



# **COMPLIANCE REVIEW REPORT**

## **FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA**

Compliance Review Unit  
State Personnel Board  
August 16, 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 Financial Information System for California (FI\$Cal) 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	Examination Complied with Civil Service Laws and Board Rules
Appointments	Serious	Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely <sup>1</sup>
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
Mandated Training	Substantial Compliance	Ethics Training Was Not Provided for All Filers <sup>2</sup>
Mandated Training	Very Serious	Sexual Harassment Prevention Training Was Not Provided for All Supervisors <sup>3</sup>
Compensation and Pay	Substantial Compliance	Incorrect Application of Salary Determination Laws, Rules, and CalHR Policies and Guidelines for Appointment

<sup>1</sup> Repeat finding. The December 28, 2020, report identified missing probation reports for 12 of 31 files reviewed; and 5 untimely probation reports. The June 29, 2018, report identified seven missing probation reports in the six appointment files reviewed.

<sup>2</sup> Repeat finding. The December 28, 2020, report identified ethics training was not provided to 14 of 67 existing filers and 4 of 17 new filers within 6 months of their appointment.

<sup>3</sup> Repeat finding. The December 28, 2020, report identified that sexual harassment prevention training was not provided to 1 of 4 new supervisors within 6 months, and 1 of 55 existing supervisors every 2 years. The June 29, 2018, report identified that sexual harassment prevention training was not provided to 17 new supervisors within 6 months, and 2 existing supervisors every 2 years.

Area	Severity	Finding
Compensation and Pay	Very Serious	Alternate Range Movements Did Not Comply with Civil Service Laws, Board Rules, and/or 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	In Compliance	Leave Auditing and Timekeeping 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

### **BACKGROUND**

The FI\$Cal is responsible for the operation of the FI\$Cal system, which modernized how the state of California manages its finances, and is one of the largest and most dynamic Information Technology (IT) and business-transformation undertakings in California's history. It eliminated the need for hundreds of independent legacy systems by combining the state's accounting, budgeting, cash management, and procurement operations into a single financial management system.

The FI\$Cal employs 320 employees primarily in the IT and accounting fields to support the ongoing development, support, and maintenance of the FI\$Cal system.

### **SCOPE AND METHODOLOGY**

The scope of the compliance review was limited to reviewing the FI\$Cal's examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes<sup>4</sup>. The primary objective of the review was to determine if the

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<sup>4</sup> Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

FI\$Cal'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 FI\$Cal'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 FI\$Cal provided, which included examination plans, examination bulletins, job analyses, and scoring results. The FI\$Cal did not conduct any permanent withhold actions during the compliance review period.

A cross-section of the FI\$Cal'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 FI\$Cal provided, which included Notice of Personnel Action forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. Additionally, the FI\$Cal did not make any additional appointments during the compliance review period.

The FI\$Cal's appointments were also selected for review to ensure the FI\$Cal applied salary regulations accurately and correctly processed employees' compensation and pay. The CRU examined the documentation that the FI\$Cal 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: alternate range movements. During the compliance review period, the FI\$Cal did not issue or authorize hiring above minimum requests, red circle rate requests, arduous pay, bilingual pay, monthly pay differentials or out-of-class assignments.

The review of the FI\$Cal'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 FI\$Cal's PSC's were also reviewed.<sup>5</sup> It was beyond the scope of the compliance review to make conclusions as to whether the FI\$Cal's justifications for the contracts were legally sufficient. The review was limited to whether the FI\$Cal's practices, policies, and procedures relative to PSC's complied with procedural requirements.

The FI\$Cal'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.

The CRU reviewed the FI\$Cal'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 FI\$Cal's units in order to ensure they maintained accurate and timely leave accounting records. During the compliance review period, the FI\$Cal did not have any employees with non-qualifying pay period transactions, and did not authorize Administrative Time Off. Additionally, the FI\$Cal did not track any temporary intermittent employees by actual time worked during the compliance review period.

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

The CRU received and carefully reviewed the FI\$Cal's written response on July 19, 2024, which is attached to this final compliance review report.

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<sup>5</sup>If an employee organization requests the SPB to review any personal services contract during the SPB compliance review period or prior to the completion of the final compliance review report, the SPB will not audit the contract. Instead, the SPB will review the contract pursuant to its statutory and regulatory process. In this instance, none of the reviewed PSC's were challenged.

## 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, January 1, 2023, through September 30, 2023, the FI\$Cal conducted one examination. The CRU reviewed the examination, which is listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA B, Chief Information Officer	CEA	Qualification Appraisal Panel <sup>6</sup>	1/3/23	8

<b>IN COMPLIANCE</b>	<b>FINDING NO. 1 EXAMINATION COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES</b>
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The CRU reviewed one open examination which the FI\$Cal administered in order to create eligible lists from which to make appointments. The FI\$Cal published and

<sup>6</sup> The Qualification Appraisal Panel interview is the oral component of an examination whereby competitors appear before a panel of two or more evaluators. Candidates are rated and ranked against one another based on an assessment of their ability to perform in a job classification.



distributed examination bulletins containing the required information for all examinations. Applications received by the FI\$Cal 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 examinations that the FI\$Cal conducted during the compliance review period.

**Appointments**

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

During the period under review, January 1, 2023, through September 30, 2023, the FI\$Cal made 86 appointments. The CRU reviewed 26 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accounting Administrator I	Certification List	Permanent	Full Time	2
Accounting Administrator II	Certification List	Permanent	Full Time	1
Accounting Officer	Certification List	Permanent	Full Time	1
Associate Personnel Analyst	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	1
Audio-Visual Specialist	Certification List	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Information Technology Associate	Certification List	Permanent	Full Time	2
Information Technology Manager I	Certification List	Permanent	Full Time	1
Information Technology Manager II	Certification List	Permanent	Full Time	1
Information Technology Specialist II	Certification List	Permanent	Full Time	2
Information Technology Supervisor I	Certification List	Permanent	Full Time	1
Information Technology Supervisor II	Certification List	Permanent	Full Time	1
Office Technician	Certification List	Permanent	Full Time	1
Staff Services Analyst	Certification List	Permanent	Full Time	2
Staff Services Manager I	Certification List	Permanent	Full Time	2
Staff Services Manager II	Certification List	Permanent	Full Time	1
Staff Services Manager III	Certification List	Permanent	Full Time	1
Staff Services Analyst	Transfer	Permanent	Full Time	2
Information Technology Manager II	Transfer	Permanent	Full Time	1
Information Technology Specialist I	Transfer	Permanent	Full Time	1

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 2 PROBATIONARY EVALUATIONS WERE NOT PROVIDED FOR ALL APPOINTMENTS REVIEWED AND SOME THAT WERE PROVIDED WERE UNTIMELY</b>
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**Summary:** The FI\$Cal did not provide 3 probationary reports of performance for 3 of the 26 appointments reviewed by the CRU. In addition, the FI\$Cal did not provide four probationary reports of performance in a timely manner, as reflected in the table below. This is the third consecutive time this has been a finding for the FI\$Cal.

Classification	Appointment Type	No. of Appointments	Total No. of Missing Probation Reports
Information Technology Supervisor I	Certification List	1	1
Staff Services Manager I	Certification List	1	1
Staff Services Manager II	Certification List	1	1

Classification	Appointment Type	No. of Appointments	Total No. of Late Probation Reports
Accounting Administrator I	Certification List	1	1
Accounting Officer	Certification List	1	1
Associate Personnel Analyst	Certification List	1	1
Audio-Visual Specialist	Certification List	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:** Serious. The probationary period is the final step in the selection process to ensure that the individual selected can successfully perform the full scope of their job duties. Failing to use the probationary period to assist an employee in improving his or her performance or terminating the appointment upon determination that the appointment is not a good job/person match is unfair to the employee and serves to erode the quality of state government.

**Cause:** The FI\$Cal states that staff turnover and reduced staffing within their Human Resources Office resulted in some probationary reports being delayed or missed.

**Corrective Action:** The FI\$Cal asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the FI\$Cal must submit to the SPB documentation which demonstrates the corrections the department has implemented to demonstrate conformity with the probationary requirements of Government Code section 19172 and California Code of Regulations, title 2, section 599.795.

**Equal Employment Opportunity**

Each state agency is responsible for an effective EEO program. (Gov. Code, § 19790.) The appointing power for each state agency has the major responsibility for monitoring the effectiveness of its EEO program. (Gov. Code, § 19794.) To that end, the appointing power must issue a policy statement committed to EEO; issue procedures for filing, processing, and resolving discrimination complaints; and cooperate with the CalHR, in accordance with Civil Code section 1798.24, subdivisions (o) and (p), by providing access to all required files, documents and data necessary to carry out these mandates. (*Ibid.*) In addition, the appointing power must appoint, at the managerial level, an EEO Officer, who shall report directly to, and be under the supervision of, the director of the department to develop, implement, coordinate, and monitor the department’s EEO program. (Gov. Code, § 19795, subd. (a).)

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

<b>IN COMPLIANCE</b>	<b>FINDING NO. 3</b>	<b>EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES</b>
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After reviewing the policies, procedures, and programs necessary for compliance with the EEO program’s role and responsibilities according to statutory and regulatory guidelines, the CRU determined that the FI\$Cal’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 FI\$Cal. The FI\$Cal 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, January 1, 2023, through September 30, 2023, the FI\$Cal had 14 PSC’s that were in effect. The CRU reviewed 10 of those, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Accenture, LLP	PeopleSoft Financials	\$5,000,000	Yes	Yes
Accenture, LLP	Consulting	\$4,663,696	Yes	Yes
DiPietro and Associates, Inc.	Medical Oversight of Automated External Defibrillators	\$3,282	Yes	No
Independent Courier Service	Courier	\$14,000	Yes	No
Magellan Health Services	Counseling	\$4,500	Yes	Yes
National Solutions,	Security	\$1,596,000	Yes	No

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Inc.				
Capital Live Scan	Background Screening	\$9,000	Yes	Yes
The iFish Group	Risk Management Operations	\$2,340,000	Yes	No
Viking Shred, LLC	Recycling	\$8,800	Yes	Yes
West Advanced Technologies, Inc.	Project Planning & Consulting	\$5,000,000	Yes	Yes

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 4 UNIONS WERE NOT NOTIFIED OF PERSONAL SERVICES CONTRACTS</b>
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**Summary:** The FI\$Cal did not notify unions prior to entering into 4 of the 10 PSC's reviewed.

**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 FI\$Cal states that their Contracts Unit was unaware of the requirement to provide notice to unions for contract amendments.

**SPB Reply:** The FI\$Cal's prior review, dated December 20, 2024, showed that the FI\$Cal notified the unions as required for the nine contracts reviewed.

**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. The FI\$Cal asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the FI\$Cal must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with the requirements of California Code of Regulations section 547.60.2.

### **Mandated Training**

Each member, officer, or designated employee of a state agency who is required to file a statement of economic interest (referred to as “filers”) because of the position he or she holds with the agency is required to take an orientation course on the relevant ethics statutes and regulations that govern the official conduct of state officials. (Gov. Code, §§ 11146 & 11146.1.) State agencies are required to offer filers the orientation course on a semi-annual basis. (Gov. Code, § 11146.1.) New filers must be trained within six months of appointment and at least once during each consecutive period of two calendar years, commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3.)

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

Within 12 months of the initial appointment of an employee to a management or CEA position, the employee shall be provided leadership training and development, as prescribed by CalHR. (Gov. Code, § 19995.4, subds. (d) & (e).) For management employees the training must be a minimum of 40 hours and for CEAs the training must be a minimum of 20 hours. (*Ibid.*)

New employees must be provided sexual harassment prevention training within six months of appointment. Thereafter, each department must provide its supervisors two

hours of sexual harassment prevention training and non-supervisors one hour of sexual harassment prevention training every two years. (Gov. Code, § 12950.1, subs. (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 FI\$Cal’s mandated training program that was in effect during the compliance review period, October 1, 2021, through September 30, 2023. The FI\$Cal’s supervisory training was found to be in compliance, while the FI\$Cal’s ethics training and sexual harassment prevention training were found to be out of compliance.

<b>SUBSTANTIAL COMPLIANCE</b>	<b>FINDING NO. 5 ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS</b>
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**Summary:** The FI\$Cal did not provide ethics training to 1 of 65 existing filers. In addition, the FI\$Cal did not provide ethics training to 2 of 32 new filers within 6 months of their appointment. This is the second consecutive time this has been a finding for the FI\$Cal.

**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:** Substantial Compliance. The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 6 SEXUAL HARASSMENT PREVENTION TRAINING WAS NOT PROVIDED FOR ALL SUPERVISORS</b>
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**Summary:** The FI\$Cal provided sexual harassment prevention training to all 60 existing non-supervisors every 2 years. The FI\$Cal did not provide sexual harassment prevention training to 2 of 15 new supervisors within 6 months of their appointment. This is the third consecutive time this has been a finding for the FI\$Cal.

**Criteria:** Each department must provide its new supervisors two hours of sexual harassment prevention training within six months of appointment. (Gov. Code, § 12950.1, subs. (a) and (b); Gov. Code, § 19995.4.)

**Severity:** Very Serious. The department does not ensure that all new and existing supervisors are properly trained to respond to sexual harassment or unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature. This limits the department's ability to retain a quality workforce, impacts employee morale and productivity, and subjects the department to litigation.

**Cause:** The FI\$Cal states that two supervisors did not complete their sexual harassment prevention training in a timely manner due to a tracking oversight in the Training Unit.

**Corrective Action:** The FI\$Cal asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the FI\$Cal must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure that all employees are provided sexual harassment prevention training in accordance with Government Code section 12950.1, subs. (a) and (b); Government Code section 19995.4.

## **Compensation and Pay**

### **Salary Determination**

The pay plan for state civil service consists of salary ranges and steps established by CalHR. (Cal. Code Regs., tit. 2, § 599.666.) Several salary rules dictate how departments calculate and determine an employee's salary rate<sup>7</sup> upon appointment depending on the appointment type, the employee's state employment and pay history, and tenure.

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

During the period under review, January 1, 2023, through September 30, 2023, the FI\$Cal made 86 appointments. The CRU reviewed 12 of those appointments to determine if the FI\$Cal applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Accounting Administrator II	Certification List	Permanent	Full-Time	\$7,966
Accounting Officer	Certification List	Permanent	Full-Time	\$5,312
Associate Personnel Analyst	Certification List	Permanent	Full-Time	\$5,518
Associate Governmental Program Analyst	Certification List	Permanent	Full-Time	\$5,518
Information Technology Manager I	Certification List	Permanent	Full-Time	\$10,126
Information Technology Specialist II	Certification List	Permanent	Full-Time	\$10,125
Information Technology Supervisor II	Certification List	Permanent	Full-Time	\$9,960
Staff Services Manager I	Certification List	Permanent	Full-Time	\$6,706

<sup>7</sup> "Rate" is any one of the salary rates in the resolution by CalHR which establishes the salary ranges and steps of the Pay Plan (Cal. Code Regs., tit. 2, section 599.666).

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Staff Services Manager II	Certification List	Permanent	Full-Time	\$8,153
Staff Services Manager III	Certification List	Permanent	Full-Time	\$9,398
Information Technology Specialist I	Transfer	Permanent	Full-Time	\$8,393
Staff Services Analyst	Transfer	Permanent	Full-Time	\$4,224

<b>SUBSTANTIAL COMPLIANCE</b>	<b>FINDING NO. 7 INCORRECT APPLICATION OF SALARY DETERMINATION LAWS, RULES, AND CALHR POLICIES AND GUIDELINES FOR APPOINTMENT</b>
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**Summary:** The CRU found 1 error in the 12 salary determinations reviewed:

Classification	Description of Finding	Criteria
Accounting Officer	Incorrect salary determination resulting in the employee being overcompensated.	Cal. Code Regs., tit. 2, section 599.674

**Criteria:** Departments are required to calculate and apply salary rules for each appointed employee accurately based on the pay plan for the state civil service. All civil service classes have salary ranges with minimum and maximum rates. (Cal. Code Regs., tit. 2, § 599.666.)

**Severity:** Substantial Compliance. The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required

Alternate Range Movement Salary Determination (within same classification)

If an employee qualifies under established criteria and moves from one alternate range to another alternate range of a class, the employee shall receive an increase or a decrease equivalent to the total of the range differential between the maximum salary rates of the alternate ranges. (Cal. Code Regs., tit. 2, § 599.681.) However, in many instances, the CalHR provides salary rules departments must use when employees move between alternate ranges. These rules are described in the alternate range criteria.

(CalHR Pay Scales). When no salary rule or method is cited in the alternate range criteria, departments must default to Rule 599.681.

During the period under review, January 1, 2023, through September 30, 2023, the FI\$Cal employees made seven alternate range movements within a classification. The CRU reviewed six of those alternate range movements to determine if the FI\$Cal 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)
Information Technology Associate	C	D	Full Time	\$7,120
Information Technology Associate	C	D	Full Time	\$6,459
Information Technology Associate	C	D	Full Time	\$6,033
Information Technology Associate	C	D	Full Time	\$6,652
Information Technology Associate	C	D	Full Time	\$7,272
Information Technology Specialist I	B	C	Full Time	\$8,227

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 8 ALTERNATE RANGE MOVEMENTS DID NOT COMPLY WITH CIVIL SERVICE LAWS, RULES, AND CALHR POLICIES AND GUIDELINES</b>
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**Summary:** The CRU found one error in the six alternate range movements reviewed:

Classification	Description of Finding	Criteria
Information Technology Associate	Employee should have been placed into Range D of the Information Technology Associate classification as they met ARC 483 of the Range D criteria, resulting in the employee being undercompensated.	Cal. Code Regs., tit. 2, section 599.676

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

Departments are required to calculate and apply salary rules for each

appointed employee accurately based on the pay plan for the state civil service. All civil service classes have salary ranges with minimum and maximum rates. (Cal. Code Regs., tit. 2, § 599.666.)

**Severity:** Very Serious. In one circumstance, the FI\$Cal failed to comply with the requirements outlined in the state civil service pay plan. Incorrectly applying compensation laws and rules not in accordance with CalHR's policies and guidelines results in civil service employees receiving incorrect and/or inappropriate pay amounts.

**Cause:** The FI\$Cal states that the range change error was a result of inexperienced staff and significant management turnover at the time of the appointment.

**Corrective Action:** The FI\$Cal asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the FI\$Cal must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure that employees are compensated correctly. The FI\$Cal must establish an audit system to correct current compensation transactions as well as future transactions.

## 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 days<sup>8</sup> worked and paid absences<sup>9</sup>, 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-

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<sup>8</sup> For example, two hours or ten hours count as one day.

<sup>9</sup> For example, vacation, sick leave, compensating time off, etc.

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 1,500 hours within 12 consecutive months may be used rather than the 189-day calculation. (Cal. Code Regs., tit. 2, § 265.1, subd. (d).)

Additionally, according to Government Code section 21224, retired annuitant appointments shall not exceed a maximum of 960 hours in any fiscal year (July-June), regardless of the number of state employers, without reinstatement, loss or interruption of benefits.

At the time of the review, the FI\$Cal had six positive paid employees whose hours were tracked. The CRU reviewed all six of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Time Worked
Accounting Administrator II	Retired Annuitant	Part-Time	170 Hours
Associate Governmental Program Analyst	Retired Annuitant	Part-Time	953 Hours
Associate Personnel Analyst	Retired Annuitant	Part-Time	623 Hours
Associate Personnel Analyst	Retired Annuitant	Part-Time	885 Hours
Information Technology Specialist I	Retired Annuitant	Part-Time	655 Hours
Information Technology Specialist I	Retired Annuitant	Part-Time	478 Hours

<b>IN COMPLIANCE</b>	<b>FINDING NO. 9 POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRU found no deficiencies in the positive paid employees reviewed during the compliance review period. The FI\$Cal provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

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 FI\$Cal reported four units comprised of 326 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	650	48	48	0
May 2023	650	50	50	0
June 2023	650	51	51	0

IN COMPLIANCE	<b>FINDING NO. 10 LEAVE AUDITING AND TIMEKEEPING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRU reviewed employee leave records from three different leave periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines. Based on our review, the CRU found no deficiencies. The FI\$Cal kept complete and accurate time and attendance records for each employee and officer employed within the department and utilized a monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely.

**Policy and Processes**

Nepotism

It is the policy of the State of California to hire, transfer, and promote all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. (Cal. Code Regs., tit. 2, § 87.) (*Ibid.*) All appointing powers shall adopt an anti-nepotism policy that includes the following components: (1) a statement that the appointing power is committed to merit-based hiring and that nepotism is antithetical to a merit-based civil service system; (2) a definition of “nepotism” as an employee’s use of influence or power to hire, transfer, or promote an applicant or employee because of a personal relationship; (3) a definition of “personal relationship” as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation; (4) a statement that prohibits participation in the selection of an applicant for employment by anyone who has a personal relationship with the applicant, as defined in section 83.6; (5) a statement that prohibits the direct or first-line supervision of an employee with whom the supervisor has a personal relationship, as defined in section 83.6; (6) a process for addressing issues of direct supervision when personal relationships between employees exist. (*Ibid.*)

IN COMPLIANCE	<b>FINDING NO. 11 NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRU verified that the policy was disseminated to all staff and emphasized the FI\$Cal’s commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the FI\$Cal’s nepotism policy was comprised of specific



and sufficient components intended to prevent favoritism, or bias, based on a personal relationship from unduly influencing employment decisions.

### Workers' Compensation

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

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

In this case, the FI\$Cal did not employ volunteers during the compliance review period.

IN COMPLIANCE	<b>FINDING NO. 12 WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRU verified that the FI\$Cal 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 FI\$Cal 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 44 permanent FI\$Cal employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

<b>IN COMPLIANCE</b>	<b>FINDING NO.13 PERFORMANCE APPRAISAL POLICY AND PROCESSES COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES</b>
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The CRU found no deficiencies in the performance appraisals selected for review. Accordingly, the FI\$Cal performance appraisal policy and processes satisfied civil service laws, Board rules, policies and guidelines.

### **DEPARTMENTAL RESPONSE**

The FI\$Cal's departmental response is attached as Attachment 1.

### **SPB REPLY**

Based upon the FISCal's written response, the FI\$Cal 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.



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2000 Evergreen Street  
Sacramento, CA 95815-3896  
(916) 576-4846

Gavin Newsom, California Governor  
Jennifer Maguire, Director

July 19, 2024

Suzanne M. Ambrose  
Executive Officer  
State Personnel Board  
801 Capitol Mall  
Sacramento, CA 95819

Dear Ms. Ambrose,

This letter is in response to the draft State Personnel Board (SPB) Compliance Review Report submitted to the Department of FISCAL (FI\$Cal). FI\$Cal has reviewed the report and prepared a cause and response for each serious and very serious finding.

FI\$Cal regards the audit process with a high degree of respect and has and will continue to institute corrective actions to bring FI\$Cal into compliance.

Finding No. 2 – Probationary evaluations were not provided for all appointments reviewed and some that were provided were untimely

Cause: The FI\$Cal Human Resources Office (HRO) has a process for reminding managers of upcoming probationary report due dates, following up with supervisors, and ensuring probationary reports were submitted timely, however, staff turnover and reduced staffing within the HRO resulted in some probationary reports being delayed or missed.

Response: With the discontinuation of paper Notice of Personnel Actions (NOPAs) by the State Controller's Office (SCO) effective April 3, 2023, and electronic NOPA availability via Mobius View, the HRO has established a notification process for ensuring supervisors are aware of their new employee's probationary report due dates as soon as the NOPA is issued, including an email summarizing the information with a blank Report of Performance for Probationary Employee form (std 636) attached; sending the supervisor calendar invitations via Microsoft Outlook for two weeks prior to the due date of each probationary evaluation, serving as a reminder of the due date for the probationary evaluation and allowing time to complete the probationary evaluation by the due date; and, in the event that the report is not submitted on time, the HRO follows up with the supervisor, and if necessary the second level supervisor and Deputy Director. In addition, FI\$Cal held mandatory Conducting Performance Evaluations

training in February and March 2024 for managers and supervisors that addressed the supervisory responsibility to track and monitor employees' probationary period and evaluations, putting a shared ownership between the HRO and supervisor. Working in tandem, this process is actively being utilized and has improved the submission rates and timeliness of probationary evaluations.

#### Finding No. 4 – Unions were not notified of personal services contracts

Cause: The FI\$Cal Contracts Unit was unaware of the requirement to provide notice to unions for contract amendments.

Response: FI\$Cal Contracts Unit has updated and documented their procedures to include noticing the unions for personal services contract amendments to ensure continuity in times of high staff turnover.

#### Finding No. 5 – Ethics Training Was Not Provided for All Filers

Cause: There was a misunderstanding that Retired Annuitants were not required to complete the Ethics Training and due to changes to FI\$Cal's COI Policy, there was an employee not appropriately tracked for completion of Ethics Training.

Response: All Conflict of Interest (COI) filers are reminded of the ethics training Requirements, and FI\$Cal has updated and documented their procedures to ensure continuity in times of staff turnover. In addition, FI\$Cal requires annual completion of Ethics Training in an effort and abundance of caution to ensure employees are timely for the legal biennial requirement.

#### Finding No. 6 – Sexual Harassment Prevention Training Was Not Provided for All Employees

Cause: The cause of two supervisors completing their Sexual Harassment Prevention Training (SHPT), past the six-month mandated timeframe is due to an oversight in the Training Unit's tracking.

Response: FI\$Cal's Training Unit has documented the procedures for tracking SHPT, and FI\$Cal's Legal and Equal Employment Opportunity Offices hold quarterly SHPT for all employees. The Training Unit's procedures include noticing employees of their requirement to complete biennial SHPT training two quarters in advance of their due date, providing at least two opportunities to complete the biennial requirement or notify the Training Unit that the scheduled dates are not compatible with their schedules, allowing the Training Unit ample time to provide an appropriate alternative SHPT option.

#### Finding No. 7 – Incorrect application of salary determination laws, rules, and CalHR policies and guidelines for appointment

Cause: The error in determining the employee's salary was the result of inexperienced staff, and the fact that there was significant management turnover at the time of this appointment, with minimal oversight and training for hiring analysts.

Response: The HRO has corrected the salary at the time of the appointment for this employee and the salary movement since the employee's appointment. In addition to ensuring on-going training for FI\$Cal's hiring analyst staff on salary, appointment, and fair hiring practices, the HRO has implemented manager review for all appointment packages, specifically focused on how the candidate is being appointed (transfer, list appointment, or other) and the salary determination for the appointment.

Finding No. 8 – Alternate range movement did not comply with civil service laws, board rules, and CalHR policies guidelines

Cause: The range change error was a result of inexperienced staff, and there was significant management turnover at the time of this appointment, with minimal oversight and training for hiring analysts.

Response: The HRO has corrected the range change error. In addition to ensuring on-going training and implementing a review process for an employee's initial hire to ensure accurate range placement at the time of hire, the HRO also implemented a tracking document and procedure for continually reviewing and processing range changes in order to guarantee timely and accurate range changes.

#### Conclusion

FI\$Cal appreciates the opportunity to address the findings in this report and provide a summary of the process improvements. We expect these updates will positively impact future outcomes.

If you have any questions or would like to discuss further, please contact me at [Lynsie.Bunton@fiscal.ca.gov](mailto:Lynsie.Bunton@fiscal.ca.gov) or (916) 576-5201.

Sincerely,

*Lynsie Bunton*  
Lynsie Bunton  
Human Resources Office Chief

cc: Jennifer Carver, Deputy Director, Administrative Services Division