

COMPLIANCE REVIEW REPORT

DEPARTMENT OF MANAGED HEALTH CARE

Compliance Review Division
State Personnel Board
July 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 Department of Managed Health Care (DMHC) 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 Four Exceptions
Equal Employment Opportunity	Out of Compliance	Complainant Was Not Notified of the Reasons for Delay in Decision Within the Prescribed Time Period
Personal Services Contracts	In Compliance	Personal Services Contracts Complied with Procedural Requirements
Mandated Training	Substantial Compliance	Ethics Training Was Provided for All Filers With Five Exceptions
Mandated Training	Substantial Compliance	Sexual Harassment Prevention Training Was Provided for All Employees With 11 Exceptions
Mandated Training	Out of Compliance	Tribal Consultations Training Was Not Provided for All Officials

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
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	Bilingual Pay Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Pay Differential Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	Out of Compliance	Incorrect Authorization of Out-of-Class Pay
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Out of Compliance	Performance Appraisals Were Not Provided to All Employees

BACKGROUND

The mission of the DMHC is to ensure health plan members have access to equitable, high-quality, timely, and affordable health care within a stable health care delivery system.

The DMHC helps protect the health care rights of 30.2 million Californians by regulating health care service plans, assisting consumers through a consumer Help Center, educating consumers on their rights and responsibilities, and preserving the financial stability of the managed health care system. The DMHC has a total of 766 authorized positions distributed across its nine offices.

SCOPE AND METHODOLOGY

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

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

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

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

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

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

The DMHC'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 DMHC'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 DMHC'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 DMHC'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 DMHC employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRD reviewed a selection of DMHC positive paid employees

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.

whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

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

The CRD received and carefully reviewed the DMHC's written response on July 26, 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, June 1, 2025, through February 28, 2026, the DMHC conducted six examinations. The CRD reviewed the six examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA A, Assistant Deputy Director	CEA	Statement of Qualifications (SOQ) ⁴	11/10/25	20
CEA B, Office of Financial Review	CEA	SOQ	8/4/25	12
Corporation Examiner	Open	Education and Experience (E&E) ⁵	Continuous	72
Corporation Examiner IV (Specialist)	Open	E&E	Continuous	15
Corporation Examiner IV (Supervisor)	Open	E&E	Continuous	11
Supervising Corporation Examiner	Open	E&E	Continuous	8

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

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 In an Education and Experience examination, one or more raters reviews the applicants' Standard 678 application forms, and scores and ranks them according to a predetermined rating scale that may include years of relevant higher education, professional licenses or certifications, and/or years of relevant work experience.

Permanent Withhold Actions

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

During the period under review, June 1, 2025, through February 28, 2026, the DMHC conducted one permanent withhold action. The CRD reviewed the permanent withhold action, which is listed below:

Exam Title	Reason Candidate Placed on Withhold	No. of Withholds
Health Program Specialist II	Failed to Meet Minimum Qualifications	1

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 December 31, 2025, the DMHC made 98 appointments. The CRD reviewed 30 of these appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
CEA A, Assistant Deputy Director	CEA	Permanent	Full Time	1
Staff Services Analyst	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	1
Attorney	Certification List	Permanent	Full Time	1
Attorney III	Certification List	Permanent	Full Time	1
Attorney IV	Certification List	Permanent	Full Time	1
Corporation Examiner	Certification List	Permanent	Full Time	1
Corporation Examiner IV (Specialist)	Certification List	Permanent	Full Time	1
Health Program Specialist I	Certification List	Permanent	Full Time	1
Health Program Specialist II	Certification List	Permanent	Full Time	1
Information Technology Associate	Certification List	Permanent	Full Time	1
Information Technology Specialist II	Certification List	Permanent	Full Time	1
Staff Services Manager II	Certification List	Permanent	Full Time	1
Nurse Evaluator II, Health Services	Certification List	Permanent	Full Time	1
Office Technician (General)	Certification List	Permanent	Full Time	1
Research Data Analyst II	Certification List	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Research Data Specialist III	Certification List	Permanent	Full Time	1
Research Data Supervisor I	Certification List	Permanent	Full Time	1
Senior Legal Analyst	Certification List	Permanent	Full Time	1
Staff Services Manager I	Certification List	Permanent	Full Time	2
Staff Services Manager II	Certification List	Permanent	Full Time	1
Supervising Corporation Examiner	Certification List	Permanent	Full Time	1
Staff Services Analyst	Transfer	Permanent	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	1
Attorney III	Transfer	Permanent	Full Time	1
Corporation Examiner	Transfer	Permanent	Full Time	1
Information Technology Specialist I	Transfer	Permanent	Full Time	1
Information Technology Specialist II	Transfer	Permanent	Full Time	1
Staff Services Manager I	Transfer	Permanent	Full Time	1

FINDING NO. 3	PROBATIONARY EVALUATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES WITH FOUR EXCEPTIONS
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Summary: The DMHC did not provide in a timely manner four of the 48 probationary reports of performance reviewed by the CRD.

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. (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).)

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. 4	COMPLAINANT WAS NOT NOTIFIED OF THE REASONS FOR DELAY IN DECISION WITHIN THE PRESCRIBED TIME PERIOD
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Summary: The DMHC provided evidence that one discrimination complaint related to a disability, medical condition, or denial of reasonable accommodation was filed during the compliance review period of June 2, 2025, through September 4, 2025. The complaint investigation exceeded 90 days and the DMHC failed to provide written communication to the complainant regarding the status of the complaint.

Criteria: The appointing power must issue a written decision to the complainant within 90 days of the complaint being filed. (Cal. Code Regs., tit. 2, § 64.4, subd. (a).) If the appointing power is unable to issue its decision within the prescribed time period, the appointing

power must inform the complainant in writing of the reasons for the delay. (*Ibid.*)

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, June 1, 2025, through February 28, 2026, the DMHC had 17 PSC's that were in effect. The CRD reviewed 12 of these, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Cal Interpreting & Translations	Written Translation	\$234,828	Yes	Yes
Communications, Inc. dba MDC Low Voltage Systems	ACS Maintenance	\$6,925	Yes	Yes
Estrada Consulting	IT Consulting	\$2,920,885	Yes	Yes
Lewis & Ellis, LLC	Actuarial Consulting Services	\$5,397,800	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Managed Medical Review Organization, Inc.	Independent Medical Review	\$4,978,610	Yes	Yes
Matthew Bender and Company, Inc. dba LexisNexis	Print and Electronic Copies of California Knox Keene Act and Regulations	\$25,167	Yes	Yes
Maximus Federal Services, Inc.	Independent Dispute Resolution	\$25,000	Yes	Yes
Maximus Federal Services, Inc.	Independent Medical Review	\$4,978,610	Yes	Yes
Maximus Federal Services, Inc.	Medical Surveys	\$14,491,764	Yes	Yes
North Ridge Consulting	Architecture and Planning	\$120,000	Yes	Yes
North Ridge Consulting	IT Consulting	\$120,000	Yes	Yes
Society for the Blind	Text to Braille	\$2,260	Yes	Yes

FINDING NO. 5	PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS
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The total dollar amount of all the PSC's reviewed was \$33,301,849. It was beyond the scope of the review to make conclusions as to whether DMHC justifications for the contract were legally sufficient. For all PSC's reviewed, the DMHC 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, DMHC 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 DMHC's PSC's complied with civil service laws and board rules.

Mandated Training

Each member, officer, or designated employee of a state agency who is required to file a statement of economic interest (referred to as "filers") because of the position he or she holds with the agency is required to take an orientation course on the relevant ethics

statutes and regulations that govern the official conduct of state officials. (Gov. Code, §§ 11146 & 11146.1.) State agencies are required to offer filers the orientation course on a semi-annual basis. (Gov. Code, § 11146.1.) New filers must be trained within six months of appointment and at least once during each consecutive period of two calendar years, commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3.)

Upon the initial appointment of any employee designated in a supervisory position, the employee shall be provided a minimum of 80 hours of training, as prescribed by the CalHR. (Gov. Code, § 19995.4, subd. (b).) The training addresses such topics as the role of the supervisor, techniques of supervision, performance standards, and sexual harassment and abusive conduct prevention. (Gov. Code, §§ 12950.1, subds. (a) and (b), & 19995.4, subd. (b).) Additionally, the training must be successfully completed within the term of the employee's probationary period or within six months of the initial appointment, unless it is demonstrated that to do so creates additional costs or that the training cannot be completed during this time period due to limited availability of supervisory training courses. (Gov. Code, § 19995.4, subd. (c).)

Within 12 months of the initial appointment of an employee to a management or CEA position, the employee shall be provided leadership training and development, as prescribed by 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 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 DMHC's mandated training program that was in effect during the compliance review period, March 1, 2024, through February 28, 2026. The DMHC's supervisory training was found to be in compliance, while the DMHC's ethics training, sexual harassment prevention training, and tribal consultation training were found to be out of compliance.

FINDING NO. 6	ETHICS TRAINING WAS PROVIDED FOR ALL FILERS WITH FIVE EXCEPTIONS
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Summary: The DMHC did not provide ethics training to 5 of 100 existing filers.

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

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).)

FINDING NO. 7	SEXUAL HARASSMENT PREVENTION TRAINING WAS PROVIDED FOR ALL EMPLOYEES WITH 11 EXCEPTIONS
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Summary: The DMHC did not provide sexual harassment prevention training to 1 of 23 new supervisors within 6 months of their appointment. In addition, the DMHC did not provide sexual harassment prevention training to 9 of 159 existing supervisors every 2 years.

The DMHC did not provide sexual harassment prevention training to 1 of 100 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.)

FINDING NO. 8	TRIBAL CONSULTATIONS TRAINING WAS NOT PROVIDED FOR ALL OFFICIALS
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Summary: The DMHC did not provide tribal consultations training to one of two existing officials annually.

Criteria: Each department must provide annual tribal consultations training to its officials with authority to represent the state in a tribal government-to-government consultation. New officials must be provided tribal consultations training within six months of their appointment or confirmation, whichever is later. (Gov. Code, § 11019.81, sub. (h).)

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 rate⁷ upon appointment depending on the appointment type, the employee's state employment and pay history, and tenure.

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

During the period under review, April 1, 2025, through December 31, 2025, the DMHC made 30 appointments. The CRD reviewed 13 of these appointments to determine if the DMHC applied salary regulations accurately and correctly processed employees' compensation.

FINDING NO. 9	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 DMHC 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 December 31, 2025, the DMHC employees made 15 alternate range movements within a classification. The CRD reviewed 12 of these alternate range movements to determine if the DMHC applied salary

⁷ "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).

regulations accurately and correctly processed each employee's compensation, which are listed below:

Classification	Prior Range	Current Range	Salary (Monthly Rate)
Staff Services Analyst	B	C	\$5,014
Staff Services Analyst	B	C	\$5,131
Attorney	A	B	\$8,969
Corporation Examiner	A	B	\$7,301
Corporation Examiner	A	B	\$7,301
Information Technology Associate	C	D	\$7,945
Information Technology Associate	C	D	\$7,715
Information Technology Specialist I	A	B	\$8,760
Information Technology Specialist I	B	C	\$8,292
Legal Secretary	A	B	\$4,743
Legal Secretary	A	B	\$4,820
Special Investigator	B	C	\$8,628

FINDING NO. 10	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 DMHC made 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 December 31, 2025, the DMHC issued bilingual pay to two employees. The CRD reviewed both of these bilingual pay authorizations to ensure compliance with applicable CalHR policies and guidelines, which are listed below:

Classification	No. of Appts.
Staff Services Analyst	1
Associate Governmental Program Analyst	1

FINDING NO. 11	BILINGUAL PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD found that the bilingual pay authorized to employees during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Pay Differentials

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

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

During the period under review, April 1, 2025, through December 31, 2025, the DMHC authorized four pay differentials⁸. The CRD reviewed the four pay differentials to ensure compliance with applicable CalHR policies and guidelines, which are listed below:

Classification	Pay Differential	Monthly Amount
Legal Secretary	141	\$526
Legal Secretary	141	\$589
Nurse Evaluator IV, Health Services	136	\$100
Special Investigator	245	4%

FINDING NO. 12	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 DMHC 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 excluded⁹ 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

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

⁹ "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.

necessary, the assignment would be made pursuant to the applicable MOU provisions or salary regulations. Before assigning the OOC work, the department should have a plan to correct the situation before the time period outlined in applicable law, policy or MOU expires. (Classification and Pay Guide Section 375.)

During the period under review, April 1, 2025, through December 31, 2025, the DMHC issued OOC pay to seven employees. The CRD reviewed six of these OOC assignments to ensure compliance with applicable MOU provisions, salary regulations, and CalHR policies and guidelines, which are listed below:

Classification	Bargaining Unit	Out-of-Class Classification	Time Frame
Staff Services Analyst	R01	Associate Governmental Program Analyst	6/12/25-10/9/25
Staff Services Analyst	R01	Associate Governmental Program Analyst	9/22/25-1/19/26
Staff Services Analyst	R01	Associate Governmental Program Analyst	12/15/25-4/3/26
Associate Governmental Program Analyst	R01	Supervisor I	10/13/25-10/31/25
Nurse Evaluator II	R17	Nurse Evaluator IV	11/3/25-3/2/26
Office Technician	R04	Personnel Specialist	12/2/25-1/16/26

FINDING NO. 13	INCORRECT AUTHORIZATION OF OUT-OF-CLASS PAY¹⁰
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Summary: The CRD found two errors in the six OOC pay assignments reviewed:

Classification	Out-of-Class Classification	Description of Findings	Criteria
Staff Services Analyst	Associate Governmental Program Analyst	Employee was undercompensated for 22 days of OOC pay while performing duties at the higher level classification.	Pay Differential 91

¹⁰ Repeat finding; see report dated December 22, 2023.

Staff Services Analyst	Associate Governmental Program Analyst	Employee was overcompensated for 9 days of OOC pay while performing duties at the higher level classification.	Pay Differential 91
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Criteria: An employee may be temporarily required to perform out-of-class work by his/her department for up to one hundred twenty (120) calendar days in any twelve (12) consecutive calendar months when it determines that such an assignment is of unusual urgency, nature, volume, location, duration, or other special characteristics; and cannot feasibly be met through use of other civil service or administrative alternatives. Departments may not use out-of-class assignments to avoid giving civil service examinations or to avoid using existing eligibility lists created as the result of a civil service examination.

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 days¹¹ worked and paid absences¹², 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.*)

¹¹ For example, two hours or ten hours count as one day.

¹² 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 1,500 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 DMHC had four positive paid employees whose hours were tracked. The CRD reviewed three of these positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Hours Worked
Associate Governmental Program Analyst	Retired Annuitant	6/3/2024-6/30/2025	783.5
Staff Health Care Service Plan Analyst	Retired Annuitant	5/17/2021-6/30/2025	466
Attorney IV	Retired Annuitant	8/11/2020-6/30/2025	453.6

FINDING NO. 14	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 DMHC provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

Administrative Time Off

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

During the period under review, December 1, 2024, through November 30, 2025, the DMHC authorized five ATO transactions. The CRD reviewed the five ATO transactions 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/OR CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the ATO transactions reviewed during the compliance review period. The DMHC 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, September 1, 2025, through November 30, 2025, the DMHC reported 84 units. The CRD reviewed 21 units within three pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

FINDING NO. 16	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 DMHC 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.¹³ (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.

¹³ 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.

(*Ibid.*) On the first day following a qualifying monthly pay period, excluded employees¹⁴ 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, July 1, 2025, through March 6, 2026, the DMHC had three employees with qualifying and non-qualifying pay period transactions. The CRD reviewed all three transactions 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/OR CALHR POLICIES AND GUIDELINES
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The CRD determined that the DMHC 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

¹⁴ 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.

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/OR CALHR POLICIES AND GUIDELINES
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The CRD verified that the policy was disseminated to all staff and emphasized the DMHC's commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the DMHC'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 office to discuss the status of volunteers. (*Ibid.*)

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

FINDING NO. 19	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 DMHC 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 DMHC 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 76 permanent DMHC 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 EMPLOYEES¹⁵
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Summary: The DMHC did not provide annual performance appraisals to 8 of 76 employees reviewed after the completion of the employees' probationary periods.

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.)

¹⁵ Repeat finding; see reports dated December 22, 2023, January 20, 2021, and May 29, 2018.

DEPARTMENTAL RESPONSE

The DMHC'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.



Gavin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
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July 24, 2026

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

Re: Response to State Personnel Board (SPB) Draft Compliance Review Report

Dear Ms. Ambrose:

We appreciate the opportunity to provide comments to the draft SPB Compliance Review Report for the Department of Managed Health Care (DMHC).

The DMHC recognizes the importance of efforts to evaluate personnel practices to ensure compliance and foster implementation of best practices. We will continue to strive for excellence in our employment, development, and contracting practices. Our overall compliance demonstrates the DMHC's commitment to adhering to civil service laws, board regulations, bargaining agreements, and our DMHC delegation agreements.

The following are the DMHC's responses to the four deficiencies noted in the draft report.

Finding #4: Complainant was not notified of the reasons for delay in decision within the prescribed time period.

The DMHC provided evidence that one discrimination complaint related to a disability, medical condition, or denial or reasonable accommodation was filed during the compliance review period of June 2, 2025, through September 4, 2025. The complaint investigation exceeded 90 days and the DMHC failed to provide written communication to the complainant regarding the status of the complaint.

DMHC Response

The DMHC takes all complaints of discrimination seriously. To ensure neutrality, we referred this case to an external investigator due to the respondent's position within the EEO Office. Though the complainant later withdrew their claim, the department requested the Department of Justice (DOJ) investigator proceed with a managerial investigation. The

department's procedures did not include notifying complainants regarding the status of a complaint that had been withdrawn and the department did not properly monitor the external review for compliance with regulatory timelines.

To prevent future occurrences, the DMHC has updated internal procedures to include timely notifications to complainants on active investigations even when a complaint has been withdrawn and trained staff accordingly. Additionally, in the future, the DMHC will formally align with external investigators to explicitly confirm their commitment to our regulatory timelines. Demonstrating our deep commitment to process adherence, these enhanced tracking mechanisms ensure full visibility and accountability for all external agency reviews.

Finding #8: Tribal Consultations Training was not provided for all officials

The DMHC did not provide tribal consultations training to one of two existing officials annually.

DMHC Response

The DMHC provides tribal consultations training to all required employees (2) on an annual basis. Employees are assigned to recurring tribal consultation training through Aspire. The training has been administered through CalHR's CalLearns, where employees self-select the course. Upon completion, employees mark the assignment complete in Aspire, acknowledge completion, and submit their completion certificate to the Learning and Development Unit (LDU). Unfortunately, one employee did not meet the required deadline due to scheduling conflicts. The DMHC believes this is an isolated incident. However, to ensure compliance, the LDU has enhanced its monthly compliance monitoring. At the beginning of each month, Leadership receives a report identifying all past-due employees, including those who have not submitted a certificate of completion. This additional review allows for timely follow-up and verification before training records are considered complete.

Finding #13: Incorrect Authorization of Out-of-Class (OOC) Pay

The CRD found two errors in the six OOC pay assignments reviewed:

Classification	Out-of-Class Classification	Description of Findings	Criteria
Staff Services Analyst	Associate Governmental Program Analyst	Employee was undercompensated for 22 days of OOC pay while performing duties at the higher level classification.	Pay Differential 91

Staff Services Analyst	Associate Governmental Program Analyst	Employee was overcompensated for 9 days of OOC pay while performing duties at the higher level classification.	Pay Differential 91
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DMHC Response

The DMHC strives to ensure that employees' salaries are calculated accurately and appropriately. However, given the complexity and changes applied to salaries due to alternate range changes, general salary increases, and the application of the Personal Leave Program 2025, two OOC amounts were inadvertently miscalculated by a small fraction.

The DMHC acknowledged that the employee was undercompensated. To correct this, the DMHC will be completing the STD 674 to be submitted to the State Controller's Office (SCO) for the additional compensation owed to the employee.

The second Out-of-Class appointment finding was approved and paid for 120 days. The DMHC acknowledged that an employee was overcompensated during the out-of-class tenure. The DMHC HR inadvertently calculated for 21 days instead of a 22-day month for April when calculating the salary rate, which resulted in an overpayment of \$14.49. To correct this, the DMHC HR will submit the STD 674 (accounts receivable) to SCO.

Finding #20: Performance Appraisals were not provided to all Employees

The DMHC did not provide annual performance appraisals to 8 of 76 employees reviewed after the completion of the employees' probationary periods.

DMHC Response

A performance appraisal is a process by which a manager/supervisor evaluates an employee's work performance over the preceding 12 months. The DMHC requires yearly performance reviews for permanent employees who have completed probation for the classification in which the employee is serving. The appraisals are due at the end of the employee's birth month.

Three (3) performance appraisals were provided to the employees but they were late and provided outside the 12-month period outlined in CCR 599.798. Five (5) performance appraisals were never issued by the employees' supervisor despite repeated reminders. Noncompliance was reportedly due to workload issues stemming from program offices being short staffed.

This is a recurring finding for the DMHC. After each compliance review period, the department takes several steps in ensuring that supervisors and managers comply with this mandate. Over the course of time, the DMHC has implemented various ways to remind supervisors and managers of due dates. The DMHC Human Resources Office sends out newsletters and regular email reminders of reports due. Completion of these reports are emphasized in the Hiring Guide, Performance Management Training Guide and New Employee Orientation for Supervisors and Managers. Our Learning Management System (LMS), Aspire also sends out reminder emails of due dates to supervisors and managers. The Office of Administrative Services Deputy Director continues to be proactive in notifying fellow Deputy Directors of past due and upcoming due dates for their office and the expectation of compliance is consistently reinforced by the Director and Chief Deputy Director.

The DMHC is committed to adhering to the guidelines set forth by the regulations in providing annual performance appraisals to employees in a timely manner. The DMHC Human Resources Office, in partnership with the Learning and Development Unit, will continue to find ways to mitigate this non-compliance issue. We will continue to emphasize the importance of timely evaluations and ensure accountability amongst the DMHC supervisors and managers.

If you have any questions or would like any additional information, please contact Noreen Hunter at (916) 327-2438 or Noreen.Hunter@dmhc.ca.gov.

Sincerely,



Nichole Eshelman
Deputy Director
Office of Administrative Services

NE: nh

cc: Mary Watanabe, Director
Dan Southard, Chief Deputy Director