

COMPLIANCE REVIEW REPORT

DEPARTMENT OF CANNABIS CONTROL

Compliance Review Division
State Personnel Board
January 27, 2026

TABLE OF CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	2
BACKGROUND	3
SCOPE AND METHODOLOGY	4
FINDINGS AND RECOMMENDATIONS	6
EXAMINATIONS.....	6
APPOINTMENTS.....	8
EQUAL EMPLOYMENT OPPORTUNITY	12
PERSONAL SERVICES CONTRACTS	13
MANDATED TRAINING	15
COMPENSATION AND PAY	17
LEAVE.....	21
POLICY AND PROCESSES.....	26
DEPARTMENTAL RESPONSE.....	28
CORRECTIVE ACTIONS	28

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 Department of Cannabis Control (DCC) 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	Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely
Appointments	Substantial Compliance ¹	Appointment Documentation Was Not Kept for the Appropriate Amount of Time
Appointments	Out of Compliance	Unlawful Appointment by Way of Transfer
Equal Employment Opportunity	In Compliance	Equal Employment Opportunity Program Complied with All Civil Service Laws and Board Rules
Personal Services Contracts	Out of Compliance	Unions Were Not Notified of Personal Services Contracts
Personal Services Contracts	Out of Compliance	Written Justification Was Not Provided for All Personal Services Contracts

¹ 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	Ethics Training Was Not Provided for All Filers
Mandated Training	Out of Compliance	Sexual Harassment Prevention Training Was Not Provided for All Employees
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Out of Compliance	Alternate Range Movements Did Not Comply with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Out of Compliance	Incorrect Authorization of Pay Differentials
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Leave	In Compliance	Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Leave	Out of Compliance	Department Has Not Implemented a Monthly Internal Audit Process to Verify All Leave Input is Keyed Accurately and Timely
Leave	In Compliance	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Policy	In Compliance	Nepotism Policy Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Policy	Out of Compliance	Injured Employee Did Not Receive Claim Form Within One Working Day of Notice or Knowledge of Injury
Policy	Out of Compliance	Performance Appraisals Were Not Provided to All Employees

BACKGROUND

The DCC was established on July 12, 2021, with the passage of Assembly Bill 141 (Chapter 70, Statutes of 2021). This legislation consolidated California's three cannabis

licensing programs (established in 2016) into a single department to centralize and streamline California's commercial cannabis regulatory oversight. The DCC licenses and regulates commercial cannabis activity within California. This includes: The transportation, delivery, and tracking of cannabis goods, the growing of cannabis plants, the manufacturing of cannabis products, the testing and sale of cannabis goods, the permitting of events where cannabis is sold.

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the DCC's examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes². The primary objective of the review was to determine if the DCC's personnel practices, policies, and procedures complied with state civil service laws and Board regulations, Bargaining Unit Agreements, CalHR policies and guidelines, CalHR Delegation Agreements, and to recommend corrective action where deficiencies were identified.

A cross-section of the DCC'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 DCC provided, which included examination plans, examination bulletins, job analyses, and scoring results. The CRD also reviewed the DCC's permanent withhold actions documentation, including Withhold Determination Worksheets, State applications (STD 678), class specifications, and withhold letters.

A cross-section of the DCC'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 DCC 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 DCC did not conduct any unlawful appointment investigations during the compliance review period.

The DCC's appointments were also selected for review to ensure the DCC applied salary regulations accurately and correctly processed employees' compensation and pay. The CRD examined the documentation that the DCC 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

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

documentation for the following personnel functions related to compensation and pay, monthly pay differentials, and alternate range movements. During the compliance review period, the DCC did not issue or authorize red circle rate requests, arduous pay, bilingual pay, or out-of-class assignments.

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

The DCC'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 DCC'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 DCC's units to ensure they maintained accurate and timely leave accounting records. Part of this review also examined a cross-section of the DCC'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 CRD reviewed a selection of the DCC employees who used Administrative Time Off (ATO) to ensure that ATO was appropriately administered. Further, the CRD reviewed a selection of DCC positive paid employees whose hours are tracked during the compliance review period to ensure that they adhered to procedural requirements.

3 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.

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

The CRD received and carefully reviewed DCC's written response on December 18, 2025, 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, August 2, 2023, through April 30, 2024, the DCC conducted two examinations. The CRD reviewed those two examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA A, Branch Chief, Investigative Services Branch	CEA	Statement of Qualifications (SOQ) ⁴	9/27/23	28
CEA A, Public Engagement Manager	CEA	SOQ	10/13/23	36

FINDING NO. 1	EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRD reviewed two CEA examinations which the DCC administered to create eligible lists from which to make appointments. The DCC published and distributed examination bulletins containing the required information for all examinations. Applications received by the DCC 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 DCC 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

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

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, August 2, 2023, through April 30, 2024, the DCC conducted 16 permanent withhold actions. The CRD reviewed 11 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	3
Environmental Scientist	Failed to Meet Minimum Qualifications	1
Informational Technology Specialist I	Failed to Meet Minimum Qualifications	1
Program Technician II	Failed to Meet Minimum Qualifications	1
Research Data Analyst II	Failed to Meet Minimum Qualifications	1
Research Scientist III (Epidemiology/Biostatistics)	Failed to Meet Minimum Qualifications	1
Special Investigator	Failed to Meet Minimum Qualifications	3

FINDING NO. 2	PERMANENT WITHHOLD ACTIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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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, August 2, 2023, through January 30, 2024, the DCC made 112 appointments. The CRD reviewed 21 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
CEA	Certification List	CEA	Full Time	1
Accounting Administrator I (Supervisor)	Certification List	Permanent	Full Time	1
Associate Accounting Analyst	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	1
Attorney IV	Certification List	Permanent	Full Time	1
Attorney, Assistant Chief Counsel	Certification List	Limited Term	Full Time	1
Environmental Scientist	Certification List	Permanent	Full Time	1
Information Officer II	Certification List	Permanent	Full Time	1
Information Technology Specialist I	Certification List	Permanent	Full Time	1
Information Technology Supervisor II	Certification List	Permanent	Full Time	1
Office Technician (Typing)	Certification List	Permanent	Full Time	1
Personnel Technician I	Certification List	Permanent	Full Time	1
Research Scientist Supervisor II (Food and Drug Sciences)	Certification List	Permanent	Full Time	1
Senior Environmental Scientist (Supervisory)	Certification List	Permanent	Full Time	1
Staff Services Analyst	Certification List	Permanent	Full Time	1
Staff Services Manager I	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	2

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Environmental Scientist	Transfer	Permanent	Full Time	1
Senior Environmental Scientist (Supervisory)	Transfer	Permanent	Full Time	1
Staff Services Analyst	Transfer	Permanent	Full Time	1

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 DCC did not provide 25 of the 63 probationary reports of performance reviewed by the CRD. In addition, the DCC did not provide 9 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).)

FINDING NO. 4	APPOINTMENT DOCUMENTATION WAS NOT KEPT FOR THE APPROPRIATE AMOUNT OF TIME
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Summary: Of the 21 appointments reviewed, the DCC did not retain 1 NOPA.

Criteria: As specified in section 26 of the Board's Regulations, appointing powers are required to retain records related to affirmative action, equal employment opportunity, examinations, merit, selection, and appointments for a minimum period of five years from the date the record is created. These records are required to be readily accessible and retained in an orderly and systematic manner. (Cal. Code Regs., tit. 2, § 26.)

FINDING NO. 5	UNLAWFUL APPOINTMENT BY WAY OF TRANSFER
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Summary: The DCC made one unlawful appointment on October 1, 2023, by way of transfer to a vacant position.

Firstly, there was no advertising or competitive selection process to fill the vacant position, in violation of California Code of Regulations, title 2, sections 250 and 249.1.

Secondly, the employee had been in a limited term Associate Governmental Program Analyst and had never held a permanent Associate Governmental Program Analyst, thereby a transfer was impermissible pursuant to California Code of Regulations, title 2, section 430, subdivision (b).

Lastly, the DCC provided no evidence that the employee had permanent list eligibility and was reachable on a permanent employment list pursuant to Government Code section 19057.1, subdivision (a).

Criteria: When an appointing power seeks to fill a vacant position by using an employment list, the department shall utilize a certified list of the names and addresses of all eligibles whose scores at the time of certification represent the three highest ranks on the list and who have indicated a willingness to accept appointment under the conditions of employment specified. (Gov. Code § 19057.1, subd. (a))

Recruitments for vacant positions shall be broadly advertised. For list appointments and transfers, the hiring process for eligible candidates shall be competitive and involve an assessment of the qualifications of the candidates and be designed to hire candidates

who will be successful. The hiring process shall be conducted by using job-related criteria and shall include one or more of the following selection instruments: hiring interviews, standardized performance demonstrations, written exercises, role-plays, or simulations, as well as any other selection instrument or procedure designed to objectively and fairly evaluate each candidate's qualifications to be successful in the position. (Cal. Code Regs., tit. 2, sections 249.1 and 250)

Limited-term appointments shall not be used as a basis for transfer eligibility. (Cal. Code Regs., tit. 2, section 430)

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).)

FINDING NO. 6	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 CRD determined that the DCC'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 Director of the DCC. The DCC also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

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

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

During the period under review, August 2, 2023, through April 30, 2024, the DCC had 19 PSC's that were in effect. The CRD reviewed 14 of those, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Capio Group	Business Process Mapping	\$2,580,480	No	No
Era Economics, LLC	Economic Impact Assessment	\$859,544	Yes	No
Tri-County	Janitorial Services	\$22,655	Yes	No

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Janitorial				
GardaWorld	Armored Vehicle Services	\$31,462	Yes	No
Magellan Health Services of California, Inc.	Training and Organizational Development	\$149,000	Yes	No
AM-TEC Total Security, Inc.	Alarm Monitoring Services	\$2,515	Yes	No
AM-TEC Total Security, Inc.	Alarm Monitoring Services	\$3,269	Yes	No
Videovets	HR Video Production Services	\$120,000	No	No
Plumas Supply	Search Warrant Builder	\$9,805	Yes	No
Adaptconn, Inc.	Satellite Telecom Services	\$37,440	Yes	No
Management Concepts	Grants Training	\$18,394	Yes	No
Largaespada Enterprises, Inc., dba Safe Security Solutions	Alarm Monitoring Services	\$8,300	Yes	No
RELX Inc.	LexisNexis Electronic Database	\$147,960	Yes	No
Visionary Integration Professionals, LLC	Consulting and Tracking Services	\$8,536,023	Yes	No

FINDING NO. 7	UNIONS WERE NOT NOTIFIED OF PERSONAL SERVICES CONTRACTS⁵
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Summary: The DCC did not notify unions prior to entering into any of the 14 PSC's reviewed.

⁵ On December 12, 2025, DCC provided documentation it contended would satisfy the requirements in this area. However, the documentation was not reviewed or considered as the review had been closed. As a point of information, CRD requested this documentation several times during the review process.

Criteria: Before a state agency executes a contract or amendment to a contract for personal services conditions specified within Government Code section 19130, subdivision (b), the agency shall notify all organizations that represent state employees who perform or could perform the type of work that is called for within the contract, unless exempted under Government Code section 19132, subdivision (b)(1). (Cal. Code Regs., tit. 2, § 547.60.2.)

FINDING NO. 8	WRITTEN JUSTIFICATION WAS NOT PROVIDED FOR ALL PERSONAL SERVICES CONTRACTS
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Summary: The DCC did not prepare or retain written justification as to why two contracts satisfied Government Code section 19130, subdivision (b).

Criteria: Whenever an agency executes a personal services contract under Government Code section 19130, subdivision (b), the agency shall document, with specificity and detailed information, the reasons why the contract satisfies one or more of the conditions specified in Government Code section 19130, subdivision (b). (Cal. Code Reg., tit. 2, § 547.60, subd. (a).) The agency shall maintain the written justification for the duration of the contract and any extensions of the contract or in accordance with the record retention requirements of section 26, whichever is longer. (Cal. Code Reg., tit. 2, § 547.60, subd. (b).)

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 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 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 DCC's mandated training program that was in effect during the compliance review period, May 1, 2022, through April 30, 2024. The DCC's supervisory training was found to be in compliance, while the DCC's ethics training and sexual harassment prevention training were found to be out of compliance.

FINDING NO. 9	ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS
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Summary: The DCC provided ethics training to its 72 existing filers. However, the DCC did not provide ethics training to 40 of 73 new filers within six months of appointment.

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

FINDING NO. 10	SEXUAL HARASSMENT PREVENTION TRAINING WAS NOT PROVIDED FOR ALL EMPLOYEES
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Summary: While the DCC provided sexual harassment prevention training to all of its 66 existing supervisors every 2 years, the DCC did not provide sexual harassment prevention training to 10 of 23 new supervisors within 6 months of appointment.

The DCC was found to have provided sexual harassment prevention training to its 49 existing non-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.)

Compensation and Pay

Salary Determination

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

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

⁶ "Rate" is any one of the salary rates in the resolution by CalHR which establishes the salary ranges and steps of the Pay Plan (Cal. Code Regs., tit. 2, section 599.666).

During the period under review, August 2, 2023, through January 30, 2024, the DCC made 112 appointments. The CRD reviewed six of those appointments to determine if the DCC applied salary regulations accurately and correctly processed employees' compensation.

FINDING NO. 11	SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the salary determinations that were reviewed. The DCC appropriately calculated and keyed the salaries for each appointment and correctly determined employees' anniversary dates ensuring that subsequent merit salary adjustments will satisfy civil service laws, Board rules and CalHR policies and guidelines.

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, August 2, 2023, through January 30, 2024, the DCC employees made six alternate range movements within a classification. The CRD reviewed five of those alternate range movements to determine if the DCC applied salary regulations accurately and correctly processed each employee's compensation, which are listed below:

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Environmental Scientist	B	C	\$6,375
Environmental Scientist	B	C	\$6,375
Personnel Specialist	C	D	\$5,230
Special Investigator	B	C	\$7,020
Special Investigator	A	B	\$6,065

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

Classification	Description of Findings	Criteria
Environmental Scientist	Employee was reinstated at Range C and did not meet the criteria for Range C yet, leading to an overpayment ⁷ .	ARC 430

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.)

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.)

⁷ While this ARC placement was incorrect, there were other pay issues stemming from the employee's prior appointing authority which carried over into the DCC's appointment resulting in an overall underpayment. The DCC has been made aware of the pre-existing pay issues.

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, 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, August 2, 2023, through January 30, 2024, the DCC authorized 53 pay differentials⁸. The CRD reviewed 21 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

Classification	Pay Differential	Monthly Amount
Investigator	244	5%
Investigator	244	2.5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	2.5%
Investigator	244	5%
Investigator	244	2.5%
Investigator	244	5%
Investigator	244	5%
Investigator	244	5%
Supervising Investigator I	244	\$240
Supervising Investigator I	244	2.5%
Supervising Investigator I	244	5%
Supervising Investigator I	244	5%
Supervising Investigator I	244	5%
Supervising Investigator I	244	5%

FINDING NO. 13	INCORRECT AUTHORIZATION OF PAY DIFFERENTIALS
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Summary: The CRD found 3 errors in the 21 pay differentials reviewed:

⁸ For the purposes of CRD's review, only monthly pay differentials were selected for review at this time.

Classification	Description of Findings	Criteria
Investigator	Certificates and/or degree were not provided to substantiate pay differential.	Pay Differential 244
Supervising Investigator I	Certificates and/or degree were not provided to substantiate pay differential.	Pay Differential 244
Supervising Investigator I	Certificates and/or degree were not provided to substantiate pay differential.	Pay Differential 244

Criteria: A pay differential may be appropriate 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. 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. (CalHR Classification and Pay Manual Section 230.)

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 days⁹ worked and paid absences¹⁰, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day are not limited by this rule. (*Ibid.*) The 12-consecutive month timeframe begins by counting the first pay period worked as the first month of the 12-consecutive month timeframe. (*Ibid.*) The employee shall serve no longer than 189 days in a 12 consecutive month period. (*Ibid.*) A new 189-day working limit in a 12-consecutive month timeframe may begin in the month immediately following the month that marks the end of the previous 12-consecutive month timeframe. (*Ibid.*)

⁹ For example, two hours or ten hours count as one day.

¹⁰ For example, vacation, sick leave, compensating time off, etc.

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

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

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 DCC had 20 positive paid employees whose hours were tracked. The CRD reviewed 14 of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Time Worked
Associate Governmental Program Analyst	Retired Annuitant	7/1/22 – 6/30/23	794 Days
Senior Management Auditor	Retired Annuitant	7/1/22 – 6/30/23	954 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	260.5 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	440.5 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	371 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	376.5 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	554 Days
Special Investigator	Retired Annuitant	7/1/22 – 6/30/23	601 Days
Supervising Special Investigator I	Retired Annuitant	7/1/22 – 6/30/23	633 Days
Student Assistant	Temporary	10/16/23 – 4/30/24	609.5 Hours
Student Assistant	Temporary	8/02/23 – 4/30/24	828.5 Hours
Student Assistant	Temporary	10/16/23 – 4/30/24	783 Hours

Classification	Tenure	Time Frame	Time Worked
Student Assistant	Temporary	8/21/23 – 4/30/24	882.5 Hours
Student Assistant	Temporary	10/16/23 – 4/30/24	510.5 Hours

FINDING NO. 14	POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the positive paid employees reviewed during the compliance review period. The DCC provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

Administrative Time Off

ATO is a form of paid administrative leave status initiated by appointing authorities for a variety of reasons. (Human Resources Manual Section 2121.) Most often, ATO is used when an employee cannot come to work because of a pending investigation, fitness for duty evaluation, or when work facilities are unavailable. (*Ibid.*) ATO can also be granted when employees need time off for reasons such as blood or organ donation, extreme weather preventing safe travel to work, states of emergency, voting, and when employees need time off to attend special events. (*Ibid.*)

During the period under review, February 1, 2023, through January 30, 2024, the DCC authorized one ATO transaction. The CRD reviewed that one ATO transaction to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines.

FINDING NO. 15	ADMINISTRATIVE TIME OFF AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the ATO transactions reviewed during the compliance review period. The DCC 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, November 1, 2023, through January 30, 2024, the DCC reported 25 units. The CRD reviewed 10 units within 2-3 pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

FINDING NO. 16	DEPARTMENT HAS NOT IMPLEMENTED A MONTHLY INTERNAL AUDIT PROCESS TO VERIFY ALL LEAVE INPUT IS KEYED ACCURATELY AND TIMELY
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Summary: The DCC failed to implement a monthly internal audit process to verify all timesheets were keyed accurately and timely and to certify that all leave records have been reviewed and corrected if necessary.

Criteria: Each appointing power shall 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 an audit process to verify all leave input is keyed accurately and timely. (Human Resources Manual Section 2101.) Departments shall identify and record all errors found and shall certify that all leave records for the unit/pay period identified have been reviewed and all leave errors identified have been corrected. *(Ibid.)* Attendance records shall be corrected by the pay period following the pay period in which the error occurred. *(Ibid.)*

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.¹¹ (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 employees¹² 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, August 2, 2023, through May 1, 2024, the DCC had one employee with a non-qualifying pay period transaction. The CRD reviewed the one transaction to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

FINDING NO. 17	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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11 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.

12 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 DCC 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.*)

FINDING NO. 18	NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD verified that the policy was disseminated to all staff and emphasized the DCC's commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the DCC'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.*)

FINDING NO. 19	INJURED EMPLOYEE DID NOT RECEIVE CLAIM FORM WITHIN ONE WORKING DAY OF NOTICE OR KNOWLEDGE OF INJURY
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Summary: Out of the five workers' compensation claim forms reviewed by the CRD, one was not provided to the employee within one working day of the employer's notice or knowledge of the injury.

Criteria: An employer shall provide a claim form and notice of potential eligibility for workers' compensation benefits to its employee within one working day of notice or knowledge that the employee has suffered a work-related injury or illness. (Cal. Lab. Code, § 5401, subd. (a).)

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

FINDING NO. 20	PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES
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Summary: The DCC did not provide annual performance appraisals to 4 of 30 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 each twelve calendar months following the end of the employee's probationary period. (Cal. Code Regs., tit. 2, § 599.798.)

DEPARTMENTAL RESPONSE

The DCC's departmental 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.



**Department of
Cannabis Control**
CALIFORNIA

Gavin Newsom
Governor

Nicole Elliott
Director

December 18, 2025

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

Dear Ms. Ambrose:

The Department of Cannabis Control (DCC) would like to thank the State Personnel Board's Compliance Review Division for undertaking the 2025 DCC Compliance Review. The DCC has reviewed the report and provides the following responses to the findings.

Finding No. 3: Probationary Evaluations Were Not Provided For All Appointments Reviewed And Some That Were Provided Were Untimely

Summary: The DCC did not provide 25 of the 63 probationary reports of performance reviewed by the CRD. In addition, the DCC did not provide 9 probationary reports of performance in a timely manner.

Response: With the development and implementation of DCC's Performance Appraisals and Individual Development Plan policy (9.06) on September 13, 2022, DCC began creating and sending Outlook calendar reminders to supervisors/managers as permanent appointments are onboarded. These reminders are created for each one-third portion of the employee's probationary period and includes language referencing the 9.06 policy, direction on when to contact performance management staff for guidance, and provides copies of the 9.06 policy, the STD 636 and the supplemental attachment form created by DCC. The Outlook calendar reminder for each one-third portion is created to automatically alert the supervisor/manager four days prior to the portions end date. A copy of an Outlook calendar reminder is included in this response (*attachment: Appointments Finding No. 3 - Probationary Reminder.pdf*). In 2026, DCC will begin having the division admin liaisons provide monthly reminders to supervisors/managers the month prior to the completion of each one-third portion of employee's probationary period.

Finding No. 5: Unlawful Appointment By Way Of Transfer

Summary: The DCC made one unlawful appointment on October 1, 2023, by way of transfer to a vacant position.

Firstly, there was no advertising or competitive selection process to fill the vacant position, in violation of California Code of Regulations, title 2, sections 250 and 249.1.

Secondly, the employee had been in a limited term Associate Governmental Program Analyst and had never held a permanent Associate Governmental Program Analyst, thereby a transfer was impermissible pursuant to California Code of Regulations, title 2, section 430, subdivision (b).

Lastly, the DCC provided no evidence that the employee had permanent list eligibility and was reachable on a permanent employment list pursuant to Government Code section 19057.1, subdivision (a).

Response: The employee's initial appointment (July 2023) was for a limited term, blanket position as DCC worked on identifying PYs for a newly established PRU. By October 2023, DCC had identified the PYs and the employee was redirected to the new PRU, which resulted in a new position number. It was not the intention of DCC to change the tenure of this position but only change the position number. The RPA was inaccurately keyed as a list appointment (A01) and inaccurately corrected to a transfer (A02), when the transaction should have been keyed as a position number change (120). The October 2023 transaction has been corrected to reflect the 120.

Finding No. 7: Unions Were Not Notified Of Personal Services Contracts

Summary: The DCC did not notify unions prior to entering into any of the 14 PSC's reviewed.

Response: The required union notifications were completed as required; however, this information was inadvertently not provided by our Procurement Section when originally requested. DCC subsequently provided the requested documentation after the compliance review due date.

Finding No. 8: Written Justification Was Not Provided for All Personal Services Contracts

Summary: The DCC did not prepare or retain written justification as to why two contracts satisfied Government Code section 19130, subdivision (b).

Response: The required written justification for contract 95063 was completed as required; however, this information was inadvertently not provided by our Procurement Section when originally requested. DCC is prepared to provide this document through a secure FTP link.

The required written justification for contract 96837 was completed as required by DGS on behalf of DCC, as at the time we were only Tier 1 delegation.

Finding No. 9: Ethics Training Was Not Provided For All Filers

Summary: The DCC provided ethics training to its 72 existing filers. However, the DCC did not provide ethics training to 40 of 73 new filers within six months of appointment.

Response: DCC acknowledges our inability to provide training certificates for all employees required to complete Ethics trainings within six months of appointment. While the training was available, not all required employees completed the training. DCC has since implemented a mandatory annual survey (survey) that is disseminated to all employees in annually in January and due in April. This survey provides all DCC employees with guidance on completing and/or providing all mandatory trainings and policy acknowledgements. During the survey period, regularly scheduled reminders are sent to employees, with final reminders sent to division and executive management using standardized language. DCC is proud to report we had a 99% completion rate for the 2025 survey.

Finding No. 10: Sexual Harassment Prevention Training Was Not Provided For All Employees

Summary: While the DCC provided sexual harassment prevention training to all of its 66 existing supervisors every 2 years, the DCC did not provide sexual harassment prevention training to 10 of 23 new supervisors within 6 months of appointment.

The DCC was found to have provided sexual harassment prevention training to its 49 existing non-supervisors every 2 years.

Response: DCC acknowledges our inability to provide training certificates for all employees required to complete Sexual Harassment trainings within six months of appointment. While the training was available, not all required employees completed the training. DCC has since

implemented a mandatory annual survey (survey) that is disseminated to all employees in annually in January and due in April. This survey provides all DCC employees with guidance on completing and/or providing all mandatory trainings and policy acknowledgements. During the survey period, regularly scheduled reminders are sent to employees, with final reminders sent to division and executive management using standardized language. DCC is proud to report we had a 99% completion rate for the 2025 survey.

Finding No. 12: Alternate Range Movement Did Not Comply With Civil Service Laws, Board Rules, And CalHR Policies And Guidelines

Summary: The CRD found one error in the five alternate range movements reviewed.

Response: At the time of the employee's initial reinstatement (July 2022), they were placed in Range B. In March 2024, DCC received a Merit Issue Complaint (MIC) from the employee's union regarding the employee being incorrectly placed in Range B at the time of hire with DCC. As a result of the MIC, DCC completed a review of the employee's employment history (including their prior state service) and determined the employee should have been placed in Range C upon their reinstatement to the ES classification.

Finding No. 13: Incorrect Authorization Of Pay Differentials

Summary: The CRD found 3 errors in the 21 pay differentials reviewed

Response: The required substantiation is on file; however, this information was inadvertently not provided when originally requested. DCC is prepared to provide these documents through a secure FTP link.

Finding No. 16: Department Has Not Implemented A Monthly Internal Audit Process To Verify All Leave Input Is Keyed Accurately and Timely

Summary: The DCC failed to implement a monthly internal audit process to verify all timesheets were keyed accurately and timely and to certify that all leave records have been reviewed and corrected if necessary.

Response: DCC has been unable to complete monthly internal audits due to a lack of support staff in the Human Resources Branch. We anticipate this need being fulfilled in 2026.

Finding No. 19: Injured Employee Did Not Receive Claim Form Within Once Working Day

Summary: Out of the five workers' compensation claim forms reviewed by the CRD, one was not provided to the employee within one working day of the employer's notice or knowledge of the injury.

Response: DCC will develop a training for all employees regarding workers' compensation and the reporting requirements. We anticipate this training will take place in 2026.

Finding No. 20: Performance Appraisals Were Not Provided To All Employees

Summary: The DCC did not provide annual performance appraisals to 4 of 30 employees reviewed after the completion of the employee's probationary period.

Response: DCC will send an email to supervisors/managers annually in January reminding them to complete PASs for all non-probationary employees by April 1, as stated in DCC's Performance Appraisals and Individual Development Plan policy (9.06) that was implemented on September 13, 2022.

Thank you for the opportunity to respond to SPB's findings. Should you have any questions, please contact Human Resources Branch Chief, Kristi Sutton at Kristi.Sutton@Cannabis.ca.gov.

Sincerely,

Melissa Eidson

Melissa Eidson
Deputy Director of Administration