



# **COMPLIANCE REVIEW REPORT**

## **COVERED CALIFORNIA**

Compliance Review Division  
State Personnel Board  
June 3, 2026

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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 Division (CRD) 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 CRD 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 CRD conducted a routine compliance review of the Covered California (CCA) 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	Compliance	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	Out of Compliance	Unlawful Appointment
Appointments	Out of Compliance	Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely
Appointments	In Compliance	Unlawful Appointment Investigations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
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	Out of Compliance	Ethics Training Was Not Provided for All Filers
Mandated Training	Substantial Compliance <sup>1</sup>	Sexual Harassment Prevention Training Was Provided for All Employees With 13 Exceptions

<sup>1</sup> The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required.

Area	Compliance	Finding
Mandated Training	Out of Compliance	Supervisory Training Was Not Provided for All Supervisors, Managers, and CEAs
Compensation and Pay	Substantial Compliance	Salary Determinations Complied With Civil Service Laws, Rules, and CalHR Policies and Guidelines With Two Exceptions
Compensation and Pay	Out of Compliance	Alternate Range Movements Did Not Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and
Compensation and Pay	In Compliance	Bilingual Pay Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
2Compensation and Pay	In Compliance	Pay Differential Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Out of Compliance	Incorrect Authorization of Out-of-Class Pay
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	Out of Compliance	Performance Appraisals Were Not Provided to All Employees

### **BACKGROUND**

The CCA is California's health insurance marketplace, established under the federal Patient Protection and Affordable Care Act in 2010. Its purpose is to expand access to affordable and quality health coverage for individuals and small businesses. As a state-

based exchange, the CCA provides a centralized platform that allows Californians to compare qualified health plans, check their eligibility for federal and state financial assistance, and enroll in coverage that meets standardized benefits and consumer protection requirements.

Organized as an independent public entity within the state government and governed by a five-member board, the CCA collaborates with health plans, community organizations, and other public agencies to encourage enrollment, enhance the value of health care, and reduce disparities in access and health outcomes.

### **SCOPE AND METHODOLOGY**

The scope of the compliance review was limited to reviewing the CCA's examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes<sup>2</sup>. The primary objective of the review was to determine if the CCA'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 actions where deficiencies were identified.

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

A cross-section of the CCA's appointments was selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRD examined the documentation that the CCA provided, which included Notice of Personnel Action (NOPA) forms, Request for Personnel Actions (RPA's), vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. The CRD also reviewed the CCA's policies and procedures concerning unlawful appointments to ensure departmental practices conform to state civil service laws and Board regulations.

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

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

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

The CCA'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, that all employees were provided sexual harassment prevention training, and that all officials with authority to represent the state in a tribal government-to-government consultation were provided tribal consultations training within statutory timelines.

The CRD reviewed the CCA'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 CRD selected a small cross-section of the CCA's units in order to ensure they maintained accurate and timely leave accounting records. Part of this review also examined a cross-section of the CCA's employees' employment and pay history, state service records, and leave accrual histories to ensure employees with non-qualifying pay periods did not

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<sup>3</sup>If 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.

receive vacation/sick leave and/or annual leave accruals or state service credit. Additionally, the CRD reviewed a selection of the CCA employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. During the compliance review period, the CCA did not track any temporary intermittent employees by actual time worked during the compliance review period.

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

The CRD received and carefully reviewed the CCA's written response on May 28, 2026, 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, April 1, 2025, through December 31, 2025, the CCA conducted four examinations. The CRD reviewed the four examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Career Executive Assignment (CEA) A, Deputy Director, Covered California Small Business	CEA	Statement of Qualifications (SOQ) <sup>4</sup>	10/29/25	19
CEA B, Chief Technology Officer	CEA	SOQ	3/1/25	73
CEA B, Deputy Chief Information Officer	CEA	SOQ	5/30/25	38
CEA B, Deputy Director, Marketing	CEA	SOQ	4/9/25	39

<b>FINDING NO. 1</b>	<b>EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES</b>
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The CRD reviewed four CEA open examinations which the CCA administered in order to create eligible lists from which to make appointments. The CCA published and distributed examination bulletins containing the required information for all examinations. Applications received by the CCA 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 CRD found no deficiencies in the examinations that the CCA 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

<sup>4</sup> 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.

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, April 1, 2025, through December 31, 2025, the CCA conducted 13 permanent withhold actions. The CRD reviewed nine of these permanent withhold actions, which are listed below:

Exam Title	Reason Candidate Placed on Withhold	No. of Withholds
Associate Governmental Program Analyst	Failed to Meet Minimum Qualifications	6
Program Technician II	Failed to Meet Minimum Qualifications	1
Program Technician III	Failed to Meet Minimum Qualifications	1
Senior Accounting Officer (Specialist)	Failed to Meet Minimum Qualifications	1

<b>FINDING NO. 2</b>	<b>PERMANENT WITHHOLD ACTIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES</b>
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The CRD 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, January 1, 2025, through September 30, 2025, the CCA made 254 appointments. The CRD reviewed 52 of these appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
CEA B, Deputy Chief Information Officer	CEA	Non-tenure	Full Time	1
Accounting Administrator I (Supervisor)	Certification List	Permanent	Full Time	1
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	5
Attorney III	Certification List	Permanent	Full Time	1
Attorney IV	Certification List	Permanent	Full Time	1
Health Program Manager II	Certification List	Permanent	Full Time	1
Health Program Specialist I	Certification List	Permanent	Full Time	1
Health Program Specialist II	Certification List	Permanent	Full Time	1
Information Officer I (Specialist)	Certification List	Permanent	Full Time	1
Information Technology Manager I	Certification List	Permanent	Full Time	1
Information Technology Specialist I	Certification List	Permanent	Full Time	1
Information Technology Specialist II	Certification List	Permanent	Full Time	1
Information Technology Specialist III	Certification List	Permanent	Full Time	1
Marketing Specialist, California State Lottery	Certification List	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Program Technician II	Certification List	Permanent	Full Time	8
Program Technician III	Certification List	Permanent	Full Time	3
Research Data Analyst II	Certification List	Permanent	Full Time	1
Research Data Specialist I	Certification List	Permanent	Full Time	2
Research Data Specialist II	Certification List	Permanent	Full Time	1
Research Scientist II (Social/Behavioral Sciences)	Certification List	Permanent	Full Time	1
Staff Management Auditor (Specialist), State Controller's Office	Certification List	Permanent	Full Time	1
Staff Services Analyst (LEAP)	Certification List	Limited Term	Full Time	1
Staff Services Analyst	Certification List	Permanent	Full Time	1
Staff Services Manager I	Certification List	Permanent	Full Time	1
Staff Services Manager II (Managerial)	Certification List	Permanent	Full Time	1
Staff Services Manager II (Supervisory)	Certification List	Permanent	Full Time	1
Staff Services Manager III	Certification List	Permanent	Full Time	1
Supervising Program Technician III	Certification List	Permanent	Full Time	2
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	2
Associate Management Auditor	Transfer	Permanent	Full Time	1
Program Technician II	Transfer	Permanent	Full Time	1
Staff Services Analyst	Transfer	Permanent	Full Time	1
Staff Services Manager I	Transfer	Permanent	Full Time	1
Supervising Program Technician III	Transfer	Permanent	Full Time	1
Staff Services Analyst	Training & Development	Permanent	Full Time	1

<b>FINDING NO. 3</b>	<b>UNLAWFUL APPOINTMENT</b>
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**Summary:** The CRD found one unlawful appointment during the course of its regular review. The CCA made one appointment utilizing the certification list for the Accounting Administrator I (Supervisor) classification. The hired candidate was promoted in place from a

rank-and-file classification to a supervisory classification, which does not align with promotion in place policies and regulations.

The CCA was directed to conduct an unlawful appointment investigation. The CCA will provide the outcome of the investigation in their Corrective Action Response.

**Criteria:** As mandated by California Code of Regulations, title 2, section 242, subdivision (a), a permanent employee may receive a promotion in place where all the following apply:

- (1) The employee has demonstrated satisfactory or higher job performance in his or her current position and shown the ability and willingness to succeed at the higher level classification;
- (2) The position currently occupied by the employee is reallocated to the “to” class without a change in unit or location;
- (3) The employee’s “from” class has the same job functions as the “to” class but at a higher level and the appointing power documents how the promotion in place meets this criteria;
- (4) The promotion in place is not from a rank-in-file classification to a supervisory or managerial classification;
- (5) The promotion in place is not from a supervisory classification to a managerial classification;
- (6) The employee competed in and passed an examination for the “to” class and is currently placed on the employment list for that examination in one of the top three ranks or has reinstatement eligibility for the “to” class;
- (7) The appointing power documents the reasons why the selected employee was chosen for the promotion in place.

California Code of Regulations, title 2, section 242, subdivision (b) requires the department to inform those eligible employees not selected for the promotion in place of the reasons for the decision in person and in writing.

<b>FINDING NO. 4</b>	<b>PROBATIONARY EVALUATIONS WERE NOT PROVIDED FOR ALL APPOINTMENTS REVIEWED AND SOME THAT WERE PROVIDED WERE UNTIMELY</b>
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**Summary:** The CCA did not provide 25 of the 120 probationary reports of performance requested for review by the CRD. In addition, the CCA did not provide 29 probationary reports of performance in a timely manner.

**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).)

### Unlawful Appointment Investigations

Departments that entered into an Unlawful Appointment Investigation Delegation Agreement between their executive management and the CalHR have the authority to manage their own unlawful appointment investigations. The Delegation Agreement defines the reporting requirements, responsibilities, obligations, and expectations of the department in this process. The delegation agreement mandates that departments maintain up-to-date records on each unlawful appointment investigation including, at a minimum: the specific facts surrounding the appointment in question, a description of the circumstances which may have resulted in the unlawful appointment, copies of relevant appointment documents, and any documentation which may demonstrate that the agency and employee acted in good faith when the appointment was offered and accepted. Departments must also maintain a tracking system to monitor its unlawful appointments.

During the period under review, April 1, 2025, through December 31, 2025, the CCA conducted one unlawful appointment investigation. The CRD reviewed the unlawful appointment investigation, which is listed below:

Classification	Date Investigation Initiated	Date Investigation Concluded
Information Technology Specialist I	4/28/25	10/1/25

<b>FINDING NO. 5</b>	<b>UNLAWFUL APPOINTMENT INVESTIGATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES</b>
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The CCA’s unlawful appointment investigation was found to comply with the rules set forth in the signed Delegation Agreement with the CalHR.

**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).)

<b>FINDING NO. 6</b>	<b>EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES</b>
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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 CRD determined that the CCA’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 CCA. The CCA 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, April 1, 2025, through December 31, 2025, the CCA had 90 PSC’s that were in effect. The CRD reviewed 32 of these, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
All World Language Consultants, Inc.	American Sign Language Interpreter Services	\$3,000	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Allison & Partners, LLC	Strategic Counsel and Consultation Services	\$10,500,000	Yes	Yes
Alvarez Associates, LLC	Active Shooter Training	\$50,000	Yes	Yes
ArroyoWes, LLC	Consultant Services for GenAI	\$2,693,290	Yes	Yes
BDMP Assurance, LLP	Programmatic Audits	\$1,446,050	Yes	Yes
CLUTCH	Leadership Training	\$37,632	Yes	Yes
Crown Worldwide Moving and Storage	Moving Services	\$300,000	Yes	Yes
Davis Wright Tremaine, LLP	Legal Counsel	\$560,000	Yes	Yes
EAB Global, Inc.	Diversity Equity and Inclusion Services	\$81,423	Yes	Yes
Entisys Solution, Inc. dba Entisys360	Third Party Internet Security Assessments	\$4,170,707	Yes	Yes
FCC Janitorial Services Inc.	Janitorial Services	\$6,431	Yes	Yes
Grigio Art Consulting	Artwork Consulting Services	\$688,320	Yes	Yes
Independent Courier Service	Courier Services	\$7,500	Yes	Yes
Jennings Policy Strategies	Strategic Policy Consultant	\$450,000	Yes	Yes
Kiefer Consulting	Receipt and Validation for System for Electronic Rate & Form Filing Templates	\$195,000	Yes	Yes
KP, LLC	Commercial Printing Services	\$50,000,000	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Legal Aid Society of San Diego, Inc.	Legal Assistance for Low-Income Clients	\$907,500	Yes	Yes
Lume Consulting Group	Consulting Services in Fraud, Waste, and Abuse	\$185,850	Yes	Yes
Macias Gini & O'Connell, LLP	Financial Statement Audit	\$106,080	Yes	Yes
MAXIMUS, Inc.	Readability, Translation and Consumer Focus Testing	\$2,939,977	Yes	Yes
Merative US L.P.	Healthcare Evidence Initiative 2.0 Project	\$16,984,855	Yes	Yes
Milliman, Inc.	Actuarial Services	\$1,500,000	Yes	Yes
Pinnacle Claims Management, Inc.	Sales and Account Management Organization	\$52,376,585	Yes	Yes
Proposal Technologies Network, Inc.	Certification Application Management Services	\$222,000	Yes	Yes
Quadient, Inc.	USPS Outgoing Mail Services	\$114,999	Yes	Yes
Sacramento Valley Lockworks, Inc.	On-Call Locksmith Services	\$1,500	Yes	Yes
Shaw Law Group PC	EEO Investigation Services	\$233,333	Yes	Yes
SIM Infotech, Inc.	Business Solutions Analysts	\$2,572,700	Yes	Yes
TEECOM	Digital Workspace Strategy Services	\$486,000	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Thinkdev, LLC	Leadership and Coaching Services	\$394,200	Yes	Yes
VideoVets	Communication Access Real-Time Translation Services	\$90,000	Yes	Yes
WPP Group USA, Inc. dba VML, LLC	Marketing Campaign Services	\$205,000,000	Yes	Yes

<b>FINDING NO. 7</b>	<b>PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS</b>
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The total dollar amount of all the PSC’s reviewed was \$355,304,934. It was beyond the scope of the review to make conclusions as to whether CCA justifications for the contract were legally sufficient. For all PSC’s reviewed, the CCA 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, CCA 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 CCA 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 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 Legislature encourages the state and its agencies to consult on a government-to-government basis with federally recognized tribes and with nonfederally recognized tribes and tribal organizations in order to allow tribal officials the opportunity to provide meaningful and timely input in the development of policies, programs, and projects that have tribal implications. (Gov. Code, § 11019.81, sub. (c).) Each official specified in Government Code section 11019.81 subdivision (f)<sup>5</sup> shall complete tribal consultations training by January 1, 2025, or, for officials appointed after that date, within six months of their appointment or confirmation of appointment, whichever is later. (Gov. Code, § 11019.81, sub. (h).) Each official shall retake the training annually. (*Ibid.*)

The Board may conduct reviews of any appointing power's personnel practices to ensure compliance with civil service laws and Board regulations. (Gov. Code, § 18661, subd. (a).) In particular, the Board may audit personnel practices related to such matters as selection and examination procedures, appointments, promotions, the management of

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<sup>5</sup> Within the executive branch, the following officials have authority to represent the state in a tribal government-to-government consultation: the governor, the attorney general, each constitutional officer and statewide elected official, the director of each state agency and department, the chair and executive officer of each state commission and task force, and the chief counsel of any state agency. (Gov. Code, § 11019.81, sub. (f) (1).) Each authorized official may formally designate another agency official to conduct preliminary tribal consultations, and each designated official may have the authority to act on behalf of the state during a government-to-government consultation. (Gov. Code, § 11019.81, sub. (f) (2).)

probationary periods, and any other area related to the operation of the merit principle in state civil service. (*Ibid.*) Accordingly, the CRD reviews documents and records related to training that appointing powers are required by the afore-cited laws to provide its employees.

The CRD reviewed the CCA's mandated training program that was in effect during the compliance review period, January 1, 2024, through December 31, 2025. The CCA's tribal consultations training was found to be in compliance. The CCA's sexual harassment prevention training was found to be in substantial compliance. However, the CCA's ethics training and supervisory training were found to be out of compliance.

<b>FINDING NO. 8</b>	<b>ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS<sup>6</sup></b>
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**Summary:** The CCA did not provide ethics training to 25 of 203 existing filers. In addition, the CCA did not provide ethics training to 5 of 47 new filers within 6 months of their 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).)

<b>FINDING NO. 9</b>	<b>SEXUAL HARASSMENT PREVENTION TRAINING WAS PROVIDED FOR ALL EMPLOYEES WITH 13 EXCEPTIONS</b>
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**Summary:** The CCA provided sexual harassment prevention training to its 7 new supervisors within 6 months of their appointment and 100 existing non-supervisors every 2 years. However, the CCA did not provide sexual harassment prevention training to 13 of 240 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.)

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<sup>6</sup> Repeat finding; see reports dated March 13, 2023, August 10, 2020, and November 30, 2016.

<b>FINDING NO. 10</b>	<b>SUPERVISORY TRAINING WAS NOT PROVIDED FOR ALL SUPERVISORS, MANAGERS, AND CEAs<sup>7</sup></b>
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**Summary:** The CCA did not provide basic supervisory training to 1 of 3 new supervisors within 12 months of appointment and did not provide CEA training to the 1 new CEA within 12 months of appointment.

**Criteria:** Each department must provide its new supervisors a minimum of 80 hours of supervisory training within the probationary period.(Gov. Code, § 19995.4, subd. (b).)

Upon initial appointment of an employee to a Career Executive Assignment position, each employee must receive 20 hours of leadership training within 12 months of appointment. (Gov. Code, § 19995.4, subd. (e).)

## **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 rate<sup>8</sup> 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, January 1, 2025, through September 30, 2025, the CCA made 254 appointments. The CRD reviewed 22 of these appointments to determine if the CCA applied salary regulations accurately and correctly processed employees’ compensation.

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<sup>7</sup> Repeat finding; see reports dated March 13, 2023, and August 10, 2020.

<sup>8</sup> “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).

<b>FINDING NO. 11</b>	<b>SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, RULES, AND CALHR POLICIES AND GUIDELINES WITH TWO EXCEPTIONS</b>
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**Summary:** The CRD found 2 errors in the 22 salary determinations reviewed:

Classification	Description of Findings	Criteria
Research Data Specialist I	Incorrect salary determination, resulting in the employee being overcompensated.	Cal. Code Regs., tit. 2, section 599.674, subd. (b)
Research Scientist II (Social/Behavioral Sciences)	Incorrect salary determination, resulting in the employee being undercompensated.	Cal. Code Regs., tit. 2, section 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.)

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 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, January 1, 2025, through September 30, 2025, the CCA employees made 11 alternate range movements within a classification. The CRD reviewed nine of these alternate range movements to determine if the CCA applied salary regulations accurately and correctly processed each employee’s compensation, which are listed below:

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Information Technology Specialist I	A	B	\$7,163

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Information Technology Specialist I	A	B	\$7,320
Information Technology Specialist I	A	B	\$8,101
Information Technology Specialist I	B	C	\$8,050
Information Technology Specialist I	B	C	\$8,313
Information Technology Specialist I	B	C	\$9,930
Personnel Specialist	B	C	\$4,887
Staff Services Analyst	B	C	\$5,335
Staff Services Analyst	B	C	\$5,495

<b>FINDING NO.12</b>	<b>ALTERNATE RANGE MOVEMENTS DID NOT COMPLY WITH CIVIL SERVICE LAWS, RULES, AND CALHR POLICIES AND GUIDELINES</b>
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**Summary:** The CRD found one error in the nine alternate range movements reviewed:

Classification	Description of Finding	Criteria
Information Technology Specialist I	Employee met the criteria for Range B upon appointment but was placed in Range A, resulting in the employee being undercompensated.	ARC 484

**Criteria:** Alternate ranges are designed to recognize increased competence in the performance of class duties based upon experience obtained while in the class. The employee gains status in the alternate range as though each range were a separate classification. (Classification and Pay Guide Section 220.)

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.)

## 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, January 1, 2025, through September 30, 2025, the CCA issued bilingual pay to 130 employees. The CRD reviewed 25 of these bilingual pay authorizations to ensure compliance with applicable CalHR policies and guidelines, which are listed below:

Classification	No. of Appts.
Associate Governmental Program Analyst	2
Information Officer I (Specialist)	1
Marketing Specialist, California State Lottery	1
Program Technician II	12
Program Technician III	3
Senior Marketing Specialist, California State Lottery	1
Staff Services Analyst	1
Staff Services Manager I	1
Supervising Program Manager III	3

<b>FINDING NO. 13</b>	<b>BILINGUAL PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES</b>
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The CRD found that the bilingual pay authorized to employees during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

## Pay Differentials

A pay differential is special additional pay recognizing unusual competencies, circumstances, or working conditions applying to some or all incumbents in select classes. A pay differential may be appropriate in those instances when a subgroup of positions within the overall job class might have unusual circumstances, competencies, or working conditions that distinguish these positions from other positions in the same class. Typically, pay differentials are based on qualifying pay criteria such as: work locations or shift assignments; professional or educational certification; temporary responsibilities; special licenses, skills or training; performance-based pay; incentive-based pay; or, recruitment and retention. (Classification and Pay Manual Section 230.)

California State Civil Service Pay Scales Section 14 describes the qualifying pay criteria for the majority of pay differentials. However, some of the alternate range criteria in the pay scales function as pay differentials. Generally, departments issuing pay differentials should, in order to justify the additional pay, document the following: the effective date of the pay differential, the collective bargaining unit identifier, the classification applicable to the salary rate and conditions along with the specific criteria, and any relevant documentation to verify the employee meets the criteria.

During the period under review, January 1, 2025, through September 30, 2025, the CCA authorized 563 pay differentials<sup>9</sup>. The CRD reviewed 25 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines, which are listed below:

Classification	Pay Differential	Monthly Amount
Program Technician II (11 Positions)	249	\$150
Program Technician III (5 Positions)	249	\$150
Research Scientist II (Social/Behavioral Sciences)	434	2%
Research Scientist II (Social/Behavioral Sciences)	498	\$250
Research Scientist III (Social/Behavioral Sciences)	434	3%
Research Scientist Supervisor I (Social/Behavioral Sciences)	434	3%
Supervising Program Technician III (5 Positions)	249	\$150

<sup>9</sup> For the purposes of CRD's review, only monthly pay differentials were selected for review at this time.

<b>FINDING NO. 14</b>	<b>PAY DIFFERENTIAL AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES</b>
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The CRD found no deficiencies in the pay differentials that the CCA authorized during the compliance review period. Pay differentials were issued correctly in recognition of unusual competencies, circumstances, or working conditions in accordance with applicable rules and guidelines.

Out-of-Class Assignments and Pay

For excluded<sup>10</sup> and most rank-and-file employees, out-of-class (OOC) work is defined as performing, more than 50 percent of the time, the full range of duties and responsibilities allocated to an existing class and not allocated to the class in which the person has a current, legal appointment. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(2).) A higher classification is one with a salary range maximum that is any amount higher than the salary range maximum of the classification to which the employee is appointed. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(3).)

According to the Classification and Pay Guide, OOC assignments should only be used as a last resort to accommodate temporary staffing needs. All civil service alternatives should be explored first before using OOC assignments. However, certain MOU provisions and the California Code of Regulations, title 2, section 599.810 allow for short-term OOC assignments to meet temporary staffing needs. Should OOC work become necessary, the assignment would be made pursuant to the applicable MOU provisions or salary regulations. Before assigning the OOC work, the department should have a plan to correct the situation before the time period outlined in applicable law, policy or MOU expires. (Classification and Pay Guide Section 375.)

During the period under review, January 1, 2025, through September 30, 2025, the CCA issued OOC pay to two employees. The CRD reviewed the two OOC assignments to ensure compliance with applicable MOU provisions, salary regulations, and CalHR policies and guidelines, which are listed below:

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<sup>10</sup> “Excluded employee” means an employee as defined in Government Code section 3527, subdivision (b) (Ralph C. Dills Act) except those excluded employees who are designated managerial pursuant to Government Code section 18801.1.

Classification	Bargaining Unit	Out-of-Class Classification	Time Frame
Program Technician III	R04	Supervising Program Technician III	1/1/25-3/31/25
State Services Manager III	M01	CEA B, Deputy Director, Plan Management Division	1/1/25-3/31/25

<b>FINDING NO. 15</b>	<b>INCORRECT AUTHORIZATION OF OUT-OF-CLASS PAY</b>
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**Summary:** The CRD found two errors in the two OOC pay assignments reviewed:

Classification	Out-of-Class Classification	Description of Findings	Criteria
Program Technician III	Supervising Program Technician III	Incorrect OOC rate calculated, resulting in the employee being overcompensated.	Pay Differential 91
Staff Services Manager III	CEA B, Deputy Director, Plan Management Division	Incorrect OOC rate calculated, resulting in the employee being undercompensated.	Pay Differential 101

**Criteria:** An employee may be temporarily required to perform out-of-class work by his/her department for up to one hundred twenty (120) calendar days in any twelve (12) consecutive calendar months when it determines that such an assignment is of unusual urgency, nature, volume, location, duration, or other special characteristics; and, cannot feasibly be met through use of other civil service or administrative alternatives. Departments may not use out-of-class assignments to avoid giving civil service examinations or to avoid using existing eligibility lists created as the result of a civil service examination.

Employees may be compensated for performing duties of a higher classification provided that: the assignment is made in advance in writing and the employee is given a copy of the assignment; and the duties performed by the employee are not described in a training and development assignment or by the specification for the class to which

the excluded employee is appointed and, are fully consistent with the types of jobs described in the specification for the higher classification; and the employee does not perform such duties for more than 120 days in a fiscal year. (Cal. Code Regs., tit. 2, § 599.810, subd. (b)(1)(3)(4).)

For excluded employees, there shall be no compensation for assignments that last for 15 consecutive working days or less. (Cal. Code Regs., tit. 2, § 599.810, subd. (c).) An excluded employee performing in a higher class for more than 15 consecutive working days shall receive the rate of pay the excluded employee would receive if appointed to the higher class for the entire duration of the assignment, not to exceed one year. (Cal. Code Regs., tit. 2, § 599.810, subd. (d).) An excluded employee may be assigned out-of-class work for more than 120 calendar days during any 12-month period only if the appointing power files a written statement with the CalHR certifying that the additional out-of-class work is required to meet a need that cannot be met through other administrative or civil service alternatives. (Cal. Code Regs., tit. 2, § 599.810, subd. (e).)

## Leave

### 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, October 1, 2024, through September 30, 2025, the CCA authorized 151 ATO transactions. The CRD reviewed 25 of these ATO transactions to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines.

<b>FINDING NO. 16</b>	<b>ADMINISTRATIVE TIME OFF AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD found no deficiencies in the ATO transactions reviewed during the compliance review period. The CCA provided the proper documentation justifying the use of ATO and adhered to applicable laws, regulations and CalHR policy and guidelines.

### Leave Accounting

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, July 1, 2025, through September 30, 2025, the CCA reported 63 units. The CRD reviewed 16 units within 3 pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

<b>FINDING NO. 17</b>	<b>LEAVE ACCOUNTING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD reviewed leave records from three different leave periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines. Based on our review, the CRD found no deficiencies. The CCA 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.<sup>11</sup> (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 employees<sup>12</sup> 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, April 1, 2025, through December 31, 2025, the CCA had 37 employees with qualifying and non-qualifying pay period transactions. The CRD reviewed 30 transactions to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

<b>FINDING NO. 18</b>	<b>SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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<sup>11</sup> 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.

<sup>12</sup> 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.

The CRD determined that the CCA ensured employees with non-qualifying pay periods did not receive vacation/sick leave, annual leave, and/or state service accruals. The CRD 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.*)

<b>FINDING NO. 19</b>	<b>NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD verified that the policy was disseminated to all staff and emphasized the CCA's commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the CCA'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 CCA did not employ volunteers during the compliance review period.

<b>FINDING NO. 20</b>	<b>WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD verified that the CCA provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. Furthermore, the CRD verified that when the CCA 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 CRD selected 48 permanent CCA employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

<b>FINDING NO. 21</b>	<b>PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES<sup>13</sup></b>
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**Summary:** The CCA did not provide annual performance appraisals to 19 of 48 employees reviewed after the completion of the employee's probationary period.

**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.)

### **DEPARTMENTAL RESPONSE**

The CCA's response is attached as Attachment 1.

### **CORRECTIVE ACTIONS**

A written corrective action response addressing all areas identified as out of compliance, along with supporting documentation demonstrating the implementation of the specified corrective actions must be submitted to the CRD within 90 days of the date of this report.

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<sup>13</sup> Repeat finding; see reports dated March 13, 2023, and August 10, 2020.



May 27, 2026

Suzanne Ambrose  
Executive Officer  
State Personnel Board (SPB)  
801 Capitol Mall  
Sacramento, CA 95814

Dear Ms. Ambrose,

Covered California thanks the State Personnel Board's (SPB) Compliance Review Division (CRD) for their oversight and thoroughness in conducting our compliance review. The CRD's review afforded us the opportunity to work collaboratively to explore opportunities for enhancements to our current processes. Please find below the response to Covered California's Human Resources Branch (HRB) Compliance Review Report received on May 7, 2026.

### **Finding #3 | Unlawful Appointment**

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#### **SPB Summary:**

The CRD found one unlawful appointment during the course of its regular review. Covered California made one appointment utilizing the certification list for the Accounting Administrator I (Supervisor) classification. The hired candidate was promoted in place from a rank-and-file classification to a supervisory classification, which does not align with promotion in place policies and regulations.

Covered California was directed to conduct an unlawful appointment investigation. Covered California will provide the outcome of the investigation in their Corrective Action Responses.

#### **Cause:**

SPB directed Covered California to investigate an employee appointment to the Accounting Administrator I (Supervisor) position as an unlawful appointment under California Code of Regulations, title 2, sections 243 and 243.2. SPB determined the appointment was facilitated as a promotion in place, which is not permitted when transitioning from a rank-and-file classification to a supervisory classification. SPB stated the appointment should have followed a competitive process, with the Accounting Administrator I (Supervisor) position advertised through CalCareers, career centers, or other public platforms to ensure fair and equitable notice to eligible candidates, rather than being conducted as an internal recruitment.

Covered California acknowledged the department's critical business need to establish dedicated, first-level supervisory oversight for CCSB Disbursements and Reporting but did not have available position resources to redirect or reclassify for a traditional recruitment process. As a result, Covered California conducted a competitive internal recruitment and advertised the position among eligible staff within the department, believing this approach met the requirements of the state's merit-based hiring practices.

SPB disagreed with Covered California's interpretation, citing concerns the sequence of actions raised significant questions about whether the appointment was, in substance, implemented through reclassification rather than a lawful competitive process.

To address these concerns, SPB instructed Covered California to meet with California Department of Human Resources (CalHR) and submit the findings of an unlawful appointment investigation. During the meeting with CalHR, Covered California sought guidance regarding whether the appointment mechanism, utilizing an internal recruitment, was appropriate or constituted a promotion in place. CalHR clarified that, while the mechanism did not align with the traditional definition of a promotion in place, it does qualify as a promotion in place under merit-based hiring practices. Therefore, CalHR confirmed the appointment is considered unlawful.

**Corrective Action:**

Following notification and directions from SPB and CalHR, Covered California has engaged with the employee regarding the discovery of the unlawful appointment. Covered California has provided the initial unlawful appointment notice and is awaiting the 15-day due process period for the employee response. Once the 15 days period has elapsed, Covered California will issue final notification/determination and take the necessary steps to void the appointment.

Covered California has informed Human Resources (HR) staff that promoting an employee from rank-and-file to a supervisory classification through internal recruitment constitutes a promotion in place and is not permissible.

**Finding #4 | Probationary evaluations were not provided for all appointments reviewed and some that were provided were untimely.**

**SPB Summary:**

Covered California did not provide 25 of the 120 probationary reports of performance requested for review by the CRD. In addition, Covered California did not provide 29 probationary reports of performance in a timely manner.

**Cause:**

Covered California did not have sufficient tracking, reminder, and escalation processes to ensure probationary reports were completed and provided timely for all probationary appointments. Responsibility for completing probationary evaluations rested with individual supervisors and managers. The prior process did not provide

consistent clear escalation steps for overdue reports, or routine compliance monitoring to ensure reports were completed at each required interval.

**Corrective Action:**

Covered California has implemented an escalation process for overdue probationary reports. When supervisors or managers do not complete required evaluations within established timeframes, reminder and escalation emails are sent to the appropriate program leadership, including program directors, to increase visibility reinforce accountability, and support timely completion. Covered California has updated and streamlined the Workday performance appraisal process to make it more user friendly for supervisors and managers. Covered California also updated our probationary report training.

**Finding #8 | Ethics training was not provided for all filers.**

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**SPB Summary:**

Covered California did not provide ethics training to 25 of 203 existing filers. In addition, Covered California did not provide ethics training to 5 of 47 new filers within six months of their appointment.

**Cause:**

All employees were enrolled in the required training course, with reminders sent at defined intervals to both the employee and their supervisor, instructing the employee to complete the training. While Covered California University oversees training compliance, ensuring timely completion is a shared responsibility between Covered California University and an employee's supervisor.

**Corrective Action:**

To support supervisors in their compliance role, Covered California University enhanced its Learning Management System (LMS) in June 2025. The system now sends notifications to both the employee and their supervisor every two days once a training deadline is overdue. However, since these system enhancements were implemented shortly before the audit period, the updated process was not in place long enough to ensure full compliance across all employees reviewed during the entire audit period.

**Finding #9 | Sexual harassment prevention training was provided for all employees with 13 exceptions.**

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**SPB Summary:**

Covered California provided sexual harassment prevention training to its seven new supervisors within six months of their appointment and 100 existing non-supervisors every two years. However, Covered California did not provide sexual harassment prevention training to 13 of 240 existing supervisors every two years.

**Cause:**

All employees were enrolled in the required training course, with reminders sent at defined intervals to both the employee and their supervisor, instructing the employee to complete the training. While Covered California University oversees training compliance,

ensuring timely completion is a shared responsibility between Covered California University and an employee's supervisor.

**Corrective Action:**

To support supervisors in their compliance role, Covered California University enhanced its LMS in June 2025. The system now sends notifications to both the employee and their supervisor every two days once a training deadline is overdue. However, since these system enhancements were implemented shortly before the audit period, the updated process was not in place long enough to ensure full compliance across all employees reviewed during the entire audit period.

**Finding #10 | Supervisory training was not provided for all supervisors, managers, and CEAs.**

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**SPB Summary:**

Covered California did not provide basic supervisory training to one of three new supervisors within 12 months of appointment, and did not provide CEA training to one new CEA within 12 months of appointment.

**Cause:**

While Covered California University oversees training compliance, ensuring timely completion is a shared responsibility between Covered California University and an employee's supervisor.

**Corrective Action:**

To support supervisors in their compliance role, Covered California University enhanced its LMS in June 2025. The system now sends notifications to both the employee and their supervisor every two days once a training deadline is overdue. However, since these system enhancements were implemented shortly before the audit period, the updated process was not in place long enough to ensure full compliance across all employees reviewed during the entire audit period.

**Finding #11 | Salary determinations complied with civil service laws, rules, and CalHR policies and guidelines with two exceptions**

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**Summary:** The CRD found two errors in the 22 salary determinations reviewed:

Classification	Description of Findings	Criteria
Research Data Specialist I	Incorrect salary determination, resulting in the employee being overcompensated.	Cal. Code Regs., tit. 2, section 599.674, subd. (b)
Research Scientist II (Social/Behavioral Sciences)	Incorrect salary determination, resulting in the employee being undercompensated.	Cal. Code Regs., tit. 2, section 599.674, subd. (a)

**Cause:**

The salary for a Research Data Specialist I was calculated incorrectly. A full 5% increase was awarded when the employee should have received a 4.6% increase per 599.674(b).

The salary for the Research Scientist II (Social/Behavioral Sciences) was calculated correctly; however, the salary was inadvertently keyed incorrectly into the State Controller's Office (SCO).

**Corrective Action:**

Research Data Specialist I:

The employee was notified and their salary was corrected to \$6,955 on March 4, 2026.

Covered California has addressed the audit finding by providing additional guidance to the staff responsible for salary determinations; ensuring proper application of salary rules, specifically 599.674(b).

Internal training and discussion regarding salary determinations were conducted with HR staff on March 11, 2026 and April 8, 2026. Additionally, an overview of the SPB audit findings will be presented to HR staff in May 2026, during which further training and discussions will take place. To ensure continued compliance, Covered California will conduct periodic refresher training on salary determinations as needed.

Supervisors overseeing staff responsible for salary determinations will review salary calculations until staff can demonstrate full proficiency and can assume independent responsibility without supervision.

For staff who have not yet completed salary determination instructor led training provided by SCO, Covered California will schedule them for training as soon as the class(s) become available. Covered California initially reached out to SCO in October 2025 and was informed training classes were expected to resume at the beginning of 2026. However, as of May 11, 2026, SCO has indicated salary determination training is not currently offered due to a shortage of qualified instructors. In the interim, Covered California HR staff will be instructed to complete the SCO self-paced online salary determination training module.

Research Scientist II (Social/Behavioral Sciences):

The salary determination was calculated correctly. This was a keying error upon entry into SCO. A dual agency correction is currently in progress following the employee's departure from Covered California.

**Finding #12 | Alternate range movements did not comply with civil service laws, rules, and CalHR policies and guidelines.**

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**SPB Summary:** The CRD found one error in the nine alternate range movements reviewed:

Classification	Description of Finding	Criteria
Information Technology Specialist I	Employee met the criteria for Range B upon appointment but was placed in Range A, resulting in the employee being undercompensated.	ARC 484

**Cause:**

HR staff incorrectly placed an Information Technology Specialist I in Range A upon appointment. Upon review of the application, the employee should have been placed in Range B upon appointment.

**Corrective Action:**

Following SPB’s finalized audit summary, Covered California is notifying the employee and is currently correcting the original appointment for the Information Technology Specialist I in Range A, with placement in Range B.

All staff who conduct minimum qualification (MQ) reviews have taken CalHR’s MQ training. We provided staff additional training on MQ evaluation on March 5, 2026 to align with training materials provided by CalHR.

Covered California will conduct periodic MQ refresher training for staff, as needed.

Supervisors for staff conducting MQ evaluations will review staff determinations until staff can assume full responsibility without review.

**Finding #15 | Incorrect authorization of out-of-class (OOC) pay**

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**SPB Summary:** The CRD found two errors in the two OOC pay assignments reviewed:

Classification	Out-of-Class Classification	Description of Findings	Criteria
Program Technician III	Supervising Program Technician III	Incorrect OOC rate calculated, resulting in the employee being overcompensated.	Pay Differential 91
Staff Services Manager III	CEA B, Deputy Director, Plan Management Division	Incorrect OOC rate calculated, resulting in the employee being undercompensated.	Pay Differential 101

**Cause:**

The overpayment for the Program Technician III / Supervising Program Technician III assignment occurred due to the incorrect inclusion of the pay differential in the OOC rate calculation.

The underpayment for the Staff Services Manager III / CEA B, Deputy Director, Plan Management Division assignment occurred due to a lack of salary review upon approval of the extension; the prorated amount was keyed in error instead of recalculating the full OOC amount.

**Corrective Action:**

Covered California has reviewed both OOC assignments in full, confirmed the correct calculation for each transaction, and processed the necessary salary corrections to address the overpayment and underpayment identified in the audit.

In addition, Covered California has strengthened internal controls by implementing a required second-level review by the Transaction Supervisor and revising the OOC calculation worksheet to include a line for signature certification to verify review and calculation accuracy. Transaction staff will also be reminded of the requirement to recalculate OOC pay upon extension approval rather than keying a prorated amount in error.

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**Finding #21 | Performance appraisals were not provided to all employees**

**SPB Summary:** Covered California did not provide annual performance appraisals to 19 of 48 employees reviewed after the completion of the employee's probationary period.

**Cause:** Covered California's performance evaluation policies do not clearly establish department-wide performance appraisal timelines and management accountability for completion of performance appraisals. Covered California streamlined the Workday performance appraisal process in December 2025 to make the process easier for supervisors and managers to complete and understand. Because the system improvement occurred shortly before the audit was initiated in February 2026, the updated process has not been in place long enough to ensure full compliance for all employees reviewed.

**Corrective Action:** Covered California has implemented an escalation process for overdue performance appraisals. When supervisors or managers do not complete required evaluations within established timeframes, reminder and escalation emails are sent to the appropriate program leadership, including program directors, to increase visibility reinforce accountability, and support timely completion. Covered California has drafted responsive updates to its performance evaluation policy, which are currently routing for review and approval. Covered California updated and streamlined the Workday performance appraisal process to make it more user friendly for supervisors and managers. Covered California will roll out a four-part performance appraisal training series from May through August 2026.

In closing, Covered California is committed to operating in strict adherence to all rules and regulations to ensure compliance and minimize errors. Following the outlined plans, we are taking proactive steps in the coming months to further strengthen our processes. We take this report seriously and will implement frequent, regular follow-ups throughout the year to ensure sustained improvement.

Please contact me with any further questions or concerns.

Sincerely,



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