includes soliciting input from external stakeholders. Formally involving the CVSOs in the strategic planning process would allow the department to more completely evaluate the needs of the veteran community, given the department's reliance on the CVSOs to perform direct outreach to veterans.

Only three of the six CVSO officers that we interviewed were familiar with the department's strategic plan and none of those three were involved in the plan's development. The remaining three were not familiar with the plan at all. Of the three that responded to the question regarding whether the plan addressed veterans' needs, only the CVSO officer in Solano County responded that it did address veterans' needs. The CVSO officer in San Diego County expressed concern that the plan placed too much emphasis on the veterans homes, stating that the potential efforts of Veterans Services were not given sufficient attention. Similarly, the CVSO officer in Los Angeles County stated that although the plan primarily addressed veterans' needs related to the CalVet program and the veterans homes, more attention and resources were needed to expand the information on benefits and to address homelessness and unemployment among veterans. The officers of the six CVSOs identified for us a range of needs and concerns in the veteran community, including some not listed in the department's strategic plan, such as concerns about access to health care.

To ensure that it properly identifies and prioritizes the needs of the veteran community, we recommended that the department conduct a formal assessment of those needs, including soliciting input from the CVSOs.

Department's Action: Pending.

The department reported that it plans to seek proposals from major educational institutions to conduct a formal research project to identify the needs of California Veterans. The department has developed a request for proposals for the project, which it plans to issue in January 2010. The department reported that it plans to award the contract in February 2010, and have the contractor complete the study by June 2010. Among other things, the scope of work defined in the request for proposals includes a search of existing research and literature related to identifying shortfalls in services provided to veterans, a survey of California veterans and their families to assess, in part, their service-related needs, and a written report that details the analysis of findings from the literature search and the survey. The department stated that it will conduct surveys of veterans using available contact information, and told us that it plans to post the survey on-line in January 2010, publish the resulting findings in May 2010, and incorporate the results of the survey into its annual strategic planning process by July 2010. The department also reported that it intends to hold public hearings to assess the needs of California's veterans, and stated that the first hearing is scheduled to occur in February 2010 in Monterey County. Finally, although the department stated that it plans to develop a committee to advise the department's secretary on identifying the needs of California's veteran population by January 2010, it did not specify whether representatives from the CVSOs will be on the committee, and did not identify how its agreement with the California Association of County Veterans Service Officers ties into its research to identify the needs of California's veterans.

Finding #8: The department's strategic plan does not specify how goals will be met and lacks adequate measures for assessing progress.

Although the department has identified certain needs and concerns of the veteran community in its strategic plan covering fiscal years 2007–08 through 2011–12, the plan's goals and objectives do not sufficiently identify the steps the department will take to address these needs. The plan describes 12 critical issues and challenges the department believes it faces. According to the deputy secretary for administration, these issues and challenges represent the department's priorities and include veterans' critical needs that the department identified in its strategic planning process. Five of the 12 critical issues and challenges identified in the strategic plan relate to the veterans homes, but the department also identified homelessness among veterans and the need for services to meet the needs of newly returning combat veterans.

Despite this, the goals and objectives expressed in the strategic plan, which relate to the successful delivery of programs and services to California's veterans and their families, do not include any mention of these needs. By not sufficiently aligning its goals and objectives with all of the needs it has identified, the department risks being unable to ensure that its activities sufficiently address them. Further, Finance's strategic planning guidelines indicate that goals and objectives are key components of strategic planning. They also state that goals represent the general ends toward which agencies direct their efforts, and that objectives should be measurable, time-based statements of intent, linked directly to these goals, that emphasize the results of agency actions at the end of a specific time. However, the department's five strategic goals and many of the 29 related objectives do not provide this level of guidance.

Additionally, in its strategic plan, the department specifies that divisions will develop, track, and report detailed action plans and performance measures. According to the deputy secretary for administration, to operationalize its strategic plan, the department asked each division and support unit to develop action plans for meeting the strategic plan's goals and objectives. Because the strategic plan's objectives fail to mention how the department will address the needs of homeless veterans or of newer veterans, we expected that the action plans would clearly specify how the divisions' activities would meet these

needs. However, the action plans we reviewed do not do so. For example, the July 2007 action plan for Veterans Services—the division responsible for conducting the department’s outreach activities related to increasing veterans’ awareness of available benefits—does not include specific reference to the homeless among veterans or the needs of newer veterans returning from Iraq and Afghanistan who may be in need of mental health services or health care benefits.

Further, according to the department’s deputy secretary for administration, the activities included in each division’s annual action plan are, in fact, the performance measures called for by the department’s strategic plan. These action plans, however, do not allow the department to effectively gauge its progress in accomplishing its goals and objectives. The deputy secretary for administration indicated that there was no short list of critical activities in the action plans that were identified as the key performance measures for each division. According to Finance’s strategic planning guidelines, to retain focus on only the most significant objectives in the plan, the agency should select only the most pertinent measures for each objective for which data can be collected. In contrast, the department has identified every activity in its 40-page set of action plans as a performance measure, reducing its ability to focus on those with the highest priority.

To ensure that its strategic plan identifies how the department will address the needs and concerns of veterans, we recommended that the department develop measurable goals and objectives, as well as specific division action plans that directly align with the needs of the veteran community that it identifies in the plan.

Department’s Action: Partial corrective action taken.

The department published its new strategic plan in August 2009, and published a formal implementation plan that includes measurable goals, objectives, and plans of action in October 2009. In its 60-day response to our audit report, the department told us that it plans to incorporate goals more specific to veterans’ needs into its new strategic and implementation plans once it completes its formal research project to identify the needs of California’s veterans, described in its response to finding #7.

Finding #9: The department has not followed key monitoring procedures suggested by its strategic plan and Veterans Services’ strategic plan does not align with the department’s plan.

The department has not followed key monitoring procedures called for by the strategic plan, such as conducting quarterly progress assessments and publishing annual performance measure reports. The strategic plan states that the department will assess its progress quarterly toward achieving predetermined goals and objectives and publish a performance measure report annually. Our review found that the department did not consistently perform these quarterly assessments, did not publish an annual performance report, and did not assess its progress toward meeting its strategic plan’s goals and objectives. The department’s failure to monitor its progress and remain actively engaged in its strategic planning process limits its ability to measure whether it is meeting its goals, to evaluate how effectively it is meeting the needs of veterans, to adjust its activities to changing circumstances, and to inform itself and stakeholders about its progress.

Additionally, the Veterans Services’ strategic plan is not linked to the department’s plan. In addition to participating in the department’s strategic planning process, Veterans Services has developed its own independent strategic plan. Although it developed action plans as part of the department’s overall strategic planning process, Veterans Services also continued to update its own strategic plan, which includes separate action plans. The most recent version of Veterans Services’ strategic plan covers fiscal years 2009–10 through 2013–14. According to the deputy secretary of Veterans Services, this plan is the one to which it holds itself accountable. He noted that Veterans Services develops specific items in its strategic plan independently, without the direct input of the department’s acting secretary or the executive team, although the executive team receives copies of Veterans Services’ strategic plan, is

aware of its activities, and assists with its goals where appropriate. The existence of multiple, competing plans reduces the department's ability to ensure that its divisions and support units are undertaking activities that contribute to the department's overarching goals and objectives.

We recommended that to ensure it effectively measures progress toward meeting key goals and objectives, the department follow the provisions in its strategic plan requiring it to establish performance measures, conduct and document quarterly progress meetings, and publish annual performance measure reports. Further, to ensure coordination in its efforts to achieve key goals and objectives, we recommended that the department eliminate Veterans Services' strategic plan or ensure that the plan is in alignment with the department's strategic plan.

Department's Action: Pending.

The department did not specifically address these recommendations in its 60-day response to our audit report. However, it did specify in its formal implementation plan for its new strategic plan that there will be no individual strategic plans at the divisional level.

Finding #10: Despite recent declines, Veterans' participation in the CalVet program may increase in the future.

Although the number of veterans participating in the CalVet program has declined each year since June 30, 2006, the deputy secretary of the program expects more veterans to participate in the future. The number of veterans with CalVet program loans decreased from about 14,600 as of June 30, 2006, to approximately 12,500 as of March 31, 2009. According to the deputy secretary of the CalVet program, the decline can be attributed to several factors, including that the CalVet program's interest rates have become less competitive than those offered by other lending institutions. However, the deputy secretary of the CalVet program believes opportunities exist to lower these interest rates in the future and increase participation in the program.

Nationally, market interest rates generally declined during 2006 through 2008, and information compiled by the CalVet program shows that during the period between July 2006 and November 2008, the CalVet program offered interest rates that were lower than the average interest rates offered by the Federal Home Loan Mortgage Corporation.¹ However, beginning in December 2008, the interest rates offered by the CalVet program became less competitive, providing an economic incentive for veterans to obtain new loans, or to refinance their existing loans, outside of the program. In spite of this, the deputy secretary of the CalVet program anticipates that veterans' participation in the program will substantially increase in the future because the department is attempting to decrease the interest rates it offers on loans by becoming an approved lender with the Federal Housing Administration. He explained that as an approved lender, the CalVet program will be able to work with the Government National Mortgage Association (Ginnie Mae) to guarantee CalVet program loans, and that in working with the Ginnie Mae, the department may attract more veterans to the program by offering lower interest rates on its loans.

In order to attract more veterans to the CalVet program, we recommended that the department continue working with the Federal Housing Administration and the Ginnie Mae to lower its interest rates on loans.

Department's Action: None.

The department did not address this recommendation in its 60-day response to our audit report.

¹ The Federal Home Loan Mortgage Corporation is a shareholder-owned company created by the U.S. Congress in 1970 to stabilize the nation's mortgage markets and expand opportunities for homeownership and affordable rental housing.



Finding #11: The State's CalVet program would need to be redesigned to fund multifamily housing or to better serve homeless veterans.

The audit committee asked us to determine whether the CalVet program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing. We determined that the program is generally not designed for these purposes. For instance, federal law allows the CalVet program to use bond funds issued after 1986 to finance loans to veterans for housing with up to four separate living units, and both federal and state law allow veterans to purchase such properties using CalVet funds if they occupy one of the units as their principal residence. However, current state law makes it impractical for veterans to purchase properties with more than one unit, because it effectively prohibits veterans from renting out the unoccupied units. Specifically, state law provides that properties financed with CalVet funds are not intended to become investment, rental, or business properties, although state law does authorize the CalVet program to give written consent to a veteran who wishes to lease property purchased with CalVet program financing under some conditions. Because of these restrictions, the CalVet program does not issue loans on properties with more than one unit, according to the department's manager of the escrow and post-closing unit.

Further, although state law allows the CalVet program to lease out its repossessed properties and give priority for these leases to public or private organizations serving homeless veterans, the CalVet program has limited ability to lease out these properties. According to the deputy secretary of the CalVet program, without additional funding, the law does not present a viable economic solution to serve homeless veterans or veterans in need of transitional housing. The deputy secretary listed several reasons why the department sells rather than leases out its repossessed properties, the main reason being the higher costs associated with leasing out the properties. Additionally, the types of housing in the CalVet program's portfolio and the fluctuations in the number of repossessed properties also limit the program's ability to address homeless veterans' needs by leasing its repossessed properties. According to the deputy secretary, most CalVet program properties are not suitable for more than one family because they generally have only two or three bedrooms. Further, the CalVet program can lease its repossessed properties to organizations serving homeless veterans only if the properties are zoned for that use. Thus, the viability of allowing public or private organizations to use CalVet program properties to serve homeless veterans would be limited.

Additionally, a state law, effective January 2009, authorizes the department to apply to the California Debt Allocation Committee for permission to issue private activity bonds for qualified residential rental projects (residential projects). According to a legislative committee analysis, the legislation that enacted this law sought to address the need for transitional and permanent housing for veterans and their families by identifying a source of funding the department could use to fund affordable multifamily housing. However, according to the deputy secretary of the CalVet program, the law does not authorize the department to use the money derived from the sale of private activity bonds to fund residential projects, and legislation would need to be passed explicitly permitting the CalVet program to make loans for these projects. Our legal counsel agrees that state law would need to be clarified for the department to construct or make loans for these projects. Also, according to our legal counsel, the law would need to be further clarified if the Legislature's desire was to limit residency in these projects to veterans, because it does not authorize the department to impose this limitation. Finally, although the federal government makes funding available to provide services to homeless veterans through the federal VA's homeless Grant and Per Diem program, according to our legal counsel, state law does not currently provide the department with sufficient authority to participate in the program.

We recommended to the Legislature that if it believes the department should play a larger role in funding multifamily housing for veterans, providing transitional housing for veterans, and addressing the housing needs of homeless veterans, it would need to modify or clarify state law to authorize the department to provide such services.

Legislative Action: Unknown.

We are not aware of any legislative action at this time.