



COMPLIANCE REVIEW REPORT

CALIFORNIA STATE TREASURER'S OFFICE

Compliance Review Unit
State Personnel Board
4/13/18

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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 authority's 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 comply with merit related laws, rules, and policies and to identify and share best practices identified during the reviews.

Effective July 1, 2012, the Governor's Reorganization Plan Number One (GRP1) of 2011 consolidated all of the functions of the Department of Personnel Administration and the merit-related operational functions of the State Personnel Board (SPB) into the California Department of Human Resources (CalHR).

Pursuant to Government Code section 18502(c), CalHR and SPB may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." CalHR and SPB, by mutual agreement, expanded the scope of items reviewed by the SPB's CRU beyond merit-related issues to more operational practices delegated to departments, and for which CalHR provides policy direction. Many of these delegated practices are cost drivers to the state and not monitored on a consistent, 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.

EXECUTIVE SUMMARY

The CRU conducted a routine compliance review of the State Treasurer’s Office (STO) personnel practices in the areas of examinations, appointments, EEO, PSC’s, mandated training, compensation and pay, leave, and policy and processes¹. The following table summarizes the compliance review findings.

Area	Finding
Examinations	Examinations Complied with Civil Service Laws and Board Rules
Appointments	Appointments Complied with Civil Service Laws and Board Rules
Equal Employment Opportunity	Equal Employment Opportunity Program Complied with Civil Service Laws and Board Rules
Personal Services Contracts	Personal Services Contracts Complied with Procedural Requirements
Mandated Training	Sexual Harassment Prevention Training Was Not Provided for All Supervisors
Compensation and Pay	Incorrect Application of Salary Determination Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Hiring Above Minimum Requests Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Arduous Pay Authorization Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Bilingual Pay Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Leave Activity and Correction Certification Forms Were Not Completed For All Leave Records

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

Area	Finding
Leave	Leave Reduction Plans Were Not Provided to All Employees Whose Leave Balances Exceeded Established Limits
Leave	715 Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Performance Appraisals Were Not Provided to All Employees

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 STO is an independently elected California Constitutional Officer. The State Treasurer represents all Californians and functions as the state's lead asset manager, banker, and financier, and serves as chairperson or a member of numerous state authorities, boards, and commissions. The STO has broad constitutional and statutory responsibilities and authority in the areas of state government's investment and finance.

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the STO examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes² when applicable. The primary objective of the review was to determine if STO 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.

² Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

A cross-section of the STO's examinations were selected for review to ensure that samples of various examination types, classifications, and levels were reviewed. The CRU examined the documentation that the STO provided, which included examination plans, examination bulletins, job analyses, and scoring results. The STO did not conduct any permanent withhold actions during the compliance review period.

A cross-section of the STO's appointments were selected to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRU examined the documentation that the STO provided, which included notice of personnel action (NOPA) forms, request for personnel actions (RPA's), vacancy postings, application screening criteria, hiring interview rating criteria, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. The STO did not conduct any unlawful appointment investigations during the compliance review period. Additionally, the STO did not make any additional appointments during the compliance review period.

The STO's appointments were also selected for review to ensure the STO applied salary regulations accurately and correctly processed employee's compensation and pay. The CRU examined the documentation that the STO provided, which included employee's 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 for the following personnel functions related to compensation and pay: hiring above minimum (HAM) requests, bilingual pay, and arduous pay. During the compliance review period, the STO did not issue or authorize red circle rates, out of class pay, or any other monthly pay differential.

The review of the STO'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 upward mobility program; the reasonable accommodation program; the discrimination complaint process; and the Disability Advisory Committee (DAC).

The STO's PSC's were also reviewed.³ It was beyond the scope of the compliance review to make conclusions as to whether the STO justifications for the contracts were legally sufficient. The review was limited to whether the STO's practices, policies, and procedures relative to PSC's complied with procedural requirements.

³If 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 STO'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 and managers were provided supervisory and sexual harassment prevention training within statutory timelines.

The CRU also identified the STO employees whose current annual leave, or vacation leave credits, exceeded established limits. The CRU reviewed a cross-section 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 STO to provide a copy of their leave reduction policy.

The CRU reviewed the STO's Leave Activity and Correction certification forms to verify that the STO 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 STO'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 STO's employee's 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 STO employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. The STO did not track any temporary intermittent employees by actual time worked during the compliance review period.

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

On March 14, 2018, an exit conference was held with the STO to explain and discuss the CRU's initial findings and recommendations. The CRU received and carefully reviewed the STO's written response on April 2, 2018, which is attached to this final compliance review report.

FINDINGS AND RECOMMENDATIONS

Examinations

Examinations to establish an eligible list must be competitive and of such character as fairly to test and determine the qualifications, fitness, and ability of competitors to

perform the duties of the class of position for which he or she seeks appointment. (Gov. Code, § 18930.) Examinations may be assembled or unassembled, written or oral, or in the form of a demonstration of skills, or any combination of those tests. (*Ibid.*) The Board establishes minimum qualifications for determining the fitness and qualifications of employees for each class of position and for applicants for examinations. (Gov. Code, § 18931.) Within a reasonable time before the scheduled date for the examination, the designated appointing power shall announce or advertise the examination for the establishment of eligible lists. (Gov. Code, § 18933, subd. (a).) the advertisement shall contain such information as the date and place of the examination and the nature of the minimum qualifications. (*Ibid.*) Every applicant for examination shall file an application in the office of the department or a designated appointing power as directed by the examination announcement. (Gov. Code, § 18934.) Generally, the final earned rating of each person competing in any examination is to be determined by the weighted average of the earned ratings on all phases of the examination. (Gov. Code, § 18936.) Each competitor shall be notified in writing of the results of the examination when the employment list resulting from the examination is established. (Gov. Code, § 18938.5.)

During the period under review, July 1, 2016, through March 31, 2017, the STO conducted five examinations. The CRU reviewed three of those examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Business Service Assistant (Specialist)	Departmental Promotional	Education and Experience ⁴	7/15/2016	6
Senior Personnel Specialist	Departmental Promotional	Education and Experience	9/9/2016	1
Treasury Program Manager I	Departmental Promotional	Qualification Appraisal Panel ⁵	12/16/2016	24

⁴ In an education and experience examination, one or more raters reviews the applicants' Standard 678 application forms, and scores and ranks them according to a predetermined rating scale that may include years of relevant higher education, professional licenses or certifications, and/or years of relevant work experience.

⁵ The qualification appraisal panel (QAP) interview is the oral component of an examination whereby competitors appear before a panel of two or more evaluators. Candidates are rated and ranked against one another based on an assessment of their ability to perform in a job classification.

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

The CRU reviewed three departmental promotional examinations which the STO administered in order to create eligible lists from which to make appointments. The STO published and distributed examination bulletins containing the required information for all examinations. Applications received by the STO were accepted prior to the final filing date. Applicants were notified about the next phase of the examination process. After all phases of the examination process were completed, the score of each competitor was computed, and a list of eligible candidates was established. The examination results listed the names of all successful competitors arranged in order of the score received by rank. The CRU found no deficiencies in the examinations that the STO conducted during the compliance review period.

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.) Appointments made from eligible lists, by way of transfer, or by way of reinstatement, must be made on the basis of merit and fitness, which requires consideration of each individual’s job-related qualifications for a position, including his or her knowledge, skills, abilities, experience, and physical and mental fitness. (Cal. Code Regs., tit. 2, § 250, subd. (a).)

During the period under review, July 1, 2016, through March 31, 2017, the STO made 26 appointments. The CRU reviewed 18 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	1
Associate Programmer Analyst (Specialist)	Certification List	Limited Term	Full Time	1
Business Service Assistant (Specialist)	Certification List	Permanent	Full Time	1
Office Assistant (Typing)	Certification List	Permanent	Full Time	1
Personnel Specialist	Certification List	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts
Senior Information Systems Analyst (Specialist)	Certification List	Permanent	Full Time	1
Staff Information Systems (Specialist)	Certification List	Permanent	Full Time	1
Staff Programmer Analyst (Specialist)	Certification List	Permanent	Full Time	1
Staff Services Analyst (General)	Certification List	Permanent	Full Time	3
Staff Services Manager I	Certification List	Permanent	Full Time	1
Treasury Program Manager I	Certification List	Permanent	Full Time	1
Office Technician (Typing)	Mandatory Reinstatement	Permanent	Full Time	1
Student Assistant	Temporary	TAU	Intermittent	1
Staff Services Analyst (General)	Transfer	Permanent	Full Time	2

FINDING NO. 2 – Appointments Complied with Civil Service Laws and Board Rules

The STO 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 14 list appointments reviewed, the STO 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 STO made one appointment via mandatory reinstatement. A state agency is required to reinstate an employee to his or her former position if the employee is (1) terminated from a temporary or limited-term appointment by either the employee or the appointing power; (2) rejected during probation; or (3) demoted from a managerial position. (Gov. Code, § 19140.5.) The following conditions, however, must apply: the employee accepted the appointment without a break in continuity of service and the reinstatement is requested within ten working days after the effective date of the termination. (*Ibid.*) The STO complied with the rules and laws governing mandatory reinstatements.

The CRU reviewed two STO appointments 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 Reg., tit. 2, § 425.) The STO verified the eligibility of each candidate to their appointed class.

For the one student assistant position reviewed, the STO demonstrated that they were currently enrolled in an undergraduate college curriculum and the duration of work performed was no longer than 9 months in a 12 month period (CalHR PML, “Student Assistants and Retired Annuitants,” 2013-023).

The CRU found no deficiencies in the appointments that the STO initiated during the compliance review period. Accordingly, the CRU found that the STO’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; issue procedures for providing equal upward mobility and promotional opportunities; and cooperate with the California Department of Human Resources by providing access to all required files, documents and data. (*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.)

Because the EEO Officer investigates and ensures proper handling of discrimination, sexual harassment and other employee complaints, the position requires separation from the regular chain of command, as well as regular and unencumbered access to the head of the organization.

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. 3 – Equal Employment Opportunity Program Complied With All Civil Service Laws and Board Regulations

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 STO 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 Director of the STO. In addition, the STO has an established DAC which reports to the Director on issues affecting persons with disabilities. The STO also provided evidence of its efforts to promote EEO in its hiring and employment practices, to increase its hiring of persons with disabilities, and to offer upward mobility opportunities for its entry-level staff. Accordingly, the STO EEO program complied with civil service laws and board rules.

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 Reg., 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 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, July 1, 2016, through September 30, 2017, the STO had eleven PSC's that were in effect. The CRU reviewed seven of those contracts which are listed below:

Vendor	Services	Contract Dates	Contract Amount	Justification Identified?
Bank of New York Mellon Trust Company	Registrar and Paying Agent Services for State Bonds	9/1/11 – 8/31/16	\$575,000	Yes
Bank of New York Mellon Trust Company	Registrar and Paying Agent Services for State Bonds	9/1/11 - 08/31/17	\$115,000	Yes
Design by Friday	Graphic Design Services	10/1/16 – 9/30/18	\$50,000	Yes
Fermanian Business and Economic Institute, Point Loma Nazarene University	Economic Forecasting Services.	6/1/16 - 5/31/18	\$150,000	Yes
Kit Cole Consulting LLC	Event Planning	8/1/17 – 5/30/18	\$48,000	Yes
TMDgroup, Inc.	Marketing Services	8/22/17 – 8/31/19	\$250,000	Yes
Van Dermeyden Maddux Law Corporation	Legal Services	8/1/17 – 12/31/17	\$35,000	Yes

FINDING NO. 4 – Personal Services Contracts Complied with Procedural Requirements

When an agency executes a personal services contract under Government Code section 19130, subdivision (b), the department must document a written justification that includes specific and detailed factual information that demonstrates how the contract meets one or more conditions specified in Government Code section 19131, subdivision (b). (Cal. Code Reg., tit. 2, § 547.60.)

The total dollar amount of all the PSC's reviewed was \$1,223,000. It was beyond the scope of the review to make conclusions as to whether STO justifications for the contract were legally sufficient. For all PSC's reviewed, the STO provided specific and detailed factual information in the written justifications as to how each of the seven contracts met at least one condition set forth in Government Code section 19131, subdivision (b). Accordingly, the STO 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), & (c), & 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 biannual 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 STO's mandated training program that was in effect during the compliance review period. The STO's basic supervisory training and ethics training were found to be in compliance. However, the STO's sexual harassment prevention training was found to be out of compliance.

FINDING NO. 5 – Sexual Harassment Prevention Training Was Not Provided for All Supervisors

Summary: The STO provided sexual harassment prevention training to thirteen new supervisors within six months of appointment, and sexual harassment prevention training to its 57 existing supervisors every two years. However, the STO did not provide sexual harassment prevention training to one of 14 new supervisors within six months of their appointment.

Criteria: Each department must provide its supervisors two hours of sexual harassment prevention training every two years. New supervisors must be provided sexual harassment prevention training within six months of appointment. (Gov. Code, § 12950.1, subd. (a).)

Severity: Very Serious. The department does not ensure its new supervisors are properly trained to respond to sexual harassment or unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature. This limits the department's ability to retain a quality workforce, impacts employee morale and productivity, and subjects the department to litigation.

Cause: The STO states that they require all supervisors to attend mandatory supervisory training, but inadvertently missed one supervisor and did not follow up with the manager to ensure the new supervisor attended the mandatory training within the required six months.

Action: The STO must take appropriate steps to ensure that its supervisors are provided sexual harassment prevention training within the time

periods prescribed. It is therefore recommended that no later than 60 days after the SPB’s Executive Officer’s approval of these findings and recommendations, the STO must submit a written corrective action plan to ensure compliance with sexual harassment prevention training mandates. Copies of any relevant documentation should be included with the plan.

Compensation and Pay

Salary Determination

The pay plan for state civil service consists of salary ranges and steps established by CalHR (Cal. Code Reg., tit. 2, § 599.666). Several salary rules dictate how departments calculate and determine an employee’s salary rate⁶ upon appointment depending on the appointment type, and the employee’s state employment pay history and tenure.

During the period under review, July 1, 2016, through March 31, 2017, the STO made 26 appointments. The CRU reviewed ten of those appointments to determine if the STO applied salary regulations accurately and correctly processed employees’ compensation transactions. These appointments are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Business Service Assistant (Specialist)	Certification List	Permanent	Full Time	\$3,691
Office Assistant (Typing)	Certification List	Permanent	Full Time	\$2,429
Personnel Specialist	Certification List	Permanent	Full Time	\$4,235
Staff Services Analyst (General)	Certification List	Permanent	Full Time	\$3,824
Staff Services Analyst (General)	Certification List	Permanent	Full Time	\$3,824
Staff Services Analyst (General)	Certification List	Permanent	Full Time	\$3,824
Staff Services Manager I	Certification List	Permanent	Full Time	\$6,046
Student Assistant	Certification List	TAU	Intermittent	\$1,820

⁶ “Rate” is any one of the salary rates in the resolution by CalHR which establishes the salary ranges and steps of the Pay Plan (CA CCR Section 599.666).

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Staff Services Analyst (General)	Transfer	Permanent	Full Time	\$3,824
Staff Services Analyst (General)	Transfer	Permanent	Full Time	\$3,096

The CRU found no deficiencies in nine out of ten salary determinations that the STO made during the compliance review period. The STO appropriately calculated and processed 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.

However, the STO incorrectly applied compensation laws, rules and/or CalHR policies and guidelines for one salary determination reviewed.

FINDING NO. 6 – Incorrect Application of Salary Determination Laws, Board Rules, and/or CalHR Policies and Guidelines

Summary: The CRU found the following error in the STO's salary determination of employee compensation:

Classification	Description of Finding(s)	Criteria
Staff Services Analyst (General)	On November 28, 2016, the employee permissively reinstated to a Staff Services Analyst (SSA), Range C. The employee had already served ten qualifying pay periods in his prior SSA position at the STO. As such, the employee needed to serve two more qualifying pay periods, December and January of 2017 in order to satisfy rule 599.683(a)'s requirement of "twelve months of qualifying service." The November pay period could not count toward the merit salary adjustment because it was not a qualifying pay period. The employee should have received an anniversary date and subsequent merit salary adjustment on February of 2017.	599.608, 599.682 and 599.683

Severity: Very Serious. The STO's award of a merit salary adjustment on January 1, 2017 failed to comply with the state civil service pay plan by incorrectly applying compensation laws and rules in

accordance with CalHR’s policies and guidelines and resulted in the civil service employee receiving overpayment.

Cause: The STO states that this error occurred when a staff member miscounted a partial month as a qualifying pay period, which resulted in the employee receiving the MSA one month sooner.

Action: It is recommended that within 60 days of the Executive Officer’s approval of these findings and recommendations, the STO submit to the CRU a written corrective action plan that addresses the corrections the department will implement to ensure conformity with California Code of Regulations, title 2, sections 599.608, 599.682, and 599.683. It is also recommended that within 90 days of the Executive Officer’s approval of these findings and recommendations, the STO will correct the transaction, set up an accounts receivable, and begin collecting the overpayment.

Alternate Range Movement Salary Determination (within same classification)

If an employee qualifies under established criteria and moves from one alternate range to another alternate range of a class, the employee shall receive an increase or a decrease equivalent to the total of the range differential between the maximum salary rates of the alternate ranges (Cal. Code Reg., tit. 2, § 599.681). However, in many instances, CalHR provides salary rules departments must use when employees move between alternate ranges. They are described in the alternate range criteria (CalHR Pay Scales). When no salary rule or method is cited in the alternate range criteria, departments must default to rule 599.681.

During the period under review, April 1, 2016, through December 31, 2016, the STO made six alternate range movements within a classification⁷. The CRU reviewed all six of those alternate range movements to determine if the STO applied salary regulations accurately and correctly processed employee’s compensation, which are listed below:

Classification	Prior Range	Current Range	Time Base	Salary
Staff Services Analyst (General)	Range A	Range B	Permanent	\$3,875
Staff Services Analyst (General)	Range A	Range B	Permanent	\$3,251

⁷ 335 transactions.

Classification	Prior Range	Current Range	Time Base	Salary
Staff Services Analyst (General)	Range B	Range C	Permanent	\$3,824
Staff Services Analyst (General)	Range A	Range B	Permanent	\$3,875
Staff Services Analyst (General)	Range B	Range C	Permanent	\$3,824
Student Assistant	Range A	Range D	TAU	\$2,133 (\$12.31/Hour)

FINDING NO. 7 – Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found that the six alternate range movements the STO made during the compliance review period, satisfied civil service laws, board rules and CalHR policies and guidelines.

Hiring Above Minimum (HAM) Requests

Government Code section 19836 authorizes CalHR to allow payments above-the minimum rate in the salary range in order to hire persons who have extraordinary qualifications. On April 1, 2005, CalHR granted delegated authority to all departments to approve HAM's for extraordinary qualifications, former legislative employees, and former exempt employees (PML, "Delegation of Personnel Management Functions," 2005-012). On September 25, 2007, CalHR also granted delegated authority for all departments to approve exceptions to the HAM criteria for extraordinary qualifications for all new state employees without prior review or approval from CalHR. However, for existing state employees, departments should obtain approval from CalHR and delegated authority does not apply (PML, "Hiring Above Minimum Standards for Extraordinary Qualifications," 2010-005).

Prior to approving a HAM under delegated authority, departments should demonstrate and document the candidate's extraordinary qualifications. The candidate's extraordinary qualifications should contribute to the work of the department significantly beyond that which other applicants offer. The extraordinary qualifications should provide expertise in a particular area of the department's program well beyond the normal requirements of the class. The department may also consider the unique talent, ability or skill demonstrated by the candidate's previous job experience as extraordinary qualifications, but the scope and depth of such experience should be more significant than the length. The qualifications and hiring rates of State employees already in the

same class should be carefully considered (CalHR Online Manual Section 1707). In all cases, the candidate's current salary or other bona fide salary offers should be above the minimum rate, verified and appropriately documented. Additionally, departments must request and approve HAM's before a candidate accepts employment (*Ibid.*).

During the period under review, July 1, 2016, through March 31, 2017, the STO authorized two HAM requests. The CRU reviewed both authorized HAM requests to determine if the STO correctly applied Government Code section 19836 and appropriately verified, approved, and documented candidates' extraordinary qualifications and subsequent salaries, which are listed below:

Classification	Appointment Type	Status	Salary Range	Salary (Monthly Rate)
Associate Information Systems Analyst (Specialist)	List Appointment	New to the State	\$4,829.00 - \$6,350.00	\$5,835.00
Associate Systems Software Specialist (Technical)	List Appointment	New to the State	\$4,821.00 - \$6,333.00	\$6,333.00

FINDING NO. 8 – Hiring Above Minimum Requests Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found that the two HAM requests the STO made during the compliance review period, satisfied civil service laws, board rules and CalHR policies and guidelines.

Arduous Pay

Effective July 1, 1994, appointing authorities were provided the discretion to provide additional compensation for employees exempt from the Fair Labor Standards Act (FLSA) who perform arduous work that exceeds the normal demands of state service employment. (CalHR's Online Manual Section 1702). The work must be extraordinarily demanding, time consuming, and significantly exceed employees' normal workweek. The employee cannot be entitled to receive any other sort of compensation such as overtime. Eligible employees are FLSA-exempt employees who do not receive compensation in recognition of hours worked in excess of 40 hours per week. The duration of the arduous period must be at least two weeks or more (*Ibid.*).

Excluded and represented employees who are FLSA-exempt and assigned to Work Week Group E are eligible to receive up to four (4) months of pay per fiscal year, or per event for emergencies, if the following conditions are met⁸:

- There is a nonnegotiable deadline or extreme urgency;
- Work exceeds normal work hours and normal productivity;
- Work is unavoidable;
- Work involves extremely heavy workload;
- Employee is eligible for no other compensation, and
- The circumstances that support this pay differential are documented.

Departments have delegated authority to approve arduous pay for excluded employees who are FLSA-exempt, but CalHR approval is required for any arduous pay issued to represented employees.

Although departments have delegated authority to approve arduous pay⁹, they are required to fill out CalHR Form 777, documenting the circumstances, assessment and rationale behind all arduous pay approvals. A new Form 777 should be filled out for every employee receiving the pay differential, every time an employee is approved to receive a new pay differential, and every time an employee wants to extend their arduous pay. Extensions are only granted in rare circumstances. Departments must keep the Form 777 on file and retain the form for five years after the approval date (*Ibid.*).

During the period under review, April 1, 2016, through December 31, 2016, the STO issued Arduous Pay to one employee. The CRU reviewed the arduous pay authorization, listed below, to ensure compliance with applicable CalHR policies and guidelines:

Classification	Bargaining Unit	Work Week Group	Time Base	Total Compensation	Number of Months Received
Treasury Program Manager III	M01	E	Full Time	\$4,800	4

⁸ Applicable Memorandum of Understandings or Bargaining Unit Agreements detail other specific criteria.

⁹ Pay Letter 94-32 established Pay Differential 62 regarding arduous pay for Bargaining Units 1, 7, 9, 17, 19, and 21, and Excluded employees.

FINDING NO. 9 – Arduous Pay Authorization Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found that the one arduous pay authorization that the STO made during the compliance review period, satisfied civil service laws, board rules and CalHR policies and guidelines.

Bilingual Pay

A certified bilingual position is a position where the incumbent uses bilingual skills on a continuous basis and averages ten percent or more of the total time worked. According to the Pay Scales, specifically Pay Differential 14, the ten percent time standard is calculated based on the time spent conversing, interpreting, or transcribing in a second language and time spent on closely related activities performed directly in conjunction with the specific bilingual transactions.

Typically, the department must review the position duty statement to confirm the percentage of time performing bilingual skills and verify the monthly pay differential is granted to a certified bilingual employee in a designated bilingual position. The position, not the employee, receives the bilingual designation and the department must verify that the incumbent successfully participated in an Oral Fluency Examination prior to issuing the additional pay.

During the period under review, April 1, 2016, through December 31, 2016, the STO issued Bilingual Pay to one employee. The CRU reviewed the bilingual pay authorization, to ensure compliance with applicable CalHR policies and guidelines, which is listed below:

Classification	Bargaining Unit	Time Base
Office Technician (Typing)	R04	Full Time

FINDING NO. 10 – Bilingual Pay Authorization Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found that the bilingual pay authorized to the employee during the compliance review period, satisfied civil service laws, board rules and CalHR policies and guidelines.

Leave

Administrative Time Off

Administrative Time Off (ATO) is a form of paid administrative leave status initiated by appointing authorities for a variety of reasons. ATO is used when an employee cannot come to work because of a pending investigation, fitness for duty evaluation, or when work facilities are unavailable. Additionally, ATO may be granted when employees need time off for any of the following: donating blood, extreme weather that makes getting to work impossible, and/or, when employees need time off to attend special events. Any ATO requests lasting over 30 days must be submitted and approved by CalHR. Approval will generally be given in 30 calendar day increments and any extension must be approved prior to the expiration of the 30 calendar days. Departments must properly document and track ATO for any length of time (PML, "Administrative Time Off (ATO) – Policy, Procedure and Documentation Requirements", 2012-008).

Employees may also be granted a paid leave of absence of up to five days by their appointing power when the employee works or resides in a county where a state of emergency has been proclaimed by the Governor (§ 599.785.5. Administrative Time Off - During State of Emergency).

During the period under review, January 1, 2016, through December 31, 2016, the STO placed two employees on ATO. The CRU reviewed both employees placed on ATO to ensure the department complied with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	No. of Days on ATO
Staff Services Analyst	9/29/16 – 10/5/16	5
Staff Services Analyst	4/19/16 – 4/25/16	5

FINDING NO. 11 – Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU found no deficiencies in the two employees placed on ATO during the compliance review period. The STO provided the proper documentation justifying the use of ATO and adhered to applicable laws, regulations and CalHR policy and guidelines.

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 Reg., tit. 2, § 599.665).

Additionally, in accordance with CalHR Online Manual Section 2101, departments must create a monthly internal audit process to verify all leave input into any leave accounting system is keyed accurately and timely. 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. Attendance records shall be corrected by the pay period following the pay period in which the error occurred. Accurate and timely attendance reporting is required of all departments and is subject to audit.

During the period under review, November 1, 2016, through December 31, 2016, the STO reported 24 units comprised of 239 active employees during the November 2016 pay period and 24 units comprised of 238 active employees during the December 2016 pay period. The pay periods and timesheets reviewed by the CRU are summarized as follows:

Timesheet Leave Period	Number of Units Reviewed	Number of Employees	Number of Timesheets Reviewed	Number of Missing Timesheets
November 2016	6	92	92	0
December 2016	6	90	90	0

FINDING NO. 12 – Leave Activity and Correction Certification Forms Were Not Completed For All Leave Records Reviewed

Summary:

STO provided documentation demonstrating that they currently administer an effective monthly internal audit process to verify that all leave input into their leave accounting system was keyed accurately and timely. After reviewing 12 units' leave records over two pay periods, it was determined that the STO correctly keyed all leave types accrued/earned or used, and corrected any identified errors in the leave accounting system in a timely manner.

However, the STO failed to provide completed Leave Activity and Correction Certification forms for four out of six units reviewed

during the December 2016 pay period. Additionally, the STO failed to provide completed Leave Activity and Correction Certification forms for two out of six units reviewed during the November 2016 pay period.

Criteria: In accordance with California Code of Regulations, title 2, section 599.665, departments are responsible for maintaining accurate and timely leave accounting records for their employees. In an effort to ensure departmental compliance, CalHR mandates that departments audit processes include the comparison of “what has been recorded in the leave accounting system as accrued/earned or used by each employee to their attendance record for the pay period” (CalHR Online Manual Section 2101). CalHR also directs departments to identify and record all leave errors found using a Leave Activity and Correction Certification form (Ibid.). Moreover, CalHR requires that departments certify that all leave records for the unit/pay period identified on the certification form be reviewed regardless of whether errors were identified.

Severity: Non-serious or Technical. Departments must document that they reviewed all leave inputted into their leave accounting system to ensure accuracy and timeliness. For post audit purposes, the completion of Leave Activity and Correction Certification forms demonstrates compliance with CalHR policies and guidelines.

Cause: The STO states that, historically, they have not completed the Leave Activity and Correction Certification form for units that did not have any errors on their leave accounting records.

Action: It is recommended that within 60 days of the Executive Officer’s approval of these findings and recommendations, the STO submit to the CRU a written corrective action plan that addresses the corrections the department will implement to ensure conformity with California Code of Regulations, title 2, section 599.665 and CalHR Online Manual Section 2101. Copies of any relevant documentation should be included with the plan.

Leave Reduction Efforts

Departments must comply with the regulations and CalHR policies that require a leave plan for every employee with vacation or annual leave hours over the maximum amount permitted (Cal. Code Regs., tit. 2, § 599.742.1 and applicable Bargaining Unit Agreements). Bargaining Unit Agreements and California Code of Regulations prescribe the maximum amount of vacation or annual leave permitted. For instance, according to California Code of Regulations, title 2, section 599.737, if a represented employee does not use all of the vacation to which he or she is entitled in a calendar year, “the employee may accumulate the unused portion, provided that on January 1st of a calendar year, the employee shall not have more than” the established limit as stipulated by the applicable bargaining unit agreement¹⁰. Likewise, if an excluded employee does not use all of the vacation to which he or she is entitled in a calendar year, the “employee may accumulate the unused portion of vacation credit, provided that on January 1st of a calendar year, the excluded employee shall not have more than 80 vacation days.” (Cal. Code Regs., tit. 2, § 599.738).

In accordance with CalHR Online Manual Section 2124, 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.

As of December 2016, 48 STO employees exceeded the established limits of vacation or annual leave. The CRU reviewed 24 of those employees’ leave reduction plans to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Classification	Collective Bargaining Identifier	Total Hours Over Established Limit	Leave Reduction Plan Provided
Accounting Administrator II	S01	726	No
Associate Information Systems Analyst (Specialist)	R01	310	No
Associate Treasury Program Officer	E99	1470	No

¹⁰ For represented employees, the established limit for annual or vacation leave accruals is 640 hours, however for bargaining units 06 there is no established limit and bargaining unit 5 the established limit is 816 hours.

Classification	Collective Bargaining Identifier	Total Hours Over Established Limit	Leave Reduction Plan Provided
Associate Treasury Program Officer	R01	513.25	No
Associate Treasury Program Officer	R01	334.5	No
Career Executive Assignment (CEA)	M01	733.67	No
CEA	M01	577	No
CEA	M01	525	No
CEA	M01	299.5	No
CEA	M01	233	No
CEA	M01	290.38	No
Data Processing Manager III	M01	518.5	No
Data Processing Manager IV	M01	1013.5	No
Senior Information Systems Analyst (Specialist)	R01	944	No
Senior Program Analyst (Specialist)	R01	287.25	No
Staff Program Analyst (Specialist)	R01	374	No
Staff Services Manager III	M01	1109	No
System Software Specialist I (Technical)	R01	401.25	No
Treasury Program Manager I	E48	580.4	No
Treasury Program Manager II	E48	639.75	No
Treasury Program Manager II	E48	532	No
Treasury Program Manager II	S01	602	No
Treasury Program Manager II	S01	543.5	No
Treasury Program Manager II	M01	332	No
Total Hours		13889.45	

FINDING NO. 13 – Leave Reduction Plans Were Not Provided to All Employees Whose Leave Balances Exceeded Established Limits

Summary:

The STO provided a leave reduction policy included in their department’s online Administrative Manual. Additionally, the STO disseminated an April 18, 2017, memorandum demonstrating that they encourage their employees to participate in the leave buy-back program in an effort to reduce “over the cap” leave balances. However, the STO failed to adhere to their own internal policy and did not provide leave reduction plans for the 24 employees

reviewed whose leave balances significantly exceeded established limits.

Criteria: It is the intent of the state to allow employees to utilize credited vacation or annual leave each year for relaxation and recreation. (Cal. Code Regs., tit. 2, § 599.742.1), ensuring employees maintain the capacity to optimally perform their jobs. 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 for reasons other than those listed in sections 599.737 and 599.738 of these regulations 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. (Cal. Code Regs., tit. 2, § 599.742.)

According to CalHR Online Manual Section 2124, “It is the policy of the state to foster and maintain a workforce that has the capacity to effectively produce quality services expected by both internal customers and the citizens of California. Therefore, appointing authorities and state managers and supervisors must create a leave reduction policy for the 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 and are actively reducing hours”.

Severity: Non-serious or Technical. California state employees have accumulated significant leave hours creating an unfunded liability for departmental budgets. The value of this liability increases with each passing promotion and salary increase. Accordingly, leave balances exceeding established limits need to be addressed immediately.

Cause: The STO states that they currently have a published policy that addresses leave balances that are in excess of the established limits. However, there has not been an enforcement mechanism established to address these excess balances.

Action: It is recommended that within 60 days of the Executive Officer’s approval of these findings and recommendations, the STO submit

to the CRU a written corrective action plan that addresses the corrections the department will implement to ensure conformity with California Code of Regulations, title 2, section 599.742 and CalHR Online Manual Section 2124. Copies of any relevant documentation should be included with the plan.

State Service

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 service¹¹ (Cal. Code Regs., tit. 2, § 599.608).

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 additional qualifying monthly pay period as defined in section 599.608, the employee shall be allowed credit for vacation with pay on the first day of the following monthly pay period. 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. Portions of non-qualifying monthly pay periods of service shall not be counted nor accumulated (Cal. Code Regs., tit. 2, § 599.739). On the first day following a qualifying monthly pay period, excluded employees¹² shall be allowed credit for annual leave with pay (Cal. Code Regs., tit. 2, § 599.752).

Permanent Intermittent employees earn vacation according to the preceding schedule for each increment of 160 hours worked. Hours worked in excess of 160 hours in a monthly pay period are not counted or accumulated.

¹¹ Except as provided in sections 599.609 and 599.776.1(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 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 of these regulations.

¹² As identified in Government Code sections 19858.3(a), 19858.3(b), or 19858.3(c) as it applies to employees excluded from the definition of state employee under section Government Code 3513(c), and appointees of the Governor as designated by the Department and not subject to section 599.752.1.

During the period under review, April 1, 2016, through December 31, 2016, the STO processed six 715 transactions¹³. The CRU reviewed all 715 transactions to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Type of 715 Transaction	Time base	Number Reviewed
Non-Qualifying Pay Period	Full Time	5
Qualifying Pay Period	Full Time	1

FINDING NO. 14 – 715 Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

The CRU determined that the STO 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. Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. 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. Personal relationships for this purpose include but are not limited to, association by blood, adoption, marriage and/or cohabitation. In addition, there may be personal relationships beyond this general definition that could be subject to these policies. Overall, departmental nepotism policies should aim to prevent favoritism or bias based on a personal relationship when recruiting, hiring or assigning employees. Departments have the discretion, based on organizational structure and size, to develop nepotism policies as they see fit (CalHR Online Manual Section 1204).

¹³ 715 transaction code is used for: temporary leaves of 30 calendar days or less (per SPB Rule 361) resulting in a non-qualifying pay period; used for qualifying a pay period while on NDI; used for qualifying a pay period while employee is on dock and furlough.

FINDING NO. 15 – Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

After reviewing the STO's nepotism policy in effect during the compliance review period, the CRU verified that the policy was disseminated to all staff and emphasized the STO's commitment to the state policy of recruiting, hiring and assigning employees on the basis of merit. Additionally, the STO's nepotism policy was comprised of specific and sufficient components intended to prevent favoritism, or bias, based on a personal relationship from unduly influencing employment decisions as outlined in CalHR's Online Manual Section 1204.

Workers' Compensation

Pursuant to California Code of Regulations, title 8, section 9880, employers shall provide to every new employee 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. This notice shall also contain a form that the employee can use to pre-designate their personal physician or medical group as defined by Labor Code section 4600. Additionally, employers shall also provide a claim form and notice of potential eligibility to their employee within one working day of notice or knowledge that the employee has suffered a work related injury or illness (Labor Code, § 5401).

According to Labor Code section 3363.5, public employers may choose to extend workers' compensation coverage to volunteers that perform services for the organization. Workers' compensation coverage is not mandatory for volunteers as it is for employees. This is specific to the legally uninsured state departments participating in the Master Agreement. Departments with an insurance policy for workers' compensation coverage should contact their State Compensation Insurance Fund (SCIF) office to discuss the status of volunteers (PML, "Workers' Compensation Coverage for Volunteers," 2015-009). Those departments that have volunteers should have notified or updated their existing notification to the SCIF by April 1, 2015, whether or not they have decided to extend workers' compensation coverage to volunteers. In this case, the STO did not employ volunteers during the compliance review period.

FINDING NO. 16 – Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

After reviewing the STO's workers' compensation process that was in effect during the compliance review period, the CRU verified that the STO provides notice to their employees to inform them of their rights and responsibilities under CA workers'

compensation law. Furthermore, the CRU verified that when the STO received workers' compensation claims, the STO properly provided claim forms within one working day of notice or knowledge of injury.

Performance Appraisals

According to Government Code section 19992.2, departments 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 nine permanent STO employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations and CalHR policy and guidelines.

FINDING NO. 17 – Performance Appraisals Were Not Provided to All Employees

Summary: The STO did not provide performance appraisals to five of nine employees reviewed at least once in each twelve calendar months after the completion of the employee’s probationary period.

Classification	Date Performance Appraisal(s) due
Accounting Administrator I (Supervisor)	1/15/2017
Date Processing Manager III	10/13/2016
Staff Services Manager I	9/1/2016
Staff Services Manager II (Supervisory)	3/16/2017
Treasury Program Manager I	1/15/2017

Criteria: Departments are required to “prepare performance reports and keep them on file as prescribed by department rule” (Government Code section 19992.2). 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.

Severity: Serious. The department does not ensure that all employees are apprised of work performance issues and/or goals in a fair and systematic manner.

Cause: The STO states that they had established policies and procedures related to the annual notification process to inform supervisors when their employees were due to receive their annual appraisal. However, under the previous policy they did not have an effective monitoring system.

Action: It is recommended that within 60 days of the Executive Officer's approval of these findings and recommendations, the STO submit to the CRU a written corrective action plan that addresses the corrections the department will implement to ensure conformity with Government Code section 19992.2 and California Code of Regulations, title 2, section 599.798. Copies of any relevant documentation should be included with the plan.

DEPARTMENTAL RESPONSE

The STO's response is attached as Attachment 1.

SPB REPLY

Based upon the STO's written response, the STO will comply with the CRU recommendations and findings and provide the CRU with an action plan.

It is further recommended that the STO comply with the afore-stated recommendations within 60 days of the Executive Officer's approval and submit to the CRU a written report of compliance.