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FEDERAL HIRING

Does Veterans' Preference Need Updating?





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The Honorable Douglas Applegate
Chairman, Subcommittee on
Compensation, Pension and Insurance
Committee on Veterans' Affairs
House of Representatives

The Honorable Christopher H. Smith
Ranking Minority Member, Subcommittee
on Education, Training and Employment
Committee on Veterans' Affairs
House of Representatives

This report responds to your request that we determine (1) whether the Office of Personnel Management and other agencies are giving veterans preferred consideration for jobs, as provided for by the Veterans' Preference Act of 1944, as amended, and (2) why veterans are not being hired even when receiving veterans' points.

As arranged with the Subcommittees, distribution of the report to parties other than the Committee, the Subcommittees, and the Director of the Office of Personnel Management is restricted for 7 days unless it is publicly released earlier by the Subcommittees.

Major contributors to this report are listed in appendix IV. Please contact me on (202) 275-5074 if you or your staff have any questions concerning the report.

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Management Issues

Executive Summary

Purpose

The Veterans' Preference Act of 1944, as amended, requires federal agencies to provide preferential hiring consideration to veterans as a measure of national gratitude and compensation for defending the United States. Nevertheless, according to members of the House Committee on Veterans' Affairs, many veterans have been unable to obtain federal employment in recent years. The Committee's concerns have taken on added importance with preference-eligible Desert Storm veterans now entering the civilian labor force and the concurrent downsizing of the U.S. military. Accordingly, they asked GAO to determine

- whether the Office of Personnel Management (OPM) and other agencies are giving veterans preferred consideration for jobs. By law, agencies must provide veterans with "veterans' points," which can cause veterans to be placed higher on hiring lists.
- why veterans are not being hired even when receiving veterans' points.

Background

As of September 30, 1990, veterans made up about 30 percent of the non-Postal Service federal workforce—double their percentage in the civilian labor force.

By law, when qualified veterans apply for federal jobs, they may claim 5 or 10 preference points. Veterans may generally claim 10 points when they have a service-connected disability. These points are added to points that veterans and all other candidates receive for education, work experience, and/or passing a written examination.

OPM is responsible for ensuring that veterans receive all preference due them. OPM receives and scores federal job applications, verifies the veterans' preference points claimed by applicants, adds the preference points to the veterans' scores, ranks all applicants by score, and provides hiring officials with certificates (lists of eligible candidates) in score order. Qualified veterans with service-connected disabilities must be placed at the tops of certificates.

Agencies are generally required to select from among the top three available candidates on a certificate. However, they cannot select a nonveteran if a higher placed veteran is available. Rather than use certificates developed by OPM, agencies may have delegated examining authority to prepare their own. The agencies must follow the same scoring, ranking, and selection rules as OPM.

GAO reviewed 1,136 randomly selected certificates of eligible candidates and, where available, 1,862 federal job applications submitted by persons on those certificates. After identifying the veterans from the applications, GAO determined whether they received appropriate preference points and certificate rankings and whether they were hired. The applications included 342 from veterans and 1,520 from nonveterans. OPM and other executive agencies prepared the certificates between July 1990 and June 1991.

Results in Brief

For nearly all of the applications GAO reviewed, the veterans' preference points due applicants matched the points given them on hiring certificates prepared by OPM or other executive agencies. Also, veterans were correctly ranked on the certificates.

However, even with correct preference points and rankings, the veterans were often not hired. Twenty-one percent of the available veterans who were ranked first on the OPM and executive agency certificates were hired from those certificates. For the remaining 79 percent, hiring officials returned most certificates without selecting anyone—a practice permitted by existing civil service laws and regulations.

These laws and regulations permit managers to consider a variety of candidate sources when filling vacancies, and certificates were frequently returned because someone was hired through another source. For instance, instead of selecting the top candidate on a certificate, a manager may select an internal candidate applying for promotion or select someone outside the agency through the Outstanding Scholar Program. While persons hired through these other sources may include veterans, these sources do not generally provide veterans with special preference.

Although GAO found that certificates were returned when nonveterans as well as when veterans were the top-ranked candidates for the 1,136 certificates that GAO reviewed, those certificates with a veteran at the top were more likely to be returned without selection.

OPM does not know why certificates are frequently returned without anyone selected nor does it know why differences in veteran hiring patterns occur among agencies. The answers are important to analyze veteran hiring patterns. After hiring patterns are more fully known and analyzed, Congress may wish to consider whether the patterns meet its expectations.

Principal Findings

Scoring and Ranking Process Properly Gave Preference to Veterans

Veterans' preference points were properly given or not given in all but 6 (0.3 percent) of the 1,862 applications GAO reviewed. Placement of veterans on certificates of eligible job candidates was also correct. Veterans were properly placed on all but 1 of the 1,136 certificates GAO reviewed from OPM and other executive agencies. (See pp. 19-21.)

Why Employment Does Not Always Result

Existing civil service laws and regulations do not guarantee veterans employment or always require the use of certificates. Other hiring methods that do not apply veterans' preference may be used. Some of these hiring practices have evolved in recent years since the implementation of the Veterans' Preference Act.

Of the 1,136 certificates, a veteran was the top-ranked candidate on 357 certificates. Eighty-nine veterans declined employment or failed to respond to agency communication. Fifty-six, or 21 percent of the available 268 veterans, were hired. Most (184) were at the tops of certificates from which no one was selected. (See pp. 26-28.)

Federal managers may request but not use hiring certificates if they believe other, more qualified candidates are available elsewhere. Of the 1,136 certificates GAO examined, 648, or 57 percent, were unused; that is, no one was selected from the certificates. These 648 certificates included instances of both nonveterans and veterans who were top-ranked candidates. However, a greater percentage of certificates were returned unused when a veteran appeared at the top (71 percent) than when a nonveteran did (51 percent). (See pp. 27-28.)

Managers can use various ways, without regard to veterans' preference, to hire persons they believe are the best available. For example, managers may identify job candidates they would like to hire before requesting certificates of eligible candidates. Managers can then request that certificates include these candidates' names and may hire the candidates if they rank high enough. If the candidates are not among the top-ranked, the manager may return the certificates unused. On 277 certificates on which the requested candidate was among the top candidates, 234 (84 percent) were hired. About 9 percent of those hired were veterans. Most of the remaining certificates were returned unused. (See pp. 31-32.)

In addition to certificates, job candidates may be available from other hiring sources. Persons hired from these sources may include veterans, but the provisions covering these sources do not require veterans' preference. For example, managers hiring under the Outstanding Scholar Program, through which candidates are selected on the basis of academic achievement, do not have to consider or apply veterans' preference. The program was created as part of a court decree, is not part of the competitive examining system, and does not provide for the application of veterans' preference. Also, when promoting or transferring employees from within the agency, officials do not have to consider veterans' preference. (See pp. 32-33.)

In addition, under shortage conditions, agencies may hire persons directly without requesting or developing certificates and without competition among candidates. OPM had not required the application of veterans' preference in shortage conditions under the assumption that more vacancies exist than applicants. However, after delegating the agencies hiring authority, OPM does not monitor the shortage condition to determine whether it ends, and, as a result, agencies have used the authority in cases in which applicant surpluses existed. Recognizing this problem, in August 1991 OPM directed agencies to apply veterans' preference if veterans, or candidate surpluses, materialize. (See pp. 36-38.)

OPM has no system to track agencies' use of certificates, the rate that they return unused certificates, or their reasons for returning them. Without such a system, OPM does not know whether (1) agencies, by their hiring patterns, appear to be intentionally bypassing the hiring of veterans or (2) its certification process is identifying candidates with the right mix of qualifications and experience. In addition, although OPM receives information for all hiring mechanisms on each new hire and that information includes whether the new hire is a veteran, OPM generally does not analyze the information to evaluate veteran hiring patterns governmentwide or by agency. (See pp. 28-30.)

In October 1991, OPM's Director informed GAO that OPM would take action to obtain and monitor reasons for unused certificates. She told GAO that OPM could enhance its efforts to bring more veterans into the federal workforce and work with managers to encourage more diverse hiring, including the hiring of veterans. (See p. 34.)

Recommendations

GAO recommends that the OPM Director establish a monitoring program of agency and installation certificate usage and analysis of veteran hiring patterns. As part of this system, GAO recommends that OPM report its monitoring efforts, findings, and actions it and agencies take, in its annual report to Congress, Veterans' Employment in the Federal Government. (See pp. 35 and 38.)

Matters for Congressional Consideration

Although the basic provisions for providing veterans with preference have not changed since 1944, hiring methods have. Therefore, the process specified by Congress to provide veterans with preference does not apply to many current hiring practices. If veteran hiring results shown in OPM's report do not meet Congress' expectations, the Subcommittees may want to discuss alternatives with OPM.

Agency Comments

In commenting on a draft of this report, the OPM Director cited actions OPM has taken that address GAO's recommendations.

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Abbreviations

ACWA	Administrative Careers With America
OPM	Office of Personnel Management
PACE	Professional and Administrative Career Examination
VRA	Veterans' Readjustment Appointment

Introduction

Congress enacted the Veterans' Preference Act of 1944, as amended, as a measure of the nation's gratitude and as compensation to the men and women who have defended our country. The act combined portions of various laws, executive orders, and regulations related to veterans that had been enacted over the previous 79 years. In enacting the legislation, Congress recognized that an economic loss is suffered by those who serve in the armed forces and that steps must be taken to ensure that those who have served are not penalized.

Evolution of Veterans' Preference in Federal Hiring

In 1865, Congress passed the first law granting preference in federal hiring to veterans. Between 1865 and 1919, most attempts aimed at strengthening veterans' preference in federal hiring focused on disabled veterans. Movement to provide absolute preference for veterans was impacted by a desire on the part of government officials to create a federal personnel system built on the principles of merit. However, with the demobilization of the military forces at the close of World War I, veterans' organizations were active in supporting legislation seeking to expand preference provisions.

The influence of veterans and their supporters continued to grow from 1919 through 1944 and eventually culminated in the passage of the Veterans' Preference Act of 1944. Supporters of the act were concerned with providing preference in government employment to compensate those who had served the nation during times of war.

Since 1944, changes in the Veterans' Preference Act have primarily expanded or contracted the pool of individuals eligible for preference in federal hiring. For example, before 1966, preference in federal employment was given to veterans who served during wartime (or in any campaign or conflict); veterans with service-connected disabilities; spouses of disabled veterans unable to use the benefits themselves; unremarried widows and widowers of deceased veterans who served during wartime; and, under certain circumstances, mothers of deceased or totally disabled veterans. In 1967, Congress expanded preference to all veterans who served on active duty for over 180 days, whether or not they served during a war, campaign, or conflict. Provisions of the act changed again on October 15, 1976, when Congress modified the act to eliminate preference in federal hiring for all nondisabled veterans who entered the military service after October 14, 1976, unless they served in a military campaign or expedition for which a campaign badge or service medal was authorized. Finally, the Civil Service Reform Act of 1978 provided that

veterans' preference would not apply to Senior Executive Service positions, and it limited preference for retired veterans to those who were disabled or those who retired below the rank of major (or the equivalent).

Application of Veterans' Hiring Preference

OPM provides preference to veterans by adding additional points to their passing examination scores. Veterans can receive either a 5- or a 10-point preference, depending on such factors as period of service, length and place of service, and, in certain instances, the extent of his or her disability.

Veterans, or in some cases their survivors, who pass civil service examinations through written tests or reviews of their education and experience have 5 or 10 points added to the passing numerical scores (which must be at least 70) they make in open, competitive examinations for appointment to jobs in the federal civil service. For GS-9 or higher scientific or professional positions, veterans are listed on a certificate in order of their scores as augmented by preference points. A certificate is a list of top-ranked candidates from OPM's register of applicants for a particular type of position. An OPM register is a list of all qualified applicants for the position. For all other positions, the names of those individuals eligible for 10-point preference, who have a service-connected disability of 10 percent or more, are placed ahead of all the other names appearing on a certificate. The names of all other individuals (other 10-point veterans, 5-point veterans, and nonveterans) are placed on registers in order of their examination scores as augmented by veterans' preference, if any. When making appointments from certificates, selecting officials are permitted to select any of the top three qualified candidates on a certificate; however, they are generally not permitted to select a lower-ranking nonveteran over a higher-ranking veteran.

Eligibility Requirements

In order to meet the eligibility requirements for 5-point preference, an individual, with certain exceptions, must be an honorably separated veteran who has served on active duty in the armed forces of the United States

- during a war, in a campaign or expedition for which a campaign badge has been authorized, or during the period between April 28, 1952, and July 1, 1955;
- for more than 180 consecutive days, any part of which occurred after January 31, 1955, and before October 15, 1976; or

-
- after October 14, 1976, if service is performed during a war or campaign for which a campaign badge has been authorized.¹

To meet the eligibility requirements for 10-point preference, an individual must be

- an honorably separated veteran with a service-connected disability or a Purple Heart recipient or
- (1) the spouse of a disabled veteran, (2) the mother of a deceased or disabled veteran, or (3) the widow or widower of a veteran. Although these individuals are not veterans, they are eligible for veterans' preference. Their preference is derived from the military service of veterans who are not using the preference.

Changes in the Veteran Population

The veteran population has declined over the past decade and is expected to continue declining into the next century. This is primarily the result of an increase in the number of veteran deaths relative to the number of separations from the armed services. According to OPM, as a result of Desert Storm, more than 500,000 military personnel can claim veterans' preference in federal employment. This is the largest number of military personnel to become eligible for veterans' preference since 1976, when preference for peacetime service ended. The downsizing of the U.S. military is another factor likely to affect veteran employment opportunities.

Size of the Veteran Workforce

Veterans comprise a significant portion of the nation's workforce; however, the difference between the levels of federal and nonfederal veteran employment is great. For example, while veterans account for about 30 percent of the non-Postal Service federal workforce, they account for about 15 percent of the nonfederal workforce. This difference is not surprising given the legislative mandate for federal agencies to give preference to veterans. Veterans are also encouraged to obtain federal employment by being allowed to carry seniority benefits over from military to federal service.

¹In addition, those individuals who enlisted in a regular component of the armed forces after September 7, 1980, and any other individuals who entered on active duty on or after October 14, 1982, must meet minimum service requirements of 24 months of continuous active duty or have served the full period of duty for which they were called or ordered to active duty.

Hiring Methods in the Federal Government

Several hiring alternatives are available to agencies seeking to fill positions

- promoting, transferring, or reassigning a current federal employee;
- reinstating a former employee with career status;
- making a new appointment from a certificate (competitive); or
- using one of several other authorized noncompetitive appointment authorities.

Of these hiring mechanisms, veterans' preference only applies to competitive hiring.

When agencies hire individuals from outside the government through competitive means, there are three methods they can use: OPM certificates, delegated examining, and direct hire authority. During fiscal year 1990, 25 percent of hires into the competitive service were from OPM certificates, 44 percent were through delegated examining, and 31 percent were through direct hire authority. These methods are described in the following paragraphs.

OPM Certificates

OPM receives and examines applications, through a written test and/or a review of qualifications, and determines whether an applicant is qualified for a specific occupation or related occupations. If an applicant is rated qualified, then the person is to be placed in rank order on a register. Agency hiring officials then can request a certificate from OPM containing the top-ranked candidates from the register.

Delegated Examining

Agencies perform OPM's personnel duties under authority granted by OPM. OPM can grant an agency the authority to carry out one or all duties related to the hiring process for which it has been granted authority. Under delegated examining authority, agencies typically recruit, accept applications, score applicants on the basis of a review of education and experience, maintain registers, create certificates, and hire.

Direct Hire

OPM grants an agency or installation (an installation is an agency office or subunit with the authority to perform personnel functions) this authority in situations in which there is a shortage of qualified applicants for announced vacancies. Under this authority, agencies can directly receive applications, examine qualifications, and make selections. There are two types of direct hire, and their use depends on the severity of the shortage

of available applicants for a particular position. In many cases, agencies may hire any available applicant without first scoring and ranking candidates and applying veterans' preference. (This authority is discussed in greater detail in ch. 4.)

Objectives, Scope, and Methodology

Veterans and veterans' service organizations have questioned the application of the Veterans' Preference Act of 1944, as amended, in providing veterans with preferential consideration in federal employment. Veterans are concerned about not being selected for federal positions even after scoring high on civil service examinations and being placed high on hiring certificates. Because of such concerns, the House Veterans' Affairs Committee asked us to determine (1) whether OPM and other executive agencies and the U.S. Postal Service are giving veterans the preference to which they are entitled and (2) why veterans are not being hired even when receiving preference.

For this report, we reviewed only hiring into the competitive service in OPM and other executive agencies, that is, those positions in the federal government that are not excepted from some or all of OPM's requirements. We also reviewed veteran hiring practices in the U.S. Postal Service. We did not review temporary, outside-the-register appointments, although we reported on the application of veterans' preference to such appointments in an earlier report.²

To review the process of assigning preference points, the development of certificates, and the effects of veterans' preference on those obtaining employment, we reviewed 1,136 hiring certificates, excluding the Postal Service. Of these, 500 were prepared by 5 OPM area offices. We judgmentally selected the offices on the basis of their geographic distribution and with the approval of the requesters. At each area office, we randomly selected 100 certificates prepared during the last 6 months of calendar year 1990. We also selected 2 installations under each OPM area office and reviewed 377 certificates prepared under delegated examining authority. These installations were agency offices or subunits with the authority to perform personnel functions, including personnel examining and staffing, under OPM delegations. We either reviewed all such certificates prepared during the last 6 months of calendar year 1990 or, for those installations with over 100 certificates, selected a random sample of

²Federal Workforce: Selected Sites Cannot Show Fair and Open Competition for Temporary Jobs (GAO/GGD-90-106, Sept. 5, 1990).

100 certificates. We also reviewed the application of veterans' preference under direct hire authority at those installations.

We reviewed a random sample of 259 certificates prepared for Administrative Careers With America (ACWA) positions.³ The ACWA certificates we reviewed were about 10 percent of all those prepared by OPM's Staffing Service Center in Macon, Georgia, between January 1 and June 30, 1991. Occupational categories covered by the certificates were business, finance, and management; personnel, administrative, and computers; benefits review, tax, and legal; and law enforcement and investigations. All ACWA positions were for grades GS-5 and GS-7.

As requested, we also obtained information on hiring veterans in the U.S. Postal Service. We obtained computerized files containing information on 3,385 certificates issued during the last 6 months of fiscal year 1990. We could not specifically determine the effect of veterans' preference on candidates because the source data upon which the certificates were based could not be readily reconstructed. We did not review the reliability of the information contained in the files. According to agency officials, the files contained information on about 90 percent of all certificates issued for career positions during that time frame. (App. I lists the numbers of certificates we reviewed, by agency and/or installation.)

To compare the veterans' preference claims with those approved for applicants, we reviewed the veterans' preference status provided to applicants on the OPM and delegated examining certificates we examined and compared the preference with that claimed on the applications available at the time of our review. In total, we examined 1,862 cases, which we selected from applications that were available for candidates on the certificates we reviewed. Three hundred forty-two of the applications were from veterans, and 1,520 were from nonveterans.

To determine reasons for certificates being returned unused, we reviewed annotated reasons on certificates prepared by OPM (including ACWA) and agencies under delegated examining. We also contacted a random sample of managers and personnel officials who returned certificates. In instances in which persons other than veterans were hired, we did not judge, and had no basis to judge, who was more qualified for the positions. We did not contact those returning ACWA certificates. In addition, we did not review

³ACWA is OPM's new recruitment and hiring program for professional and administrative occupations at the GS-5 and GS-7 levels.

annotated reasons for unused Postal Service certificates but contacted a random sample of personnel officials to obtain their explanations.

We also contacted officials in 10 states (California, Colorado, Georgia, Maryland, Massachusetts, New Mexico, New York, Ohio, Virginia, and Wyoming) and the District of Columbia to review their personnel policies and statutes so we could compare their veterans' preference practices with those of the federal government. We judgmentally selected these jurisdictions on the basis of geographic distribution.

Information contained in this report relates only to the files we reviewed. Although the rates at which various hiring practices occurred are not necessarily representative of the universes from which our samples were drawn, we believe that the types of hiring practices covered in this report are indicative of federal hiring practices. We did our field work between July 1990 and September 1991 in accordance with generally accepted government auditing standards.

OPM provided comments on a draft of this report, and they are included in appendix III. Although we did not obtain written comments from the other agencies included in our review, we discussed the results of our review with officials of these agencies and considered their comments in preparing this report.

Veterans Were Given Appropriate Preference Points and Placement on Hiring Certificates

Veterans, like other applicants for federal employment, may be required to take an examination or, depending on grade and occupation, may have their education and experience scored and rated against specific standards. If they receive passing scores (at least 70 points), qualified veterans then may receive an additional 5 or 10 points. In addition, certain disabled veterans who receive at least a passing score are placed ahead of other veterans and nonveterans on hiring registers and certificates. Nonveterans placed lower on hiring certificates cannot be hired ahead of higher placed veterans. Also, veterans must be placed ahead of nonveterans with equal scores.

Although questions had been raised about whether veterans were receiving the preference points due them, we found that in 99.7 percent of the 1,862 cases we reviewed, applicants were provided with the correct veterans' preference points on hiring certificates. In cases in which the preference points provided did not match those claimed by the applicants, the difference was usually caused by erroneous claims for preference by applicants not eligible for veterans' preference. In addition, OPM or agency review of candidate applications resulted in the crediting of unclaimed but earned points.

Additionally, we found that veterans were usually placed appropriately on certificates, given their scores and status. However, in one case we reviewed, a veteran and a nonveteran had equal scores, but OPM had erred by placing the nonveteran ahead of the veteran. In many cases, however, agencies did not hire from certificates. (Such cases are discussed in chs. 3 and 4.)

Veterans Were Given the Appropriate Number of Preference Points

When using hiring certificates to fill positions, OPM and executive agencies have appropriately provided veterans with preference points. We reviewed certificates at OPM and executive agencies and compared the veterans' preference provided with that claimed, if any, by the applicants. Applications for federal employment ask applicants whether they are eligible for veterans' preference, the type of eligibility for which they qualify, and the nature and duration of military service. Applicants claiming a 10-point preference are asked to submit proof along with their applications.

In 1,856, or 99.7 percent, of the 1,862 cases we reviewed, applicants were provided with the correct veterans' preference points on hiring certificates. In 1,812 cases, the veterans' preference status claimed by applicants

matched the preference provided by OPM or an agency. In 50 cases the preference claimed did not match that provided, and in 44 of these cases the points given were appropriate.

In 34 of the 50 cases, applicants claimed veterans' preference, but the preference was not provided. In 31 of the 34 cases, the denial of preference points appeared to be correct. That is, in 21 cases, applicants claimed a 5-point preference but were not eligible for it because their periods of service were after October 14, 1976, and they did not indicate an entitlement to any campaign badge or expeditionary medal. In 10 cases, applicants claimed a 10-point preference but did not furnish adequate proof for the claims, such as documents proving a service-connected disability.

In the other 3 of the 34 cases, the denial of the preference claimed by veterans was questionable. In these cases, the applicants were denied their claims for 10-point preference because OPM or agency officials doubted the adequacy of their proof. However, according to the OPM and agency officials, the documentation requirements for a claim of 10-point preference are confusing and subject to interpretation. For example, one official said he was unsure whether documentation of a service-connected disability had to come from the Department of Veterans' Affairs or whether a military service document was adequate. The veterans in these three cases were subsequently hired from other certificates.

In another 13 of the 50 cases in which the preference provided did not match that claimed, OPM or agency review procedures resulted in applicants correctly receiving preference points that they had not claimed. In 10 cases, the applicants did not claim veterans' preference but, on the basis of their periods of service and other information on their applications, were given a 5-point preference. In the other three cases, applicants did not claim a 10-point preference but were given it on the basis of the proof they submitted with their applications.

In the remaining 3 of the 50 cases, it appears that applicants were improperly given preference points. One applicant had claimed both a 5- and a 10-point preference. He was determined ineligible for the 10-point preference because he did not furnish proof for the claim. Nevertheless, he was inadvertently given 10-point preference on the hiring certificate. Another applicant did not claim preference but was given five points because of the period of military service shown on his application. However, the applicant did not qualify for preference because he had

retired from the service at the grade of major or above. The third applicant did not claim preference but was given five points because he served in the military. He was ineligible for preference because his period of service was after October 14, 1976, and he did not indicate an entitlement to a campaign badge or expeditionary medal.

We did not compare veterans' preference claimed with that provided for ACWA or Postal Service positions because the job applications that contained the applicants' claims for preference were not available.

Veterans Were Correctly Placed on Certificates

Veterans were also appropriately placed on certificates. According to 5 U.S.C. 3313, certain disabled veterans are to be placed at the tops of certificates, as long as they have achieved a passing score. If a veteran and a nonveteran have equal scores, the veteran is to be placed above the nonveteran; a lower-placed nonveteran is not to be selected in lieu of a higher-placed veteran.

A veteran was improperly placed on only 1 of the 1,136 certificates we reviewed at OPM and executive agencies. In that case, a 5-point veteran and a nonveteran were tied with 100 points. The veteran claimed five points, was given five points, and was identified as a veteran on the certificate. However, the nonveteran was erroneously placed ahead of the veteran on the certificate and was hired.

In the Postal Service, the method used to generate automated certificates automatically places veterans in the appropriate positions on hiring certificates. That is, a formula is used to sequentially order candidates on these certificates in score order. It also places compensable disabled veterans ahead of others and places veterans ahead of nonveterans in cases of tied scores.

Conclusions

With very few exceptions, OPM and the executive agencies have provided veterans with appropriate points that are based on the type of veterans' preference due the applicant. In fact, some applicants have been appropriately provided with points even though they did not claim veterans' preference on their applications. In addition, of the 1,136 certificates we examined, we found only one instance in which a veteran was inappropriately placed on a certificate.

Veterans' Preference Does Not Guarantee Employment

Veterans' preference has helped provide veterans with the opportunity to be considered for employment and has resulted in some veterans being hired for federal positions. However, even though agencies typically follow statutory requirements of veterans' preference, such actions do not guarantee that veterans will be hired. In their attempts to expand the number of candidates from which they can choose, managers can use various ways to hire persons they believe are the best available, often bypassing certificates on which veterans are highly placed.

Veterans' Preference May Help Veterans Obtain Employment

Veterans represent a significant portion of the federal workforce. However, as shown by tables 3.1 and 3.2, on-board veteran employment and new hires vary considerably by agency. Although differences by agency may reflect differences in the availability of veterans in certain occupations, differences may also be attributable to agency hiring methods and attitudes toward hiring veterans.

Chapter 3
Veterans' Preference Does Not Guarantee
Employment

**Table 3.1: Relative Veteran Employment
for Selected Executive Agencies as of
September 30, 1990**

Department or agency	Total on board	Veterans	Percent
Environmental Protection Agency	17,406	2,180	12.5
National Archives and Records Administration	3,087	390	12.6
Federal Deposit Insurance Corporation	17,647	2,243	12.7
Department of Health and Human Services	122,504	15,932	13.0
Department of Commerce	49,812	8,531	17.1
OPM	6,737	1,185	17.6
Department of the Treasury	157,024	28,217	18.0
Department of Agriculture	131,661	25,029	19.0
Department of State	16,390	3,481	21.2
Department of Justice	84,016	18,485	22.0
Department of Housing and Urban Development	13,617	3,007	22.1
National Aeronautics and Space Administration	25,203	5,745	22.8
Department of the Interior	78,678	20,069	25.5
Department of Labor	17,280	4,596	26.6
Department of Veterans' Affairs	251,626	67,964	27.0
Department of Energy	17,796	5,181	29.1
Department of Defense (excluding military departments)	100,691	30,710	30.5
Department of the Army	345,212	128,288	37.2
General Services Administration	20,067	7,479	37.3
Department of the Navy	317,191	128,309	40.5
Department of the Air Force	230,636	94,491	41.0
Department of Transportation	67,222	28,106	41.8
Total, selected agencies	2,091,503	629,618	30.1
All other executive agencies	58,856	11,851	20.1
Total, executive branch	2,150,359	641,469	29.8

Source: OPM's Central Personnel Data File. Data exclude the U.S. Postal Service. However, 39.1 percent of the Postal Services' workforce were veterans as of September 30, 1989.

Chapter 3
Veterans' Preference Does Not Guarantee
Employment

Table 3.2: Career Appointments for Selected Executive Agencies, Fiscal Years 1988, 1989, and 1990

Department or agency	Total appointments	Veterans appointed	Percent
National Archives and Record Administration	3,013	115	3.82
Environmental Protection Agency	3,388	157	4.63
Department of Commerce	6,478	442	6.82
National Aeronautics and Space Administration	4,919	352	7.16
Department of Health and Human Services	17,711	1,464	8.27
Federal Deposit Insurance Corporation	2,654	225	8.48
Department of the Treasury	67,950	5,886	8.66
Department of State	1,350	117	8.67
OPM	2,681	233	8.69
Department of Agriculture	15,573	1,547	9.93
Department of Justice	16,749	1,906	11.38
Department of Labor	2,886	337	11.68
Department of Energy	2,553	363	14.22
Department of Veterans' Affairs	64,878	9,602	14.80
Department of Defense (excluding military departments)	13,648	2,100	15.39
Department of Transportation	14,141	2,356	16.66
Department of Housing and Urban Development	1,800	305	16.94
Department of the Interior	7,426	1,288	17.34
Department of the Army	57,507	10,158	17.66
General Services Administration	3,221	690	21.42
Department of the Navy	45,010	9,732	21.62
Department of the Air Force	34,130	7,715	22.60
Total, selected agencies	389,666	57,090	14.65
All other executive agencies	11,623	1,304	11.22
Total	401,289	58,394	14.55

Source: OPM's Central Personnel Data File. Data include career and career-conditional appointments but exclude all conversions. Data also exclude appointments for the Postal Service. Career hires during fiscal year 1990 for the U.S. Postal Service were 20,759. Veterans hired were 5,997, or 28.89 percent of the total.

According to a July 1990 Bureau of Labor Statistics report on veterans' employment, veterans accounted for 14.63 percent of the civilian labor force 18 years old and over. In 1990, about 30 percent of federal (non-Postal Service) employees were veterans, double the percentage in the civilian labor force. The 3-year average (1988-1990) of non-Postal Service federal new hires that were veterans was 14.55 percent.

Effects of Veterans' Preference in OPM and Executive Agencies

To determine the effects of veterans' preference, we reviewed 877 hiring certificates prepared by OPM and executive agencies (excluding ACWA). A total of 712 veterans were on these certificates. Of the 712 veterans, 447 were in the area of consideration (generally the top 3 positions) on certificates, and 133 were hired. About 20 percent of those hired from OPM and executive agency certificates we reviewed were veterans.

The majority of veterans in the area of consideration, 283 of the 447, were placed there by virtue of their examination scores alone. However, at least 73 of the 447 veterans were placed in the area of consideration because preference points were added to their scores or because they were disabled veterans who were automatically placed at the top of the certificate. Although only 14 of the 73 veterans were hired, none of the 73 could have been considered for employment by the hiring agencies if not for the provisions of the Veterans' Preference Act. (The effect of veterans' preference on the remaining 91 veterans in the area of consideration could not be determined because registers from which the applicable certificates were prepared were not available. The registers were needed to determine whether they contained any candidates who would have been on the certificates if it were not for veterans' preference points or priority placement.)

Effects of Veterans' Preference on ACWA Positions

We also reviewed the placement of 751 veterans on 259 ACWA certificates. Of the 751 veterans, 244 were in the area of consideration and 12 were hired. Of the 244 veterans, 110 were in the area of consideration because of veterans' preference and 41 veterans would have been in the area of consideration even without veterans' preference. Only 5 of the 110 veterans were hired. (We could not determine the effect of veterans' preference on the remaining 93 veterans because registers from which the applicable certificates were prepared were not available.)

Effects of Veterans' Preference in the Postal Service

Although we reviewed hiring data for 3,385 certificates prepared by the U.S. Postal Service, we did not specifically determine the effect of veterans' preference on individual candidates because we did not review hiring registers from which the certificates were obtained. Nevertheless, statistics showed that a greater percentage of those hired from Postal Service certificates were veterans, compared with those hired from OPM and executive agency certificates. That is, 32 percent of the candidates hired from Postal Service certificates we reviewed were veterans, compared to 20 percent of those hired from OPM and executive agency certificates we

reviewed. In addition, veterans had a slightly better chance of being selected from Postal Service certificates than nonveterans did: 19 percent of the veterans on the certificates were selected, while 18 percent of the nonveterans were selected.

Included on the 3,385 Postal Service certificates we reviewed were 55,125 candidates, of which 69 percent were nonveteran, 10 percent were 5-point veterans, and 21 percent were 10-point veterans. Of the 11,521 veterans receiving 10 points, 10,721 (93 percent) were placed ahead of other veterans and nonveterans on the certificates, regardless of their scores. (The remaining veterans with 10 points were ineligible to be placed ahead of others on the certificates.) In total, 1,006 (30 percent) of the 3,385 certificates were headed by veterans whose scores were lower than those of the highest-ranking nonveterans on the certificates. Of 10,105 candidates who were selected, 67.8 percent were nonveterans, 9.2 percent were 5-point veterans, and 22.9 percent were 10-point veterans.

Impact of Veterans' Preference on Other Applicants

Given the low numbers of veterans who were placed in the area of consideration because of veterans' preference and were hired, it appears that the impact of veterans' preference on other applicants has been minimal. This situation differs from what we found in 1977 when we found that veterans' preference severely limited job opportunities for nonveterans.¹ It particularly diminished the employment chances of women because they seldom had veterans' status. In our opinion, a number of factors contributed to this change over the years, including the aging of the veteran population and the lower number of veterans entering the workforce.

Many Veterans Were Not Hired Even Though They Headed Certificates

Even though veterans may receive additional points because of their military service and be highly placed on certificates, they are not assured of selection. Of 1,136 certificates we examined at OPM and executive agencies, veterans were the top-placed candidates on 357. Eighty-nine veterans declined employment or failed to respond to agency communication; lower-placed veterans were hired from 14 certificates; objections were filed and sustained against 11 top-placed veterans; 2 top-placed veterans had already been hired from other certificates; 1 veteran was not considered since he had been declined 3 prior times for the

¹Conflicting Congressional Policies: Veterans' Preference and Apportionment Vs. Equal Employment Opportunity (GAO/FPCD-77-61, Sept. 29, 1977).

same position by the same agency; 56, or 21 percent of the available 268 veterans, were hired. Most (184 veterans) were at the tops of certificates from which no one was selected.

Many Hiring Certificates Are Not Used

Under existing civil service laws and regulations, hiring officials have the option of using a variety of methods to identify and recruit potential candidates. They may also leave a position vacant rather than fill it with a candidate with whom they are not satisfied. Therefore, certificates of eligible candidates may be requested but not used if managers are dissatisfied with the choices presented to them.

Certificates Headed by Veterans Are More Often Returned Unused

As shown in tables 3.3 to 3.6, there is a greater chance that a certificate will be unused if a veteran is at the top. For example, figures in table 3.3 show that 70.6 percent of the OPM, executive agency, and ACWA certificates headed by veterans were returned unused, while 50.8 percent of those headed by nonveterans were returned unused. One explanation for this situation is that executive agency managers may have less flexibility in selecting from a certificate if a veteran is at the top. For example, if a certificate lists nonveterans in the top three positions, a manager can select any of the three. If a certificate is headed by a qualified veteran and contains nonveterans in the next two positions, the manager generally has no choice but to select the veteran or return the certificate unused.

Table 3.3: Combined Use of OPM, Executive Agency, and ACWA Certificates

Certificate type	Used	Percent	Unused	Percent	Total
Headed by nonveteran	383	49.2	396	50.8	779
Headed by veteran	105	29.4	252	70.6	357
Total	488	43.0	648	57.0	1,136

Table 3.4: Use of OPM and Executive Agency Certificates

Certificate type	Used	Percent	Unused	Percent	Total
Headed by nonveteran	371	56.3	288	43.7	659
Headed by veteran	95	43.6	123	56.4	218
Total	466	53.1	411	46.9	877

Table 3.5: Use of ACWA Certificates

Certificate type	Used	Percent	Unused	Percent	Total
Headed by nonveteran	12	10.0	108	90.0	120
Headed by veteran	10	7.2	129	92.8	139
Total	22	8.5	237	91.5	259

Table 3.6: Use of Postal Service Certificates

Certificate type	Used	Percent	Unused	Percent	Total
Headed by nonveteran	1,074	84.0	205	16.0	1,279
Headed by veteran	1,712	81.3	394	18.7	2,106
Total	2,786	82.3	599	17.7	3,385

Why Certificates Were Unused

A significant reason for veterans not being hired even though they may score high and be placed at or near the top of hiring certificates is that many hiring certificates are requested but not used by managers. While unused certificates are relatively rare in the Postal Service, most certificates prepared for ACWA positions go unused.

OPM and other agency officials frequently cited managers' desire to maximize the number of candidates from which to choose as the reason for requesting multiple certificates or requesting certificates to supplement their internal list of candidates.

OPM And Executive Agencies

About half (47 percent) of the OPM and executive agency certificates we reviewed were unused. When no appointments are made from certificates, OPM requires agencies to explain why. However, OPM does not enforce this requirement. In addition, OPM did not collect data on or analyze the reasons that were provided to determine their legitimacy, the possibility of anti-veteran bias, or whether certificates meet managers' needs. According to the Federal Personnel Manual (chapter 332, appendix B), it is ". . . not sufficient to state merely, 'Position filled in some other manner.' The agency should state explicitly whether the position has been filled by promotion, reinstatement, or transfer." Additionally, according to the manual, "[t]he agency should not report, 'Position not to be filled at this time,' if it intends to submit within a short [sic] time another request for filling the same position." In addition, while OPM receives information on each new hire including his or her veteran status, OPM generally does not analyze the information it receives to investigate hiring patterns governmentwide or by installation or agency.

Of 411 OPM and executive agency certificates that were returned unused (123 were headed by veterans), 43 indicated that all the candidates listed either declined consideration or failed to respond to inquiries of availability. For the remaining 368, however, explanations were not given in 189 cases. OPM does not enforce its requirements for explanations. Even when explanations were provided, they typically stated that some other hiring method was used, but they did not explain why. Accordingly, we contacted personnel or selecting officials to determine why 114 certificates were unused. The officials and certificates were selected randomly from those we reviewed.

Officials gave a variety of reasons for returning the certificates unused. In 29 of the 114 cases, officials returned the certificates unused and had not filled the positions for which the certificates were issued. In 18 cases, officials cited budgetary or hiring ceiling constraints, and in 7 cases they said that they had not found acceptable candidates. They cited other reasons in four cases. In the 85 cases in which positions were eventually filled, officials told us that they hired candidates

- from other certificates in 24 cases,
- through a direct hire authority in 9 cases,
- through the transfer or promotion of current federal employees in 48 cases,
- by using the Veterans' Readjustment Appointment in 3 cases (see app. II), and
- through a disabled veteran noncompetitive hiring program in 1 case.

In 57 of the 85 cases, officials told us that they did not hire from the certificates we reviewed because they felt the candidates they eventually selected were better qualified than those available on the certificates. In 51 of the 85 cases, officials said that they reviewed candidates from other hiring mechanisms at the same time they reviewed the certificates to increase the number of applicants to choose from.

ACWA

ACWA is the federal government's new nationwide examining system for entry-level administrative and professional jobs, covering over 100 occupations in 7 job groups. Six of the job groups have separate examinations. Each examination consists of two parts: a written test of job-relevant abilities and a questionnaire called the Individual Achievement Record. Applicants in the seventh group are not tested but have their

education and experience scored. The examination or application scores are the basis for ranking applicants.

The significance of this examining system is that an applicant can file a single application and receive consideration for many job opportunities. However, most ACWA certificates were unused. Of the 259 we reviewed, 237 (92 percent) were returned with no selections made. OPM officials told us that the use of ACWA certificates appears to be slowly increasing, but nevertheless the agency has organized a task force to study reasons for the low usage rate.

Officials returning unused ACWA certificates typically stated a reason for the return. No reason was given in 26 of the 237 cases. In most cases (154 of 237) managers noted that another hiring mechanism, usually internal promotion or transfer or the Outstanding Scholar Program, was used or would be used to fill the vacancies. Budget constraints or hiring freezes were listed as reasons for not filling positions on 22 of 237 certificates.

U.S. Postal Service

Only 18 percent of the 3,385 Postal Service certificates we reviewed were unused. Because our review of these certificates was primarily limited to computerized data files, we did not observe annotated reasons for their nonuse. Therefore, we contacted Postal Service officials at 11 offices who returned a total of 41 certificates from which no hires were made. The officials told us the certificates were returned for the following reasons:

- The certificates contained a large number of candidates who declined consideration or were unavailable for other reasons. Officials requested other certificates with larger numbers of candidates from which to choose (22 cases).
- Hiring freezes or cutbacks in employment resulted in some certificates being returned unused after they were issued (9 cases).
- Internal candidates were identified and used to fill the positions (5 cases).
- Errors were noted and certificates were returned for reissuance (3 cases).
- The type of position was changed after the certificates were issued (2 cases).

Compared to those issued by OPM and executive agencies, few Postal Service certificates were returned because managers decided to use another hiring mechanism. Postal Service officials told us that their personnel policies and union agreements require managers to first consider available internal applicants before hiring from certificates of

outside candidates. Therefore, managers have already exhausted other means of filling vacancies before using an outside certificate.

Managers Often Had Specific Candidates in Mind

Before requesting hiring certificates from OPM or their agencies, managers had often already identified candidates they wished to consider for employment. Usually, if these candidates were available on the certificates, managers hired them. Conversely, if such candidates were not within the certificates' areas of consideration, managers frequently returned the certificates unused. While managers are permitted to identify candidates they wish to hire, the practice may negate the intended effects of veterans' preference. That is, highly ranked veterans on certificates might not be hired.

We reviewed 854 written requests for certificates prepared by OPM or executive agency managers and their corresponding certificates. The requests and certificates represented the 1,136 included in our review, less the 259 ACWA certificates and 23 certificates prepared under clerical direct hire authority. We found that on 317 (37 percent) of the requests, managers had indicated by name a candidate they were interested in selecting. In 277 cases, the requested candidates were available on the certificates, and 234 of them were hired. Of the 234, 21 were veterans. In the 40 remaining cases, in which requested candidates were not available on the certificates, 37 of the certificates were returned unused, and other candidates were selected from the other 3 certificates. In the 43 cases in which requested candidates were available but not selected, 39 of the certificates were returned unused, and lower-ranking candidates were selected from the other 4 certificates. In the cases in which certificates were returned unused, the requested candidates were often no longer interested in the jobs.

The effect of veterans' preference on managers' ability to hire candidates of their choice was illustrated by the 23 requests for delegated examining authority certificates we reviewed at the Environmental Protection Agency in Washington, D.C. Of the 23 requests for certificates, 16 identified specific candidates that managers were interested in selecting. None of the 16 was a veteran. Of the 16 candidates that were identified by managers, 9 appeared on certificates' areas of consideration and were hired. On the other seven certificates, veterans were ahead of the requested candidates, and six of the seven certificates were returned unused. From the seventh certificate, the veteran and the requested candidate were both hired, even though there was only one vacancy.

We did not review the relationship between the use of certificates and name requesting for ACWA and Postal Service certificates. Very few desired candidates were specified on requests for ACWA certificates. Also, our review of Postal Service certificates was limited to a review of automated databases, and we did not examine requests for certificates.

Veterans' Preference Does Not Apply to Outstanding Scholars

One of the exceptions to competitive hiring is the Outstanding Scholar Program. Under this program, agencies can directly hire any individual for ACWA positions who graduated from college with at least a 3.5 grade point average or graduated from college in the upper 10 percent of the class or major university subdivision. This program is an exception to the normal hiring procedure because candidates are not examined, not provided points for education or experience, and not given veterans' preference. Managers can recruit and hire any person meeting the qualifications of the program.

The program was instituted under a 1981 consent decree approved in an employment discrimination action brought against the government. The action challenged the use of the Professional and Administrative Career Examination (PACE) then being used to place candidates in the competitive service.² The program was part of the remedial action instituted by OPM to improve hiring of minorities into the competitive service, and it did not provide for the application of veterans' preference. The decree is under court control, and OPM cannot make unilateral changes in its provisions. Other parts of this program included developing an alternative examination to PACE, which had been determined to be discriminatory to minorities. Eventually, OPM developed the ACWA examinations.

Even if a veteran is one of a group of candidates having at least a 3.5 grade point average, he or she is not given preference in hiring if the agency elects to use the Outstanding Scholar Program in lieu of hiring from a certificate of those who passed the ACWA examination.

Most certificates prepared for ACWA positions are returned to OPM unused. One reason is that managers decide to use the Outstanding Scholar Program. The program allows managers the flexibility to recruit and hire

²The consent decree was granted final approval in the case of *Luevano v. Campbell*, 93 F.R.D. 68 (D. D.C. 1981). The original action began on January 29, 1979, by plaintiffs representing a nationwide class of Blacks and Hispanics who alleged that the PACE discriminated against class members in violation of Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e *et seq.*

anyone meeting the requirements of the program rather than limiting them to the top three names on a certificate (or one name, in some cases, if a veteran is at the top of the certificate). During fiscal years 1988 to 1990, only 5 percent of the hires under the Outstanding Scholar Program were veterans.

Promotions and Transfers Do Not Require Veterans' Preference

Managers wishing to fill a vacancy have the option of recruiting existing federal employees as well as candidates from certificates of outside applicants. When an installation issues a vacancy announcement, or "merit promotion" announcement, limited to existing federal employees, veterans' preference does not need to be considered because it is not applicable to the promotion or transfer of existing employees.

As we have noted, it is common for managers to consider applicants from a variety of sources when filling positions. Even though veterans may be highly placed on certificates of outside candidates, managers may fill their vacancies internally, thereby bypassing veterans and other qualified candidates from the certificates. An OPM official told us that historically between 60 and 65 percent of all agency positions are filled internally.

Requesting More Than One Certificate Can Negate the Impact of Veterans' Preference

If a position can be filled at more than one grade, managers may request separate certificates of candidates qualified at the different grades. Although veterans' preference is still applicable, the flexibility managers have with more than one certificate from which to select candidates may negate the impact of veterans' preference.

The following example of a certificate we reviewed illustrates the impacts of dual certificates on an agency's ability to select a candidate of its choice and the resulting negative effect on veteran placement (or hiring). An agency asked OPM for a certificate of candidates for a surveying technician position, GS-6. The certificate contained a compensably disabled veteran in first place and two nonveterans in the next two positions. The agency returned the certificate to OPM with the notation "Did not use this cert. None of the candidates was contacted." However, the position was filled from a GS-7 certificate that was requested at the same time as the GS-6 certificate. An agency official told us that certificates at two different grade levels were requested at the same time to better ensure that an identified candidate, a nonveteran, would be available on at least one of the certificates. The desired candidate had extensive experience and had worked as a temporary employee for the agency. The candidate's position

was being made permanent, and the agency wished to retain the candidate. Temporary employees can only be hired into career positions competitively. The desired candidate was listed in second place on the GS-6 certificate but could not be hired because a veteran was in first place. However, the desired candidate was in first place on the GS-7 certificate and was hired. The top-placed veteran on the GS-6 certificate did not qualify for a GS-7 position and was therefore not listed on that certificate.

Potential Changes in OPM's Administration of Veterans' Preference

In October 1991, we discussed our findings with the Director, OPM, and her staff and with veterans' groups' representatives. OPM's Director told us that OPM would obtain and monitor reasons for unused certificates. She also said that OPM could enhance its veterans outreach efforts and work with managers to encourage more diverse hiring, including the hiring of veterans.

Another OPM official suggested that creating a noncompetitive appointment authority, similar to the Veterans' Readjustment Appointment (VRA), may encourage agencies to increase their veteran hiring. We discussed this suggestion with representatives of several veterans' groups who pointed out that VRA usage was at an all-time low and expressed skepticism that this approach would work. (See app. II for additional discussion of VRA appointments.)

Conclusions

Veterans' preference results in many veteran candidates being available for consideration for federal employment and has, in some cases, resulted in veterans being hired. However, many veterans are not given employment even though they receive additional points and are highly placed on certificates of outside candidates. More than half of the OPM and executive agency certificates we reviewed were unused. There was a greater chance that a certificate would be unused if a veteran headed the certificate.

While OPM requires agencies to provide explanations when returning certificates unused, it generally does not enforce this requirement. Even when reasons are provided, OPM does not maintain and analyze the information (e.g., do trend analyses) to determine whether the probability that veteran bias exists or whether its certification system is unable to identify candidates with the right mix of qualifications and experience.

Recommendations to the Director, OPM

We recommend that the Director, OPM, implement a tracking system to identify and correct problems related to veterans' preference and the nonuse of certificates. Through such a tracking system, OPM could identify those installations that are not hiring from certificates headed by veterans, are using certificates only if nonveterans are available, or are hiring fewer veterans than comparable installations. We further recommend that OPM report its monitoring efforts, findings, and actions it and agencies take in its annual report to Congress, Veterans' Employment in the Federal Government.

Matters for Consideration by Congress

Generally, the basic provisions for giving veterans preference have not changed since 1944, but hiring methods have. Therefore, the process specified by Congress to give veterans preference does not apply to many current hiring practices. If veteran hiring results shown in OPM's report do not meet Congress' expectations, the Subcommittees may want to discuss alternatives with OPM.

Agency Comments

In a January 28, 1992, letter commenting on a draft of this report, OPM said that it had taken action to implement a tracking system to identify and correct problems related to veterans' preference and the nonuse of certificates. Specifically, it said that on December 26, 1991, it had issued an operations letter directing its field offices to analyze the reasons for agencies not using certificates. The operations letter stated, in part:

"We are asking our regional staffing offices and the Washington Area Service Center to take the lead in analyzing the reasons agencies are returning certificates without selections. Agency delegated examining units should also be advised of the need for such analysis. We anticipate this will be an ongoing function in both regional offices and local service centers. If problems are identified, the OPM or agency examining office staff should work with agencies to address the problems and to improve the overall quality of the certificates being issued."

The operations letter transmitted an advance copy of a bulletin reminding agencies to document the reasons for unused certificates. (OPM issued a bulletin on January 9, 1992, to heads of departments and agencies reminding them of this documentation requirement.) OPM also said that information relative to veterans' preference will be included in its annual report to Congress, Veterans' Employment in the Federal Government. We believe that these actions, if fully implemented, will satisfy our recommendations.

Action Begun to Apply Veterans' Preference to Direct Hire Authority

Before August 1, 1991, direct hire authority, which accounted for almost one-third of all competitive hiring during fiscal year 1990, did not always provide for qualified veterans to receive preference. OPM did not require agencies to apply veterans' preference under the most common form of direct hire authority, under the assumption that there were more vacancies than candidates applying for positions. However, OPM did not monitor continued shortages of candidates and agencies' continued use of direct hire authority. Effective August 1, 1991, OPM directed agencies to apply regular rating and ranking procedures, including application of veterans' preference, whenever more than three candidates apply for a job or whenever there are both veterans and nonveterans available. However, we believe that inadequate records may complicate OPM efforts to monitor agency compliance with the new directive.

Use of Direct Hire Authority Did Not Always Consider Veterans' Preference

OPM provides direct hire authority to agencies when shortages of qualified candidates exist. Under direct hire authority, agencies can directly receive applications, examine applicants, and make selections. In fiscal year 1990, about 30 percent of all hires in the competitive service were made under direct hire authority.

In some cases, the use of direct hire authority has varied little from other competitive hiring methods. For example, before, as well as after, August 1991, OPM's Denver Area Office allowed agencies under its jurisdiction to receive applications directly from candidates who have taken and passed OPM's clerical examination. These agencies established applicant registers in order of their scores, including veterans' preference points, and placed certain disabled veterans at the top. Hiring from certificates created from the registers is similar to hiring from OPM-created certificates.

In other cases, however, direct hire authority has been used without regard to veterans' preference and merit hiring practices. Under the most common form of direct hire authority, agencies are authorized to recruit and hire qualified candidates without scoring and ranking the applicants and are not required to apply veterans' preference. This type of direct hire authority is authorized only for occupations where applicants for the positions are in critically short supply. OPM has granted this authority for critical shortages on a nationwide or selective geographic basis for certain grades and occupations, and to specific installations on case-by-case bases when there are more vacancies than applicants. OPM has also granted the authority to agencies participating in job fairs.

OPM Did Not Ensure That Candidate Shortages Existed to Justify Direct Hire Authority

OPM did not verify the continued existence of shortages of qualified applicants—a key condition under which OPM grants agencies direct hire authority. In a 1990 report on federal recruiting,¹ we noted that agencies rarely maintained statistics on the numbers of interviews held, applications received, offers made, and offers declined. When agencies did maintain such statistics, it was evident that surpluses of candidates existed. Although shortages of candidates may have generally existed regionally or nationally, there is no assurance that shortages were continually present at all hiring locations. Our review also found examples of candidate surpluses even though OPM had granted direct hire authority for the positions.

For example, an OPM area office granted direct hire authority for nursing assistants to installations under its jurisdiction, including a military installation we visited. During 1990, the installation reported hiring 5 GS-4 nursing assistants from a pool of 144 eligible candidates. A listing of 144 eligible candidates for 5 positions indicated that a critical shortage did not exist at that installation.

Personnel officials at two Washington, D.C., installations told us that direct hire authority for job fairs is often used by managers to bypass merit hiring requirements and veterans' preference. According to one official, applicants outside of a certificate's area of consideration have been hired through this authority after submitting applications at job fairs.

In August 1991, OPM took steps to prevent merit selection and veterans' preference violations under direct hire authority. It issued new Federal Personnel Manual instructions requiring agencies using direct hire authority to rate and rank applicants and apply veterans' preference whenever there is a mixture of veterans and nonveterans or more than three qualified candidates. OPM officials told us that they are developing methods to monitor compliance. Although some of OPM's regional offices are developing monitoring plans to oversee direct hire usage, OPM has not yet tested agencies' compliance with the new directive. Our prior work indicates that inadequate record keeping by the agencies may hamper OPM efforts to monitor agency compliance with the new directive.

¹Federal Recruiting and Hiring: Making Government Jobs Attractive to Prospective Employees (GAO/GGD-90-105, Aug. 22, 1990).

Conclusions

OPM allows agencies to hire candidates directly for positions for which a critical shortage of applicants is believed to exist. Direct hire authority accounted for about one-third of all hiring in the competitive service in 1990. Under the assumption that more vacancies exist than applicants, OPM has not required agencies to apply veterans' preference. This assumption is not always correct.

In August 1991, OPM took the first step to correct agencies' nonapplication of veterans' preference when they have direct hire authority by requiring agencies to revert to a scoring and ranking system when they have more than three candidates or a mixture of veterans and nonveterans. OPM has not yet tested agencies' compliance with this requirement. Inadequate recordkeeping on the part of the agencies may hamper OPM's monitoring efforts, but such a program is essential to ensure that agencies are complying with the intent of OPM's recent policy change.

Recommendations to the Director, OPM

We recommend that the Director, OPM, oversee the development and implementation of monitoring plans for use by its examination offices to enforce the provisions spelled out in its August 1991 directive. OPM should also oversee agencies' development of records allowing it to audit the recruiting, examination, and ranking process. We believe this monitoring plan should be a component of the monitoring system we recommended in chapter 3.

Agency Comments

In commenting on a draft of this report, OPM said that it would review compliance with its August 1991 directive as part of its agency audit program.

How States Apply Veterans' Preference

State and local governments employ about 12 percent of all employed veterans in the civilian labor force. We examined the policies for hiring veterans in 10 states and the District of Columbia to determine whether they were using innovative approaches to hire veterans that the federal government should consider. Generally, they were not. Except for Massachusetts, we found that their policies and procedures gave veterans less hiring preference and status than the federal government.

The District of Columbia and 10 states we contacted (California, Colorado, Georgia, Maryland, Massachusetts, New Mexico, New York, Ohio, Virginia, and Wyoming) all have laws providing for veterans' preference in hiring. However, the impact of veterans' preference in hiring at the state level is unclear. Of the states we contacted, only three track veterans' status through the hiring process and none had readily available data on the number of veterans that applied for employment versus the number that were hired.

States Have Varying Methods for Satisfying Their Veterans' Preference Mandates

The states we looked at generally allow their managers greater flexibility than the federal government in hiring by allowing them to select nonveterans over higher-ranking veterans and by referring larger pools of eligibles.

States Allow Selection of Nonveterans Over Higher-Ranking Veterans

Unlike the federal government, which places qualified disabled veterans at the tops of hiring certificates, most states that we reviewed do not. Massachusetts is the only state we reviewed that places disabled veterans and veterans at the tops of certificates of eligibles.

Massachusetts also uses the "rule of three," which allows managers flexibility in selecting any of the top three eligible candidates on a certificate. If, however, a veteran at the top of a certificate is not selected, the selecting manager must justify the decision. Similarly, Maryland requires managers to justify not selecting a veteran if the manager passes over a veteran for an eligible candidate with a lower score.

Except for Massachusetts and Maryland, which require managers to justify selecting nonveterans over higher-ranking veterans, the jurisdictions we contacted allow managers to select nonveterans over higher-ranking veterans. For example, some states allow managers to select one of the top

three candidates on a certificate regardless of veterans' preference or ranking on the certificate.

States Refer Larger Numbers of Eligibles to Managers

In addition to allowing managers to select lower-ranking nonveterans over higher-ranked veterans, the District and some states provide even more flexibility by allowing managers to select from a greater number of eligibles. For example, a state official in Georgia told us that for certain positions, as many as 10 certificates are forwarded to a selecting official, who can choose any candidate from the lists. Officials in California, Colorado, and Massachusetts told us that managers may be provided with two certificates from which to select, with the second certificate listing equal employment opportunity-protected groups or economically disadvantaged eligibles.

Some States Give Their Managers Flexibility in Hiring Candidates of Their Choice

Two states, Ohio and Virginia, allow a form of direct hire to fill certain civil service positions. An official in Ohio told us that Ohio has not administered civil service examinations since 1986 with the exception of certain human services and sheriff department positions. An official in Virginia told us that examinations have not been given for several years. Rather, Virginia has gone to a highly decentralized personnel system in which state agencies make their own hiring decisions based on state applications, resumes, and interviews. This method allows Virginia officials great flexibility in hiring the candidates of their choice. While each of these two states has a statutory provision giving preference to veterans on civil service examinations, state officials said the provisions have little or no effect.

Goals Are Established for Certain Veterans

State officials in Massachusetts told us that disabled veterans and veterans from the Vietnam era are not only given preference but also have been designated a protected group for affirmative action purposes, and hiring goals have been established for them similar to those for women, minorities, and the disabled. Since 1983, Massachusetts has included disabled veterans and Vietnam-era veterans as a protected group, and each state agency has been required to meet a 5-percent hiring goal for these veterans. The officials believe that the program has been successful and that its implementation has not had any negative impact on the other protected groups.

Impacts of States' Veterans' Preference Practices Are Unknown

The impacts of veterans' preference in the states we contacted are unknown. Officials in these jurisdictions said they do not track the hiring of veterans and have not conducted any studies to determine the effects, except that, according to a Georgia personnel official, Georgia is now studying the impact of and necessity for veterans' preference.

According to a study by the Department of Labor, Bureau of Labor Statistics, 6.1 percent of 16.5 million employed male veterans were with the federal government, and nearly twice as many, 11.7 percent, were with state and local governments as of September 30, 1989. While the study did not single out the state and local government employment figures for all veterans, it did for the 7 million employed Vietnam-era veteran males who were at least 30 years old at the time of the study, as shown in table 5.1.

Table 5.1: Percentage of Male Vietnam-Era Veterans and Nonveterans, at Least 30 Years Old, Employed by State, Federal, and Local Governments

	Percent employed by		
	State	Federal	Local
Employed Vietnam-era veterans	3.8	8.7	8.2
Employed nonveterans	3.6	2.3	6.9

Since these figures are not necessarily representative of the entire veteran population, we cannot draw any definitive conclusions about the employment effects of state veterans' preference practices and procedures. However, these figures suggest that state practices do not result in veterans being hired to the degree federal practices and procedures do.

Conclusions

The jurisdictions we contacted have veterans' preference provisions that generally allow their managers greater flexibility than the federal government has in hiring. This is accomplished by (1) not giving disabled veterans priority placement on certificates, (2) allowing selection of nonveterans over higher-ranking veterans, and (3) referring larger pools of eligibles.

Number of Certificates GAO Reviewed, by Installation

Agency, Installation	Certificates reviewed
OPM Area Offices:	
Dayton	100
Denver	100
Norfolk	100
San Francisco	100
Washington, D.C.	100
OPM Staffing Service Center	259
National Oceanographic and Atmospheric Administration, Norfolk, Virginia	100
Department of Veterans' Affairs Medical Center, Richmond, Virginia	100
Environmental Protection Agency, Washington, D.C.	23
Department of Agriculture, Washington, D.C.	61
U.S. Army, Presidio of San Francisco, California	16
National Atmospheric and Space Administration, Moffett Field, California	17
U.S. Army, Fort Knox, Kentucky	20
Centers for Disease Control, Cincinnati, Ohio	10
Internal Revenue Service, Denver, Colorado	8 ^a
U.S. Army, Fitzsimmons Army Medical Center, Denver, Colorado	22 ^a
U.S. Postal Service	3,385
Total	4,521

^aIncludes clerical certificates prepared under direct hire authority

Veterans' Readjustment Appointments

Veterans' Readjustment Appointments (VRA) are temporary, noncompetitive appointments of veterans that lead to competitive career status upon completion of 2 years of service and education or training. The VRA authority provides improved employment opportunities for veterans because the appointments are noncompetitive, are exclusively for veterans, and provide training opportunities leading to career positions.

Since the inception of the program in 1970, over 300,000 VRAs have been made, but in fiscal year 1990, only 7,305 VRAs were made, of which 4,172 were new hires and 3,133 were conversions of current employees to VRA positions. Of the 7,305, 36 percent were minorities, 9 percent were women, and 11 percent were disabled veterans. Nearly one-half of the VRAs were to blue-collar jobs; 20 percent clerical; 19 percent technical; 8 percent administrative; 1 percent professional; and 7 percent other white-collar.

Eligibility requirements for VRAs differ from the requirements for veterans' preference and those eligible for VRAs may not necessarily qualify for veterans' preference. For example, post-Vietnam-era veterans are only eligible for veterans' preference if they have a service-connected disability or were eligible for a campaign badge or medal. However, they are generally eligible for VRAs if they served on active duty for more than 180 days.

Table II.I shows new hires in selected agencies and installations that used the VRA authority in fiscal years 1989 and 1990.

**Appendix II
Veterans' Readjustment Appointments**

Table II.1: New Hires Under VRA for Selected Departments and Agencies, Fiscal Years 1989 and 1990

Department or agency	FY 1989	FY 1990	Total
Department of State	0	1	1
Federal Deposit Insurance Corporation	0	3	3
Environmental Protection Agency	2	2	4
OPM	4	9	13
National Archives and Records Administration	9	5	14
Department of Labor	9	6	15
Department of Housing and Urban Development	10	7	17
Department of Energy	10	10	20
National Aeronautics and Space Administration	25	15	40
Department of Health and Human Services	12	29	41
Department of Commerce	17	32	49
Department of Agriculture	43	26	69
Department of Justice	35	37	72
General Services Administration	91	92	183
Department of the Interior	99	113	212
Department of the Treasury	110	115	225
Department of Defense (excluding military departments)	237	70	307
Department of Transportation	136	330	466
Department of the Air Force	1,440	542	1,982
Department of the Navy	1,684	781	2,465
Department of the Army	1,850	789	2,639
Department of Veterans' Affairs	1,846	1,108	2,954
Total, selected agencies	7,669	4,122	11,791
All other agencies	65	50	115
Total	7,734	4,172	11,906

Source: Veterans' Employment in the Federal Government, OPM, fiscal years 1989 and 1990 annual reports to Congress.

Comments From the Office of Personnel Management

Note: GAO made the changes recommended by OPM in its enclosure 1. Enclosures 2 and 3 are not reprinted because OPM's cover letter describes the contents of the cited operations and FPM letters.



OFFICE OF THE DIRECTOR

**UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT**

WASHINGTON, D.C. 20415

JAN 28 1992

Mr. Richard L. Fogel
Assistant Comptroller General
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Fogel:

Thank you for the opportunity to comment on your draft report entitled Federal Hiring: Does Veterans Preference Need Updating? Enclosure 1 has two specific changes we recommend be made in the report to improve its accuracy.

The report recommends that the Office of Personnel Management (OPM) implement a tracking system to identify and correct problems related to veterans preference and the non-use of certificates. The second recommendation is that OPM monitor the use of direct-hire authority.

On December 26, 1991, OPM issued Operations Letter 337-1556 (enclosure 2), which directed its field offices to analyze the reasons agencies are not using certificates and to address identified problems. Information relative to veterans preference will be included in our annual report to Congress, Veterans Employment in the Federal Government. The operations letter transmitted an advance copy of an FPM bulletin reminding agencies to document the reasons for unused certificates.

On August 1, 1991, OPM issued FPM Letter 332-25 (enclosure 3), which reminded agencies of the necessity to rank applicants and apply veterans preference when making selections under a direct-hire authority. OPM will review compliance as part of its agency audit program.

We believe that these actions will help to identify the need, if any, for additional regulatory action to ensure the proper application of veterans preference in Federal employment.

Sincerely,


Constance Berry Newman
Director

3 Enclosures

Enclosure 1

RECOMMENDED CHANGES TO GAO REPORT
FEDERAL HIRING: DOES VETERANS PREFERENCE NEED UPDATING?

Page 3 - The third sentence in the second paragraph should read "Rather than use certificates developed by OPM, agencies may have delegated examining authority to prepare their own."

Pages 9 and 53 - The report should clarify that the Outstanding Scholar Program is not a part of the competitive examining system. It is a unique creature created as part of the Luevano consent decree, and it does not provide for the application of veterans preference. The decree is under court control, and OPM cannot make unilateral changes in its provisions.

Now on pp. 5 and 32.

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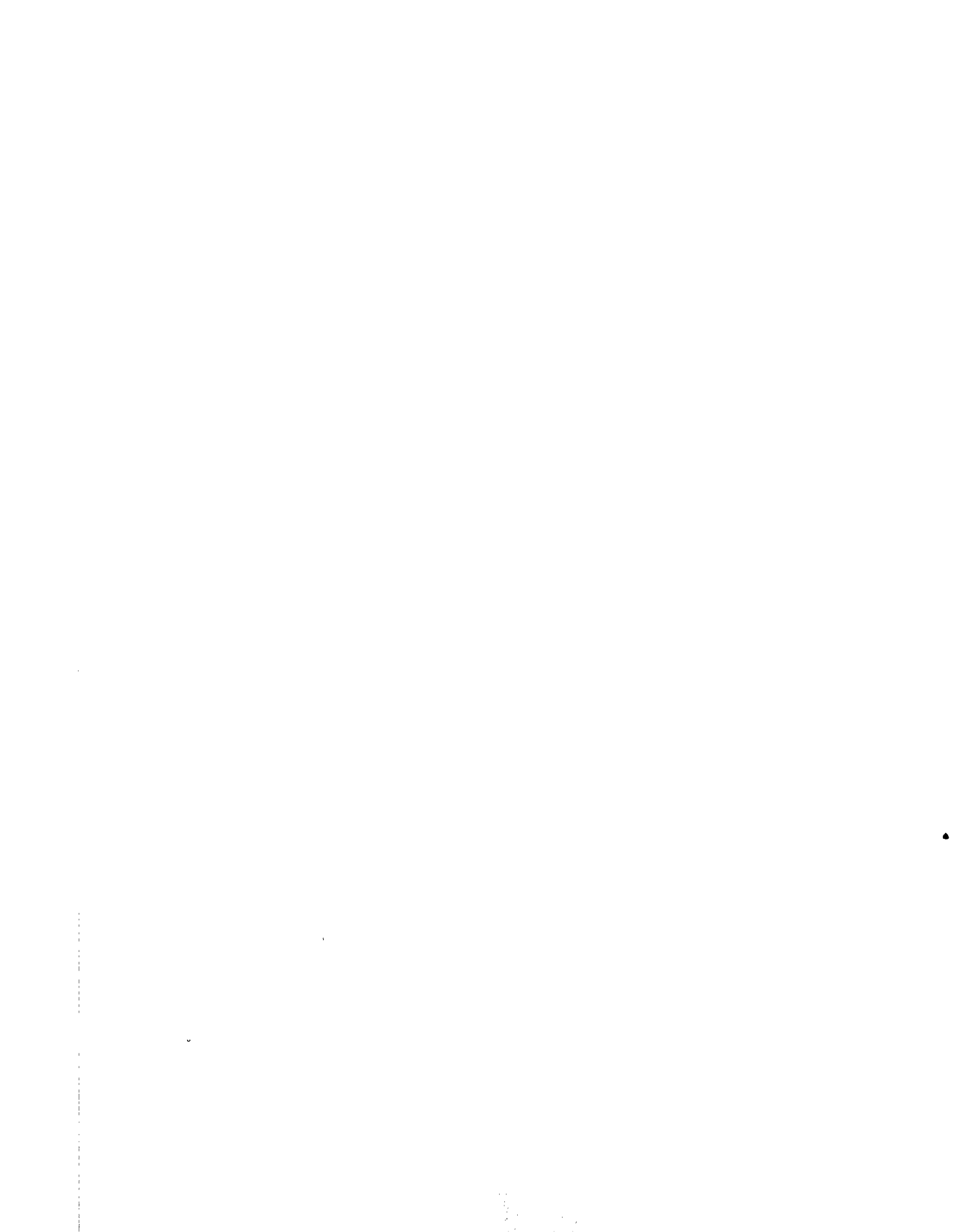
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