

December 29, 2025

Kim Johnson, Secretary
California Health and Human Services Agency
1215 O Street
Sacramento, CA 95814

Dear Secretary Kim Johnson,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Rehabilitation submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Victor Duron, Chief Deputy Director, at (916) 558-5805, Victor.Duron@dor.ca.gov.

GOVERNANCE

Mission and Strategic Plan

DOR's mission is to work in partnership with consumers and other stakeholders to provide services and advocacy resulting in employment, independent living, and equality for individuals with disabilities in California. In State Fiscal Year 2024/2025, DOR served approximately 176,815 individuals with disabilities.

Through the vocational rehabilitation (VR) portion of the Unified State Plan and application of strategic goals, DOR provides VR services designed to assist job seekers with disabilities in obtaining competitive employment in integrated work settings and to assist students with disabilities to achieve post-secondary success through the provision of specific pre-employment transition services, including work experiences. In addition, as reflected in the State Plan for Independent Living (SPIL), DOR funds support 28 non-profit independent living centers (ILC) in communities located throughout California in support of goals identified in the SPIL. Each ILC provides services necessary to assist individuals with disabilities to live independently with full inclusion in their communities.

Established as a separate department in 1963, DOR reports to the California Health and Human Services Agency (CalHHS), with functions and responsibilities contained in Sections 19000 through 19806 of the California Welfare and Institutions Code. DOR is the designated state administrative unit responsible for the country's largest VR program and the California Independent Living network, in partnership with the State Independent Living Council

authorized by Titles IV and VII of the Workforce Innovation and Opportunity Act, which further amended the Rehabilitation Act of 1973.

DOR also serves as a subject matter expert to other state entities and the public on disability matters.

Control Environment

Management's establishment and demonstration of integrity and ethical values (codes of conduct, ability to report ethical concerns, etc.)

DOR's leadership fosters an organizational culture of honesty, integrity, and ethical values. DOR believes in the talent and potential of individuals with disabilities. DOR invests in the future through creativity, ingenuity, and innovation and pursues excellence through continuous improvement. DOR preserves the public's trust through compassionate and responsible provision of services.

The Executive Leadership Team (ELT) sets the tone, clarifies the values of the department, and discusses strategic goals and progress toward meeting them through ongoing communications with the Senior Leadership Team (SLT) and statewide Regional Directors and District Administrators

The Vocational Rehabilitation Employment Division (VRED) Regional Directors and District Administrators, responsible for the oversight of 12 district offices with many local direct service branch offices, meet with management staff of their respective districts monthly to discuss a range of topics, including the person-centered values of the department and codes of conduct that reflect a collaborative, respectful approach to both consumers and coworkers. Additionally, the Blind Field Services District, responsible for servicing consumers with a range of visual impairments, upholds the department's values and commitment to services with integrity.

The Human Resources Branch (HRB), located within the Administrative Services Division (ASD), assures staff completion of mandatory trainings, including Sexual Harassment and Prevention, Security/Privacy Awareness, Ethics, Health and Safety.

The Audit Services Unit (ASU) ensures distribution of the statewide annual Whistleblower notification and provides an ongoing avenue for reporting of improper activities, fraud, waste, and abuse.

Oversight by a board, outside entity, top executive

DOR's strong control environment is influenced by a variety of factors, including its core values, fiscal circumstances, regulatory landscape, and organizational structure. Internally, DOR's oversight structure is led by the ELT, who is responsible for overseeing the department's

operations and for making oversight decisions in alignment with the department's strategic goals, priorities, and strategies. DOR works to maintain strong working relationships with control agencies at the federal and state level who are responsible for ongoing external oversight.

DOR benefits from advice on policy and program development from several statutorily created bodies, such as the State Rehabilitation Council (SRC), that provide feedback and advice on policy, program development, and performance toward the shared goal of continuous improvement.

Organizational structure to ensure appropriate levels of responsibility and authority

DOR's organizational structure is comprised of an Executive Division which includes the Director, Chief Deputy Director, divisional Deputy Directors, Legal Affairs, Audit Services, and Legislation and Communication. DOR has further organized the department into divisions, each having its own senior and middle management. These divisions include ASD, Vocational Rehabilitation Policy and Resources Division (VRPRD), VRED, Information Technology Services Division (ITSD), Specialized Services, Blind & Visually Impaired and Deaf & Hard of Hearing Division (SSD) and Independent Living & Community Access Division (ILCAD). All staff positions within the divisions are aligned with the state's classification specifications that outline tasks, knowledge, abilities, and special characteristics. Staff adhere to job duty statements that guide their daily work duties and overall contribution to the department's mission.

DOR also follows CalHR's allocation guidelines, which assist in determining how many and which classifications should be supported by the appropriate management level classification. When determined necessary, restructuring of sections and reclassification of positions is considered in consultation with our internal HRB to support DOR's mission and vision.

Maintaining documentation of the control system

DOR maintains written policies and procedures to support the design, implementation, and operating effectiveness of its internal control system including a comprehensive administrative manual, guidance memos, and section specific handbooks/manuals. The level and nature of documentation varies but is typically based on the complexity of the service delivery and administrative operational processes. When federal and state regulations allow for flexibility, DOR management uses professional discretion to determine the extent of documentation necessary.

The most extensive system maintained by DOR is the Accessible Web-based Activity Reporting Environment (AWARE) case management system which contains substantive records covering all significant transactions that district staff engage in when assisting our VR consumers. The system allows for update or query status for case services notes, authorizations, payments, and more. ITSD maintains and documents access to the components of the case recording system and related data file.

Establishing and maintaining a competent workforce

DOR is committed to ongoing staff development and retention by focusing on onboarding, recognition and mentoring, knowledge transfer, and succession planning. DOR utilizes techniques including:

- Developing and providing duty statements that reflect job responsibilities.
- Creating and utilizing onboarding materials.
- Emphasizing professional development through in-house training programs.
- Encouraging ongoing communication including one-on-one meetings.
- Assessing employee performance and providing quality feedback.
- Offering flexible work schedules and work site locations.

Enforcement of Accountability

Accountability is essential and is interwoven through department operations. The ITSD has implemented various technical controls on information technology and information security; ASU performs internal and external compliance audits as well as investigations of employee, vendor, and consumer alleged wrongdoings and fraud; and the HRB ensures that performance analysts are available to managers to advise on the department's progressive discipline policies, and to help guide the managers through each step of the process.

At the local field offices, managers are responsible for the review of district reports on timeliness of service delivery, adequacy of consumer case documentation, appropriateness of service authorizations and expenditures, as well as the review of team performances on an ongoing basis.

Information and Communication

Management communicates important and relevant information about operations, programs, policies, and procedures through a variety of methods. The department's goals, priorities, and operational strategies are developed and communicated by the ELT, SLT, and Field Leadership and shared out at all staff calls. Many times, DOR staff will work on cross-divisional teams to exchange and analyze critical information and opportunities for operational improvements. DOR believes that collaboration across divisions and sections is essential.

Channels for communicating

DOR uses the most efficient and effective means available to communicate both internally and externally. DOR communicates regularly to external parties through its public website, social media, e-mail, teleconferences and video conferences. All are supported and/or maintained by the department's ITSD and Office of Legislation and Communications.

Channels used to communicate with staff are primarily through e-mails, manager meetings, team meetings, all staff meetings, and the DOR intranet.

Process for employees to report inefficiencies and inappropriate actions

Employees are encouraged to communicate any inefficiencies or inappropriate actions either directly to their reporting manager or upper management. Staff and management have access to DOR's incident reporting process to file a report of any specific incident that might pose a threat to the health and safety of themselves or others. The department's policy is to investigate these reports and to take appropriate action. Staff may also use formal state processes including filing a grievance through the employee's collective bargaining unit and reporting suspected fraud, waste, or abuse through the Whistleblower hotline. In addition, employees may file a formal complaint of discrimination to the department's Office of Civil Rights to report the actions the employee believes were taken against them based on discrimination or harassment.

Systems used to record pertinent operational, programmatic and fiscal information

DOR uses many platforms to track and record the most critical programmatic and fiscal information including AWARE for consumer VR services case management, Personnel Management System, Personnel Action System for internal hiring tracking, Microsoft Office, Microsoft Teams, Microsoft OneDrive cloud storage, Blackboard - Learning Management System, CalHR's Exam and Certification Online System, and Fi\$Cal for budgeting, procurement, and accounting. DOR also uses department-wide email communications (DORALLs) to distribute critical policy updates, procedural changes, and upcoming events.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Rehabilitation monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Victor Duron, Chief Deputy Director.

The Executive Monitoring Sponsor (EMS) connects with program and administrative areas to keep apprised of the status of ongoing risk monitoring efforts, internal controls, and the status of DOR's risk mitigation efforts. The EMS ensures the ELT stays apprised of risk monitoring efforts on a quarterly basis or sooner if warranted.

In addition to the risks presented in the SLAA report, potential operational risks are identified through routine performance monitoring, district reports and evaluations related to consumer case processing compliance, and ongoing consideration of programmatic and fiscal reports

and data analysis. Monitoring risks at the program level is essential as key staff and managers are responsible to develop, discuss, and implement real time strategies to address risks. Additionally, internal and external audit results may expose control deficiencies and support recommendations for resolution.

VR Wellness Check

Another resource for ongoing monitoring is the VR Wellness Check, which is a self-assessment tool specifically developed for state VR agencies to determine their progress in achieving the gold standard practice in multiple domains related to the quality program and performance, and fiscal and resource management. The Wellness Check tool is intended to help support agencies as they conduct a self-assessment to manage risks while maximizing their ability to identify and implement quality management strategies and practices to positively impact service delivery and employment outcomes for individuals with disabilities.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Rehabilitation risk assessment process: executive management, middle management, and staff.

The following methods were used to identify risks: ongoing monitoring activities, and other/prior risk assessments.

The following criteria were used to rank risks: potential impact to mission/goals/objectives, timing of potential event, and tolerance level for the type of risk.

The 2025 risk assessment process was facilitated by DOR's ASU in collaboration with the ELT and SLT who assisted with refinement of the risk statements and development of strategies to mitigate the identified risks. Risk identification and evaluation was accomplished through ongoing monitoring activities and discussions, knowledge of prior audit/review results, revisiting prior risk assessments, and consideration of performance and fiscal goals.

The risk statements were developed and further refined based on the likelihood and impact of occurrence as informed by management awareness of prior external monitoring results, internal considerations, and external factors as informed by engagement with advisory bodies. Consideration was given to timing and significance of the risk, as well as the potential impact on the department's ability to successfully meet the overall mission of providing services and advocacy resulting in employment, independent living, and equality for all individuals with disabilities.

For 2025, DOR determined it would continue to focus on three risk areas previously identified to be of utmost importance including data integrity, timely and up-to-date policies/procedures and ongoing oversight for quality assurance.

Risks and controls were vetted through a series of feedback opportunities via facilitated discussions and email exchanges.

RISKS AND CONTROLS

Risk: DATA INTEGRITY

The DOR captures case services performance data within AWARE to meet state and federal requirements and adequately reflect the department's service delivery to Californians with disabilities. Inaccurate or incomplete case services data may misrepresent the quality, scope, and effectiveness of services. Additionally, the DOR must manage case service funds to support service delivery. Inadequate tracking of encumbrance and expenditure data and insufficient internal financial tracking adversely impacts fund management.

Control: Performance Reporting

The DOR uses data driven reports to analyze performance and make service delivery changes based on the analysis. The DOR will determine how it can most effectively run data reports, assess the timeliness and accuracy of those reports, and revisit how to most effectively use analytics to drive program improvement.

Control: Performance Management

The DOR engages in performance management to improve program performance outcomes. The DOR will continue to:

- Identify performance outcomes.
- Utilize data reports to inform and report on DOR's progress on

performance.

- Identify changes which should be instituted based on performance outcomes.
- Regularly evaluate the effectiveness of the changes.
- Review and revise policies and procedures based on performance management.

Control: Fiscal Reporting

The DOR utilizes electronic systems such as AWARE and Fi\$Cal to capture fiscal data. The DOR will continue to utilize the systems implemented to gather data using internal data tracking platforms and mechanisms to inform fiscal reports that are accurate, timely, and meet Federal reporting requirements.

Control: Fiscal Data Management

The DOR will review its internal process for recording and tracking obligations and expenditures to ensure data capture and extrapolation is accomplished in a timely manner to inform fiscal fund management. The DOR will develop a viable approach to ensure key fiscal data is shared with the ELT on a routine basis to inform fund oversight and critical restricted grant dollar utilization decisions.

Risk: POLICIES AND PROCEDURES

DOR experiences outdated policies and procedures which lead to ineffective administration of the VR program. Additionally, DOR does not have consistent guidance document naming conventions, which provide a framework for staff to easily identify procedural documents and memos. Lastly, varied distribution and communication

methodologies continue to result in staff having inaccurate or inadequate information adversely impacting services to DOR consumers.

Control: Up-To-Date Policies and Procedures

The DOR staff that deliver program services must be knowledgeable about current program policies and service delivery procedures. As identified in the 2023 SLAA, the DOR embarked on efforts to reimagine how policies and procedures are documented to include a master program policy manual, a web based resource portal (D-TARP), and step-by-step guidance for the AWARE system. The DOR will continue efforts to develop and publish updated policies and procedures that reflect embedded internal controls for service delivery and record of services documentation.

Control: Staff Training

The DOR provides training to ensure staff competence in program requirements, service delivery, and documentation. It will evaluate the effectiveness and documentation of staff training processes, including the identification of training needs, ongoing training, and post-training evaluations. Consideration will also be given to ensuring that training opportunities are equitable and accessible for individuals with disabilities.

Control: Federal Financial Reporting

The DOR adheres to federal financial reporting requirements. The DOR will evaluate its utilization of up-to-date policies and procedural resources for financial reporting. Additionally, the DOR will assess the effectiveness of federal fund expenditure tracking and associated internal controls for timely and accurate submission of financial reports.

Control: Contracts, Grants, and Memorandum of Understanding (MOU)

The DOR engages community partners statewide to provide services to Californians with disabilities. The DOR will assess the adequacy of documented policies, procedures, and internal controls for the completion and execution of contracts, grants, and MOUs in adherence with Federal and State requirements.

Risk: QUALITY ASSURANCE

Although DOR engages in various oversight efforts, the DOR strives to continuously improve documented internal control measures and ongoing quality assurance efforts over program performance (service mandates, quality of services, contract monitoring) and grant fund management (appropriate expenditures, budget tracking, contracts, internal reporting). DOR prioritizes enhancing our ability to validate diligent service delivery and fund management quality assurance measures to mitigate control weaknesses and respond to current and future mandates.

Control: Program Performance, VR Service Mandates, Quality of Services

Program Performance Evaluation

The DOR is always striving for continuous improvement in delivery of program services. The DOR will continue to evaluate measures for effective program performance and assess the extent that its program evaluation efforts include the following items:

- An assessment of Unified or Combined State Plan goals and priorities.
- An assessment of the quality, timeliness, and effectiveness of VR services.
- An assessment of the adequacy and usefulness of policies and procedures.
- A process that ensures priorities are informed based, in part, on performance

accountability indicator results captured in the WIOA Annual Performance Report (ETA-9169).

Control: Internal Controls

DOR strives to maintain an effective process for ongoing evaluation of its internal controls. The DOR will assess the adequacy of its documented internal controls embedded in its policies and procedures for the following areas:

- A documented case record review process.
- Service delivery meets regulatory requirements for eligibility determination, IPE development, through the prompt provision of services.
- Service delivery across the VR continuum of services.
- Case services data integrity and compliance with Federal regulations.
- Preventative and corrective controls that are documented.

Control: Fund Management and Monitoring

Control of VR Funds

The DOR continually exercises control measures over the VR grant funds, including all case service expenditures. The DOR will evaluate internal controls related to the allocation, expenditure, and tracking of funds.

Fiscal Forecasting and Internal Funds Monitoring

The DOR utilizes reports to monitor overall fiscal spending including the largest portion of grant dollars spent on VR case services. The DOR will identify opportunities to enhance the accuracy of financial reports used for budget implementation and fiscal forecasting. Additionally, DOR shall evaluate and improve upon current processes for keeping ELT and SLT informed of fund management status.

CONCLUSION

The Department of Rehabilitation strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Kim Rutledge, Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency