

COMPLIANCE REVIEW REPORT

EMPLOYMENT DEVELOPMENT DEPARTMENT

Compliance Review Division
State Personnel Board
September 30, 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 Employment Development Department (EDD) 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	Substantial Compliance ¹	Probationary Evaluations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines with 5 Exceptions
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

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	Substantial Compliance	Supervisory Training Was Provided For All Supervisors, Managers, And CEAs with 13 Exceptions
Mandated Training	Substantial Compliance	Sexual Harassment Prevention Training Was Provided For All Employees With One Exception
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Red Circle Rate Authorization Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Out of Compliance	Incorrect Authorization of Bilingual Pay
Compensation and Pay	In Compliance	Pay Differential Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Out of Class Pay Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Out of Compliance	Administrative Time Off Was Not Properly Documented
Leave	In Compliance	Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and
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

Area	Compliance	Finding
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 EDD provides a variety of services to businesses, workers, and job seekers. The EDD administers several multi-billion-dollar benefit programs including the Unemployment Insurance, Disability Insurance, and Paid Family Leave programs that provide financial stability to workers and their communities. The EDD also provides critical employment service programs to Californians, collects the state's labor market information and employment data, and serves as one of the nation's largest tax agencies through its collection of payroll taxes. In this manner, the EDD strengthens the economic vitality of Californians and their communities. The EDD's mission is to enhance California's economic growth and prosperity by collaboratively delivering valuable and innovative services to meet the evolving needs of employers, workers, and job seekers.

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the EDD'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 EDD'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 EDD'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 EDD provided, which included examination plans, examination bulletins, job analyses, and scoring results. The CRD also reviewed the EDD's permanent withhold actions documentation, including Withhold Determination Worksheets, State applications (STD 678), class specifications, and withhold letters.

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

A cross-section of the EDD'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 EDD provided, which included Notice of Personnel Action forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. The CRD also reviewed the EDD's policies and procedures concerning unlawful appointments to ensure departmental practices conform to state civil service laws and Board regulations.

The EDD's appointments were also selected for review to ensure the EDD applied salary regulations accurately and correctly processed employees' compensation and pay. The CRD examined the documentation that the EDD 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: red circle rate requests, bilingual pay, monthly pay differentials, alternate range movements, and out-of-class assignments.

During the compliance review period, the EDD did not issue or authorize arduous pay.

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

The EDD'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

³If an employee organization requests the SPB to review any personal services contract during the SPB compliance review period or prior to the completion of the final compliance review report, the SPB will not audit the contract. Instead, the SPB will review the contract pursuant to its statutory and regulatory process. In this instance, none of the reviewed PSC's were challenged.

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 EDD'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 EDD'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 EDD'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 EDD employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRD reviewed a selection of EDD's positive paid employees whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

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

On September 10, 2026, an exit conference was held with the EDD to explain and discuss the CRD's initial findings and recommendations. The CRD received and carefully reviewed the EDD's written response on September 17, 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, October 1, 2025, through March 31, 2026, the EDD conducted 14 examinations. The CRD reviewed 11 of these examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Career Executive Assignment (CEA) B, Central Office Division Chief	CEA	Statement of Qualifications (SOQ) ⁴	12/4/25	10
CEA B, Investigation Division Chief	CEA	SOQ	2/10/26	4
Disability Insurance Program Representative (LEAP)	Departmental Open	Training and Experience (T&E) ⁵	11/3/25	37
Employee Program Representative (LEAP)	Departmental Open	T&E	11/3/25	60
Disability Insurance Specialist I	Departmental Promotional	T&E	11/18/25	82
Disability Insurance Specialist II	Departmental Promotional	T&E	2/2/26	19

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

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

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Disability Insurance Program Manager I	Departmental Promotional	T&E	10/28/25	113
Employment Development Specialist I	Departmental Promotional	T&E	10/28/25	120
Employment Specialist II	Departmental Promotional	T&E	2/2/26	63
Employment Program Manager II	Departmental Promotional	T&E	2/2/26	117
Employment Program Manager III	Departmental Promotional	T&E	2/2/26	116

FINDING NO. 1	EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRD reviewed two CEA, two departmental open, and seven departmental promotional examinations which the EDD administered in order to create eligible lists from which to make appointments. The EDD published and distributed examination bulletins containing the required information for all examinations. Applications received by the EDD 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 EDD conducted during the compliance review period.

Permanent Withhold Actions

Departments are granted statutory authority to permit withhold of eligibles from lists based on specified criteria. (Gov. Code, § 18935.) Permanent appointments and promotions within the state civil service system shall be merit-based, ascertained by a competitive examination process. (Cal. Const., art. VII, § 1, subd. (b).) If a candidate for appointment is found not to satisfy the minimum qualifications, the appointing power shall provide written notice to the candidate, specifying which qualification(s) are not satisfied and the reason(s) why. The candidate shall have an opportunity to establish that s/he meets the qualifications. (Cal. Code Regs., tit. 2, § 249.4, subd. (b).) If the candidate fails to

respond or fails to establish that s/he meets the minimum qualification(s), the candidate's name shall be removed from the eligibility list. (Cal. Code Regs., tit. 2, § 249.4, subd. (b)(1), (2)), (HR Manual, section 1105.) The appointing authority shall promptly notify the candidate in writing and shall notify the candidate of his or her appeal rights. (*Ibid.*) A permanent withhold does not necessarily permanently restrict a candidate from retaking the examination for the same classification in the future; however, the appointing authority may place a withhold on the candidate's subsequent eligibility record if the candidate still does not meet the minimum qualifications or continues to be unsuitable. (HR Manual, Section 1105). State agency human resources offices are required to maintain specific withhold documentation for a period of five years. (*Ibid.*)

During the period under review, October 1, 2025, through March 31, 2026, the EDD conducted 22 permanent withhold actions. The CRD reviewed 10 of these permanent withhold actions, which are listed below:

Exam Title	Reason Candidate Placed on Withhold	No. of Withholds
Disability Insurance Program Representative	Failed to Meet Minimum Qualifications	2
Employment Program Representative	Failed to Meet Minimum Qualifications	3
Tax Auditor, EDD	Failed to Meet Minimum Qualifications	2
Tax Compliance Representative	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, April 1, 2025, through September 30, 2025, the EDD made 576 appointments. The CRD reviewed 75 of these appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Career Executive Assignment (CEA) C, Deputy Director, Unemployment Insurance Branch	CEA	Permanent	Full Time	1
Accountant I (Specialist)	Certification List	Permanent	Full Time	3
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	1
Accounting Technician	Certification List	Permanent	Full Time	1
Analyst I	Certification List	Limited Term	Full Time	1
Analyst I	Certification List	Permanent	Full Time	1
Analyst II	Certification List	Permanent	Full Time	5
Associate Tax Auditor, Employment Development Department	Certification List	Permanent	Full Time	2
Disability Insurance Program Manager I	Certification List	Permanent	Full Time	1
Disability Insurance Program Representative	Certification List	Permanent	Full Time	4
Disability Insurance Specialist II	Certification List	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Employment Program Manager I	Certification List	Permanent	Full Time	5
Employment Program Representative	Certification List	Permanent	Intermittent	15
Employment Program Representative	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
Key Data Operator	Certification List	Permanent	Intermittent	1
Office Assistant (General)	Certification List	Limited Term	Full Time	1
Office Technician (General)	Certification List	Limited Term	Full Time	1
Office Technician (Typing)	Certification List	Permanent	Full Time	2
Personnel Specialist	Certification List	Limited Term	Full Time	1
Program Technician	Certification List	Limited Term	Full Time	1
Program Technician	Certification List	Permanent	Full Time	2
Program Technician II	Certification List	Limited Term	Full Time	2
Program Technician II	Certification List	Permanent	Full Time	4
Research Data Analyst I	Certification List	Permanent	Full Time	1
Senior Tax Compliance Representative (Specialist)	Certification List	Permanent	Full Time	2
Tax Auditor, Employment Development Department	Certification List	Permanent	Full Time	1
Warehouse Worker	Certification List	Limited Term	Full Time	1
Employment Program Representative	Reinstatement	Permanent	Full Time	1
Disability Insurance Program Manager I	Transfer	Permanent	Full Time	1
Information Technology Specialist I	Transfer	Permanent	Full Time	2
Tax Compliance Representative	Transfer	Permanent	Full Time	1
Analyst II	Training and Development	Permanent	Full Time	1
Disability Insurance Program Representative	Training and Development	Permanent	Full Time	1
Employment Program Manager I	Training and Development	Permanent	Full Time	1
Motor Vehicle Representative	Training and Development	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Personnel Specialist	Training and Development	Permanent	Full Time	1
Supervisor I	Training and Development	Permanent	Full Time	1

FINDING NO. 3	PROBATIONARY EVALUATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES WITH 5 EXCEPTIONS
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Summary: The EDD did not provide 5 of the 225 probationary reports of performance requested for review by the CRD. In addition, the EDD did not provide 18 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, October 1, 2025, through March 31, 2026, the EDD conducted two unlawful appointment investigations. The CRD reviewed each of these unlawful appointment investigations, which are listed below:

Classification	Date Investigation Initiated	Date Investigation Concluded
Employment Program Representative	11/21/25	12/12/25
Employment Program Representative	3/25/26	4/17/26

FINDING NO. 4	UNLAWFUL APPOINTMENT INVESTIGATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The EDD's unlawful appointment investigations were 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).)

FINDING NO. 5	EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES
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After reviewing the policies, procedures, and programs necessary for compliance with the EEO program's role and responsibilities according to statutory and regulatory guidelines, the CRD determined that the EDD'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 EDD. The EDD also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

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

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

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

During the period under review, October 1, 2025, through March 31, 2026, the EDD had 85 PSC's that were in effect. The CRD reviewed 30 of these, which are listed below:

Vendor	Services	Contract Amount	Justification Identified	Union Notification
Adaptive Technology Services	Assistive Technology Training services	\$19,500	Yes	Yes
Arrowhead Mechanical	Training Room Build	\$137,190	Yes	Yes
Avantpage Translations	Translation & Remediation Services	\$149,999	Yes	Yes
Bright Bucket Cleaners	Janitorial Services	\$65,000	Yes	Yes
Capitol Elevator	Elevator Maintenance	\$150,000	Yes	Yes
Consulting Technology Network, Inc.	AI Phone Installation	\$15,870	Yes	Yes
Deloitte Consulting LLP	Business Intelligence & Data Warehouse IT Consulting	\$3,742,634	Yes	Yes
Deloitte Consulting LLP	Assessment of Security Tools	\$998,712	Yes	Yes
Enterprise Security, Inc.	Security Monitoring	\$60,000	Yes	Yes
Erika Linares Janitorial and Residential Cleaning	Multi-Site Janitorial Services	\$21,000	Yes	Yes
Ferreira Service, Inc.	HVAC Maintenance & Repair Services	\$63,700	Yes	Yes
Guidehouse, Inc.	IT Consulting for EDDNext	\$15,606,267	Yes	Yes
Independent Courier Services	Mail Courier	\$22,200	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified	Union Notification
Inter-Con Security Systems	Provide unarmed, uniformed security services to EDD facilities	\$48,725,933	Yes	Yes
Inter-Con Security Systems	Provide unarmed, uniformed security guard services, Region 1,4,5,7,8	\$10,095,738	Yes	Yes
JNH Construction, Inc.	Building Exterior and Interior Paint	\$82,730	Yes	Yes
Mother Lode Van & Storage	Decommissioning, Modular Systems, Furniture Services	\$765,180	Yes	Yes
MSC Integration	Camera Installation	\$20,000	Yes	Yes
Mt. View Los Altos Adult School	English Language Learner Education and Training	\$1,904,282	Yes	Yes
Office of Administrative Law	Training Class	\$13,800	Yes	Yes
Polychrome Construction, Inc.	Exterior Painting, Power washing, Resealing Brick	\$12,760	Yes	Yes
Premier Property Preservation, LLC	Janitorial Services, Orange County	\$50,000	Yes	Yes
Premier Property Preservation, LLC	Janitorial Services, Ventura and Santa Barbara Counties	\$50,000	Yes	Yes
Premier Property Preservation, LLC	Janitorial Services, San Diego County	\$50,000	Yes	Yes
Pur Water, LLC	Chiller and Boiler Chemical Maintenance	\$27,900	Yes	Yes
Safelock, Inc.	Motorized Door Replacement Services	\$20,160	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified	Union Notification
Singh Group, Inc.	Maintenance and Repair Services	\$35,000	Yes	Yes
Thermal Control HTG & A/C, Inc.	Replace 1-ton Server Room for HVAC	\$28,900	Yes	Yes
Triple Canopy, Inc.	Provide Unarmed Security Guard Services, Region 2	\$5,290,999	Yes	Yes
Viking Shred, LLC	Confidential Destruction Services	\$109,567	Yes	Yes

FINDING NO. 6	PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS
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The total dollar amount of all the PSC's reviewed was \$102,140,230. It was beyond the scope of the review to make conclusions as to whether EDD justifications for the contract were legally sufficient. For all PSC's reviewed, the EDD 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, EDD 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 EDD 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)⁶ 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

⁶ 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).)

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 EDD's mandated training program that was in effect during the compliance review period, April 1, 2024, through March 31, 2026. The EDD's tribal consultations training was found to be in compliance, while the EDD's ethics training, supervisory training, and sexual harassment prevention training were found to be out of compliance.

FINDING NO. 7	ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS⁷
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Summary: The EDD did not provide ethics training to 1 of 1392 existing filers. In addition, the EDD did not provide ethics training to 38 of 270 new filers within six 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).)

FINDING NO. 8	SUPERVISORY TRAINING WAS PROVIDED FOR ALL SUPERVISORS, MANAGERS, AND CEAs WITH 13 EXCEPTIONS
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Summary: The EDD provided manager training to its 22 new managers within 12 months of appointment; and provided CEA training to its 9 new CEAs within 12 months of appointment.

However, the EDD did not provide basic supervisory training to 13 of 159 new supervisors 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).)

⁷ Repeat finding; see reports dated November 9, 2023, and December 4, 2020.

FINDING NO. 9**SEXUAL HARASSMENT PREVENTION TRAINING WAS PROVIDED FOR ALL EMPLOYEES WITH ONE EXCEPTION**

Summary: The EDD provided sexual harassment prevention training to 917 of its existing supervisors every 2 years. In addition, the EDD provided sexual harassment prevention training to its 98 existing non-supervisors every 2 years.

However, the EDD did not provide sexual harassment prevention training to 1 of 223 new supervisors within 6 months of their appointment.

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 rate⁸ upon appointment depending on the appointment type, the employee's state employment and pay history, and tenure.

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

During the period under review, April 1, 2025, through September 30, 2025, the EDD made 576 appointments. The CRD reviewed 40 of these appointments to determine if the EDD applied salary regulations accurately and correctly processed employees' compensation.

⁸ "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).

FINDING NO. 10	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 EDD 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, April 1, 2025, through September 30, 2025, the EDD employees made 250 alternate range movements within a classification. The CRD reviewed 27 of these alternate range movements to determine if the EDD applied salary regulations accurately and correctly processed each employee's compensation, which are listed below:

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Disability Insurance Program Representative	A	B	\$4458
Disability Insurance Program Representative	A	B	\$4341
Disability Insurance Program Representative	A	B	\$4458
Disability Insurance Program Representative	B	C	\$5041
Disability Insurance Program Representative	B	C	\$5041
Employment Program Representative	A	B	\$4341

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Employment Program Representative	A	B	\$4471
Employment Program Representative	A	B	\$4471
Employment Program Representative	A	B	\$4341
Employment Program Representative	A	B	\$4341
Employment Program Representative	A	B	\$4341
Employment Program Representative	A	B	\$4341
Employment Program Representative	A	B	\$4341
Information Technology Specialist I	A	B	\$8899
Information Technology Specialist I	B	C	\$1007
Staff Service Analyst	B	C	\$4868
Staff Service Analyst	C	D	\$3878
Student Assistant	C	D	\$3878
Tax Auditor, EDD	A	B	\$5686
Tax Auditor, EDD	A	B	\$5805
Tax Auditor, EDD	A	B	\$5805
Tax Auditor, Employment Development Department	A	B	\$5686
Tax Compliance Representative	A	B	\$5142
Tax Compliance Representative	B	C	\$4894
Tax Compliance Representative	B	C	\$5041
Tax Compliance Representative	A	B	\$5142
Tax Compliance Representative	B	C	\$5367

FINDING NO. 11	ALTERNATE RANGE MOVEMENTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD determined that the alternate range movements the EDD made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Red Circle Rates

A red circle rate is a rate of pay authorized for an individual above the maximum salary for his or her class. (Gov. Code, § 19837.) Departments may authorize a red circle rate in the following circumstances: management initiated change⁹, lessening of abilities,¹⁰ downward reclassification,¹¹ split off,¹² allocation standard changes,¹³ or changes in salary setting methods.¹⁴ (*Ibid.*)

If a salary reduction is the result of split-off, changes in allocation standards, changes in salary setting methods, or a downward reclassification initiated by SPB or CalHR staff determination, the affected employee may receive a red circle rate regardless of the employee's state service total. The employee may retain it until the maximum salary of his or her class equals or exceeds the red circle rate. (Classification and Pay Guide Section 260.)

If an employee is moved to a position in a lower class because of management-initiated changes, he or she may receive a red circle rate provided he or she has a minimum of ten years' state service¹⁵ and has performed the duties of the higher class satisfactorily¹⁶. The length of the red circle rate resulting from a management-initiated change is based on the affected employee's length of state service. The red circle rate ends when the

⁹ Any major change in the type of classes, organizational structure, and/or staffing levels in a program.

¹⁰ Refers to an employee who, after many years of satisfactory service, no longer possess the ability to perform the duties and responsibilities of his/her position.

¹¹ Downward reclassification is when, as a result of SPB action or a CalHR (or its predecessor, the Department of Personnel Administration) staff determination, an incumbent's position is moved to a lower class without the duties being changed.

¹² Split off is when one class is split into two or more classes, one of which is at a lower salary level than the original class.

¹³ Allocation standards for two or more classes may change to the degree that a position originally allocated to one class may be reallocated to a class with a lower salary without a change in duties.

¹⁴ Revised valuation standards applied in setting the salary for a class may result in reducing the salary of a class.

¹⁵ As calculated by the State Service and Seniority Unit at CalHR. An employee with nine years' state service qualifies if the employee had been laid off or had been on a leave of absence for one or more years to reduce the effect of a layoff (CCR § 599.608).

¹⁶ The latter requirement is normally satisfied by the successful completion of a probationary period, unless there is compelling evidence to suggest otherwise.

maximum salary of the class equals or exceeds the red circle rate or at the expiration of eligibility. (*Ibid.*)

An employee whose position is blanketed into the state civil service from another public jurisdiction may receive a red circle rate regardless of the length of service in the other jurisdiction. (Cal. Code Regs., tit. 2, § 275.) The employee may retain the red circle rate until the maximum salary of the class to which the employee's position is allocated equals or exceeds the red circle rate.

Additionally, a red circle rate may be authorized for a former CEA appointee who is reinstating to a civil service classification, a CEA with no prior civil service in a promotional exam and is being appointed from a list without a break in service, or a CEA appointee who is being reduced to a lower CEA salary rate (Classification and Pay Guide Section 440). An employee who has ten years of service, one year of which is under a career executive assignment, shall receive a red circle rate unless the termination was voluntary or based on unsatisfactory performance. (Cal. Code of Regs., tit. 2, § 599.993.) If the termination was voluntary and performance was satisfactory, a red circle rate is permissive. (*Ibid.*) This rate is based on the CEA salary rate received at the time of the termination. Government Code section 13332.05 limits the funding of the red circle rate to no more than 90 calendar days following termination of a CEA appointment.

As of April 1, 2005, departments have delegated authority to approve red circle rates for general civil service employees and CEA positions for up to 90 days. Current Bargaining Unit agreements also provide guidelines and rules on red circle rates that may supersede applicable laws, codes, rules and/or CalHR policies and guidelines.

During the period under review, April 1, 2025, through September 30, 2025, the EDD authorized one red circle request. The CRD reviewed this red circle request listed below, to determine if the EDD correctly verified, approved and documented the red circle authorization process:

Classification	Prior Classification	Red Circle Rate	Reason for Red Circle Rate
Information Technology Specialist II	CEA	\$13,439	Management-Initiated Change

FINDING NO. 12	RED CIRCLE RATE AUTHORIZATION COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found that the red circle rate request the EDD authorized during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Bilingual Pay

A certified bilingual position is a position where the incumbent uses bilingual skills on a continuous basis and averages 10 percent or more of the total time worked. According to the Pay Differential 14, the 10 percent time standard is calculated based on the time spent conversing, interpreting, or transcribing in a second language and time spent on closely related activities performed directly in conjunction with the specific bilingual transactions.

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

During the period under review, April 1, 2025, through September 30, 2025, the EDD issued bilingual pay to 112 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	1
Associate Tax Auditor, EDD	1
Disability Insurance Program Manager I	8
Employment Program Representative	15

FINDING NO. 13	INCORRECT AUTHORIZATION OF BILINGUAL PAY¹⁷
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Summary: The CRD found 25 errors in the 25 bilingual pay authorizations reviewed:

¹⁷ Repeat finding; See Report dated December 4, 2020.

Classification	Description of Finding(s)	Criteria
Associate Governmental Program Analyst	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14
Associate Tax Auditor, EDD	Department failed to provide certification that the employee's duties required use of bilingual skills for at least 10% of their time.	Pay Differential 14
Disability Insurance Program Manager (8 positions)	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14
Disability Insurance Program Representative	Department failed to provide certification that the employee's duties required use of bilingual skills for at least 10% of their time.	Pay Differential 14
Employment Program Representative (7 positions)	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14
Employment Program Representative (7 positions)	Department failed to provide certification that the employee's duties required use of bilingual skills for at least 10% of their time	Pay Differential 14

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

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, April 1, 2025, through September 30, 2025, the EDD authorized 15 pay differentials¹⁸. The CRD reviewed 12 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines, which are listed below:

Classification	Pay Differential	Monthly Amount
Investigator	245	4%
Investigator	245	7%
Investigator	245	9%
Investigator	173	\$200
Investigator	173	\$200
Investigator	244	\$240
Investigator	244	\$240
Investigator	244	\$240
Supervising Criminal Investigator I, Employment Development Department	244	\$240

¹⁸ For the purposes of CRD's review, only monthly pay differentials were selected for review at this time.

Classification	Pay Differential	Monthly Amount
Supervising Criminal Investigator I, Employment Development Department	244	\$240
Supervising Criminal Investigator I, Employment Development Department	245	7%
Supervising Criminal Investigator I, Employment Development Department	245	5%

FINDING NO. 14	PAY DIFFERENTIAL AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the pay differentials that the EDD 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 excluded¹⁹ 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

¹⁹ “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.

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, April 1, 2025, through September 30, 2025, the EDD issued OOC pay to nine employees. The CRD reviewed eight of these OOC assignments to ensure compliance with applicable MOU provisions, salary regulations, and CalHR policies and guidelines, which are listed below:

Classification	Collective Bargaining Identifier	Out-of-Class Classification	Time Frame
Associate Governmental Program Analyst	R01	Staff Services Manager I	4/28/25-7/25/25
Associate Governmental Program Analyst	R01	Staff Services Manager I	7/28/25-10/24/25
Associate Personnel Analyst	R01	Staff Services Manager I	3/10/25-4/11/25
Disability Insurance Program Representative	R01	Disability Program Manager I	12/16/24-3/31/25
Program Technician	R04	Office Technician (Typing)	7/1/25-9/30/25
Staff Services Manager I	S01	Staff Services Manager II	7/1/25-6/30/26
Staff Services Manager II (Supervisory)	S01	Staff Services Manager III	7/1/25-6/30/26
Tax Administrator I, EDD	S01	Tax Administrator II, EDD	4/1/25-4/30/25

FINDING NO. 15	OUT OF CLASS PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the OOC pay assignments that the EDD authorized during the compliance review period. OOC pay was issued appropriately to employees 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.

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 days²⁰ worked and paid absences²¹, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day are not limited by this rule. (*Ibid.*) The 12-consecutive month timeframe begins by counting the first pay period worked as the first month of the 12-consecutive month timeframe. (*Ibid.*) The employee shall serve no longer than 189 days in a 12 consecutive month period. (*Ibid.*) A new 189-days working limit in a 12-consecutive month timeframe may begin in the month immediately following the month that marks the end of the previous 12-consecutive month timeframe. (*Ibid.*)

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

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

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 EDD had 60 positive paid employees whose hours were tracked. The CRD reviewed 20 of these positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

²⁰ For example, two hours or ten hours count as one day.

²¹ For example, vacation, sick leave, compensating time off, etc.

Classification	Tenure	Time Frame	Time Worked
Disability Insurance Program Representative	Retired Annuitant	7/1/24-6/30/25	656.00 hours
Disability Insurance Program Representative	Retired Annuitant	7/1/24-6/30/25	192.00 hours
Disability Insurance Program Representative	Retired Annuitant	7/1/24-6/30/25	960.00 hours
Disability Insurance Program Representative	Retired Annuitant	7/1/24-6/30/25	764.50 hours
Disability Insurance Program Representative	Retired Annuitant	7/1/24-6/30/25	840.00 hours
Information Technology Specialist	Retired Annuitant	7/1/24-6/30/25	404.00 hours
Information Technology Specialist I	Retired Annuitant	7/1/24-6/30/25	539.25 hours
Information Technology Specialist I	Retired Annuitant	7/1/24-6/30/25	829.00 hours
Graduate Student Assistant	Temporary	4/1/25-4/1/26	960.00 hours
Graduate Student Assistant	Temporary	4/1/25-4/1/26	864.00 hours
Student Assistant	Temporary	7/1/25-4/30/26	809.50 hours
Student Assistant	Temporary	7/1/25-4/30/26	640.00 hours
Student Assistant	Temporary	4/1/25-4/1/26	1320.00 hours
Student Assistant	Temporary	4/1/25-4/1/26	900.75 hours
Student Assistant	Temporary	1/1/26-4/30/26	114.25 hours
Student Assistant	Temporary	4/1/25-4/1/26	1379.75 hours
Student Assistant	Temporary	4/1/25-4/1/26	1195.00 hours
Student Assistant	Temporary	4/1/25-4/1/26	930.75 hours
Student Assistant	Temporary	7/1/25-4/30/26	803.00 hours
Student Assistant	Temporary	4/1/25-4/1/26	608.00 hours

FINDING NO. 16	POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR 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 EDD 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, January 1, 2025, through December 31, 2025, the EDD authorized 125 ATO transactions. The CRD reviewed 25 of these ATO transactions to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines.

FINDING NO. 17	ADMINISTRATIVE TIME OFF WAS NOT PROPERLY DOCUMENTED
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Summary: The EDD did not grant ATO in conformity with the established policies and procedures. Of the 25 ATO authorizations reviewed by the CRD, 8 were found to be out of compliance for failing to document justification for ATO.

Criteria: Appointing authorities are authorized to approve ATO for up to five (5) working days. (Gov. Code, § 19991.10.) Furthermore, they “have delegated authority to approve up to 30 calendar days.” (Human Resources Manual Section 2121.) Any ATO in excess of 30 calendar days must be approved in advance by the CalHR. (*Ibid.*) In most cases, if approved, the extension will be for an additional 30 calendar days. (*Ibid.*) The appointing authority is responsible for submitting ATO extension requests to CalHR at least 5 working days prior to the expiration date of the approved leave. (*Ibid.*)

When requesting an ATO extension, the appointing authority must provide a justification establishing good cause for maintaining the employee on ATO for the additional period of time. *(Ibid.)* ATO may not be used and will not be granted for an indefinite period. *(Ibid.)* If CalHR denies a request to extend ATO, or the appointing authority fails to request approval from CalHR to extend the ATO, the employee must be returned to work in some capacity. *(Ibid.)*

Regardless of the length of ATO, appointing authorities must maintain thorough documentation demonstrating the justification for the ATO, the length of the ATO, and the approval of the ATO. *(Ibid.)*

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, October 1, 2025 through December 31, 2025, the EDD reported 438 total units. The CRD reviewed three units within three pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

FINDING NO. 18	LEAVE ACCOUNTING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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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 EDD 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.²² (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 employees²³ 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, October 1, 2025, through March 31, 2026, the EDD had

²² 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.

²³ 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.

335 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.

FINDING NO. 19	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD determined that the EDD 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. 20	NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD verified that the policy was disseminated to all staff and emphasized the EDD's commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the EDD'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. 21	WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD verified that the EDD 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 EDD 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 100 permanent EDD 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. 22	PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES²⁴
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Summary: The EDD did not provide annual performance appraisals to 17 of 100 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 EDD'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.

²⁴ Repeat finding; See Report dated December 4, 2020.



Memorandum

To: Diana Campbell, Compliance Manager
State Personnel Board

Date: September 17, 2026

File No.: 54:HR:hv

From: Holly Ramsey
Employment Development Department

Subject: RESPONSE TO STATE PERSONNEL BOARD COMPLIANCE REVIEW REPORT

This memorandum serves as a response to the findings of the 2026 Compliance Review Report for the Employment Development Department (EDD). The Department takes compliance issues very seriously and has taken steps to ensure both current and future compliance with the State Personnel Board (SPB) audit findings.

The following plan will address the issues pointed out in the following findings:

- Finding No. 7 – Ethics Training Was Not Provided for All Filers
- Finding No. 13 – Incorrect Authorization of Bilingual Pay
- Finding No. 17 – Administrative Time Off Was Not Properly Documented
- Finding No. 22 – Performance Appraisals Were Not Provided to All Employees

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

The EDD did not provide Ethics Training to 1 of 1,392 existing filers. In addition, the EDD did not provide Ethics Training to 38 of 270 new filers within six months of their appointment.

Cause: The EDD recognizes the importance of timely Ethics Training for filers of Statements of Economic Interest. The EDD's Learning Management System (LMS) automatically assigns training to eligible staff members on a recurring basis. Although the LMS has led to improved compliance of mandated training completion, some system limitations and restrictions may lead to risks for non-compliance. The one existing filer failed to complete Ethics training due to a system limitation that caused the LMS to no longer recognize the training requirement for the employee. The EDD has since created a review process to identify these instances and has seen an improvement in compliance. All new filers are provided with Ethics Training automatically through the EDD LMS once the filer is properly identified. Thirty-eight employees were not identified within the first six months of hire, which resulted in them being out of compliance. To rectify these discrepancies and all future discrepancies, the Human Resource Services Division (HRSD) has implemented quarterly reconciliation reports to identify employees who are filers, so that the correct training will be assigned.

RESPONSE TO STATE PERSONNEL BOARD COMPLIANCE REVIEW REPORT
September 17, 2026
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Finding No. 13 – Incorrect Authorization of Bilingual Pay

The SPB found 25 errors in the 25 bilingual pay authorizations reviewed. For 16 of the positions, the EDD failed to supply supporting documentation demonstrating the need for bilingual services. For 9 of the positions, the EDD failed to provide certification that the employee's duties required use of bilingual skills for at least 10 percent of their time.

Cause: The EDD recognizes the importance of properly designating bilingual positions and ensuring full compliance with Pay Differential 14 requirements. Historically, the Department has relied on Bilingual Pay Authorization Request (BPAR) forms to establish the expectation to all involved parties that bilingual pay status requires the designated employee to perform bilingual duties no less than 10 percent of the time. The SPB clarified that the 10 percent or more requirement being reflected on the BPAR form alone is insufficient and the bilingual employee's corresponding duty statement language must also include the 10 percent or more requirement. The EDD's duty statements, while including that the position required bilingual fluency, did not consistently include the required statement confirming that the position uses bilingual skills 10 percent or more of the time, resulting in missing certification of both the operational need for bilingual services and the incumbent's expected bilingual workload.

The SPB also identified gaps in position tracking, in which bilingual certification documentation was not consistently updated with amended information when a bilingual employee's position number changed. While bilingual status was assigned and certified for the employee's position through the BPAR form, a new BPAR form was not consistently completed when the employee's position number changed to a different bilingual position, which led to incomplete documentation supporting bilingual designation for affected positions.

To provide context on EDD as a federally funded department, funding is not tied to positions and EDD often does not receive additional position numbers when funding is authorized. Due to our fluctuating workload, many of our bilingual employees are first hired and paid out of the blanket and then later moved into a position number while their duties do not change.

To correct the findings identified, the EDD will incorporate bilingual language into all duty statements for certified bilingual positions and ensure this language is present at the time of recruitment, appointment, and any subsequent position changes. The EDD will also improve bilingual pay review procedures and implement a formal review process that requires a new BPAR form whenever a position number changes, ensuring accurate position tracking and documentation. These steps will strengthen compliance with Pay Differential 14 and prevent future gaps in bilingual certification.

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Finding No. 17 – Administrative Time Off Was Not Properly Documented

The EDD did not grant ATO in conformity with the established policies and procedures. Of the 25 ATO authorizations reviewed by the SPB, 8 were found to be out of compliance for failing to document justification for ATO.

Cause: For the last several years, the EDD has used the Enterprise Time Reporting (ETR) system, an electronic internal system, to document the justification, length, and approval of Administrative Time Off (ATO). The HRSD acknowledges that discrepancies are present in cases where ATO requests have minimal justification or verbal justifications between staff and supervisor. The EDD will continue to evaluate processes to ensure increased future compliance, including issuance of clear guidance to all managers and supervisors regarding sufficient ATO documentation requirements, enhancing ETR capabilities to ensure sufficient justification at the time the ATO is requested, and implementing procedures to periodically audit ATO usage.

Finding No. 22 – Performance Appraisals Were Not Provided to All Employees

The EDD did not provide annual performance appraisals to 17 of 100 employees reviewed after the completion of the employee's probationary period.

Cause: The EDD recognizes the importance of completing annual written performance appraisals. When assigned a performance appraisal, all EDD managers and supervisors are reminded of the legal requirements to complete performance evaluations for staff and are provided several automated reminder emails until the performance appraisal is completed. The EDD has established additional internal compliance measures by tracking and manually sending additional reminders to program managers and Department executives about all pending and overdue evaluations. The EDD continues to send monthly status reports to EDD executives to ensure that managers who are consistently failing to provide timely performance evaluations are counseled. The EDD will continue to evaluate processes to ensure increased future compliance. The EDD can inform supervisors and managers that failure to provide timely performance evaluations may result in corrective action.

If you have any questions or need additional information, please contact Haley Versoza at (916) 982-1848 or haley.versoza@edd.ca.gov.



HOLLY RAMSEY, Chief
Human Resource Services Division