



COMPLIANCE REVIEW REPORT

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Compliance Review Unit
State Personnel Board
August 8, 2024

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INTRODUCTION

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

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

Pursuant to Government Code section 18502, subdivision (c), the SPB and the California Department of Human Resources (CalHR) may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." 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 CRU may also conduct special investigations in response to a specific request or when the SPB obtains information suggesting a potential merit-related violation.

It should be noted that this report only contains findings from this hiring authority’s compliance review. Other issues found in SPB appeals and special investigations as well as audit and review findings by other agencies such as the CalHR and the California State Auditor are reported elsewhere.

EXECUTIVE SUMMARY

The CRU conducted a routine compliance review of the California Department of Tax and Fee Administration (CDTFA) personnel practices in the areas of examinations, appointments, EEO, PSC’s, mandated training, compensation and pay, leave, and policy and processes. The following table summarizes the compliance review findings:

Area	Severity	Finding
Examinations	In Compliance	Examinations Complied with Civil Service Laws and Board Rules
Examinations	In Compliance	Permanent Withhold Actions Complied with Civil Service Laws and Board Rules
Appointments	Substantial Compliance	Probationary Evaluations Were Not Timely ¹
Equal Employment Opportunity	In Compliance	Equal Employment Opportunity Program Complied with All Civil Service Laws and Board Rules
Personal Services Contracts	Serious	Unions Were Not Notified of Personal Services Contracts ²
Mandated Training	Very Serious	Ethics Training Was Not Provided for All Filers ³
Mandated Training	Very Serious	Supervisory Training Was Not Provided for All Supervisors, Managers, and CEAs
Mandated Training	Substantial Compliance	Sexual Harassment Prevention Training Was Not Provided for All Employees
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

¹ Repeat finding. The CDTFA’s January 19, 2021, compliance review report identified that the CDTFA did not provide 5 probationary reports of performance for 5 of the 50 appointments reviewed.

² Repeat finding. The CDTFA’s January 19, 2021, compliance review report identified that the CDTFA did not provide 7 Union notifications for 7 PSC’s that were reviewed.

³ Repeat finding. The CDTFA’s January 19, 2021, compliance review report identified that the CDTFA did not provide ethics training, within six months of appointment, to 11 of the 67 new filers.

Area	Severity	Finding
Compensation and Pay	In Compliance	Hire Above Minimum Requests Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Very Serious	Incorrect Authorization of Bilingual Pay ⁴
Compensation and Pay	Substantial Compliance	Incorrect Authorization of Pay Differentials
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	Substantial Compliance	Administrative Time Off Was Not Properly Documented ⁵
Leave	Serious	Department Has Not Implemented a Monthly Internal Audit Process to Verify All Leave Input is Keyed Accurately and Timely
Leave	In Compliance	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	Serious	Performance Appraisals Were Not Provided to All Employees ⁶

BACKGROUND

The CDTFA makes life better for Californians by fairly and efficiently collecting the revenue that supports essential public services. The CDTFA administers California's

⁴ Repeat finding. The CDTFA's January 19, 2021, compliance review report identified that the CDTFA issued Bilingual Pay to 15 employees failing to supply supporting documentation demonstrating the need for bilingual services Government Code 7296 and Pay Differential 14.

⁵ Repeat finding. The CDTFA's January 19, 2021, compliance review report identified that the CDTFA did not key one employee's ATO hours correctly into the Leave Accounting System.

⁶ Repeat finding. The CDTFA's January 19, 2021, compliance review report identified that the CDTFA did not provide performance appraisals to 61 of 86 employees reviewed after the completion of the employee's probationary period.

sales and use, fuel, tobacco, alcohol, and cannabis taxes, as well as a variety of other taxes and fees that fund specific state programs. The CDTFA administered programs account for over 25 percent of all state revenue.

California's essential services, such as public safety, transportation, health, libraries, schools, social services, and natural resource management programs, are directly supported by these taxes and fees. Tax programs administered by the CDTFA are concentrated in two general areas – sales and use tax, and special taxes and fees.

To best serve California taxpayers, the CDTFA has offices throughout the state along with offices located in New York, Chicago, and Houston. The CDTFA team is spread out geographically, and united in working together to accomplish its mission.

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the CDTFA's examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes⁷. The primary objective of the review was to determine if the CDTFA's personnel practices, policies, and procedures complied with state civil service laws and Board regulations, Bargaining Unit Agreements, CalHR policies and guidelines, CalHR Delegation Agreements, and to recommend corrective action where deficiencies were identified.

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

A cross-section of the CDTFA's appointments was selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRU examined the documentation that the CDTFA provided, which included Notice of Personnel Action forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and

⁷ Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

probation reports. The CDTFA did not conduct any unlawful appointment investigations during the compliance review period.

Additionally, the CDTFA did not make any additional appointments during the compliance review period.

The CDTFA's appointments were also selected for review to ensure the CDTFA applied salary regulations accurately and correctly processed employees' compensation and pay. The CRU examined the documentation that the CDTFA provided, which included employees' employment and pay history and any other relevant documentation such as certifications, degrees, and/or the appointee's application. Additionally, the CRU reviewed specific documentation for the following personnel functions related to compensation and pay: hire above minimum (HAM) requests, bilingual pay, monthly pay differentials, alternate range movements, and out-of-class assignments.

During the compliance review period, the CDTFA did not issue or authorize red circle rate requests, or arduous pay.

The review of the CDTFA'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 CDTFA's PSC's were also reviewed.⁸ It was beyond the scope of the compliance review to make conclusions as to whether the CDTFA's justifications for the contracts were legally sufficient. The review was limited to whether the CDTFA's practices, policies, and procedures relative to PSC's complied with procedural requirements.

The CDTFA'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, and that all employees were provided sexual harassment prevention training within statutory timelines.

⁸If 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.

The CRU reviewed the CDTFA's monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely and ensure the department certified that all leave records have been reviewed and corrected if necessary. The CRU selected a small cross-section of the CDTFA'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 CDTFA's employees' employment and pay history, state service records, and leave accrual histories to ensure employees with non-qualifying pay periods did not receive vacation/sick leave and/or annual leave accruals or state service credit. Additionally, the CRU reviewed a selection of the CDTFA employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRU reviewed a selection of CDTFA positive paid employees whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

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

The CDTFA declined an exit conference to explain and discuss the CRU's initial findings and recommendations. The CRU received and carefully reviewed the CDTFA's written response on July 9, 2024, which is attached to this final compliance review report.

FINDINGS AND RECOMMENDATIONS

Examinations

Examinations to establish an eligible list must be competitive and of such character as fairly to test and determine the qualifications, fitness, and ability of competitors to perform the duties of the class of position for which he or she seeks appointment. (Gov. Code, § 18930.) Examinations may be assembled or unassembled, written or oral, or in the form of a demonstration of skills, or any combination of those tests. (*Ibid.*) The Board establishes minimum qualifications for determining the fitness and qualifications of employees for each class of position and for applicants for examinations. (Gov. Code, § 18931, subd. (a).) Within a reasonable time before the scheduled date for the examination, the designated appointing power shall announce or advertise the examination for the establishment of eligible lists. (Gov. Code, § 18933, subd. (a).) The advertisement shall contain such information as the date and place of the examination and the nature of the minimum qualifications. (*Ibid.*) Every applicant for examination shall file an application with the department or a designated appointing power as directed by the examination announcement. (Gov. Code, § 18934, subd. (a)(1).) The final earned

rating of each person competing in any examination is to be determined by the weighted average of the earned ratings on all phases of the examination. (Gov. Code, § 18936.) Each competitor shall be notified in writing of the results of the examination when the employment list resulting from the examination is established. (Gov. Code, § 18938.5.)

During the period under review, April 1, 2023, through September 30, 2023, the CDTFA conducted one examination. The CRU reviewed the examination, which is listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA, Taxpayers' Rights Advocate, Office of the Director, Level A	CEA	Statement of Qualifications ⁹	6/14/2023	5

IN COMPLIANCE	FINDING NO. 1	EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU reviewed one CEA exam which the CDTFA administered in order to create an eligible list from which to make appointments. The CDTFA published and distributed an examination bulletin containing the required information for the examination. Applications received by the CDTFA 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 CRU found no deficiencies in the one examination that the CDTFA 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

⁹ 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.

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

During the period under review, April 1, 2023, through September 30, 2023, the CDTFA conducted nine permanent withhold actions. The CRU reviewed seven of these permanent withhold actions, which are listed below:

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Accountant Trainee	9PB31	3/22/2022	3/22/2023	Failed to Meet Minimum Qualifications
Business Taxes Representative	7PB48	10/26/2022	10/26/2023	Failed to Meet Minimum Qualifications
Business Taxes Representative	7PB48	1/4/2023	1/4/2024	Failed to Meet Minimum Qualifications
Business Taxes Representative	7PB48	5/12/2023	5/12/2024	Failed to Meet Minimum Qualifications
Business Taxes Representative	7PB48	4/10/2023	4/10/2024	Failed to Meet Minimum Qualifications
Business Taxes Representative	7PB48	5/31/2022	5/31/2023	Failed to Meet Minimum Qualifications
Tax Technician III, Board of Equalization	9PB36	12/2/2022	12/2/2023	Failed to Meet Minimum Qualifications

IN COMPLIANCE	FINDING NO. 2 PERMANENT WITHHOLD ACTIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU found no deficiencies in the permanent withhold actions undertaken by the department during the compliance review period.

Appointments

In all cases not excepted or exempted by Article VII of the California Constitution, the appointing power must fill positions by appointment, including cases of transfers, reinstatements, promotions, and demotions in strict accordance with the Civil Service Act and Board rules. (Gov. Code, § 19050.) The hiring process for eligible candidates chosen for job interviews shall be competitive and be designed and administered to hire candidates who will be successful. (Cal. Code Regs., tit. 2, § 250, subd. (b).) Interviews shall be conducted using job-related criteria. (*Ibid.*) Persons selected for appointment shall satisfy the minimum qualifications of the classification to which he or she is appointed or have previously passed probation and achieved permanent status in that same classification. (Cal. Code Regs., tit. 2, § 250, subd. (d).) While persons selected for appointment may meet some or most of the preferred or desirable qualifications, they are not required to meet all the preferred or desirable qualifications. (*Ibid.*) This section does not apply to intra-agency job reassignments. (Cal. Code Regs., tit. 2, § 250, subd. (e).)

During the period under review, August 1, 2022, through January 31, 2023, the CDTFA made 441 appointments. The CRU reviewed 66 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accounting Administrator I (Supervisor)	Certification List	Permanent	Full-Time	2
Accounting Officer (Specialist)	Certification List	Permanent	Full-Time	2
Associate Governmental Program Analyst	Certification List	Permanent	Full-Time	2
Associate Tax Auditor, Board Of Equalization	Certification List	Permanent	Full-Time	5
Business Taxes Compliance Specialist	Certification List	Permanent	Full-Time	4
Business Taxes Representative	Certification List	Permanent	Full-Time	6
Business Taxes Specialist I, Board of Equalization	Certification List	Permanent	Full-Time	6
Business Taxes Specialist II, Board of Equalization	Certification List	Permanent	Full-Time	1
Business Taxes Specialist III, Board of Equalization	Certification List	Permanent	Full-Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Information Technology Specialist I	Certification List	Permanent	Full-Time	1
Legal Secretary	Certification List	Permanent	Full-Time	1
Senior Personnel Specialist	Certification List	Permanent	Full-Time	1
Staff Services Manager I	Certification List	Permanent	Full-Time	5
Supervising Tax Auditor II Board of Equalization	Certification List	Permanent	Full-Time	3
Supervising Tax Auditor III Board of Equalization	Certification List	Permanent	Full-Time	1
Tax Auditor, Board of Equalization	Certification List	Permanent	Full-Time	4
Tax Counsel III (Specialist)	Certification List	Permanent	Full-Time	1
Tax Counsel IV	Certification List	Permanent	Full-Time	1
Tax Technician I, Board of Equalization	Certification List	Permanent	Full-Time	7
Tax Technician II, Board of Equalization	Certification List	Permanent	Full-Time	2
Tax Technician III, Board of Equalization	Certification List	Permanent	Full-Time	1
Training Officer II	Certification List	Permanent	Full-Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full-Time	1
Business Taxes Representative	Transfer	Permanent	Full-Time	1
Business Taxes Specialist I, Board of Equalization	Transfer	Permanent	Full-Time	2
Office Technician (Typing)	Transfer	Permanent	Full-Time	1
Personnel Specialist	Transfer	Limited Term	Full-Time	1
Tax Auditor, Board of Equalization	Transfer	Permanent	Full-Time	1
Tax Technician II, Board of Equalization	Transfer	Permanent	Full-Time	1

SUBSTANTIAL COMPLIANCE	FINDING NO. 3 PROBATIONARY EVALUATIONS WERE NOT TIMELY
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Summary: The CDTFA did not provide in a timely manner 2 probationary reports of performance for 2 of the 66 appointments reviewed by the CRU, as reflected in the table below. This is the second consecutive time this has been a finding for the CDTFA.

Classification	Appointment Type	No. of Appointments	Total No. of Late Probation Reports
Accounting Administrator I (Supervisor)	List Appointment	1	1
Accounting Officer (Specialist)	List Appointment	1	1

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

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area; therefore, no corrective action is required.

Equal Employment Opportunity

Each state agency is responsible for an effective EEO program. (Gov. Code, § 19790.) The appointing power for each state agency has the major responsibility for monitoring the effectiveness of its EEO program. (Gov. Code, § 19794.) To that end, the appointing power must issue a policy statement committed to EEO; issue procedures for filing, processing, and resolving discrimination complaints; and cooperate with the CalHR, in accordance with Civil Code section 1798.24, subdivisions (o) and (p), by providing access to all required files, documents and data necessary to carry out these mandates. (*Ibid.*) In addition, the appointing power must appoint, at the managerial level, an EEO Officer,

who shall report directly to, and be under the supervision of, the director of the department to develop, implement, coordinate, and monitor the department's EEO program. (Gov. Code, § 19795, subd. (a).)

Each state agency must establish a separate committee of employees who are individuals with a disability, or who have an interest in disability issues, to advise the head of the agency on issues of concern to employees with disabilities. (Gov. Code, § 19795, subd. (b)(1).) The department must invite all employees to serve on the committee and take appropriate steps to ensure that the final committee is comprised of members who have disabilities or who have an interest in disability issues. (Gov. Code, § 19795, subd. (b)(2).)

IN COMPLIANCE	FINDING NO. 4 EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES
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After reviewing the policies, procedures, and programs necessary for compliance with the EEO program's role and responsibilities according to statutory and regulatory guidelines, the CRU determined that the CDTFA'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 CDTFA. The CDTFA also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

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

incidental to a contract for the purchase or lease of real or personal property, and services that are of an urgent, temporary, or occasional nature.

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

During the period under review, April 1, 2023, through September 30, 2023, the CDTFA had 14 PSC's that were in effect. The CRU reviewed 11 of those, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Cal Interpreting & Translations (CIT), Inc.	Translations Services	\$9,999	Yes	No
City Water Filter Corporation	Replace Reverse Osmosis Filter and Membrane for the Oakland Office	\$549	Yes	Yes
Covanta Environmental Solutions	Cannabis Destruction	\$9,999	Yes	Yes
Eaton Interpreting Services, Inc.	Eaton-ASL Services	\$4,999	Yes	No
Foothill Transcription Company	Transcription	\$9,999	Yes	No
Institute of Internal Auditors (IAA)	Training	\$1,549	Yes	Yes
Pitney Bowes	Relocation of Equipment	\$1,400	Yes	Yes
Platinum Security, Inc.	Security Guard Services	\$125,000	Yes	No
Shaw Law Group	Training	\$1,250	Yes	Yes
University Enterprises, Inc.	Training	\$358,774	Yes	No
Viking Shred, LLC	Confidential Destruction	\$38,108	Yes	No

SEVERITY: SERIOUS	FINDING NO. 5 UNIONS WERE NOT NOTIFIED OF PERSONAL SERVICES CONTRACTS
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Summary: The CDTFA did not notify unions prior to entering into 6 of the 11 PSC's reviewed. This is the second consecutive time this has been a finding for the CDTFA.

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

Severity: Serious. Unions must be notified of impending personal services contracts in order to ensure they are aware contracts are being proposed for the type of work that their members could perform.

Cause: The CDTFA states that the Unions did not receive notification on the cited personnel services contracts as it was determined by the CDTFA that the services fell outside the requirements of Government Code section 19130, subdivision (b) and were not available within state service and, or to achieve cost savings. Moving forward, the Human Resources Bureau (HRB) will send notification to the Unions on all contracts (whether required or for information purposes).

SPB Reply If the contracting state agency is unable to determine which employee organization(s) is or are appropriate to be notified, or determines that no represented employees perform or could perform the type of work that is called for within the contract, the contracting state agency shall notify all employee organizations representing each of the bargaining units within state civil service. (Cal. Code Regs., tit. 2, § 547.60.2.)

Corrective Action: Departments are responsible for notifying all organizations that represent state employees who perform or could perform the type of work to be contracted prior to executing a PSC. The PSC's reviewed during this compliance review involved several services and functions which various rank-and-file civil service classifications perform, such as Security Guard services. Within 90 days of the date of this report, the CDTFA must submit to the SPB a written corrective action response which addresses the corrections the department will

implement to ensure conformity with the requirements of California Code of Regulations section 547.60.2. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

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 Career Executive Assignment (CEA) position, the employee shall be provided leadership training and development, as prescribed by CalHR. (Gov. Code, § 19995.4, subds. (d) & (e).) For management employees the training must be a minimum of 40 hours and for CEAs the training must be a minimum of 20 hours. (*Ibid.*)

New employees must be provided sexual harassment prevention training within six months of appointment. Thereafter, each department must provide its supervisors two hours of sexual harassment prevention training and non-supervisors one hour of sexual harassment prevention training every two years. (Gov. Code, § 12950.1, subds. (a) and (b); Gov. Code, § 19995.4.)

The Board may conduct reviews of any appointing power’s personnel practices to ensure compliance with civil service laws and Board regulations. (Gov. Code, § 18661, subd. (a).) In particular, the Board may audit personnel practices related to such matters as selection and examination procedures, appointments, promotions, the management of probationary periods, and any other area related to the operation of the merit principle in state civil service. (*Ibid.*) Accordingly, the CRU reviews documents and records related to training that appointing powers are required by the afore-cited laws to provide its employees.

The CRU reviewed the CDTFA’s mandated training program that was in effect during the compliance review period, October 1, 2021, through September 30, 2023.

SEVERITY: VERY SERIOUS	FINDING NO. 6 ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS
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Summary: The CDTFA did not provide ethics training to 63 of 2,630 existing filers. In addition, the CDTFA did not provide ethics training to 15 of 76 new filers within 6 months of their appointment. This is the second consecutive time this has been a finding for the CDTFA.

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

Severity: Very Serious. The department does not ensure that its filers are aware of prohibitions related to their official position and influence.

Cause: The CDTFA states that its training team experienced multiple vacancies and turnover during the compliance review period. This resulted in an inconsistent review and notification process which has since been addressed through the implementation of a mandatory training month each March, which went into effect in 2022. All mandatory training assignments are now automatically assigned by the Learning Management System and must be completed by the end of March each year.

Corrective Action: The CDTFA asserts it has taken steps to ensure compliance in this area. Within 90 days of this report, the CDTFA must submit to the SPB a written correction action response which addresses the

corrections the department has implemented to demonstrate conformity with Government Code section 11146.3. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

SEVERITY: VERY SERIOUS	FINDING NO. 7 SUPERVISORY TRAINING WAS NOT PROVIDED FOR ALL SUPERVISORS, MANAGERS, AND CEAs
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Summary: The CDTFA did not provide basic supervisory training to 1 of 48 new supervisors within 12 months of appointment; did not provide manager training to 5 of 6 new managers within 12 months of appointment; and did not provide CEA training to 1 of 2 new CEAs within 12 months of appointment.

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

Upon initial appointment of an employee to a managerial position, each employee must receive 40 hours of leadership training within 12 months of appointment. (Gov. Code, § 19995.4, subd. (d).)

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

Severity: Very Serious. The department does not ensure its leaders are properly trained. Without proper training, leaders may not properly carry out their leadership roles, including managing employees.

Cause: The CDTFA states that the training team experienced multiple vacancies and turnover during the compliance review period. This resulted in inconsistent adherence to processes in place which notify newly appointed supervisors, managers, and CEAs of the requirement to complete the California Leadership Academy.

Corrective Action: Within 90 days of the date of this report, the CDTFA must submit to the SPB a written corrective action response which addresses the

corrections the department will implement to ensure that new supervisors, managers, and CEAs are provided leadership and development training within twelve months of appointment, and that thereafter, they receive a minimum of 20 hours of leadership training biennially, as required by Government Code section 19995.4. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

SUBSTANTIAL COMPLIANCE	FINDING NO. 8 SEXUAL HARASSMENT PREVENTION TRAINING WAS NOT PROVIDED FOR ALL EMPLOYEES
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Summary: While the CDTFA provided sexual harassment prevention training to all of its 75 new supervisors within 6 months of appointment and its 99 existing non-supervisors as required every 2 years, it did not provide sexual harassment prevention training to 4 of 507 existing supervisors every 2 years.

Criteria: Each department must provide its supervisors two hours of sexual harassment prevention training every two years and non-supervisory employees one hour of sexual harassment prevention training every two years. New employees must be provided sexual harassment prevention training within six months of appointment. (Gov. Code, § 12950.1, subs. (a) and (b); Gov. Code § 19995.4.)

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area; therefore, no corrective action is required.

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 rate¹⁰ upon appointment depending on the appointment type, the employee’s state employment and pay history, and tenure.

¹⁰ “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).

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, August 1, 2022, through January 31, 2023, the CDTFA made 441 appointments. The CRU reviewed 15 of those appointments to determine if the CDTFA applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Accounting Administrator I (Supervisor)	Certification List	Permanent	Full Time	\$7,394
Associate Tax Auditor, Board of Equalization	Certification List	Permanent	Full Time	\$7,999
Business Taxes Representative	Certification List	Permanent	Full Time	\$4,091
Business Taxes Representative	Certification List	Permanent	Full Time	\$5,059
Business Taxes Representative	Certification List	Permanent	Full Time	\$5,059
Business Taxes Specialist I, Board of Equalization	Certification List	Permanent	Full Time	\$8,152
Business Taxes Specialist I, Board of Equalization	Certification List	Permanent	Full Time	\$7,394
Business Taxes Specialist I, Board of Equalization	Certification List	Permanent	Full Time	\$7,999
Business Taxes Specialist I, Board of Equalization	Certification List	Permanent	Full Time	\$7,847
Business Taxes Specialist II, Board of Equalization	Certification List	Permanent	Full Time	\$8,815
Staff Services Manager I	Certification List	Permanent	Full Time	\$6,563
Staff Services Manager I	Certification List	Permanent	Full Time	\$6,908
Supervising Tax Auditor II, Board of Equalization	Certification List	Permanent	Full Time	\$10,130
Supervising Tax Auditor II, Board of Equalization	Certification List	Permanent	Full Time	\$9,224
Tax Technician II, Board of Equalization	Certification List	Permanent	Full Time	\$3,548

IN COMPLIANCE	FINDING No. 9 SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the salary determinations that were reviewed. The CDTFA appropriately calculated and keyed the salaries for each appointment and correctly determined employees' anniversary dates ensuring that subsequent merit salary adjustments will satisfy civil service laws, Board rules and CalHR policies and guidelines.

Alternate Range Movement Salary Determination (within same classification)

If an employee qualifies under established criteria and moves from one alternate range to another alternate range of a class, the employee shall receive an increase or a decrease equivalent to the total of the range differential between the maximum salary rates of the alternate ranges. (Cal. Code Regs., tit. 2, § 599.681.) However, in many instances, the CalHR provides salary rules departments must use when employees move between alternate ranges. These rules are described in the alternate range criteria. (CalHR Pay Scales). When no salary rule or method is cited in the alternate range criteria, departments must default to Rule 599.681.

During the period under review, August 1, 2022, through January 31, 2023, the CDTFA employees made 73 alternate range movements within a classification. The CRU reviewed 29 of those alternate range movements to determine if the CDTFA applied salary regulations accurately and correctly processed each employee's compensation, which are listed below:

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
Business Taxes Representative	A	C	Full Time	\$5,059
Business Taxes Representative	B	C	Full Time	\$5,282
Business Taxes Representative	B	C	Full Time	\$5,059
Business Taxes Representative	A	B	Full Time	\$4,659
Business Taxes Representative	A	B	Full Time	\$4,295
Business Taxes Representative	B	C	Full Time	\$5,282
Business Taxes Representative	B	C	Full Time	\$5,059
Business Taxes Representative	B	C	Full Time	\$5,059
Business Taxes Representative	A	B	Full Time	\$4,623
Business Taxes Representative	B	C	Full Time	\$5,253
Legal Secretary	A	B	Full Time	\$4,201
Legal Secretary	A	B	Full Time	\$4,201

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
Personnel Specialist	C	D	Full Time	\$4,833
Staff Services Analyst	A	B	Full Time	\$4,649
Staff Services Analyst	A	B	Full Time	\$4,649
Tax Auditor, Board of Equalization	A	B	Full Time	\$5,649
Tax Auditor, Board of Equalization	A	B	Full Time	\$5,059
Tax Auditor, Board of Equalization	A	B	Full Time	\$5,059
Tax Auditor, Board of Equalization	A	B	Full Time	\$5,059
Tax Auditor, Board of Equalization	A	B	Full Time	\$5,059
Tax Counsel	B	C	Full Time	\$8,280
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,216
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377
Tax Technician I, Board of Equalization	A	B	Full Time	\$3,377

IN COMPLIANCE	FINDING NO. 10 ALTERNATIVE RANGE MOVEMENTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU determined that the alternate range movements the CDTFA made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Hiring Above Minimum Requests

The CalHR may authorize payment at any step above the minimum limit to classes or positions to meet recruiting problems, or to obtain a person who has extraordinary qualifications. (Gov. Code, § 19836.) For all employees new to state service, departments are delegated to approve HAMs for extraordinary qualifications. (Human Resources Manual Section 1707.) Appointing authorities may request HAMs for current state employees with extraordinary qualifications. (*Ibid.*) Delegated HAM authority does not apply to current state employees. (*Ibid.*)

Extraordinary qualifications may provide expertise in a particular area of a department's program. (*Ibid.*) This expertise should be well beyond the minimum qualifications of the class. (*Ibid.*) Unique talent, ability or skill as demonstrated by previous job experience

may also constitute extraordinary qualifications. (*Ibid.*) The scope and depth of such experience should be more significant than its length. (*Ibid.*) The degree to which a candidate exceeds minimum qualifications should be a guiding factor, rather than a determining one. (*Ibid.*) The qualifications and hiring rates of state employees already in the same class should be carefully considered, since questions of salary equity may arise if new higher entry rates differ from previous ones. (*Ibid.*) Recruitment difficulty is a factor to the extent that a specific extraordinary skill should be difficult to recruit, even though some applicants are qualified in the general skills of the class. (*Ibid.*)

If the provisions of this section conflict with the provisions of a memorandum of understanding reached pursuant to Government Code section 3517.5, the memorandum of understanding shall be controlling without further legislative action.¹¹ (Gov. Code, § 19836, subd. (b).)

Appointing authorities may request and approve HAMs for former legislative employees who are appointed to a civil service class and received eligibility for appointment pursuant to Government Code section 18990. (Human Resources Manual Section 1707.) The salary received upon appointment to civil service shall be in accordance with the salary rules specified in the California Code of Regulations. (*Ibid.*) A salary determination is completed comparing the maximum salary rate of the former legislative class and the maximum salary rate of the civil service class to determine applicable salary and anniversary regulation. (*Ibid.*) Typically, the legislative employees are compensated at a higher rate of pay; therefore, they will be allowed to retain the rate they last received, not to exceed the maximum of the civil service class. (*Ibid.*)

Appointing authorities may request/approve HAMs for former exempt employees appointed to a civil service class. (Human Resources Manual Section 1707.) The salary received upon appointment to civil service shall be competitive with the employee's salary in the exempt appointment. (*Ibid.*) For example, an employee appointed to a civil service class which is preceded by an exempt appointment may be appointed at a salary rate comparable to the exempt appointment up to the maximum of the salary range for the civil service class. (*Ibid.*)

During the period under review, August 1, 2022, through January 31, 2023, the CDTFA authorized six HAM requests. The CRU reviewed five of those authorized HAM requests to determine if the CDTFA correctly applied Government Code section 19836 and

¹¹ Except that if the provisions of the memorandum of understanding requires the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

appropriately verified, approved and documented candidates' extraordinary qualifications, which are listed below:

Classification	Appointment Type	Status	Salary Range	Salary (Monthly Rate)
Tax Auditor, Board of Equalization	Certification List	Permanent	\$4,091 - \$5,380	\$4,295
Tax Auditor, Board of Equalization	Certification List	Permanent	\$4,091 - \$5,380	\$4,295
Tax Auditor, Board of Equalization	Certification List	Permanent	\$4,091 - \$5,380	\$4,295
Tax Auditor, Board of Equalization	Certification List	Permanent	\$4,091 - \$5,380	\$4,641
Tax Auditor, Board of Equalization	Certification List	Permanent	\$4,091 - \$5,380	\$4,545

IN COMPLIANCE	FINDING NO. 11 HIRE ABOVE MINIMUM REQUESTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found that the HAM requests the CDTFA 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, August 1, 2022, through January 31, 2023, the CDTFA issued bilingual pay to 42 employees. The CRU reviewed 25 of those bilingual pay

authorizations to ensure compliance with applicable CalHR policies and guidelines. Those are listed below:

Classification	Collective Bargaining Identifier	Time Base	No. of Appts.
Business Taxes Compliance Specialist	R01	Full Time	4
Business Taxes Representative	R01	Full Time	8
Business Taxes Specialist I, Board of Equalization	R01	Full Time	1
Information Officer I (Specialist)	R01	Full Time	1
Tax Auditor, Board of Equalization	R01	Full Time	1
Tax Technician II, Board of Equalization	R04	Full Time	2
Tax Technician III, Board of Equalization	R04	Full Time	8

SEVERITY: VERY SERIOUS	FINDING NO. 12 INCORRECT AUTHORIZATION OF BILINGUAL PAY
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Summary: The CRU found 8 errors in the 25 bilingual pay authorizations reviewed:

Classification	Number of Positions	Description of Findings	Criteria
Business Taxes Representative	2	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14
Tax Technician III, Board of Equalization	6	Department failed to supply supporting documentation demonstrating the need for bilingual services.	Pay Differential 14

Criteria: For any state agency, a “qualified” bilingual employee, person, or interpreter is someone who CalHR has tested and certified, someone who was tested and certified by a state agency or other approved testing authority, and/or someone who has met the testing or certification standards for outside or contract interpreters as proficient in both the English language and the non-English language to be used. (Gov. Code, § 7296, subd. (a)(3).)

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.)

Severity: Very Serious. Failure to comply with the state civil service pay plan by incorrectly applying compensation rules in accordance with CalHR's policies and guidelines results in civil service employees receiving incorrect and/or inappropriate pay.

Cause: The CDTFA states that despite having a plan in place for newly eligible bilingual employees, errors were made when employees eligible in current positions moved to positions not eligible for bilingual pay.

Corrective Action: Within 90 days of the date of this report, the CDTFA must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with Government Code section 7296, and/or Pay Differential 14. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

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, August 1, 2022, through January 31, 2023, the CDTFA authorized 306 pay differentials.¹² The CRU reviewed 25 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

Classification	Pay Differential	Monthly Amount
Associate Tax Auditor, Board of Equalization	102	\$346
Associate Tax Auditor, Board of Equalization	102	\$346
Associate Tax Auditor, Board of Equalization	102	\$346
Business Taxes Specialist II, Board of Equalization	102	\$346
Business Taxes Specialist II, Board of Equalization	441	\$250
Business Taxes Specialist II, Board of Equalization	102	\$346
Business Taxes Specialist, Board of Equalization	102	\$346
Information Technology Specialist I	13	5%
Office Technician (Typing)	441	\$250
Supervising Tax Auditor II, Board of Equalization	102	\$419
Supervising Tax Auditor II, Board of Equalization	102	\$419
Supervising Tax Auditor III, Board of Equalization	102	\$419
Tax Auditor, Board of Equalization	102	\$346
Tax Auditor, Board of Equalization	441	\$250
Tax Technician I, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician II, Board of Equalization	186	\$150
Tax Technician III, Board of Equalization	186	\$150
Tax Technician III, Board of Equalization	186	\$150
Tax Technician III, Board of Equalization	186	\$150
Tax Technician III, Board of Equalization	186	\$150

SUBSTANTIAL COMPLIANCE	FINDING NO. 13 INCORRECT AUTHORIZATION OF PAY DIFFERENTIALS
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¹² For the purposes of CRU's review, only monthly pay differentials were selected for review at this time.

Summary: The CRU found 1 error in the 25 pay differentials reviewed, as outlined below. This is the second consecutive time this has been a finding for the CDTFAs.

Classification	Area	Description of Finding	Criteria
Tax Technician III, Board of Equalization	CDTFA Call Center Differential Pay	The employee did not receive a pay differential they were entitled to, resulting in underpayment.	Pay Differential 186

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

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area; therefore, no corrective action is required.

Out-of-Class Assignments and Pay

For excluded¹³ 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-

¹³ “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.

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

During the period under review, August 1, 2022, through January 31, 2023, the CDTFA issued OOC pay to four employees. The CRU reviewed four of these OOC assignments to ensure compliance with applicable MOU provisions, salary regulations, and CalHR policies and guidelines. These are listed below:

Classification	Collective Bargaining Identifier	Out-of-Class Classification	Time Frame
Business Taxes Compliance Specialist	R01	Business Taxes Administrator I	10/17/2022 - 01/31/2023
Office Services Supervisor II (General)	S04	Staff Services Manager I	07/01/2022 - 11/30/2022
Staff Services Manager I	E48	Staff Services Manager II	09/12/2022 - 05/01/2023
Tax Technician II	R04	Tax Technician III	08/02/2022 - 11/29/2022

IN COMPLIANCE	FINDING NO. 14 OUT OF CLASS PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the OOC pay assignments that the CDTFA 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 days¹⁴ worked and paid absences¹⁵, 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 CDTFA had 29 positive paid employees whose hours were tracked. The CRU reviewed 12 of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Hours Worked
Associate Governmental Program Analyst	Retired Annuitant	10/5/21 – 6/30/22	874

¹⁴ For example, two hours or ten hours count as one day.

¹⁵ For example, vacation, sick leave, compensating time off, etc.

Classification	Tenure	Time Frame	Hours Worked
Associate Governmental Program Analyst	Retired Annuitant	7/6/21 – 6/29/22	956
Associate Governmental Program Analyst	Retired Annuitant	7/1/21 – 6/30/22	837
Business Taxes Specialist I	Retired Annuitant	7/6/21 – 6/29/22	877
Business Taxes Specialist III	Retired Annuitant	7/1/21 – 6/30/22	928
Research Data Specialist III	Retired Annuitant	7/1/21 – 6/28/22	875.75
Staff Services Manager I	Retired Annuitant	1/18/22 – 5/31/22	402.5
Staff Services Manager I	Retired Annuitant	8/12/21 – 6/29/22	864.5
Staff Services Manager II (Managerial)	Retired Annuitant	7/8/21 – 6/24/22	1,041.25 ¹⁶
Tax Technician II	Retired Annuitant	7/1/21 – 6/30/22	444.5
Tax Technician II	Retired Annuitant	7/1/21 – 6/30/22	576.25
Tax Technician II	Retired Annuitant	7/1/21 – 6/30/22	495.75

IN COMPLIANCE	FINDING NO. 15 POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the positive paid employees reviewed during the compliance review period. The CDTFA 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, July 1, 2022, through June 30, 2023, the CDTFA authorized 107 ATO transactions. The CRU reviewed 25 of these ATO transactions to

¹⁶Executive Order N-25-20, signed by Governor Newsom on March 12, 2020, suspended work hour limitations on retired annuitants' hours due to the Covid-19 emergency. This expired on March 31, 2022. Appointing authorities whose employees exceeded the established work hour limitations were required to notify CalHR of such. If a positive paid employee's hours exceeded limitations, and there was no notification to CalHR, then that would result in a finding.

ensure compliance with applicable laws, regulations, and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
Associate Governmental Program Analyst	11/1/22	8 hours
Associate Tax Auditor	1/3/23 - 1/6/23	32.5 hours
Business Taxes Compliance Specialist	3/21/23	2.5 hours
Business Taxes Compliance Specialist	1/24/23	2 hours
Business Taxes Representative	1/9/23	3.5 hours
Business Taxes Representative	1/19/23	5.25 hours
Business Taxes Specialist I	1/9/23	8 hours
Business Taxes Specialist I	1/19/23	6.5 hours
Business Taxes Compliance Specialist	1/9/23	9 hours
Business Taxes Compliance Specialist	1/9/23 - 1/10/23	16 hours
CEA	1/9/23	8 hours
Executive Assistant	8/10/22	3.5 hours
Information Technology Specialist I	1/9 - 1/12/23	32 hours
Office Assistant (General)	1/9 - 1/10/23	16 hours
Office Assistant (General)	4/21/23	4 hours
Office Assistant (Typing)	1/9 - 1/11/23	12 hours
Office Technician (Typing)	9/9/22, 9/12/22 - 9/15/22	40 hours
Office Technician (Typing)	9/8/22	1 hour
Tax Auditor	6/8/23	3.5 hours
Tax Technician I	1/09/23 - 1/10/23	16 hours
Tax Technician II	1/10/23	8 hours
Tax Technician II	2/23/23, 3/1/23	6.75 hours
Tax Technician III	12/14/22	4.5 hours
Tax Technician III	1/9/23 - 1/10/23	17 hours
Tax Technician III	1/9/23 - 1/13/23	32.5 hours

SUBSTANTIAL COMPLIANCE	FINDING NO. 16 ADMINISTRATIVE TIME OFF WAS NOT PROPERLY DOCUMENTED
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Summary: The CDTFA did not grant ATO in conformity with the established policies and procedures. Of the 25 ATO authorizations reviewed by the CRU, 2 were found to be out of compliance for failing to document justification for ATO. This is the second consecutive time this has been a finding for the CDTFA.

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.*)

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area; therefore, no corrective action is required.

Leave Auditing and Timekeeping

Departments must keep complete and accurate time and attendance records for each employee and officer employed within the agency over which it has jurisdiction. (Cal. Code Regs., tit. 2, § 599.665.)

Departments are directed to create a monthly internal audit process to verify all leave input into any leave accounting system is keyed accurately and timely. (Human Resources Manual Section 2101.) Departments shall create an audit process to review and correct leave input errors on a monthly basis. The review of leave accounting records shall be completed by the pay period following the pay period in which the leave was keyed into the leave accounting system. (*Ibid.*) If an employee’s attendance record is determined to have errors or it is determined that the employee has insufficient balances for a leave type used, the attendance record must be amended. (*Ibid.*) Attendance records shall be corrected by the pay period following the pay period in which the error

occurred. (*ibid.*) Accurate and timely attendance reporting is required of all departments and is subject to audit. (*ibid.*)

During the period under review, April 1, 2023, through June 30, 2023, the CDTFA reported 85 units comprised of 11,403 active employees. The pay periods and timesheets reviewed by the CRU are summarized below:

Timesheet Leave Period	Unit Reviewed	No. of Employees	No. of Timesheets Reviewed	No. of Missing Timesheets
April 2023	23	66	66	0
May 2023	253	15	15	0
June 2023	450	20	20	0

SEVERITY: SERIOUS	FINDING NO. 17 DEPARTMENT HAS NOT IMPLEMENTED A MONTHLY INTERNAL AUDIT PROCESS TO VERIFY ALL LEAVE INPUT IS KEYED ACCURATELY AND TIMELY
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Summary: The CDTFA failed to implement a monthly internal audit process to verify all timesheets were keyed accurately and timely and to certify that all leave records have been reviewed and corrected if necessary.

Criteria: Each appointing power shall keep complete and accurate time and attendance records for each employee and officer employed within the agency over which it has jurisdiction. (Cal. Code Regs., tit. 2, § 599.665.) Departments are directed to create an audit process to verify all leave input is keyed accurately and timely. (Human Resources Manual Section 2101.) Departments shall identify and record all errors found and shall certify that all leave records for the unit/pay period identified have been reviewed and all leave errors identified have been corrected. (*ibid.*) Attendance records shall be corrected by the pay period following the pay period in which the error occurred. (*ibid.*)

Severity: Serious. Departments must document that they reviewed all leave input into their leave accounting system to ensure accuracy and timeliness. Failure to audit leave could put the department at risk of incurring additional costs from the initiation of collection efforts from overpayments, and the risk of liability related to recovering

inappropriately credited leave hours and funds.

Cause: The CDTFA states that due to workload and staffing shortages, the HRB fell behind in reviewing attendance records timely during the compliance review period.

Corrective Action: Within 90 days of the date of this report, the CDTFA must submit to the SPB a written corrective action response which addresses the corrections the department has implemented to ensure that their monthly internal audit process was documented and that all leave input is keyed accurately and timely. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

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.¹⁷ (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

¹⁷ 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.

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 employees¹⁸ 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, February 1, 2023, through July 31, 2023, the CDTFA had 21 employees with qualifying and non-qualifying pay period transactions. The CRU reviewed 19 transactions to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Type of Transaction	Time base	No. Reviewed
Non-Qualifying	Full-Time	17
Qualifying	Full-Time	2

IN COMPLIANCE	FINDING NO. 18	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU determined that the CDTFA ensured employees with non-qualifying pay periods did not receive vacation/sick leave, annual leave, and/or state service accruals. The CRU found no deficiencies in this area.

Policy and Processes

Nepotism

It is the policy of the State of California to hire, transfer, and promote all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. (Cal. Code Regs., tit. 2, § 87.) (*Ibid.*) All appointing powers shall adopt an anti-nepotism policy that includes the following components: (1) a statement that the appointing power is committed to merit-based hiring

¹⁸ 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.

and that nepotism is antithetical to a merit-based civil service system; (2) a definition of “nepotism” as an employee’s use of influence or power to hire, transfer, or promote an applicant or employee because of a personal relationship; (3) a definition of “personal relationship” as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation; (4) a statement that prohibits participation in the selection of an applicant for employment by anyone who has a personal relationship with the applicant, as defined in section 83.6; (5) a statement that prohibits the direct or first-line supervision of an employee with whom the supervisor has a personal relationship, as defined in section 83.6; (6) a process for addressing issues of direct supervision when personal relationships between employees exist. (*Ibid.*)

IN COMPLIANCE	FINDING NO. 19 NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the policy was disseminated to all staff and emphasized the CDTFA’s commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the CDTFA’s nepotism policy was comprised of specific and sufficient components intended to prevent favoritism, or bias, based on a personal relationship from unduly influencing employment decisions.

Workers’ Compensation

Employers shall provide to every new employee, either at the time of hire or by the end of the first pay period, written notice concerning the rights, benefits, and obligations under workers’ compensation law. (Cal. Code Regs., tit. 8, § 9880, subd. (a).) This notice shall include the right to predesignate their personal physician or medical group; a form that the employee may use as an optional method for notifying the employer of the name of employee’s “personal physician,” as defined by Labor Code section 4600. (Cal. Code Regs., tit. 8, § 9880, subd. (c)(7) & (8).) Additionally, within one working day of receiving notice or knowledge that the employee has suffered a work-related injury or illness, employers shall provide a claim form and notice of potential eligibility for benefits to the injured employee. (Labor Code, § 5401, subd. (a).)

Public employers may choose to extend workers' compensation coverage to volunteers that perform services for the organization. (Human Resources Manual Section 1415.) Workers’ compensation coverage is not mandatory for volunteers as it is for employees. (*Ibid.*) This is specific to the legally uninsured state departments participating in the Master Agreement. (*Ibid.*) Departments with an insurance policy for workers’

compensation coverage should contact their State Compensation Insurance Fund (State Fund) office to discuss the status of volunteers. (*Ibid.*)

IN COMPLIANCE	FINDING NO. 20 WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the CDTFA provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. Furthermore, the CRU verified that when the CDTFA received workers' compensation claims, they properly provided claim forms within one working day of notice or knowledge of injury.

Performance Appraisals

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

The CRU selected 100 permanent CDTFA employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

SEVERITY: SERIOUS	FINDING NO. 21 PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES
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Summary: The CDTFA did not provide annual performance appraisals to 14 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.)

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

Cause: The CDTFA states that despite implementing notification procedures and training, not all managers and supervisors were able to complete performance appraisals within the prescribed regulatory timeframe.

Corrective Action: Within 90 days of the date of this report, the CDTFA must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with Government Code section 19992.2 and California Code of Regulations, title 2, section 599.798. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

DEPARTMENTAL RESPONSE

The CDTFA response is attached as Attachment 1.

SPB REPLY

Based upon the CDTFA's written response, the CDTFA will comply with the corrective actions specified in these report findings. Within 90 days of the date of this report, a written corrective action response including documentation demonstrating implementation of the corrective actions specified must be submitted to the CRU.



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

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AMY TONG
Secretary, Government Operations Agency

NICOLAS MADUROS
Director

July 9, 2024

Ms. Diana Campbell, Compliance Manager
State Personnel Board
801 Capitol Mall, Sacramento, CA 95814

Re: SPB Compliance Review Draft Report - CDTFA

Dear Ms. Campbell:

The California Department of Tax and Fee Administration (CDTFA), Human Resources Bureau (HRB), has reviewed the draft Compliance Review Report received June 5, 2024. We appreciate the State Personnel Board's (SPB) review and the opportunity to respond to the findings. We take our responsibilities seriously and have already begun addressing and improving our processes to ensure compliance.

Below are our responses to the items that require attention:

Finding No. 3: Probationary evaluations were not timely.

Cause: Despite the numerous methods used by HRB to inform supervisors and managers of the requirement to complete and issue timely probationary reports, not all supervisors provided timely reports; however, following the development of the Probation and Performance Appraisal Summary (PAS) Reporting Application in 2021, the number of reports not completed timely has been significantly reduced and has improved since our last SPB audit. Specifically, in the 2021 SPB audit 87% were completed timely compared to 97% that were completed timely in the most recent audit.

Finding No. 5: Unions were not notified of personal services contracts.

Cause: Union(s) did not receive notification on the cited personal service contracts as it was determined the services fell outside the requirements of Government Code section 19130, subdivision (b) and were not available within state service and, or to achieve cost savings. Moving forward, HRB will send notification to the Union on all contracts (whether required or for informational purposes).

Finding No. 6: Ethics training was not provided for all filers.

Cause: The training team experienced multiple vacancies and turnover at the Staff Services Manager I and Staff Services Manager II level during the period audited. This resulted in an inconsistent review and notification process which has since been addressed through the implementation of our Mandatory Training month each March. This new process went into effect in March 2022. All mandatory training assignments are automatically assigned by the Learning Management System (LMS) and must be completed by the end of March each year. A monthly reporting process with email follow ups to the supervisor, manager or Deputy Director has also been implemented to ensure compliance. Additionally, we released a training policy that requires every CDTFA team member, not just SEI filers, to complete Ethics Training every two years in the odd numbered year to ensure everyone is trained timely. Many of the non-compliant team members last completed Ethics Training in 2019 or 2020 and again in 2023, which was outside the audit period.

Finding No. 7: Supervisory training was not provided for all supervisors, managers, and CEAs.

Cause: The training team experienced multiple vacancies and turnover at the Staff Services Manager I and Staff Services Manager II level during the period audited. This resulted in inconsistent adherence to processes in place to notify newly-appointed supervisors, managers, and CEAs of their requirement to complete the California Leadership Academy (CLA). The newly-appointed supervisor did not complete the CLA - Supervisor training during the required time frame and has not completed it since because they has now moved into a non-supervisory role. Four of the five identified managers have since registered for and completed CLA - Manager training. One of the five had completed the training prior to the audit, however it was outside of the 12-month time frame. The newly-appointed CEA has completed CLA - Executive

training. HRB has created a monthly process to begin notifying newly appointed supervisors, managers, and CEAs of the training requirement and plan to implement it during the next fiscal year once it has been approved by management. Until the process is approved, the training team is notifying affected supervisors, managers, and CEAs of their training requirement through email and ensuring registration through CalLearns.

Finding No. 8: Sexual harassment prevention training was not provided for all employees.

Cause: The training team experienced multiple vacancies and turnover at the Staff Services Manager I and Staff Services Manager II level during the period audited. This resulted in an inconsistent review and notification process which has since been addressed by implementing a Mandatory Training month each March, effective March 2022. Additionally, despite auto-generated email notifications and training assignments from the LMS, the identified team members started, but did not complete the required training. One team member completed the Sexual Harassment Prevention Training for Employees, but not the course required for supervisors. We believe there was confusion about the requirement because the individual is in an M01 position with no direct reports. This team member has since taken and completed the required training for supervisors and will continue to do so going forward.

Finding No. 12: Incorrect authorization of bilingual pay.

Cause: HRB works in conjunction with the Diversity & Inclusion (D&I) Office on the bilingual language needs of the department. Despite CDTFA having a plan in place for newly eligible bilingual employees, errors were made when an eligible employee moved to another position within CDTFA. Removal of the bilingual pay differential was missed upon movement but then caught and corrected for all the identified team members. HRB will continue to perform internal audits and provide training to team members to ensure bilingual pay is issued appropriately.

Finding No. 13: Incorrect authorization of pay differentials.

Cause: This was missed because the pay differential box was not checked on the Request for Personnel Action (RPA). CDTFA has various Tax Technicians working in different locations performing different job duties. HRB relies on the program areas to include pay differential information on the RPA so HRB can validate that team members are performing the specific qualifying job duties. HRB will work with programs to ensure this is identified in the future. This particular pay differential has since been issued.

Finding No. 16: Administrative time off (ATO) was not properly documented.

Cause: During the audit period, HRB did not have a tracking system in place for ATO substantiation. HRB has created a tracking system through SharePoint to track and store ATO substantiation and will continue to do so moving forward.

Finding No. 17: Department has not implemented a monthly internal audit process to verify all leave input is keyed accurately and timely.

Cause: HRB has a monthly internal audit process to verify all leave input is keyed accurately and timely (please see attached). Due to workload and staffing shortages, HRB fell behind in auditing attendance records timely. HRB has caught up and is current with auditing attendance records.

Finding No. 21: Performance appraisals were not provided to all employees.

Cause: Despite the numerous methods used by HRB to inform supervisors and managers of the requirement to complete and issue timely performance appraisals, not all supervisors provided timely performance appraisals; however, following the development of the Probation and Performance Appraisal Summary (PAS) Reporting Application in 2021, the number of these reports not completed timely has been significantly reduced and greatly improved since our last SPB audit. Specifically, in our 2021 SPB audit 29% were completed timely compared to 86% completed timely in the most recent audit.

If you have any questions concerning the CDTFA response, please contact me by email at Adetola.Adedipe@cdtfa.ca.gov or by phone at (916) 309-0222.

Sincerely,

Adetola Adedipe

Adetola Adedipe, Chief, Human Resources Bureau