



COMPLIANCE REVIEW REPORT

CALIFORNIA STATE TREASURER'S OFFICE

Compliance Review Unit
State Personnel Board
July 18, 2023

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INTRODUCTION

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

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

Pursuant to Government Code section 18502, subdivision (c), the SPB and the California Department of Human Resources (CalHR) may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." The SPB and the 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, the 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 the 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 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 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 Actions Complied with Civil Service Laws and Board Rules
Appointments	Serious	Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely
Appointments	Technical	Department Did Not Provide Benefit Information in Accordance with Civil Service Law
Equal Employment Opportunity	In Compliance	Equal Employment Opportunity Program Complied with All Civil Service Laws and Board Rules
Personal Services Contracts	In Compliance	Personal Services Contracts Complied with Procedural Requirements
Mandated Training	Very Serious	Ethics Training Was Not Provided for All Filers
Compensation and Pay	Very Serious	Incorrect Application of Salary Determination Laws, Rules, and CalHR Policies and Guidelines for Appointment ¹
Compensation and Pay	In Compliance	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

¹ Repeat finding. The April 13, 2018, STO Compliance Review Report identified one error in the STO's determination of employee compensation.

Area	Severity	Finding
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
Leave	In Compliance	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Serious	Performance Appraisals Were Not Provided to All Employees ²

BACKGROUND

The STO is an independently elected California Constitutional Officer. The STO 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’s examinations, appointments, EEO program, PSC’s, mandated training, compensation and pay, leave, and policy and processes³. The primary objective of the review was to determine if the STO’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.

² Repeat finding. The April 13, 2018, STO Compliance Review Report identified performance appraisals were not provided to 15 of 16 employees.

³ 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 was 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 CRU also reviewed the STO's permanent withhold actions documentation, including Withhold Determination Worksheets, State applications, class specifications, and withhold letters.

A cross-section of the STO'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 STO 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 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 employees' compensation and pay. The CRU examined the documentation that the STO 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 functions related to compensation and pay, alternate range movements. During the compliance review period, the STO did not issue or authorize hiring above minimum requests, red circle rate requests, arduous pay, bilingual pay, monthly pay differentials, or out-of-class assignments.

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 reasonable accommodation program; the discrimination complaint process; and the Disability Advisory Committee.

The STO's PSC's were also reviewed.⁴ It was beyond the scope of the compliance review to make conclusions as to whether the STO's justifications for the contracts were legally

⁴If 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.

sufficient. The review was limited to whether the STO's practices, policies, and procedures relative to PSC's complied with procedural requirements.

The STO'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 Career Executive Assignments (CEAs) were provided leadership and development training, and that all employees were provided sexual harassment prevention training within statutory timelines.

The CRU reviewed the STO'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 a small cross-section of the STO's units to ensure they maintained accurate and timely leave accounting records. Part of this review also examined a cross-section of the STO's employees' employment and pay history, state service records, and leave accrual histories to ensure employees with non-qualifying pay periods did not receive vacation/sick leave and/or annual leave accruals or state service credit. Additionally, the CRU reviewed a selection of the STO employees who used Administrative Time Off (ATO) to ensure that ATO was appropriately administered. Further, the CRU reviewed a selection of the STO's positive paid employees whose hours are tracked during the compliance review period to ensure that they adhered to procedural requirements.

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.

The STO declined an exit conference to explain and discuss the CRU's initial findings and recommendations. The CRU received and carefully reviewed the STO's written response on June 16, 2023, 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, 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, October 1, 2021, through June 30, 2022, the STO conducted three examinations. The CRU reviewed those three examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA A, Fiscal Partner Business Executive	CEA	Statement of Qualifications ⁵	1/21/22	3
Treasury Program II	Departmental Promotional	Qualification Appraisal Panel (QAP) ⁶	8/16/21	9
Treasury Program III	Departmental Promotional	QAP	4/22/22	11

IN COMPLIANCE	FINDING NO. 1 EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU reviewed two departmental promotional and one CEA examination which the STO administered 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

⁵ 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.

⁶ The Qualification Appraisal Panel 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.

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.

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, October 1, 2021, through June 30, 2022, the STO conducted 24 permanent withhold actions. The CRU reviewed 14 of these permanent withhold actions, which are listed below:

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Accountant Trainee	9PB31	7/18/21	11/15/21	Failed to Meet Minimum Qualifications (MQs)
Accountant Trainee	2PB07	6/29/20	11/15/21	Failed to Meet MQs
Accounting Analyst	5PB38	3/15/22	6/3/22	Failed to Meet MQs
Accounting Analyst	5PB38	2/3/22	6/3/22	Failed to Meet MQs

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Accounting Administrator I (Sup)	6PB02	8/24/21	12/22/21	Failed to Meet MQs
Accounting Administrator I (Sup)	6PB02	10/18/21	12/22/21	Failed to Meet MQs
Administrative Assistant I	0PBEM	12/23/20	5/6/22	Failed to Meet MQs
Administrative Assistant I	0PBDE	2/15/22	5/6/22	Failed to Meet MQs
Associate Accounting Analyst	5PB39	2/23/21	10/15/21	Failed to Meet MQs
Associate Accounting Analyst	5PB39	11/12/21	10/21/22	Failed to Meet MQs
Associate Governmental Program Analyst (AGPA)	9PB04	4/18/22	6/17/22	Failed to Meet MQs
Information Technology (IT) Associate	7PB33	1/19/22	4/28/22	Failed to Meet MQs
Senior Accounting Officer (Specialist)	4PB3901	11/17/20	12/30/21	Failed to Meet MQs
Staff Services Analyst (SSA) (General)	7PB34	2/11/22	6/3/22	Failed to Meet MQs

IN COMPLIANCE	FINDING NO. 2 PERMANENT WITHHOLD ACTIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU found no deficiencies in the permanent withhold actions 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, June 1, 2021, through March 1, 2022, the STO made 24 appointments. The CRU reviewed 10 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accountant Trainee	Certification List	Permanent	Full Time	1
Administrative Assistant II	Certification List	Permanent	Full Time	1
Associate Personnel Analyst	Certification List	Permanent	Full Time	1
Executive Assistant	Certification List	Permanent	Full Time	1
Information Officer II	Certification List	Permanent	Full Time	1
Personnel Specialist	Certification List	Permanent	Full Time	1
SSA (General)	Certification List	Permanent	Full Time	1
Staff Services Manager (SSM) II (Supervisory)	Certification List	Permanent	Full Time	1
Treasury Program Manager II	Certification List	Permanent	Full Time	1
SSA (General)	Mandatory Reinstatement	Permanent	Full Time	1

SEVERITY: SERIOUS	FINDING NO. 3 PROBATIONARY EVALUATIONS WERE NOT PROVIDED FOR ALL APPOINTMENTS REVIEWED AND SOME THAT WERE PROVIDED WERE UNTIMELY
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Summary: The STO did not provide 1 probationary report of performance for 1 of the 10 appointments reviewed by the CRU. In addition, the STO did not provide two probationary reports of performance in a timely manner, as reflected in the table below.

Classification	Appointment Type	Number of Appointments	Total Number of Missing Probation Reports
Treasury Program Manager	Certification List	1	1

Classification	Appointment Type	Number of Appointments	Total Number of Late Probation Reports
Executive Assistant	Certification List	1	2

Criteria: The service of a probationary period is required when an employee enters or is promoted in the state civil service by permanent appointment from an employment list; upon reinstatement after a break in continuity of service resulting from a permanent separation;

or after any other type of appointment situation not specifically excepted from the probationary period. (Gov. Code, § 19171.) During the probationary period, the appointing power shall evaluate the work and efficiency of a probationer in the manner and at such periods as the department rules may require. (Gov. Code, § 19172.) A report of the probationer's performance shall be made to the employee at sufficiently frequent intervals to keep the employee adequately informed of progress on the job. (Cal. Code Regs., tit. 2, § 599.795.) A written appraisal of performance shall be made to the Department within 10 days after the end of each one-third portion of the probationary period. (*Ibid.*) The Board's record retention rules require that appointing powers retain all probationary reports for five years from the date the record is created. (Cal. Code Regs., tit. 2, § 26, subd. (a)(3).)

Severity: Serious. The probationary period is the final step in the selection process to ensure that the individual selected can successfully perform the full scope of their job duties. Failing to use the probationary period to assist an employee in improving his or her performance or terminating the appointment upon determination that the appointment is not a good job/person match is unfair to the employee and serves to erode the quality of state government.

Cause: The STO asserts that all employees received their probation reports; however, one was not in their Official Personnel File.

Corrective Action: The STO asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the STO must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with the probationary requirements of Government Code section 19172 and California Code of Regulations, title 2, section 599.795.

SEVERITY: TECHNICAL	FINDING No. 4 DEPARTMENT DID NOT PROVIDE BENEFIT INFORMATION IN ACCORDANCE WITH CIVIL SERVICE LAW
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Summary: The STO did not provide 4 explanations of benefits, prior to acceptance of appointment out of the 10 appointments reviewed by the CRU. Additionally, the STO did not memorialize that the applicant received an explanation of benefits, prior to appointment, in a formal

offer of employment 5 times out of the 10 appointments reviewed by the CRU.

Criteria: An appointing power, before offering employment to an applicant, shall provide the applicant, in writing, with an explanation of benefits that accompany state service. These documents shall include a summary of the applicable civil service position with salary ranges and steps within them, as well as information on benefits afforded by membership in the Public Employees' Retirement System and benefits and protections provided to public employees by the State Civil Service Act. (Gov. Code, § 19057.2.)

Severity: Technical. An applicant is entitled to have all the information regarding benefits relating to their potential employment prior to deciding whether to accept or decline the appointment.

Cause: The STO asserts that all employees were given benefit information; however, three of the four listed employees were internal candidates who previously received benefit information.

Corrective Action: The STO asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the STO must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with the explanation of benefits requirements of Government Code section 19057.2.

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).)

IN COMPLIANCE	FINDING NO. 5 EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES
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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’s EEO program provided employees with information and guidance on the EEO process including instructions on how to file discrimination claims. Furthermore, the EEO program outlines the roles and responsibilities of the EEO Officer, as well as supervisors and managers. The EEO Officer, who is at a managerial level, reports directly to the Executive Director of the STO. The STO also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

A PSC includes any contract, requisition, or purchase order under which labor or personal services is a significant, separately identifiable element, and the business or person performing the services is an independent contractor that does not have status as an employee of the state. (Cal. Code Regs., tit. 2, § 547.59.) The California Constitution has an implied civil service mandate limiting the state’s authority to contract with private entities to perform services the state has historically or customarily performed. Government Code section 19130, subdivision (a), however, codifies exceptions to the civil service mandate where PSC’s achieve cost savings for the state. PSC’s that are of a type enumerated in subdivision (b) of Government Code section 19130 are also permissible. Subdivision (b) contracts include, but are not limited to, private contracts for a new state function, services that are not available within state service, services that are incidental to a contract for the purchase or lease of real or personal property, and services that are of an urgent, temporary, or occasional nature.

For cost-savings PSC’s, a state agency is required to notify SPB of its intent to execute such a contract. (Gov. Code, § 19131.) For subdivision (b) contracts, the SPB reviews

the adequacy of the proposed or executed contract at the request of an employee organization representing state employees. (Gov. Code, § 19132.)

During the period under review, October 1, 2021, through June 30, 2022, the STO had 13 PSC's that were in effect. The CRU reviewed 10 of those, which are listed below:

Vendor	Services	Contract Dates	Contract Amount	Justification Identified?	Union Notification?
Advanced Technical Solutions, Inc.	Maintenance Services	1/1/22 – 12/31/22	\$27,068	Yes	Yes
California Forward	Program Consulting	12/20/21 – 3/18/22	\$1,936,200	Yes	Yes
California Forward	Program Consulting	12/20/21 – 6/30/22	\$1,936,200	Yes	Yes
Daley Management Services LLC	Relocation Logistics Services	5/9/22 – 5/8/23	\$25,000	Yes	Yes
Kaufman Legal Group, APC	Legal Services	11/22/21 – 5/21/22	\$10,000	Yes	Yes
Kaufman Legal Group, APC	Legal Services	11/22/21 – 11/21/22	\$10,000	Yes	Yes
Knowledge Lake, Inc.	Software Migration Services	6/6/22 – 11/30/22	\$85,000	Yes	Yes
Levenfeld Winter LLP	Legal Services	2/14/22 – 5/14/22	\$25,000	Yes	Yes
Levenfeld Winter LLP	Legal Services	2/14/22 – 5/14/22	\$40,000	Yes	Yes
Magnuson & Company	Communication Services	6/25/21 – 6/24/22	\$50,000	Yes	Yes

IN COMPLIANCE	FINDING NO. 6 PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS
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The total dollar amount of all the PSC's reviewed was \$4,144,468. 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 contracts met at least

one condition set forth in Government Code section 19130, subdivision (b). Additionally, STO complied with proper notification to all organizations that represent state employees who perform or could perform the type or work contracted as required by California Code of Regulations section 547.60.2. Accordingly, the STO's 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) 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 CEA position, the employee shall be provided leadership training and development, as prescribed by the CalHR. (Gov. Code, § 19995.4, subds. (d) & (e).) For management employees the training must be a minimum of 40 hours and for CEAs the training must be a minimum of 20 hours. (*Ibid.*) Thereafter, for both categories of appointment, the employee must be provided a minimum of 20 hours of leadership training on a biennial basis. (*Ibid.*)

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 STO's mandated training program that was in effect during the compliance review period, July 1, 2020, through June 30, 2022. The STO's ethics training was found to be out of compliance, while the STO's sexual harassment prevention and supervisory trainings were found to be in compliance.

SEVERITY: VERY SERIOUS	FINDING NO. 7 ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS
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Summary: While the STO did not have new filers to report for ethics training, it did not provide ethics training to 8 of 67 existing filers.

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 eight individuals in question did not complete their mandatory training; even though the STO has a tracking mechanism in place to monitor ethics training completion status.

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

Compensation and Pay

Salary Determination

The pay plan for state civil service consists of salary ranges and steps established by the CalHR. (Cal. Code Regs., tit. 2, § 599.666.) Several salary rules dictate how departments calculate and determine an employee's salary rate⁷ 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, June 1, 2021, through March 1, 2022, the STO made 24 appointments. The CRU reviewed five of those appointments to determine if the STO applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Accountant Trainee	Certification List	Permanent	Full Time	\$3,966
Executive Assistant	Certification List	Permanent	Full Time	\$4,024
SSM II (Supervisory)	Certification List	Permanent	Full Time	\$8,566
Treasury Program Manager II	Certification List	Permanent	Full Time	\$8,352
SSA (General)	Mandatory Reinstatement	Permanent	Full Time	\$4,672

SEVERITY: VERY SERIOUS	FINDING NO. 8 INCORRECT APPLICATIONS OF SALARY DETERMINATION LAWS, RULES, AND CALHR POLICIES AND GUIDELINES FOR APPOINTMENT
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Summary: The CRU found one error in the STO's determinations of employee compensation. This is the second consecutive time this has been a finding for the STO.

⁷ "Rate" is any one of the salary rates in the resolution by the CalHR which establishes the salary ranges and steps of the Pay Plan (Cal. Code Regs., tit. 2, section 599.666).

Classification	Description of Finding	Criteria
SSM II (Supervisory)	Department did not round the salary determination range differential correctly and used the incorrect salary percentage to calculate the employee's new salary resulting in the employee being undercompensated.	Pay Scales Section 6; Cal. Code Regs., tit. 2, § 599.674, subd. (a).

Criteria: Departments are required to calculate and apply salary rules for each appointed employee accurately based on the pay plan for the state civil service. All civil service classes have salary ranges with minimum and maximum rates. (Cal. Code Regs., tit. 2, § 599.666.)

Severity: Very Serious. In one circumstance, the STO failed to comply with the requirements outlined in the state civil service pay plan. Incorrectly applying compensation laws and rules in accordance with the CalHR's policies and guidelines results in civil service employees receiving incorrect and/or inappropriate pay amounts.

Cause: This error in salary occurred when the instructions in Pay Scales Section 6 was incorrectly applied.

Corrective Action: The STO asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the STO must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure that employees are compensated correctly. The STO must establish an audit system to correct current compensation transactions as well as future transactions.

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 Regs., tit. 2, § 599.681.) However, in many instances, the CalHR provides salary rules departments must use when employees move between alternate ranges. These rules are described in the alternate range criteria. (CalHR's 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, June 1, 2021, through March 1, 2022, the STO employees made two alternate range movements within a classification. The CRU reviewed two of those alternate range movements to determine if the STO applied salary regulations accurately and correctly processed each employee’s compensation, which are listed below:

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
IT Specialist I	A	B	Full Time	\$7,954
SSA (General)	B	C	Full Time	\$4,476

IN COMPLIANCE	FINDING NO. 9 ALTERNATIVE RANGE MOVEMENTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU determined that the alternate range movements the STO made during the compliance review period, satisfied civil service laws, Board rules and the CalHR’s policies and guidelines.

Leave

Positive Paid Employees

Actual Time Worked (ATW) is a method that can be used to keep track of a Temporary Authorization Utilization (TAU) employee’s time to ensure that the Constitutional limit of 9 months in any 12 consecutive months is not exceeded. The ATW method of counting time is used 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 days⁸ worked and paid absences⁹, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day is not limited by this rule. (*Ibid.*) The 12-consecutive month timeframe begins by counting the first pay period worked as the first month of the 12-consecutive month timeframe. (*Ibid.*) The employee shall serve no longer than 189 days in a 12 consecutive month period. (*Ibid.*) A new 189-days working limit in a 12-consecutive

⁸ For example, two hours or ten hours count as one day.

⁹ For example, vacation, sick leave, compensating time off, etc.

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).)

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 STO had 11 positive paid employees whose hours were tracked. The CRU reviewed seven of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Hours Worked
Accountant I (Specialist)	Retired Annuitant (RA)	7/1/21 – 6/30/22	640.5 hours
Accounting Administrator II	RA	7/1/21 – 6/30/22	638.5 hours
Administrative Assistant II	RA	7/1/21 – 6/30/22	958.5 hours
Nurse Evaluator II, Health and Safety	RA	7/1/21 – 6/30/22	380.87 hours
Senior Personnel Specialist	RA	7/1/21 – 6/30/22	1,016.5 hours
SSM I	RA	7/1/21 – 6/30/22	329.5 hours
SSM I	RA	7/1/21 – 6/30/22	780 hours

IN COMPLIANCE	FINDING NO. 10	POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the positive paid employees reviewed during the compliance review period. The STO provided sufficient justification and adhered to

applicable laws, regulations and the CalHR’s 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, April 1, 2021, through March 31, 2022, the STO authorized 115 ATO transactions. The CRU reviewed 45 of these ATO transactions to ensure compliance with applicable laws, regulations, and the CalHR’s policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
Accountant Trainee	1/3/22 – 1/5/22	24 hours
Accountant Trainee	5/11/21 – 5/13/21 & 12/24/21 & 2/18/22	23 hours
Accountant Trainee	12/31/21	4 hours
Accounting Administrator II	12/31/20	4 hours
AGPA	6/14/21 – 6/15/21 & 12/2/21	20 hours
Associate Personnel Analyst	12/24/21	4 hours
Associate Treasury Program Officer	2/18/22	4 hours
Associate Treasury Program Officer	1/24/22	4 hours
Associate Treasury Program Officer	12/24/21	4 hours
Associate Treasury Program Officer	3/1/22	4 hours
Business Service Assistant (Specialist)	1/3/22	4 hours
CEA	4/6/21 – 4/7/21	16 hours
CEA	12/24/21	4 hours
CEA	12/27/21	4 hours
Executive Assistant	12/27/21	8 hours
Executive Assistant	12/23/21	4 hours
Executive Assistant	6/3/21 – 6/4/21	8 hours
Information Officer II	12/23/21	4 hours
IT Manager I	12/24/21	8 hours
IT Specialist I	9/2/21 – 9/3/21 & 9/7/21	24 hours

Classification	Time Frame	Amount of Time on ATO
IT Specialist I	12/26/21	4 hours
IT Specialist I	4/23/21 & 12/27/21	12 hours
IT Specialist I	12/24/21	4 hours
IT Specialist II	3/23/21	4 hours
IT Supervisor II	12/31/21	4 hours
IT Associate	12/24/21	4 hours
IT Associate	2/10/22	4 hours
IT Associate	1/3/22	4 hours
Office Technician (OT) (Typing)	12/24/21	4 hours
OT (Typing)	4/19/21 & 12/31/21	12 hours
Personnel Specialist	1/20/22 – 1/21/22 & 1/24/22	24 hours
Program Technician	4/1/21	8 hours
Program Technician III	12/31/21	4 hours
SSA (General)	4/29/21 & 5/20/21 & 12/30/21	12 hours
SSA (General)	4/9/21 & 5/13/21 – 5/14/21 & 5/17/21 & 6/3/21 – 6/4/21 & 6/7/21 & 12/31/21	24 hours
SSA (General)	12/24/21	4 hours
SSA (General)	12/31/21	4 hours
SSM I	12/31/21	4 hours
SSM III	12/24/21	4 hours
Treasury Program Manager I	5/14/21 & 12/31/21	12 hours
Treasury Program Manager I	12/24/21	4 hours
Treasury Program Manager I	1/7/22	4 hours
Treasury Program Manager II	3/28/22	4 hours
Treasury Program Manager II	12/24/21	4 hours
Treasury Program Manager III	2/1/22 – 2/7/22	40 hours

IN COMPLIANCE	FINDING NO. 11	ADMINISTRATIVE TIME OFF AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the ATO transactions reviewed during the compliance review period. The STO provided the proper documentation justifying the use of ATO and adhered to applicable laws, regulations and the CalHR's 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, January 1, 2022, through March 31, 2022, the STO reported three units comprised of 55 active employees. The pay periods and timesheets reviewed by the CRU are summarized below:

Timesheet Leave Period	Unit Reviewed	Number of Employees	Number of Timesheets Reviewed	Number of Missing Timesheets
January 2022	200	27	27	0
February 2022	400	17	17	0
March 2022	540	11	11	0

IN COMPLIANCE	FINDING NO. 12	LEAVE AUDITING AND TIMEKEEPING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU reviewed employee leave records from three different leave periods to ensure compliance with applicable laws, regulations and the CalHR's policy and guidelines. Based on our review, the CRU found no deficiencies. The STO 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.

State Service

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

Generally, an employee who has 11 or more working days of service in a monthly pay period shall be considered to have a complete month, a month of service, or continuous service.¹⁰ (Cal. Code Regs., tit. 2, § 599.608.) Full time and fractional employees who work less than 11 working days in a pay period will have a non-qualifying month and will not receive state service or leave accruals for that month.

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

For each qualifying monthly pay period, the employee shall be allowed credit for vacation with pay on the first day of the following monthly pay period. (Cal. Code Regs., tit. 2, § 599.608.) When computing months of total state service to determine a change in the monthly credit for vacation with pay, only qualifying monthly pay periods of service before and after breaks in service shall be counted. (Cal. Code Regs., tit. 2, § 599.739.) Portions of non-qualifying monthly pay periods of service shall not be counted nor accumulated. (*Ibid.*) On the first day following a qualifying monthly pay period, excluded employees¹¹ shall be allowed credit for annual leave with pay. (Cal. Code Regs., tit. 2, § 599.752.)

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

During the period under review, June 1, 2021, through March 1, 2022, the STO had two employees with qualifying and non-qualifying pay period transactions. The CRU reviewed

¹⁰ Government Code sections 19143, 19849.9, 19856.1, 19858.1, 19859, 19861, 19863.1, and 19997.4 and California Code of Regulations, title 2, sections 599.609, 599.682, 599.683, 599.685, 599.687, 599.737, 599.738, 599.739, 599.740, 599.746, 599.747, 599.776.1, 599.787, 599.791, 599.840 and 599.843 provide further clarification for calculating state time.

¹¹ As identified in Government Code sections 19858.3, subdivisions (a), (b), or (c), or as it applies to employees excluded from the definition of state employee under Government Code section 3513, subdivision (c), or California Code of Regulations, title 2, section 599.752, subdivision (a), and appointees of the Governor as designated by the Department and not subject to section 599.752.1.

four transactions to ensure compliance with applicable laws, regulations and the CalHR’s policy and guidelines, which are listed below:

Type of Transaction	Time base	Number Reviewed
Qualifying Pay Period	Full Time	1
Non-Qualifying Pay Period	Full Time	3

IN COMPLIANCE	FINDING NO. 13	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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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 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.*)

IN COMPLIANCE	FINDING NO. 14	NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the policy was disseminated to all staff and emphasized the STO's commitment to the state policy of hiring, transferring, and promoting 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.

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

IN COMPLIANCE	FINDING NO. 15	WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the STO provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. Furthermore, the CRU verified that when the STO received workers' compensation claims, they properly provided claim forms within one working day of notice or knowledge of injury.

Performance Appraisals

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

The CRU selected 35 permanent STO employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

SEVERITY: SERIOUS	FINDING NO. 16	PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES
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Summary: The STO did not provide annual performance appraisals to 1 of 35 employees reviewed after the completion of the employee’s probationary period. This is the second consecutive time this has been a finding for the STO.

Criteria: Appointing powers shall prepare performance reports and keep them on file as prescribed by department rule. (Gov. Code, § 19992.2, subd. (a).) Each supervisor, as designated by the appointing power, shall make an appraisal in writing and shall discuss with the employee overall work performance at least once in each twelve calendar months following the end of the employee’s probationary period. (Cal. Code Regs., tit. 2, § 599.798.)

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

Cause: The STO does not have a signed acknowledgement that one of the employees selected received a performance appraisal.

Corrective Action: The STO asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the STO must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with Government Code section 19992.2 and California Code of Regulations, title 2, section 599.798.

DEPARTMENTAL RESPONSE

The STO's departmental response is attached as Attachment 1.

SPB REPLY

Based upon the STO's written response, the STO 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.

STATE OF CALIFORNIA

Fiona Ma, CPA, Treasurer

OFFICE OF THE TREASURER

P. O. BOX 942809
SACRAMENTO, CA 94209-0001



June 16, 2023

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

Dear Ms. Ambrose,

Response to Compliance Review Report

The State Treasurer's Office (STO) submits this letter in response to the State Personnel Board's (SPB) compliance review of the STO personnel practices for the period April 1, 2021, through June 30, 2022. STO appreciates SPB's review and the opportunity to respond to its findings. Please reference the enclosed Attachment A for detailed responses.

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

Sincerely,

DocuSigned by:

Handwritten signature of Christopher Sneed in black ink.

723B1D0FE6714AF...

Christopher Sneed
Chief of Management Services

Enclosure

Cc: Rebecca Grajski, Administrative Division Director, STO

ATTACHMENT A

Page 1 of 4

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

Cause: None

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

FINDING No. 2 – Permanent Withhold Actions Complied with Civil Service Laws and Board Rules

Cause: None

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

FINDING No. 3 – Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely

Cause: All supervisors receive a 60-day advance reminder to complete a probationary report for each employee that is required to receive one. Each of the listed employees received a probationary report, however one of them was not found in their OPF.

Department's Response: The STO will continue to reiterate the importance of completing all probationary evaluations in a timely manner. STO will continue to send out monthly probationary evaluation reminders 60-days in advance to all supervisors. STO staff will also send follow-up reminders to supervisors and managers, which will include notifications to senior and executive staff when programs are non-compliant.

FINDING No. 4 – Department Did Not Provide Benefit Information in Accordance with Civil Service Law

Cause: At the time of hire for some of the listed employees, a sheet providing benefits explanation was given to all new employees with their preemployment documents. Three of the listed employees were internal candidates who were previously given benefit information.

Department's Response: Since the hire of these employees, the STO now provides a tentative offer letter and formal offer letter to all new employees, including internal candidates. These offer letters include an explanation of the benefits that apply state service.

FINDING No. 5 – Equal Employment Opportunity Program Complied with All Civil Service Laws and Board Rules

Cause: None

ATTACHMENT A

Page 2 of 4

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

FINDING No. 6 – Personal Services Contracts Complied with Procedural Requirements

Cause: None

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

FINDING No. 7 – Ethics Training Was Not Provided for All Filers

Cause: Eight individuals that were required to file a statement of economic interest did not complete the mandatory ethics training as required by Government Code 11146.1 and 11146.3.

Department's Response: STO requires that all members, officers, or designated employees who are required to file a statement of economic interest complete ethics training in accordance with Government Code 11146.1 and 11146.3. The STO has a tracking mechanism in place to monitor ethics training completion status; however, the eight individuals in question did not complete the mandatory training.

Additionally, the STO's training office, in an effort to further address this issue, has implemented a notification process that will remind employees of the ethics training requirement.

FINDING No. 8 – Incorrect Applications Of Salary Determination Laws, Rules, And CalHr Policies and Guidelines For Appointment

Cause: In the salary determination for the employee selected, the Personnel Specialist did not round the calculated percentage to the nearest 10th, therefore the total salary amount was lower than it should have been. This error in salary occurred when the instructions in Pay Scales Section 6 was incorrectly applied.

Department's Response: The STO currently employs a two-part verification process to ensure salary determinations are calculated accurately. However, during this period, this two-step verification was not in place. Therefore, this mistake was overlooked. STO will continue to implement this process in the future to ensure this mistake will not occur again.

FINDING No. 9 – Alternative Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

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

ATTACHMENT A

Page 3 of 4

FINDING No. 10 – Positive Paid Employees’ Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies And Guidelines

Cause: None

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

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

Cause: None

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

FINDING No. 12 – Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

Cause: None

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

FINDING No. 13 – Service And Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies And Guidelines

Cause: None

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

FINDING No. 14 – Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies And Guidelines

Cause: None

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

FINDING No. 15 – Workers’ Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies And Guidelines

Cause: None

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

ATTACHMENT A

Page 4 of 4

FINDING No. 16 – Performance Appraisals Were Not Provided to All Employees

Cause: The STO does not have a signed acknowledgement that one of the employees selected received a performance appraisal.

Department's Response: The STO will continue to reiterate the importance of completing all performance appraisals in a timely manner. The STO will continue to enforce the established annual notification process to inform supervisors when their employees are due to receive their annual appraisal. Going forward, STO will ensure that all performance appraisals are signed and submitted on time.