



COMPLIANCE REVIEW REPORT

CALIFORNIA HOUSING FINANCE AGENCY

Compliance Review Unit
State Personnel Board
July 8, 2024

TABLE OF CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	2
BACKGROUND	3
SCOPE AND METHODOLOGY	4
FINDINGS AND RECOMMENDATIONS	6
EXAMINATIONS	6
APPOINTMENTS	8
EQUAL EMPLOYMENT OPPORTUNITY	10
MANDATED TRAINING	11
COMPENSATION AND PAY	14
LEAVE	17
POLICY AND PROCESSES	20
DEPARTMENTAL RESPONSE	23
SPB REPLY	23

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 Housing Finance Agency (CalHFA) 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	Severity	Finding
Examinations	In Compliance	Examinations Complied with Civil Service Laws and Board Rules
Examinations	In Compliance	Permanent Withhold Action Complied with Civil Service Laws and Board Rules
Appointments	In Compliance	Appointments Complied with Civil Service Laws and Board Rules
Equal Employment Opportunity	Very Serious	A Disability Advisory Committee Has Not Been Established ¹
Mandated Training	Very Serious	Ethics Training Was Not Provided for All Filers
Mandated Training	Very Serious	Sexual Harassment Prevention Training Was Not Provided for All Employees
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Very Serious	Incorrect Authorization of Bilingual Pay

¹ Repeat finding. The CalHFA's March 3, 2014, compliance review report identified that the CalHFA did not have an active DAC.

Area	Severity	Finding
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Very Serious	Department's Nepotism Policy Does Not Contain All Required Components
Policy	In Compliance	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Performance Appraisal Policy and Processes Complied with Civil Service Laws and Regulations and CalHR Policies and Guidelines

BACKGROUND

The CalHFA was created in 1975 to finance housing for low and moderate income Californians to support its mission: investing in diverse communities so more Californians have a place to call home. In its 49-year history, the CalHFA has helped more than 220,000 homebuyers access \$37.5 billion in first mortgages and used \$9.4 billion in financing for the construction and preservation of more than 78,000 rental housing units throughout the state.

The CalHFA, governed by a Board of Directors, is a self-supported state agency that doesn't rely on taxpayer dollars for its operational costs but is currently administering various state and federal resources on behalf of the state through targeted programs. The CalHFA employs approximately 221 industry professionals focused on the core values of accountability, impact, integrity, respect, and teamwork.

SCOPE AND METHODOLOGY

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

A cross-section of the CalHFA's examinations was selected for review to ensure that samples of various examination types, classifications, and levels were reviewed. The CRU examined the documentation that the CalHFA provided, which included examination plans, examination bulletins, job analyses, and scoring results. The CRU also reviewed the CalHFA's permanent withhold actions documentation, including Withhold Determination Worksheets, State applications (STD 678), class specifications, and withhold letters.

A cross-section of the CalHFA's appointments was selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRU examined the documentation that the CalHFA provided, which included Notice of Personnel Action forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. The CalHFA did not conduct any unlawful appointment investigations or make any additional appointments during the compliance review period.

The CalHFA's appointments were also selected for review to ensure the CalHFA applied salary regulations accurately and correctly processed employees' compensation and pay. The CRU examined the documentation that the CalHFA 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 for the following personnel function related to compensation and pay: bilingual pay. During the compliance review period, the CalHFA did not issue or authorize hiring above minimum requests, red circle rate requests, arduous pay, monthly pay differentials, alternate range movements, or out-of-class assignments.

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

The review of the CalHFA'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 CalHFA's PSC's executed during the compliance review period were exempt from standard contract requirements due to California Health and Safety Code 51050 (f)³.

The CalHFA's mandated training program was reviewed to ensure all employees required to file statements of economic interest were provided ethics training, that all supervisors, managers, and those serving in Career Executive Assignments (CEA) were provided leadership and development training, and that all employees were provided sexual harassment prevention training within statutory timelines.

The CRU reviewed the CalHFA's monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely and ensure the department certified that all leave records have been reviewed and corrected if necessary. The CRU selected the CalHFA's one unit in order to ensure they maintained accurate and timely leave accounting records. Additionally, the CRU reviewed a selection of the CalHFA employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRU reviewed a selection of CalHFA positive paid employees whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements. During the compliance review period, the CalHFA did not have any employees with non-qualifying pay period transactions.

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

The CRU received and carefully reviewed the CalHFA's written response on June 24, 2024, which is attached to this final compliance review report.

³ California Health and Safety Code 51050 (f) Notwithstanding any other provision of law, to make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this part with any governmental agency, private corporation or other entity, or individual, and to contract with any local public entity for processing of any aspect of financing housing developments. Contracts made or executed under the authority of this part shall not be subject to any applicable provision of law requiring competitive bidding or the supervision or approval of another division or officer of state government.

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, subd. (a).) 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 with the department or a designated appointing power as directed by the examination announcement. (Gov. Code, § 18934, subd. (a)(1).) 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, June 1, 2023, through February 29, 2024, the CalHFA conducted 10 examinations. The CRU reviewed 4 of those examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Career Executive Assignment (CEA) A, Deputy Comptroller	CEA	Statement of Qualifications ⁴	7/14/23	6
Housing Finance Officer (Management Services)	Open	Training and Experience (T&E) ⁵	8/18/23	7
Housing Finance Specialist (Rental)	Open	T&E	9/29/23	2

⁴ In a Statement of Qualifications examination, applicants submit a written summary of their qualifications and experience related to a published list of desired qualifications. Raters, typically subject matter experts, evaluate the responses according to a predetermined rating scale designed to assess their ability to perform in a job classification, assign scores and rank the competitors in a list.

⁵ The Training and Experience examination is administered either online or in writing, and asks the applicant to answer multiple-choice questions about his or her level of training and/or experience performing certain tasks typically performed by those in this classification. Responses yield point values.

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Housing Finance Specialist (Single Family)	Open	T&E	10/6/23	13

IN COMPLIANCE	FINDING NO. 1 EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
----------------------	--

The CRU reviewed four open examinations which the CalHFA administered in order to create eligible lists from which to make appointments. The CalHFA published and distributed examination bulletins containing the required information for all examinations. Applications received by the CalHFA 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 CalHFA conducted during the compliance review period.

Permanent Withhold Actions

Departments are granted statutory authority to permit withhold of eligibles from lists based on specified criteria. (Gov. Code, § 18935.) Permanent appointments and promotions within the state civil service system shall be merit-based, ascertained by a competitive examination process. (Cal. Const., art. VII, § 1, subd. (b).) If a candidate for appointment is found not to satisfy the minimum qualifications, the appointing power shall provide written notice to the candidate, specifying which qualification(s) are not satisfied and the reason(s) why. The candidate shall have an opportunity to establish that s/he meets the qualifications. (Cal. Code Regs., tit. 2, § 249.4, subd. (b).) If the candidate fails to respond or fails to establish that s/he meets the minimum qualification(s), the candidate's name shall be removed from the eligibility list. (Cal. Code Regs., tit. 2, § 249.4, subd. (b)(1), (2)), (HR Manual, section 1105.) The appointing authority shall promptly notify the candidate in writing and shall notify the candidate of his or her appeal rights. (*Ibid.*) A permanent withhold does not necessarily permanently restrict a candidate from retaking the examination for the same classification in the future; however, the appointing authority may place a withhold on the candidate's subsequent eligibility record if the candidate still does not meet the minimum qualifications or continues to be unsuitable. (HR Manual, Section 1105). State agency human resources offices are required to maintain specific withhold documentation for a period of five years. (*Ibid.*)

During the period under review, June 1, 2023, through February 29, 2024, the CalHFA conducted one permanent withhold action. The CRU reviewed the permanent withhold action, which is listed below:

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Information Technology Specialist I	18693	10/18/22	10/18/23	Failed to Meet Minimum Qualifications

IN COMPLIANCE	FINDING NO. 2 PERMANENT WITHHOLD ACTION COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
----------------------	---

The CRU found no deficiencies in the permanent withhold action undertaken by the department 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.) 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, April 1, 2023, through December 31, 2023, the CalHFA made 28 appointments. The CRU reviewed 16 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accounting Administrator I (Specialist)	Certification List	Permanent	Full Time	1
Attorney	Certification List	Permanent	Full Time	1
Business Service Assistant (Specialist)	Certification List	Permanent	Full Time	1
CEA A, Deputy Comptroller	CEA	Permanent	Full Time	1
Information Technology Associate	Certification List	Permanent	Full Time	1
Information Technology Associate (LEAP)	Certification List	Limited Term	Full Time	1
Information Technology Specialist I	Certification List	Permanent	Full Time	1
Information Technology Supervisor II	Certification List	Permanent	Full Time	1
Information Technology Technician	Certification List	Permanent	Full Time	1
Management Services Technician (LEAP)	Certification List	Limited Term	Full Time	1
Office Technician (General)(LEAP)	Certification List	Limited Term	Full Time	1
Research Data Analyst I	Certification List	Permanent	Full Time	1
Senior Legal Analyst	Certification List	Permanent	Full Time	1
Staff Services Analyst (General)	Certification List	Permanent	Full Time	2
Associate Governmental Program Analyst	Permissive Reinstatement	Permanent	Full Time	1

IN COMPLIANCE	FINDING NO. 3 APPOINTMENTS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
----------------------	--

The CalHFA 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 15 list appointments reviewed, the CalHFA 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 CalHFA appointment made via permissive reinstatement. An appointing power may, in his or her discretion, reinstate any person having probationary or permanent status who was separated from his or her position by: resignation; service retirement; termination from limited-term, temporary, career executive assignment or

exempt appointment; absence without leave, as defined; or without a break in continuity of state service to accept another civil service or exempt appointment (Gov. Code, § 19140.) The CalHFA verified the eligibility of the candidate to their appointed class.

The CRU found no deficiencies in the appointments that the CalHFA initiated during the compliance review period. Accordingly, the CRU found that the CalHFA'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).)

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).)

SEVERITY: VERY SERIOUS	FINDING NO. 4 A DISABILITY ADVISORY COMMITTEE HAS NOT BEEN ESTABLISHED
-----------------------------------	---

Summary: The CalHFA does not have an active DAC. This is the second consecutive time this has been a finding for the CalHFA.

Criteria: 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).)

Severity: Very Serious. The agency head does not have direct information on issues of concern to employees or other persons with disabilities and input to correct any underrepresentation. The lack of a DAC may limit an agency's ability to recruit and retain a qualified workforce, impact productivity, and subject the agency to liability.

Cause: The CalHFA states that it had an active DAC committee until 2019 when the DAC chairperson and two other members retired. The two remaining members continued to attend the State DAC meetings, however, CalHFA's DAC was not active during the review period.

Corrective Action: The CalHFA asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CalHFA must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure the establishment of a DAC, comprised of members who have disabilities or who have an interest in disability issues.

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) and (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).)

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.*)

New employees must be provided sexual harassment prevention training within six months of appointment. Thereafter, each department must provide its supervisors two hours of sexual harassment prevention training and non-supervisors one hour of sexual harassment prevention training every two years. (Gov. Code, § 12950.1, subds. (a) and (b); Gov. Code, § 19995.4.)

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 CalHFA’s mandated training program that was in effect during the compliance review period, March 1, 2022, through February 29, 2024. The CalHFA’s supervisory training was found to be in compliance, while the CalHFA’s ethics training and sexual harassment prevention training were found to be out of compliance.

SEVERITY: VERY SERIOUS	FINDING NO.5 ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS
-----------------------------------	---

Summary: The CalHFA did not provide ethics training to 16 of 76 existing filers. In addition, the CalHFA did not provide ethics training to 4 of 24 new filers within 6 months of appointment.

Criteria: New filers must be provided ethics training within six months of appointment. Existing filers must be trained at least once during each consecutive period of two calendar years commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3, subd. (b).)

Severity: Very Serious. The department does not ensure that its filers are aware of prohibitions related to their official position and influence.

Cause: The CalHFA acknowledges that 16 existing filers and 4 new filers did not complete ethics training despite automatic training notices and reminders being sent to designated filers.

Corrective Action: The CalHFA asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CalHFA must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with Government Code section 11146.3..

SEVERITY: VERY SERIOUS	FINDING NO. 6 SEXUAL HARASSMENT PREVENTION TRAINING WAS NOT PROVIDED FOR ALL EMPLOYEES
-----------------------------------	---

Summary: The CalHFA provided sexual harassment prevention training to all 39 existing non-supervisors every 2 years. However, the CalHFA did not provide sexual harassment prevention training to 2 of 5 new supervisors within 6 months of appointment. In addition, the CalHFA did not provide sexual harassment prevention training to 1 of 47 existing supervisors every 2 years.

Criteria: Each department must provide its supervisors two hours of sexual harassment prevention training every two years and non-supervisory employees one hour of sexual harassment prevention training every two years. New employees must be provided sexual harassment prevention training within six months of appointment. (Gov. Code, § 12950.1, subds. (a) and (b); Gov. Code § 19995.4.)

Severity: Very Serious. The department does not ensure that all new and existing employees 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 CalHFA acknowledges that not all employees completed the sexual harassment prevention training. The CalHFA lacked a tracking system to monitor and notify employees during the review period.

Corrective Action: The CalHFA asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CalHFA must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure that all employees are provided sexual harassment prevention training in accordance with Government Code section 12950.1.

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 rate⁶ 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, April 1, 2023, through December 31, 2023, the CalHFA made 28 appointments. The CRU reviewed 7 of those appointments to determine if the CalHFA applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

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 (Cal. Code Regs., tit. 2, section 599.666).

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Accounting Administrator I (Specialist)	Certification List	Permanent	Full Time	\$7,587
Business Service Assistant	Certification List	Permanent	Full Time	\$4,521
Information Technology Associate	Certification List	Permanent	Full Time	\$6,147
Information Technology Supervisor II	Certification List	Permanent	Full Time	\$10,125
Information Technology Technician	Certification List	Permanent	Full Time	\$6,051
Senior Legal Analyst	Certification List	Permanent	Full Time	\$6,334
Associate Governmental Program Analyst	Permissive Reinstatement	Permanent	Full Time	\$5,968

IN COMPLIANCE	FINDING NO. 7 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 CalHFA 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.

Bilingual Pay

A certified bilingual position is a position where the incumbent uses bilingual skills on a continuous basis and averages 10 percent or more of the total time worked. According to the Pay Differential 14, the 10 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, 2023, through December 31, 2023, the CalHFA issued bilingual pay to four employees. The CRU reviewed the four bilingual pay authorizations to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

Classification	Bargaining Unit	Time Base	No. of Appts.
Housing Finance Specialist (Management Services)	R01	Full Time	1
Housing Finance Specialist (Single Family)	R01	Full Time	2
Information Officer II	S01	Full Time	1

SEVERITY: VERY SERIOUS	FINDING NO. 8 INCORRECT AUTHORIZATION OF BILINGUAL PAY
-----------------------------------	---

Summary: The CRU found four errors in the four bilingual pay authorizations reviewed:

Classification	Description of Finding(s)	Criteria
Housing Finance Specialist (Management Services)	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14
Housing Finance Specialist (Single Family)		
Housing Finance Specialist (Single Family)		
Information Officer II		

Criteria: An individual must be in a position that has been certified by the department as a position which requires the use of bilingual skills on a continuing basis averaging 10 percent of the time spent either conversing, interpreting or transcribing in a second language and time spent on closely related activities performed directly in conjunction with specific bilingual transactions. (Pay Differential 14.)

Severity: Very Serious. Failure to comply with the state civil service pay plan by incorrectly applying compensation rules in accordance with CalHR’s policies and guidelines results in civil service employees receiving incorrect and/or inappropriate pay.

Cause: The CalHFA states that it did not have effective procedures in place as it relates to authorizing bilingual pay.

Corrective Action: The CalHFA asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CalHFA must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with Government Code section 7296, and/or Pay Differential 14.

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 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 the working days of a month. When counting 189 days, every day worked, including partial days⁷ worked and paid absences⁸, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day are 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.*)

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).)

⁷ For example, two hours or ten hours count as one day.

⁸ For example, vacation, sick leave, compensating time off, etc.

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 CalHFA had six positive paid employees whose hours were tracked. The CRU reviewed five of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Time Worked
Housing Finance Officer (Rental)	Retired Annuitant	7/1/22-6/30/23	731 Hours
Student Assistant	Temporary	9/1/23-2/29/24	540 Hours
Student Assistant	Temporary	11/1/23-2/29/24	1,277 Hours
Student Assistant	Temporary	11/1/23-2/29/24	288.5 Hours
Student Assistant	Temporary	12/1/22-11/30/23	748 Hours

IN COMPLIANCE	FINDING NO. 9 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 CalHFA provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

Administrative Time Off

ATO is a form of paid administrative leave status initiated by appointing authorities for a variety of reasons. (Human Resources Manual Section 2121.) Most often, 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. (*Ibid.*) ATO can also be granted when employees need time off for reasons such as blood or organ donation, extreme weather preventing safe travel to work, states of emergency, voting, and when employees need time off to attend special events. (*Ibid.*)

During the period under review, December 1, 2022, through November 30, 2023, the CalHFA authorized 14 ATO transactions. The CRU reviewed 13 of these ATO transactions to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
Associate Accounting Analyst	12/1/22	9 Hours
Associate Governmental Program Analyst	1/9/23	1 Day
Associate Governmental Program Analyst	3/2/23-3/8/23	5 Days
CEA A, Credit Officer, Multifamily Credit	12/7/22-12/8/22, 12/23/22	20 Hours
Chief Information Officer, CalHFA	12/12/22-12/14/22	3 Days
Housing Finance Officer (Management Services)	3/14/23-4/3/23	14 Days
Housing Finance Specialist (Management Services)	12/1/22-12/13/22	9 Days
Information Technology Associate	12/5/22	4 Hours
Information Technology Supervisor II	12/1/22-12/2/22	2 Days
Senior Accounting Officer (Specialist)	1/9/23	4 Hours
Staff Services Manager II (Managerial)	12/23/22	1 Day
Student Assistant	12/12/22-12/15/22	20 Hours
Student Assistant	12/12/22-12/14/22	13.5 Hours

IN COMPLIANCE	FINDING NO. 10 ADMINISTRATIVE TIME OFF AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
----------------------	--

The CRU found no deficiencies in the ATO transactions reviewed during the compliance review period. The CalHFA 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 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, September 1, 2023, through November 30, 2023, the CalHFA reported 6 units comprised of 537 active employees. The pay period and timesheets reviewed by the CRU are summarized below:

Timesheet Leave Period	Unit Reviewed	No. of Employees	No. of Timesheets Reviewed	No. of Missing Timesheets
September 2023	001	174	174	0

IN COMPLIANCE	FINDING NO. 11 LEAVE AUDITING AND TIMEKEEPING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
----------------------	--

The CRU reviewed employee leave records from the leave period to ensure compliance with applicable laws, regulations and CalHR policy and guidelines. Based on our review, the CRU found no deficiencies. The CalHFA 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.

Policy and Processes

Nepotism

It is the policy of the State of California to hire, transfer, and promote 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. (Cal. Code Regs., tit. 2, § 87.) (*Ibid.*) All appointing powers shall adopt an anti-nepotism policy that includes the following components: (1) a statement that the appointing power is committed to merit-based hiring and that nepotism is antithetical to a merit-based civil service system; (2) a definition of “nepotism” as an employee’s use of influence or power to hire, transfer, or promote an applicant or employee because of a personal relationship; (3) a definition of “personal relationship” as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation; (4) a statement that prohibits participation in the selection of an applicant for employment by anyone who has a personal relationship with the

applicant, as defined in section 83.6; (5) a statement that prohibits the direct or first-line supervision of an employee with whom the supervisor has a personal relationship, as defined in section 83.6; (6) a process for addressing issues of direct supervision when personal relationships between employees exist. (*Ibid.*)

SEVERITY: VERY SERIOUS	FINDING NO. 12 DEPARTMENT’S NEPOTISM POLICY DOES NOT CONTAIN ALL REQUIRED COMPONENTS
-----------------------------------	---

Summary: The CalHFA’s nepotism policy does not contain all required components. Specifically, the CalHFA’s nepotism policy does not include: A definition of “personal relationship” as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation.

Criteria: It is the policy of the State of California to hire, transfer, and promote all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. (Human Resources Manual Section 1204). All department nepotism policies shall include six specific components which emphasize that nepotism is antithetical to merit-based civil service and include definitions and prohibitions integral to upholding the merit system. (Cal. Code Regs., tit. 2, § 87.)

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 hiring, transferring, and promoting of all employees is done on the basis of merit and fitness in accordance with civil service statutes. Maintaining a current written nepotism policy that addresses all requirements outlined in civil service statute, rules and regulations, and its dissemination to all staff, is the cornerstone for achieving these outcomes.

Cause: The CalHFA acknowledges the missing component in its’ nepotism policy and states that the policy has been amended to include all required components.

Corrective Action: The CalHFA asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CalHFA must submit to the SPB documentation which demonstrates the

corrections the department has implemented to ensure its nepotism policy includes requirements outlined in Human Resources Manual section 1204, and documentation demonstrating that it has been distributed to all staff.

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, subd. (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 COMPLIANCE	FINDING NO.13 WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
---------------	--

The CRU verified that the CalHFA provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. The CalHFA did not receive any workers' compensation claims during the review period.

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 57 permanent CalHFA employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

IN COMPLIANCE	FINDING NO. 14 PERFORMANCE APPRAISAL POLICY AND PROCESSES COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
----------------------	---

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

DEPARTMENTAL RESPONSE

The CalHFA’s departmental response is attached as Attachment 1.

SPB REPLY

Based upon the CalHFA’s written response, the CalHFA 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.



June 24, 2024

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

Dear Ms. Ambrose:

The California State Personnel Board (SPB), Compliance Review Unit (CRU), conducted a compliance review of the California Housing Finance Agency (CalHFA) pursuant to Article VII, Section 3, of the California Constitution, Government Code (GC) Section 18661, and GC Section 18502.

CalHFA reviewed the draft compliance review report provided by SPB on June 24, 2024. The following are the findings and CalHFA's response to each finding.

FINDING NO. 4	SEVERITY: VERY SERIOUS	A DISABILITY ADVISORY COMMITTEE HAS NOT BEEN ESTABLISHED
----------------------	-----------------------------------	---

The CalHFA does not have an active DAC. This is the second consecutive time this has been a finding for the CalHFA.

Cause: CalHFA had an active DAC committee until November 2019. The DAC chair and two of its committee members retired, which left two remaining members. CalHFA's remaining members have continued to attend the State Disability Advisory Committee (SDAC) meetings and continue to collaborate internally with the Agency's EEO Officer.

Response: CalHFA recognizes the importance of addressing issues and concerns related to individuals with disabilities and is committed to fostering a diverse and inclusive work environment. CalHFA will add additional members to join the DAC Committee, regularly review and update the DAC Committee Charter, and ensure reoccurring quarterly meetings. Additionally, the meeting minutes will be

distributed, and any issues identified in the DAC meetings will be shared with the EEO Officer and the Executive Director.

FINDING NO. 5	SEVERITY: VERY SERIOUS	ETHISCS TRAINING WAS NOT PROVIDED FOR ALL FILERS
----------------------	-----------------------------------	---

The CalHFA did not provide ethics training to 16 of 76 existing filers. In addition, the CalHFA did not provide ethics training to 4 of 24 new filers within 6 months of appointment.

Cause: CalHFA acknowledges that 16 of its existing filers did not complete their ethics training and that 4 of its 24 new filers did not complete their ethics training within 6 months of appointment and understands the severity of the finding. CalHFA Form 700 filers complete their Ethics Training every "odd" year. CalHFA uses e-Disclosure software by Granicus called Disclosure Docs which sends out automatic notices/reminders to our designated filers. The software maintains our Ethics Completion of Training Certificates. CalHFA maintains a training webpage that contains instructions for how to complete the training.

Response: In addition to the improved noticing and tracking functions within the new software system, CalHFA has updated its internal procedure to include additional reminders to be sent to filers within 30 days of the six-month deadline. Additionally, the employee's supervisor will also be notified to help ensure compliance.

FINDING NO. 6	SEVERITY: VERY SERIOUS	SEXUAL HARASSMENT TREVENTION TRAINING WAS NOT PROVIDED FOR ALL EMPLOYEES
----------------------	-----------------------------------	---

The CalHFA provided sexual harassment prevention training to all 39 existing non-supervisors every 2 years. However, the CalHFA did not provide sexual harassment prevention training to 2 of 5 new supervisors within 6 months of appointment. In addition, the CalHFA did not provide sexual harassment prevention training to 1 of 47 existing supervisors every 2 years.

Cause: CalHFA acknowledges that 2 of its 5 new supervisors did not complete their sexual harassment prevention training within 6 months of appointment, that one of its 47 existing supervisors did not complete their training timely and understands the severity of the finding. CalHFA utilizes the California Department of Civil Rights (DCR) online sexual harassment prevention training. New employees are directed to take the training upon hire and obtain their completion certificate and provide it to the training office. Existing employees take the training every two years and obtain certification and provide it to the training office.

Response: CalHFA recognizes the importance of ensuring that all CalHFA management is trained on sexual harassment prevention and is committed to providing a safe work environment free from harassment for all employees. CalHFA has created a tracking system to monitor the completion of the sexual harassment prevention training more effectively for all employees. In addition, the employee's supervisor will receive notification to follow up with the employee if the training office does not receive certification within the established timeframe.

FINDING NO. 8	SEVERITY: VERY SERIOUS	INCORRECT AUTHORIZATION OF BILINGUAL PAY
----------------------	---------------------------------------	---

The CRU found four errors in the four bilingual pay authorizations reviewed. Specifically, CalHFA failed to supply supporting documentation demonstrating the need for bilingual services.

Cause: CalHFA acknowledges that it could not provide the required supporting documentation for its bilingual pay employees. CalHFA did not have effective procedures in place as it relates to authorizing bilingual pay.

Response: CalHFA will complete an in-depth review of all employees receiving bilingual pay and ensure that all required documentation and duty statements are consistent with their current position. Additionally, CalHFA will ensure that all HR staff are trained and understand the requirements for authorizing bilingual pay. CalHFA will develop a policy and procedures to be in compliance with bilingual pay requirements. CalHFA will continue to maintain current and valid fluency examination tests as required beginning in 2024.

FINDING NO. 12	SEVERITY: VERY SERIOUS	DEPARTMENT'S NEPOTISM POLICY DOES NOT CONTAIN ALL REQUIRED COMPONENTS
-----------------------	-----------------------------------	--

The CalHFA's nepotism policy does not contain all required components. Specifically, the CalHFA's nepotism policy does not include: A definition of "personal relationship" as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation.

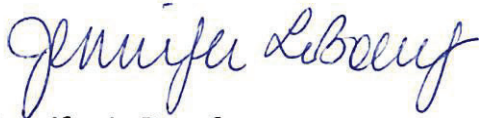
Cause: CalHFA acknowledges the missing component in its current Nepotism Policy and understands the importance of the policy as it ensures that all employees are given equal employment opportunity regardless of their family relationships.

Response: CalHFA has amended its Nepotism Policy to include all of the required components as outlined in [California Code of Regulations, title 2 Section 87](#). Additionally, CalHFA is preparing to distribute the updated policy to all staff within the Agency.

CalHFA appreciates the opportunity to address the findings in this report and provide proposed changes for increased compliance. We anticipate current and proposed changes will positively impact future outcomes.

If you have any questions regarding our Agency responses or if you would like to discuss these matters further, please contact me at (916) 326-8075 or jleboeuf@calhfa.ca.gov.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer LeBoeuf". The signature is written in a cursive, flowing style.

Jennifer LeBoeuf
Director of Administration