



COMPLIANCE REVIEW REPORT

CALIFORNIA SCHOOL FINANCE AUTHORITY

Compliance Review Unit
State Personnel Board
March 23, 2020

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INTRODUCTION

Established by the California Constitution, the State Personnel Board (the SPB or Board) is charged with enforcing and administering the civil service statutes, prescribing probationary periods and classifications, adopting regulations, and reviewing disciplinary actions and merit-related appeals. The SPB oversees the merit-based recruitment and selection process for the hiring of over 200,000 state employees. These employees provide critical services to the people of California, including but not limited to, protecting life and property, managing emergency operations, providing education, promoting the public health, and preserving the environment. The SPB provides direction to departments through the Board's decisions, rules, policies, and consultation.

Pursuant to Government Code section 18661, the SPB's Compliance Review Unit (CRU) conducts compliance reviews of appointing authorities' personnel practices in five areas: examinations, appointments, equal employment opportunity (EEO), personal services contracts (PSC's), and mandated training, to ensure compliance with civil service laws and Board regulations. The purpose of these reviews is to ensure state agencies are in compliance with merit related laws, rules, and policies and to identify and share best practices identified during the reviews.

Pursuant to Government Code section 18502, subdivision (c), the SPB and the California Department of Human Resources (CalHR) may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." SPB and CalHR, by mutual agreement, expanded the scope of program areas to be audited to include more operational practices that have been delegated to departments and for which CalHR provides policy direction. Many of these delegated practices are cost drivers to the state and were not being monitored on a statewide basis.

As such, SPB also conducts compliance reviews of appointing authorities' personnel practices to ensure that state departments are appropriately managing the following non-merit-related personnel functions: compensation and pay, leave, and policy and processes. These reviews will help to avoid and prevent potential costly litigation related to improper personnel practices, and deter waste, fraud, and abuse.

The SPB conducts these reviews on a three-year cycle.

The CRU may also conduct special investigations in response to a specific request or when the SPB obtains information suggesting a potential merit-related violation.

It should be noted that this report only contains findings from this hiring authority's compliance review. Other issues found in SPB appeals and special investigations as well as audit and review findings by other agencies such as the CalHR and the California State Auditor are reported elsewhere.

EXECUTIVE SUMMARY

The CRU conducted a routine compliance review of the California School Finance Authority (CSFA) personnel practices in the areas of examinations, appointments, EEO, PSC's, mandated training, compensation and pay, leave, and policy and processes. The following table summarizes the compliance review findings.

Area	Finding
Appointments	Appointments Complied with Civil Service Laws and Board Rules
Equal Employment Opportunity	Equal Employment Opportunity Program Complied With All Civil Service Laws and Board Rules
Personal Services Contracts	Personal Services Contracts Complied with Procedural Requirements
Mandated Training	Mandated Training Complied with Statutory Requirements
Compensation and Pay	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Leave	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Leave Reduction Plans Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Leave	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Department Does Not Maintain a Current Written Nepotism Policy
Policy	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Performance Appraisal Policy and Processes Complied with Civil Service Laws and Regulations and CalHR Policies and Guidelines

A color-coded system is used to identify the severity of the violations as follows:

- Red = Very Serious
- Orange = Serious
- Yellow = Non-serious or Technical
- Green = In Compliance

BACKGROUND

The CSFA was created in 1985 to finance educational facilities, and to provide school districts and community college districts access to working capital. Since its inception, CSFA has developed a number of financing programs primarily focused on assisting school districts, and non-profit borrowers with meeting their working capital and facility needs.

The State Treasurer's Office (STO) performs human resources operations for the CSFA.

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the CSFA's appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes¹. The primary objective of the review was to determine if the CSFA's personnel practices, policies, and procedures complied with state civil service laws and Board regulations, Bargaining Unit Agreements, CalHR policies and guidelines, CalHR Delegation Agreements, and to recommend corrective action where deficiencies were identified.

The CSFA did not conduct any examinations, nor permanent withhold actions, during the compliance review period.

A cross-section of the CSFA's appointments were selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRU examined the documentation that the CSFA provided, which included Notice of Personnel Action (NOPA) forms, Request for Personnel Actions (RPA's), vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports.

¹ Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

The CSFA did not conduct any unlawful appointment investigations during the compliance review period. Additionally, the CSFA did not make any additional appointments during the compliance review period.

The CSFA's appointments were also selected for review to ensure the CSFA applied salary regulations accurately and correctly processed employees' compensation and pay. The CRU examined the documentation that the CSFA provided, which included employees' employment and pay history and any other relevant documentation such as certifications, degrees, and/or the appointee's application. Additionally, the CRU reviewed specific documentation related to compensation and pay.

During the compliance review period, the CSFA did not issue or authorize any hiring above minimum (HAM) requests, red circle rate requests, arduous pay, bilingual pay, monthly pay differentials, alternate range movements or out-of-class assignments.

The review of the CSFA's EEO program included examining written EEO policies and procedures; the EEO Officer's role, duties, and reporting relationship; the internal discrimination complaint process; the reasonable accommodation program; the discrimination complaint process; and the Disability Advisory Committee (DAC).

The CSFA's PSC's were also reviewed.² It was beyond the scope of the compliance review to make conclusions as to whether the CSFA's justifications for the contracts were legally sufficient. The review was limited to whether the CSFA's practices, policies, and procedures relative to PSC's complied with procedural requirements.

The CSFA's mandated training program was reviewed to ensure all employees required to file statements of economic interest were provided ethics training, and that all supervisors were provided supervisory training and sexual harassment prevention training within statutory timelines.

The CRU also identified the CSFA's employees whose current annual leave, or vacation leave credits, exceeded established limits. The CRU reviewed the leave records of these identified employees to ensure that employees who have significant "over-the-cap" leave balances have a leave reduction plan in place. Additionally, the CRU asked the CSFA to provide a copy of their leave reduction policy.

²If an employee organization requests the SPB to review any personal services contract during the SPB compliance review period or prior to the completion of the final compliance review report, the SPB will not audit the contract. Instead, the SPB will review the contract pursuant to its statutory and regulatory process. In this instance, none of the reviewed PSC's were challenged.

The CRU reviewed the CSFA's Leave Activity and Correction Certification forms to verify that the CSFA created a monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely. The CRU selected a small cross-section of the CSFA's units in order to ensure they maintained accurate and timely leave accounting records. Part of this review also examined a cross-section of the CSFA's employees' employment and pay history, state service records, and leave accrual histories to ensure employees with non-qualifying pay periods did not receive vacation/sick leave and/or annual leave accruals or state service credit. Additionally, the CRU reviewed a selection of CSFA positive paid employees whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

The CSFA did not authorize Administrative Time Off (ATO) during the review period.

Moreover, the CRU reviewed the CSFA's policies and processes concerning nepotism, workers' compensation, and performance appraisals. The review was limited to whether the CSFA's policies and processes adhered to procedural requirements.

The CSFA declined an exit conference to explain and discuss the CRU's initial findings and recommendations. The CRU received and carefully reviewed the CSFA's written response on March 13, 2020, which is attached to this final compliance review report.

FINDINGS AND RECOMMENDATIONS

Appointments

In all cases not excepted or exempted by Article VII of the California Constitution, the appointing power must fill positions by appointment, including cases of transfers, reinstatements, promotions, and demotions in strict accordance with the Civil Service Act and Board rules. (Gov. Code, § 19050.) The hiring process for eligible candidates chosen for job interviews shall be competitive and be designed and administered to hire candidates who will be successful. (Cal. Code Regs., tit. 2, § 250, subd. (b).) Interviews shall be conducted using job-related criteria. (*Ibid.*) Persons selected for appointment shall satisfy the minimum qualifications of the classification to which he or she is appointed or have previously passed probation and achieved permanent status in that same classification. (Cal. Code Regs., tit. 2, § 250, subd. (d).) While persons selected for appointment may meet some or most of the preferred or desirable qualifications, they are not required to meet all the preferred or desirable qualifications. (*Ibid.*) This section does not apply to intra-agency job reassignments. (Cal. Code Regs., tit. 2, § 250, subd. (e).)

During the period under review, August 1, 2018, through July 31, 2019, the CSFA made three appointments. The CRU reviewed those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Office Technician (Typing)	Certification List	Permanent	Full Time	1
Staff Services Manager II (Supervisory)	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	1

FINDING NO. 1 – Appointments Complied with Civil Service Laws and Board Rules

The CSFA measured each applicant’s ability to perform the duties of the job by conducting hiring interviews and selecting the best-suited candidates. For each of the two list appointments reviewed, the CSFA ordered a certification list of candidates ranked competitively. After properly clearing the certification lists including SROA, the selected candidates were appointed based on eligibility attained by being reachable within the first three ranks of the certification lists.

The CRU reviewed one CSFA appointment made via transfer. A transfer of an employee from a position under one appointing power to a position under another appointing power may be made if the transfer is to a position in the same class or in another class with substantially the same salary range and designated as appropriate by the executive officer. (Cal. Code Regs., tit. 2, § 425.) The CSFA verified the eligibility of the candidate to her or his appointed class.

The CRU found no deficiencies in the appointments that the CSFA initiated during the compliance review period. Accordingly, the CRU found that the CSFA’s appointments processes and procedures utilized during the compliance review period satisfied civil service laws and Board rules.

Equal Employment Opportunity

Each state agency is responsible for an effective EEO program. (Gov. Code, § 19790.) The appointing power for each state agency has the major responsibility for monitoring the effectiveness of its EEO program. (Gov. Code, § 19794.) To that end, the appointing power must issue a policy statement committed to EEO; issue procedures for filing, processing, and resolving discrimination complaints; and cooperate with the CalHR, in

accordance with Civil Code section 1798.24, subdivisions (o) and (p), by providing access to all required files, documents and data necessary to carry out these mandates. (*Ibid.*) In addition, the appointing power must appoint, at the managerial level, an EEO Officer, who shall report directly to, and be under the supervision of, the director of the department to develop, implement, coordinate, and monitor the department's EEO program. (Gov. Code, § 19795, subd. (a).)

Pursuant to Government Code section 19795, subdivision (a), in a state agency with less than 500 employees, like CSFA, the EEO Officer may be the Personnel Officer.

Each state agency must establish a separate committee of employees who are individuals with a disability, or who have an interest in disability issues, to advise the head of the agency on issues of concern to employees with disabilities. (Gov. Code, § 19795, subd. (b)(1).) The department must invite all employees to serve on the committee and take appropriate steps to ensure that the final committee is comprised of members who have disabilities or who have an interest in disability issues. (Gov. Code, § 19795, subd. (b)(2).)

FINDING NO. 2 – Equal Employment Opportunity Program Complied with All Civil Service Laws and Board Rules

After reviewing the policies, procedures, and programs necessary for compliance with the EEO program's role and responsibilities according to statutory and regulatory guidelines, the CRU determined that the CSFA's EEO program provided employees with information and guidance on the EEO process including instructions on how to file discrimination claims. Furthermore, the EEO program outlines the roles and responsibilities of the EEO Officer, as well as supervisors and managers. The EEO Officer, who is at a managerial level, reports directly to the Executive Director of the CSFA. The CSFA also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

A PSC includes any contract, requisition, or purchase order under which labor or personal services is a significant, separately identifiable element, and the business or person performing the services is an independent contractor that does not have status as an employee of the state. (Cal. Code Regs., tit. 2, § 547.59.) The California Constitution has an implied civil service mandate limiting the state's authority to contract with private entities to perform services the state has historically or customarily performed. Government Code section 19130, subdivision (a), however, codifies

exceptions to the civil service mandate where PSC’s achieve cost savings for the state. PSC’s that are of a type enumerated in subdivision (b) of Government Code section 19130 are also permissible. Subdivision (b) contracts include, but are not limited to, private contracts for a new state function, services that are not available within state service, services that are incidental to a contract for the purchase or lease of real or personal property, and services that are of an urgent, temporary, or occasional nature.

For cost-savings PSC’s, a state agency is required to notify SPB of its intent to execute such a contract. (Gov. Code, § 19131.) For subdivision (b) contracts, the SPB reviews the adequacy of the proposed or executed contract at the request of an employee organization representing state employees. (Gov. Code, § 19132.)

During the period under review, August 1, 2018, through July 31, 2019, the CSFA had four PSC’s that were in effect. The CRU reviewed those PSC’s, which are listed below:

Vendor	Services	Contract Dates	Contract Amount	Justification Identified?
Barbara A. Lloyd	Financial Advisory	7/25/19 – 6/30/21	\$150,000.00	Yes
Montague DeRose & Associates	Financial Advisory	7/25/19 – 6/30/21	\$250,000.00	Yes
Nixon Peabody LLP	Legal Services	5/7/19 – 6/30/19	\$20,000.00	Yes
PFM Financial Advisors LLC	Financial Advisory	7/25/19 – 6/30/21	\$100,000.00	Yes

FINDING NO. 3 – Personal Services Contracts Complied with Procedural Requirements

The total dollar amount of all the PSC’s reviewed was \$520,000.00. It was beyond the scope of the review to make conclusions as to whether CSFA justifications for the contract were legally sufficient. For all PSC’s reviewed, the CSFA provided specific and detailed factual information in the written justifications as to how each of the contracts met at least one condition set forth in Government Code section 19130, subdivision (b). Additionally, CSFA complied with proper notification to all organizations that represent state employees who perform the type or work contracted. Accordingly, the CSFA PSC’s complied with civil service laws and board rules.

Mandated Training

Each member, officer, or designated employee of a state agency who is required to file a statement of economic interest (referred to as “filers”) because of the position he or

she holds with the agency is required to take an orientation course on the relevant ethics statutes and regulations that govern the official conduct of state officials. (Gov. Code, §§ 11146 & 11146.1.) State agencies are required to offer filers the orientation course on a semi-annual basis. (Gov. Code, § 11146.1.) New filers must be trained within six months of appointment and at least once during each consecutive period of two calendar years, commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3.)

Upon the initial appointment of any employee designated in a supervisory position, the employee shall be provided a minimum of 80 hours of training, as prescribed by the CalHR. (Gov. Code, § 19995.4, subd. (b).) The training addresses such topics as the role of the supervisor, techniques of supervision, performance standards, and sexual harassment and abusive conduct prevention. (Gov. Code, §§ 12950.1, subds. (a), (b), & 19995.4, subd. (b).)

Additionally, the training must be successfully completed within the term of the employee's probationary period or within six months of the initial appointment, unless it is demonstrated that to do so creates additional costs or that the training cannot be completed during this time period due to limited availability of supervisory training courses. (Gov. Code, § 19995.4, subd. (c).) As to the sexual harassment and abusive-conduct prevention component, the training must thereafter be provided to supervisors once every two years. (Gov. Code, § 12950.1.)

Within 12 months of the initial appointment of an employee to a management or Career Executive Assignment (CEA) position, the employee shall be provided leadership training and development, as prescribed by CalHR. (Gov. Code, § 19995.4, subds. (d) & (e).) For management employees the training must be a minimum of 40 hours and for CEAs the training must be a minimum of 20 hours. (*Ibid.*) Thereafter, for both categories of appointment, the employee must be provided a minimum of 20 hours of leadership training on a biennial basis. (*Ibid.*)

The Board may conduct reviews of any appointing power's personnel practices to ensure compliance with civil service laws and Board regulations. (Gov. Code, § 18661, subd. (a).) In particular, the Board may audit personnel practices related to such matters as selection and examination procedures, appointments, promotions, the management of probationary periods, and any other area related to the operation of the merit principle in state civil service. (*Ibid.*) Accordingly, the CRU reviews documents and records related to training that appointing powers are required by the afore-cited laws to provide its employees.

The CRU reviewed the CSFA’s mandated training program that was in effect during the compliance review period, August 1, 2017, to July 31, 2019.

FINDING NO. 4 – Mandated Training Complied with Statutory Requirements

The CSFA provided ethics training to its one new filer within six months of appointment and one existing filer as required. The CSFA also provided supervisory training to its 1 new supervisor within 12 months of appointment. In addition, the CSFA provided sexual harassment prevention training its one new supervisor within six months of appointment, and sexual harassment prevention training to its one existing supervisor every two years. Thus, the CSFA complied with mandated training requirements within statutory timelines.

Compensation and Pay

Salary Determination

The pay plan for state civil service consists of salary ranges and steps established by CalHR. (Cal. Code Regs., tit. 2, § 599.666.) Several salary rules dictate how departments calculate and determine an employee’s salary rate³ upon appointment depending on the appointment type, the employee’s state employment and pay history, and tenure.

Typically, agencies appoint employees to the minimum rate of the salary range for the class. Special provisions for appointments above the minimum exist to meet special recruitment needs and to accommodate employees who transfer into a class from another civil service class and are already receiving salaries above the minimum.

During the period under review, August 1, 2018, through July 31, 2019, the CSFA made three appointments. The CRU reviewed those appointments to determine if the CSFA applied salary regulations accurately and correctly processed employees’ compensation, which are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
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³ “Rate” is any one of the salary rates in the resolution by CalHR which establishes the salary ranges and steps of the Pay Plan (Cal. Code Regs., tit. 2, section 599.666).

Office Technician (Typing)	Certification List	Permanet	Full Time	\$3,038.00
Staff Services Manager II (Supervisory)	Certification List	Permanet	Full Time	\$7,543.00
Associate Governmental Program Analyst	Transfer	Permanet	Full Time	\$6,446.00

FINDING NO. 5 – Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines

The CRU found no deficiencies in the salary determinations that were reviewed. The CSFA appropriately calculated and keyed the salaries for each appointment and correctly determined employees’ anniversary dates ensuring that subsequent merit salary adjustments will satisfy civil service laws, Board rules and CalHR policies and guidelines.

Leave

Positive Paid Employees

Actual Time Worked (ATW) is a method that can be used to keep track of a Temporary Authorization Utilization (TAU) employee’s time to ensure that the Constitutional limit of 9 months in any 12 consecutive months is not exceeded. The ATW method of counting time is used in order to continue the employment status for an employee until the completion of an examination, for seasonal type work, while attending school, or for consulting services.

An employee is appointed TAU-ATW when he/she is not expected to work all of the working days of a month. When counting 189 days, every day worked, including partial days⁴ worked and paid absences,⁵ is counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day is not limited by this rule. (*Ibid.*) The 12-consecutive month timeframe begins by counting the first pay period worked as the first month of the 12-consecutive month timeframe. (*Ibid.*) The employee shall serve no longer than 189 days in a 12 consecutive month period. (*Ibid.*) A new 189-days working limit in a 12-consecutive month timeframe may begin in the month immediately following the month that marks the end of the previous 12-consecutive month timeframe. (*Ibid.*)

⁴ For example, two hours or ten hours counts as one day.
⁵ For example, vacation, sick leave, compensating time off, etc.

It is an ATW appointment because the employee does not work each workday of the month, and it might become desirable or necessary for the employee to work beyond nine calendar months. The appointing power shall monitor and control the days worked to ensure the limitations set forth are not exceeded. (Cal. Code Regs., tit. 2, § 265.1, subd. (f).)

For student assistants, graduate student assistants, youth aides, and seasonal classifications a maximum work-time limit of 1500 hours within 12 consecutive months may be used rather than the 189-day calculation. (Cal. Code Regs., tit. 2, § 265.1, subd. (d).)

Generally, permanent intermittent employees may work up to 1500 hours in any calendar year. (Applicable Bargaining Unit Agreements.) However, Bargaining Unit 6 employees may work up to 2000 hours in any calendar year.

Additionally, according to Government Code section 21224, retired annuitant appointments shall not exceed a maximum of 960 hours in any fiscal year (July-June), regardless of the number of state employers, without reinstatement, loss or interruption of benefits.

At the time of the review, the CSFA had two positive paid employees who hours were tracked. The CRU reviewed those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Time Base	Time Frame	Time Worked
Administrative Assistant II	Intermittent	July 2018 to June 2019	706.5 hours
Associate Governmental Program Analyst	Intermittent	July 2018 to June 2019	305 hours

FINDING NO. 6 – Positive Paid Employees Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found no deficiencies in the positive paid employees reviewed during the compliance review period. The CSFA provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

Leave Auditing and Timekeeping

Departments must keep complete and accurate time and attendance records for each employee and officer employed within the agency over which it has jurisdiction. (Cal. Code Regs., tit. 2, § 599.665.)

Departments are directed to create a monthly internal audit process to verify all leave input into any leave accounting system is keyed accurately and timely. (Human Resources Manual Section 2101.) Departments shall create an audit process to review and correct leave input errors on a monthly basis. The review of leave accounting records shall be completed by the pay period following the pay period in which the leave was keyed into the leave accounting system. (*Ibid.*) If an employee’s attendance record is determined to have errors or it is determined that the employee has insufficient balances for a leave type used, the attendance record must be amended. (*Ibid.*) Attendance records shall be corrected by the pay period following the pay period in which the error occurred. (*Ibid.*) Accurate and timely attendance reporting is required of all departments and is subject to audit. (*Ibid.*)

During the period under review, February 1, 2019, through April 30, 2019, the CSFA reported 4 units comprised of 12 active employees. The pay periods and timesheets reviewed by the CRU are summarized below:

Timesheet Leave Period	Units Reviewed	Number of Employees	Number of Timesheets Reviewed	Number of Missing Timesheets
02/2019	002, 003, 004, and 005	12	12	0
03/2019	002, 003, 004, and 005	12	12	0
04/2019	002, 003, 004, and 005	12	12	0

FINDING NO. 7 – Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU reviewed employee leave records from three different leave periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines. Based on our review, the CRU found no deficiencies. The CSFA kept complete and accurate time and attendance records for each employee and officer employed within the department and utilized a monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely.

Leave Reduction Efforts

Departments must create a leave reduction policy for their organization and monitor employees' leave to ensure compliance with the departmental leave policy; and ensure employees who have significant "over-the-cap" leave balances have a leave reduction plan in place. (Human Resources Manual Section 2124.)

Applicable Memorandums of Understanding and the California Code of Regulations prescribe the maximum amount of vacation or annual leave permitted. "If a represented employee is not permitted to use all of the vacation to which he or she is entitled in a calendar year, the employee may accumulate the unused portion."⁶ (Cal. Code Regs., tit. 2, § 599.737.) If it appears an excluded employee will have a vacation or annual leave balance that will be above the maximum amount⁷ as of January 1 of each year, the appointing power shall require the supervisor to notify and meet with each employee so affected by the preceding July 1, to allow the employee to plan time off, consistent with operational needs, sufficient to reduce their balance to the amount permitted by the applicable regulation, prior to January 1. (Cal. Code Regs., tit. 2, § 599.742.1.)

It is the intent of the state to allow employees to utilize credited vacation or annual leave each year for relaxation and recreation, ensuring employees maintain the capacity to optimally perform their jobs. (Cal. Code Regs., tit. 2, § 599.742.1.) For excluded employees, the employee shall also be notified by July 1 that, if the employee fails to take off the required number of hours by January 1, the appointing power shall require the employee to take off the excess hours over the maximum permitted by the applicable regulation at the convenience of the agency during the following calendar year. (*Ibid.*) To both comply with existing civil service rules and adhere to contemporary human resources principles, state managers and supervisors must cultivate healthy work- life balance by granting reasonable employee vacation and annual leave requests when operationally feasible. (Human Resources Manual Section 2124.)

As of December 2018, one CSFA employees exceeded the established limits of vacation or annual leave. The CRU reviewed that employee's leave reduction plan to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which is listed below:

⁶ For represented employees, the established limit for annual or vacation leave accruals is 640 hours, however for Bargaining Unit 06 there is no established limit and for Bargaining Unit 05 the established limit is 816 hours.

⁷ Excluded employees shall not accumulate more than 80 days.

Classification	Collective Bargaining Identifier	Total Hours Over Established Limit	Leave Reduction Plan Provided
Executive Director	E99	431.5	Yes
Total		431.5	

FINDING NO. 8 – Leave Reduction Plans Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines

The CRU reviewed employee vacation and annual leave to ensure that those employees who have significant “over-the-cap” leave balances have a leave reduction plan in place and are actively reducing hours. In addition, the CRU reviewed the department’s leave reduction policy to verify its compliance with applicable rule and law, and to ensure its accessibility to employees. Based on our review, the CRU found no deficiencies in this area.

State Service

The state recognizes two different types of absences while an employee is on pay status; paid or unpaid. The unpaid absences can affect whether a pay period is considered to be a qualifying or non-qualifying pay period for state service and leave accruals.

An employee who has 11 or more working days of service in a monthly pay period shall be considered to have a complete month, a month of service, or continuous service.⁸ (Cal. Code Regs., tit. 2, § 599.608.) Full time and fractional employees who work less than 11 working days in a pay period will have a non-qualifying month and will not receive state service or leave accruals for that month.

Hourly or daily rate employees working at a department in which the full-time workweek is 40 hours who earn the equivalent of 160 hours of service in a monthly pay period or accumulated pay periods shall be considered to have a complete month, a month of service, or continuous service. (Cal. Code Regs., tit. 2, § 599.609.)

For each qualifying monthly pay period, the employee shall be allowed credit for vacation with pay on the first day of the following monthly pay period. (Cal. Code Regs.

⁸ Except as provided in California Code of Regulations, title 2, sections 599.609 and 599.776.1, subd. (b) of these regulations, in the application of Government Code sections 19143, 19849.9, 19856.1, 19858.1, 19859, 19861, 19863.1, 19997.4 and California Code of Regulations, title 2 sections 599.682, 599.683, 599.685, 599.687, 599.737, 599.738, 599.739, 599.740, 599.746, 599.747, 599.787, 599.791, 599.840 and 599.843.

tit. 2, § 599.608.) When computing months of total state service to determine a change in the monthly credit for vacation with pay, only qualifying monthly pay periods of service before and after breaks in service shall be counted. (Cal. Code Regs. tit. 2, § 599.739.) Portions of non-qualifying monthly pay periods of service shall not be counted nor accumulated. (*Ibid.*) On the first day following a qualifying monthly pay period, excluded employees⁹ shall be allowed credit for annual leave with pay. (Cal. Code Regs., tit. 2, § 599.752.)

Permanent intermittent employees also earn leave credits on the pay period following the accumulated accrual of 160 hours worked. Hours worked in excess of 160 hours in a monthly pay period, are not counted or accumulated towards leave credits.

During the period under review, May 1, 2018, through April 30, 2019, the CSFA had one employees with non-qualifying pay period transactions. The CRU reviewed that transaction to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which is listed below:

Type of Transaction	Time base	Number Reviewed
Non-Qualifying Pay Period	Full Time	1

FINDING NO. 9 – Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU determined that the CSFA ensured employees with non-qualifying pay periods did not receive vacation/sick leave, annual leave, and/or state service accruals. The CRU found no deficiencies in this area.

Policy and Processes

Nepotism

It is the policy of the State of California to recruit, hire and assign all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. (Human Resources Manual Section 1204.) Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. (*Ibid.*)

⁹ As identified in Government Code sections 19858.3, subd. (a), 19858.3, subd. (b), or 19858.3, subd. (c) or as it applies to employees excluded from the definition of state employee under Government Code section 3513, subd. (c) or California Code of Regulations, title 2, section 599.752 subd. (a), and appointees of the Governor as designated by CalHR and not subject to California Code of Regulations, title 2, section 599.752.1.

Nepotism is defined as the practice of an employee using his or her influence or power to aid or hinder another in the employment setting because of a personal relationship. (*Ibid.*) Personal relationships for this purpose include but are not limited to, association by blood, adoption, marriage and/or cohabitation. (*Ibid.*) In addition, there may be personal relationships beyond this general definition that could be subject to these policies. (*Ibid.*) All department nepotism policies should emphasize that nepotism is antithetical to a merit-based personnel system and that the department is committed to the state policy of recruiting, hiring and assigning employees on the basis of merit. (*Ibid.*)

FINDING NO. 10 – Department Does Not Maintain a Current Written Nepotism Policy

Summary: The CSFA does not maintain a current written nepotism policy designed to prevent favoritism or bias in the recruiting, hiring, or assigning of employees.

Criteria: It is the policy of the State of California to recruit, hire and assign all employees on the basis of fitness and merit in accordance with civil service statutes, rules and regulations. (Human Resources Manual Section 1204). All department policies should emphasize that nepotism is antithetical to a merit-based personnel system and that the department is committed to the state policy of recruiting, hiring, and assigning employees on the basis of merit. (*Ibid.*)

Severity: Very Serious. Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. Departments must take proactive steps to ensure that the recruitment, hiring, and assigning of all employees is done on the basis of merit and fitness in accordance with civil service statutes. Maintaining a current written nepotism policy, and its dissemination to all staff, is the cornerstone for achieving these outcomes.

CSFA Reply: The STO states that pursuant to Welfare and Institutions Code section 4876 and 4877, subdivision (d), the STO is the chair of CSFA, appoints the executive director, and determines the duties of the executive director and other staff as necessary. The CSFA is required to comply with the STO departmental policies as described in the STO’s Department Administrative Manual. The STO respectfully disagrees with this finding because the STO does

maintain a current nepotism policy in the Department Administrative Manual that the CSFA must follow.

SPB Response: CSFA is a distinctly different agency than STO. STO's Nepotism policy does not specifically mention that it applies to CSFA, nor could STO produce documentation that CSFA's employees have been specifically informed that CSFA uses STO's Nepotism policy.

Corrective Action: Within 60 days of the date of this report, the CSFA must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with Human Resources Manual Section 1204. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

Workers' Compensation

Employers shall provide to every new employee, either at the time of hire or by the end of the first pay period, written notice concerning the rights, benefits, and obligations under workers' compensation law. (Cal. Code Regs., tit. 8, § 9880 subd. (a).) This notice shall include the right to predesignate their personal physician or medical group; a form that the employee may use as an optional method for notifying the employer of the name of employee's "personal physician," as defined by Labor Code section 4600. (Cal. Code Regs., tit. 8, § 9880 subds. (c)(7) & (8).) Additionally, within one working day of receiving notice or knowledge that the employee has suffered a work related injury or illness, employers shall provide a claim form and notice of potential eligibility for benefits to the injured employee. (Labor Code, § 5401 subd. (a).)

Public employers may choose to extend workers' compensation coverage to volunteers that perform services for the organization. (Human Resources Manual Section 1415.) Workers' compensation coverage is not mandatory for volunteers as it is for employees. (*Ibid.*) This is specific to the legally uninsured state departments participating in the Master Agreement. (*Ibid.*) Departments with an insurance policy for workers' compensation coverage should contact their State Compensation Insurance Fund (State Fund) office to discuss the status of volunteers. (*Ibid.*)

In this case, the CSFA did not employ volunteers during the compliance review period.

FINDING NO. 11 – Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU verified that the CSFA provides notice to its employees to inform them of their rights and responsibilities under California’s Workers’ Compensation Law. Furthermore, the CRU verified that when the CSFA received worker’s compensation claims, they properly provided claim forms within one working day of notice or knowledge of injury.

Performance Appraisals

According to Government Code section 19992.2, subdivision (a), appointing powers must “prepare performance reports.” Furthermore, California Code of Regulations, title 2, section 599.798, directs supervisors to conduct written performance appraisals and discuss overall work performance with permanent employees at least once in each twelve calendar months after the completion of the employee’s probationary period.

The CRU selected seven permanent CSFA employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines. These are listed below:

Classification	Date Performance Appraisals Due	Date Performance Appraisal Provided
Associate Governmental Program Analyst	12/31/19	6/1/19
Associate Governmental Program Analyst	12/31/19	7/11/19
Associate Governmental Program Analyst	12/31/18	12/20/18
Office Technician (Typing)	12/8/19	8/14/19
Associate Governmental Program Analyst	12/31/19	7/1/19
Associate Governmental Program Analyst	12/31/19	6/21/19
Associate Governmental Program Analyst	12/31/18	4/24/18

FINDING NO. 12 – Performance Appraisal Policy and Processes Complied with Civil Service Laws and Regulations and CalHR Policies and Guidelines

The CRU found no deficiencies in the performance appraisals selected for review. Accordingly, the CSFA performance appraisal policy and processes satisfied civil service laws, Board rules, policies and guidelines.

DEPARTMENTAL RESPONSE

The CSFA's response is attached as Attachment 1.

SPB REPLY

Based upon the CSFA's written response, the CSFA will comply with the corrective actions specified in these report findings. Within 90 days of the date of this report, a written corrective action response including documentation demonstrating implementation of the corrective actions specified, must be submitted to the CRU. To be provided by the CRU.



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EXECUTIVE DIRECTOR
Katrina M. Johantgen

March 13, 2020

Suzanne M. Ambrose, Executive Director
State Personnel Board
801 Capitol Mall
Sacramento, CA 95814

Dear Ms. Ambrose,

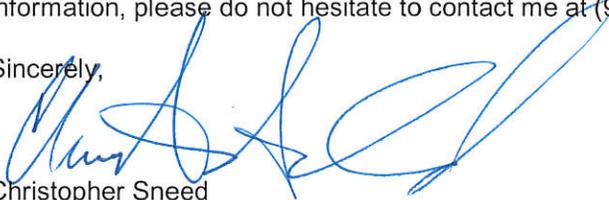
Response to Compliance Review Report

The State Treasurer's Office (STO) provides personnel services for the California School Finance Authority (CSFA). On behalf of CSFA, the STO submits this letter in response to the State Personnel Board's (SPB) compliance review of the CSFA's personnel practices for the period August 1, 2018 through July 31, 2019. CSFA and the STO appreciate SPB's review and the opportunity to respond to its findings. Please reference the enclosed Attachment A for detailed responses.

The STO, on behalf of CSFA, respectfully disagrees with the finding, as noted on Attachment A. That said, CSFA in coordination with the STO has taken or will take immediate steps to develop and submit a Corrective Action Plan within 60 days of the release of the report to address the deficiencies identified.

Thank you for the opportunity to respond to your draft report. If you have any questions, or require additional information, please do not hesitate to contact me at (916) 653-3382, or by email at csneed@treasurer.ca.gov.

Sincerely,



Christopher Sneed
Chief of Management Services

Enclosure

cc: Rebecca Grajski, Administration Division Director, STO
Genevieve Jopanda, Chief Deputy Treasurer, STO
Katrina Johantgen, Executive Director, CSFA

FINDING No. 1 – Appointments Complied with Civil Service Laws and Board Rules

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 2 – Equal Employment Opportunity Program Complied With All Civil Service Laws and Board Rules

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 3 – Personal Services Contracts Complied with Procedural Requirements

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 4 – Mandated Training Complied with Statutory Requirements

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 5 – Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 6 – Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 7 – Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 8 – Leave Reduction Plans Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 9 – Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.

FINDING No. 10 – Department Does Not Maintain a Current Nepotism Policy

Cause: The CSFA does not maintain a current written nepotism policy designed to prevent favoritism or bias in recruiting, hiring, or assigning of employees

Department's Response: Pursuant to Education Code § 17174(a) (1) the Treasurer shall serve as chairperson. Furthermore, pursuant to Education Code § 17175(b), on behalf of the authority, the chairperson shall appoint an executive director, who shall not be a member of the authority, and who shall serve at the pleasure of the authority. The executive director shall receive the compensation fixed for that purpose by the authority. As such, CSFA, as well as all of the Boards, Commissions, and Authorities (BCAs) that fall under the purview of the Treasurer, are required to comply with the departmental policies authorized by the Treasurer, as described in the Treasurer's Department Administrative Manual (DAM) sections 0200 and 0601.2:

"The State Treasurer is responsible for the policies, overall direction and administration of the State Treasurer's Office and for the performance of all its programs and activities.

"Division Directors, Directors and Executive Directors will participate in the development and implementation of departmental/Authority policies."

Specific to nepotism, the DAM outlines the following policy under section 0614:

"STO employment decisions shall be free of favoritism, nepotism and other nonjob related considerations. Maintaining the integrity of the civil service merit system requires the elimination of nepotism and all forms of favoritism. Nepotism is generally defined as the practice of an employee using his/her personal power or influence to either assist or interfere with the employment of another individual solely because of a personal relationship between the individuals.

*Responsibility for conforming to this policy lies with **all levels** of managers and supervisors. They must make every effort to ensure that no situations arise that could be interpreted as favoritism or patronage based on a personal relationship rather than merit.*

Personal relationships include, but are not limited to, associations with individuals by blood, adoption, marriage, and/or cohabitation; e.g., husband, wife, father, mother, son, daughter, brother, sister, grandparent, grandchild, uncle, aunt, first cousin, nephew, niece, in-laws, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister or two people living together outside marriage.

Specific prohibitions include employment of relatives and cohabitants (same and different sex) where:

- *One is the supervisor of the other. The term supervisor in this context includes individuals who fill out or review performance reports of the lower level individual and thus encompasses first- and second-level managers and supervisors;*
- *They work under the same immediate supervisor;*
- *One is within the organizational jurisdiction or control of the other; i.e. chain of command.*
- *One is within a position to grant special privileges to the other or to influence the appointment, promotion or work of the other.*

Temporary Authorization Utilization (TAU) appointments and appointments to non-testing classes (such as seasonal clerk, student assistant, etc.) are particularly susceptible to charges of nepotism. In addition to the above prohibitions, appointments to Student Assistant, Graduate Student Assistant and Youth Aide are prohibited for any person with one of the above relationships to an STO supervisory or managerial employee. Exceptions to this policy may be justified where a clear benefit to the Department would exist, normally due to extreme recruiting difficulty. Requests for exceptions to this policy must be made in writing and approved in advance by the Personnel Office.

Managers and supervisors should be aware of potentially sensitive situations and avoid any personal relationships within their area of responsibility which may:

- *Interfere with the fair and impartial supervision and evaluation of employees;*
- *Adversely affect the safety and morale of employees; or*
- *Hamper work production.*

STO recognizes personal relationships may develop between coworkers, and they may continue to work together in the same programs, activities and location without adverse impact. However, in some instances, a personal relationship may demonstrably adversely affect the work and/or the fair and impartial supervision and evaluation of employees. If this happens, the employees may be accommodated by the reassignment of one or the other to the next available vacancy in his/her classification in another work location.

Employees should bring situations which may involve nepotism or favoritism to the Personnel Office's attention."

The DAM is discussed with all CSFA employees in the mandatory *New Employee Orientation* training class, and is easily accessible to CSFA employees via the department's intranet. Additionally, when an organizational policy is first implemented or when a policy is revised, the Treasurer's Personnel Office distributes the information to all employees within the organization, which includes the employees of the BCAs that fall under the Treasurer's reporting relationship. CSFA employees, as well as all of the employees of the STO's BCAs, share a common email address of "sto.ca.gov", and all policy memos are sent to all employees with that address.

In conclusion, we respectfully disagree with this finding because CSFA does indeed maintain a current nepotism policy, as evidenced above.

FINDING No. 11 – Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

Department's Response: No adverse findings were reported during the Compliance Review.
