Dear Ms. Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Rehabilitation submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Suzanne Chan, Operations and Accountability Officer, at (916) 558-5797, Suzanne.Chan@dor.ca.gov.

BACKGROUND

The mission of the Department of Rehabilitation (DOR) 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. Since it was established as a separate department in 1963, DOR has reported to the California Health and Human Services Agency, with functions and responsibilities contained in Section 19000-19856 of the California Welfare and Institutions Code. It is the designated State administrative unit responsible for the State’s vocational rehabilitation program authorized by Title IV of the Workforce Innovation and Opportunity Act (WIOA), which incorporates the Federal Rehabilitation Act of 1973, as amended. The Federal agency responsible for administration of State vocational rehabilitation programs is the United States Department of Education, Office of Special Education and Rehabilitation Services.

These laws have been enacted to ensure that all Americans have the opportunity to learn and develop skills, engage in productive work, make choices about their daily lives, and participate fully in community life. Towards this end, DOR focuses its efforts on the three areas of employment through vocational rehabilitation, independent living, and systems change leading to equal opportunity. The Budget Act allocates $435.6 million ($58.0 million State General Fund) and 1,860 positions (1,768 permanent positions and 92 temporary help) for Fiscal Year 2015-2016.

RISK ASSESSMENT PROCESS

The 2015 risk assessment was performed by DOR’s executive leadership team comprised of the Director, Chief Deputy Director, Deputy Directors, and Assistant Deputy Directors. The process was facilitated by staff from DOR’s Audit Services and Operations and Accountability Office who assisted with risk statement consolidation, ranking, and identification of mitigating control considerations.

Utilizing a survey approach, the executive leadership team identified the risks DOR is facing that could significantly affect its ability to meet the overall mission of providing quality vocational rehabilitation services to eligible Californian’s with disabilities. Through a follow-up survey and several additional discussions, the risks were ranked on likelihood and impact and the risk descriptions were further refined. As a result, three overarching risks were designated as the most significant requiring further evaluation of the risk and associated mitigating controls. The facilitation team worked with the executive leadership team as well as designated program and administrative managers to identify existing and forthcoming controls to mitigate the risks.

The three most significant risks are presented in this report.
EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The DOR has over 1,800 program and administrative positions to carry out vocational rehabilitation and independent living services to over 100,000 consumers statewide. To date, DOR has identified that 70 percent of its current leadership and rank-and-file employees are eligible to retire within the next five years, with at least 50 percent being likely to do so. The potential staff losses will significantly reduce DOR’s experience in all operational areas. The effort required to fill resulting vacancies and time needed for new staff to become proficient in their positions may challenge DOR’s ability to perform activities timely and effectively in support of its mission, goals, and operations.

Below are the controls designed to help mitigate this risk.

Finalize the development of a Workforce Strategic Plan for statewide succession and workforce planning following the guidance provided by the California Department of Human Resources (CalHR). The Workforce Strategic Plan focuses on addressing department-wide succession planning challenges including recruitment, retention, knowledge transfer, and management of a high performance workforce that possesses the necessary skills to assure DOR provides superior services that increase employment, equality, and independence of consumers. Meetings were held with department management to initiate the succession planning efforts during the Fall of 2015. DOR’s Workforce Strategic Plan will be finalized and submitted to CalHR in April 2016.

Prioritize resources to provide leadership and management training to staff with high potential in key managerial and leadership positions. These training and development opportunities help prepare employees for upward mobility by strengthening their competencies in customer focus, decision making, knowledge base, teamwork, communication, and personal leadership in the specialized work of vocational rehabilitation and independent living.

Identify projected training needs through an evaluation of final WIOA regulations to be released in Spring 2016, as well as an analysis of audit findings, program reviews, and policy inquiries. This information will be used to expand the professional development training and knowledge-transfer opportunities DOR’s Staff Development Unit (SDU) and its partners currently offer. Further, SDU continuously evaluates the classes to ensure they provide information new and existing staff need to carry out their required duties effectively and efficiently, and makes adjustments to the class contents as needed.

Operations- External- Staff—Recruitment, Retention, Staffing Levels

The 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 Californians with disabilities. DOR continues to face significant challenges in recruiting and retaining enough qualified employees to provide consumers with timely and quality services and goods that lead to employment and independence. Additionally, implementing ever-increasing or changing Federal and State requirements is difficult to accomplish with the limited resources already dedicated to performing core duties. With the July 2014 enactment of WIOA, new service and reporting requirements with defined cost mandates were included, but no new funding was provided. And, if DOR is unable to implement the changing WIOA requirements timely, funding sanctions may be applied.

Below are the controls designed to help mitigate this risk.

Establish an outreach activity to develop relationships with local colleges to expand the qualified candidate pool available to fill vacant positions. DOR’s Workforce Succession Planning and Diversity Program is responsible for implementation. Once established, this outreach activity will be conducted on an ongoing basis to further expand relationships with local colleges that will bridge recruitment gaps as identified in the Workforce Strategic Plan.
Implement recruitment strategies learned from a statewide CalHR pilot to remove barriers in the State hiring system that will help maximize DOR’s ability to fill vacant positions efficiently.

Develop an onboarding training program to include a template developed for each team member based on competencies needed for their job functions.

Identify trends by analyzing the hiring information collected through DOR’s Personnel Action System and develop an action plan to improve the internal hiring process.

Establish a quarterly meeting for managers and supervisors to provide proactive guidance and support on personnel matters including, but not limited to, hiring, attendance, training, and performance management.

Implement an expanded review and monitoring process of DOR’s vacancy listing to identify positions that have been vacant for an extended period for timely follow-up and appropriate action. Further, enhance the review of fiscal funding and workforce positions to maximize the availability and placement of resources where they are needed.

Expand the use of statewide classifications in lieu of department-specific classifications to increase the candidate pool to fill critical positions, where possible. Also, work with the State to seek authority for positions to meet new WIOA mandates.

Work with the AWARE consumer electronic records software vendor to automate additional recording, approval, reporting, and monitoring functions to facilitate compliance with Federal and State policies and requirements. The WIOA specific work to mitigate this risk is in progress and will address it in two phases, based on the release of AWARE updates on July 1, 2016 and October 1, 2016.

Conduct strategic planning activities, and seek input from stakeholders on community needs to prioritize resources needed to implement new or expanded WIOA service and reporting requirements in 2015.

Work with the California Workforce Development Board and partner agencies to develop and implement a work plan that leverages State resources to maximize the availability of statewide vocational rehabilitation services. This includes collaborating with WIOA core program partners to enhance their capacity in serving persons with disabilities and increase DOR’s capacity to serve eligible consumers on their path to employment and independence.
mitigate the potential for substantive system deficiencies.

Prioritize by DOR’s Directorate to ensure sufficient staff resources are made available to sufficiently design, test, and confirm the system changes are ready for statewide implementation.

Identify functional leads accountable for each of the major deliverables, including coordinating program requirements and resources to ensure the functional testing and resources are properly addressed by the end users needing the functionality.

Redirect staff resources temporarily to assist with system testing, due to the compressed timeframe. As needed, DOR will backfill positions with temporary staff to ensure adequate coverage for core business operations is secured.

Implement robust, comprehensive testing procedures to help ensure the quality of the system upgrades and that they are meeting business needs.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Rehabilitation reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Department of Rehabilitation, Joe Xavier, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Suzanne Chan, Operations and Accountability Officer, as our designated agency monitor(s).

Frequency of Monitoring Activities

Tracking and prioritizing planned monitoring activities will occur monthly.

Reporting and Documenting Monitoring Activities

Tier 3 program monitors will document the monitoring activities performed and actions taken through a secured online template accessible only to them.

The DOR’s Designated Agency Monitor will review the Tier 3 data and report on the department’s progress to the Directorate and Executive Leadership Team quarterly. The report will highlight monitoring efforts, identified internal control deficiencies, and status on DOR’s corrective action plan. The monitoring document will also be available to DOR’s executives through a secured online location.

Procedure for Addressing Identified Internal Control Deficiencies

The DOR’s Designated Agency Monitor will facilitate objective ongoing monitoring to assess if the identified controls are working as intended to mitigate risks and report the results.

The DOR’s Designated Agency Monitor will report identified internal control deficiencies to DOR’s Directorate and Executive Leadership Team quarterly.

Identified internal control deficiencies will be addressed and remedied monthly during Tier 3 program monitor updates.

CONCLUSION

The Department of Rehabilitation strives to reduce the risks inherent in our work through ongoing
monitoring. The Department of Rehabilitation accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Joe Xavier, Director

cc: Department of Finance  
Legislature  
State Auditor  
State Library  
State Controller  
Secretary of Government Operations