

# **COMPLIANCE REVIEW REPORT**

## **CALIFORNIA STATE LOTTERY COMMISSION**

Compliance Review Unit  
State Personnel Board  
June 10, 2025

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## **INTRODUCTION**

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

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

Pursuant to Government Code section 18502, subdivision (c), the SPB and the California Department of Human Resources (CalHR) may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." SPB and CalHR, by mutual agreement, expanded the scope of program areas to be audited to include more operational practices that have been delegated to departments and for which CalHR provides policy direction. Many of these delegated practices are cost drivers to the state and were not being monitored on a statewide basis.

As such, SPB also conducts compliance reviews of appointing authorities' personnel practices to ensure that state departments are appropriately managing the following non-merit-related personnel functions: compensation and pay, leave, and policy and processes. These reviews will help to avoid and prevent potential costly litigation related to improper personnel practices, and deter waste, fraud, and abuse.

The SPB conducts these reviews on a three-year cycle.

The CRD may also conduct special investigations in response to a specific request or when the SPB obtains information suggesting a potential merit-related violation.

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

### **EXECUTIVE SUMMARY**

The CRD conducted a routine compliance review of the California State Lottery Commission (CSLC) 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	Technical	Department Did Not Comply with Documentation Requirements for Permanent Withholds
Appointments	Serious	Probationary Evaluations Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely
Appointments	Technical	Appointment Documentation Was Not Kept for the Appropriate Amount of Time <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 <sup>2</sup>
Mandated Training	Very Serious	Ethics Training Was Not Provided for All Filers
Mandated Training	Very Serious	Supervisory Training Was Not Provided for All Supervisors, Managers, and CEAs

<sup>1</sup> Repeat finding. The CSLC's March 26, 2019, compliance review report identified that 2 NOPAs from the 38 appointments reviewed were not retained.

<sup>2</sup> Repeat finding. The CSLC's October 15, 2021, compliance review report identified that the CSLC did not notify the union prior to entering into 2 of the 10 PSCs reviewed. Additionally, the March 26, 2019, compliance review identified that the CSLC did not notify the union prior to entering into 6 of the 11 PSCs reviewed.

Area	Severity	Finding
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	Very Serious	Incorrect Authorization of Pay Differentials <sup>3</sup>
Compensation and Pay	Very Serious	Incorrect Authorization of Out-of-Class Pay <sup>4</sup>
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Serious	Administrative Time Off Was Not Properly Documented
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

<sup>3</sup> Repeat finding. The CSLC's March 26, 2019, compliance review report identified that 1 error was made in the 11 pay differential transactions reviewed.

<sup>4</sup> Repeat finding. The CSLC's March 26, 2019, compliance review report identified one error in the four OOC pay transactions reviewed.

## **BACKGROUND**

The CSLC was created by the Lottery Act, an initiative and constitutional amendment approved by the voters on November 6, 1984. The CSLC began operations in October 1985 with a clear mission: to provide supplemental funding for public schools and colleges. This funding provides supplemental dollars to K-12 public schools, Community Colleges, the California State University, the University of California, and other educational entities.

The CSLC is a completely self-supporting state department funded entirely by revenues generated through the responsible sales of its games. It receives no public funding. The CSLC has authorized a total of 1,125 budgeted positions for the Lottery headquarters located in Sacramento; for its 9 district offices located in Sacramento, Milpitas, Richmond, Fresno, Chatsworth, Rancho Cucamonga, Santa Fe Springs, Costa Mesa, and San Diego; and for its 2 distribution centers located in West Sacramento and Rancho Cucamonga.

## **SCOPE AND METHODOLOGY**

The scope of the compliance review was limited to reviewing the CSLC's examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes<sup>5</sup>. The primary objective of the review was to determine if the CSLC'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 CSLC's examinations was selected for review to ensure that samples of various examination types, classifications, and levels were reviewed. The CRD examined the documentation that the CSLC provided, which included examination plans, examination bulletins, job analyses, and scoring results. The CRD also reviewed the CSLC's permanent withhold actions documentation, including Withhold Determination Worksheets, State applications (STD 678), class specifications, and withhold letters.

A cross-section of the CSLC's appointments was selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRD examined the documentation that the CSLC provided, which included Notice of

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<sup>5</sup> Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

Personnel Action (NOPA) forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports. The CSLC did not conduct any unlawful appointment investigations during the compliance review period.

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

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

The review of the CSLC'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 CSLC's PSC's were also reviewed.<sup>6</sup> It was beyond the scope of the compliance review to make conclusions as to whether the CSLC's justifications for the contracts were legally sufficient. The review was limited to whether the CSLC's practices, policies, and procedures relative to PSC's complied with procedural requirements.

The CSLC's mandated training program was reviewed to ensure all employees required to file statements of economic interest were provided ethics training, that all supervisors, managers, and those serving in Career Executive Assignments (CEA) were provided leadership and development training, that all employees were provided sexual harassment prevention training, and that all officials with authority to represent the state in a tribal government-to-government consultation were provided tribal consultations training within statutory timelines.

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<sup>6</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.

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

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

On May 22, 2025, an exit conference was held with the CSLC to explain and discuss the CRD's initial findings and recommendations. The CRD received and carefully reviewed the CSLC's written response on May 29, 2025, which is attached to this final compliance review report.

## **FINDINGS AND RECOMMENDATIONS**

### **Examinations**

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



file an application with the department or a designated appointing power as directed by the examination announcement. (Gov. Code, § 18934, subd. (a)(1).) The final earned rating of each person competing in any examination is to be determined by the weighted average of the earned ratings on all phases of the examination. (Gov. Code, § 18936.) Each competitor shall be notified in writing of the results of the examination when the employment list resulting from the examination is established. (Gov. Code, § 18938.5.)

During the period under review, December 1, 2023, through August 30, 2024, the CSLC conducted three examinations. The CRD reviewed all of those examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA A, Assistant Deputy Director Business Planning	CEA	Training and Experience (T&E) <sup>7</sup>	4/23/2023	20
CEA A, Field Investigations	CEA	T&E	11/17/2023	21
CEA B, Deputy Director Operations	CEA	T&E	11/14/2023	69

<b>IN COMPLIANCE</b>	<b>FINDING NO. 1 EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES</b>
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The CRD reviewed three CEA examinations which the CSLC administered in order to create eligible lists from which to make appointments. The CSLC published and distributed examination bulletins containing the required information for all examinations. Applications received by the CSLC were accepted prior to the final filing date. Applicants were notified about the next phase of the examination process. After all phases of the examination process were completed, the score of each competitor was computed, and a list of eligible candidates was established. The examination results listed the names of all successful competitors arranged in order of the score received by rank. The CRD found no deficiencies in the examinations that the CSLC conducted during the compliance review period.

<sup>7</sup> The Training and Experience examination is administered either online or in writing, and asks the applicant to answer multiple-choice questions about his or her level of training and/or experience performing certain tasks typically performed by those in this classification. Responses yield point values.

## Permanent Withhold Actions

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

During the period under review, December 1, 2023, through August 30, 2024, the CSLC conducted 174 permanent withhold actions. The CRD reviewed 35 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
Accounting Administrator I (Specialist)	6PB01	12/01/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Accounting Officer (Specialist)	OPBAG	01/11/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Accounting Officer (Specialist)	OPBAG	07/12/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/21/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/29/2023	01/09/2024	Failed to Meet Minimum Qualifications.

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Associate Accounting Analyst	5PB39	11/29/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/18/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/29/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/29/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	12/05/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Associate Accounting Analyst	5PB39	11/21/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Associate Governmental Program Analyst	9PB04	07/11/2023	12/07/2023	Failed to Meet Minimum Qualifications.
Associate Governmental Program Analyst	9PB04	12/05/2023	12/20/2023	Failed to Meet Minimum Qualifications.
Associate Governmental Program Analyst	9PB04	12/05/2023	12/20/2023	Failed to Meet Minimum Qualifications.
Associate Governmental Program Analyst	9PB04	12/15/2023	01/03/2024	Failed to Meet Minimum Qualifications.
District Sales Representative	0PBAV	12/07/2023	12/22/2023	Failed to Meet Minimum Qualifications.
District Sales Representative	0PBAV	12/18/2023	01/05/2024	Failed to Meet Minimum Qualifications.
Information Technology Specialist II	2PBBS	12/01/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Lottery Ticket Sales Specialist	3PB5601	04/25/2023	12/05/2023	Failed to Meet Minimum Qualifications.
Lottery Ticket Sales Specialist	3PB5602	10/20/2023	12/05/2023	Failed to Meet Minimum Qualifications.
Program Technician	0PBCS	11/29/2023	12/14/2023	Failed to Meet Minimum Qualifications.
Route Sales Representative	3PB61	7/28/2023	12/08/2023	Failed to Meet Minimum Qualifications.
Route Sales Representative	3PB62	11/04/2023	12/08/2023	Failed to Meet Minimum Qualifications.

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Route Sales Representative	3PB63	11/21/2023	12/08/2023	Failed to Meet Minimum Qualifications.
Route Sales Representative	3PB61	12/06/2023	12/21/2023	Failed to Meet Minimum Qualifications.
Route Sales Representative	3PB61	10/30/2023	12/21/2023	Failed to Meet Minimum Qualifications.
Route Sales Representative	3PB61	12/08/2023	12/26/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	10/03/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	07/20/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	09/09/2023	12/18/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	11/27/2023	12/08/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	11/27/2023	12/08/2023	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	11/29/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	10/25/2023	01/09/2024	Failed to Meet Minimum Qualifications.
Staff Services Analyst	3PBAU	11/02/2023	01/09/2024	Failed to Meet Minimum Qualifications.

<b>SEVERITY: TECHNICAL</b>	<b>FINDING NO. 2 DEPARTMENT DID NOT COMPLY WITH DOCUMENTATION REQUIREMENTS FOR PERMANENT WITHHOLDS</b>
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**Summary:** The CSLC did not provide Minimum Qualifications Withhold Determination Worksheets for any of the 35 Withholds selected for the CRD to review.

**Criteria:** HR Manual Section 1105 mandates that Human Resources offices processing withhold actions must use the appropriate Withhold Determination Worksheet to document the withhold decision. The worksheets are (1) CalHR Form 272 – Minimum Qualifications Withhold Determination Worksheet or (2) CalHR Form 267 – Withhold for Cause Determination Worksheet

Further, human resources offices are required to maintain the following withhold documentation for a period of five years:

1. Withhold Determination Worksheet
2. Job vacancy posting
3. Candidate's application package (including the STD Form 678, and all received documents)
4. Supporting documentation for the withhold determination
5. Copies of all non-system generated correspondence

**Severity:** Technical. Without documentation, the CRD could not verify if the permanent withhold actions were properly conducted.

**Cause:** The CSLC states that during the audit period the Classification and Pay (C&P) team erroneously believed that these worksheets were not required based on information received from Minimum Qualification training. However, in February 2025, the C&P team adopted the use of the worksheets.

**Corrective Action:** The CSLC asserts it has taken steps to ensure compliance in this area. Within 90 days of the date of this report, the CSLC must submit to the SPB documentation which demonstrates the corrections the department has implemented to ensure conformity with the record retention requirements of California Code of Regulations, title 2, section 26, and HR Manual Section 1105.

### **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, November 1, 2023, through April 30, 2024, the CSLC made 115 appointments. The CRD reviewed 23 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	3
District Sales Representative, California State Lottery	Certification List	Permanent	Intermittent	2
District Sales Representative, California State Lottery	Certification List	Permanent	Full Time	3
District Sales Supervisor, California State Lottery	Certification List	Permanent	Full Time	1
Information Technology Specialist II	Certification List	Permanent	Full Time	2
Information Technology Supervisor II	Certification List	Permanent	Full Time	1
Key Accounts Specialist, California State Lottery	Certification List	Permanent	Full Time	1
Lottery Ticket Sales Specialist	Certification List	Permanent	Intermittent	1
Office Technician (Typing)	Certification List	Permanent	Full Time	2
Staff Management Auditor	Certification List	Permanent	Full Time	1
Staff Services Analyst	Certification List	Permanent	Full Time	1
Staff Services Manager II	Certification List	Permanent	Full Time	1
Warehouse Worker	Certification List	Permanent	Full Time	1
Warehouse Worker	Reinstatement	Permanent	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	1
Staff Services Manager I	Transfer	Permanent	Full Time	1

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 3</b>	<b>PROBATIONARY EVALUATIONS WERE NOT PROVIDED FOR ALL APPOINTMENTS REVIEWED AND SOME THAT WERE PROVIDED WERE UNTIMELY</b>
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**Summary:** The CSLC did not provide 34 probationary reports of performance for 15 of the 23 appointments reviewed by the CRD. In addition, the CSLC did not provide seven probationary reports of performance in a timely manner, as reflected in the tables below.

Classification	Appointment Type	No. of Appointments	Total No. of Missing Probation Reports
Associate Governmental Program Analyst	Certification List	3	7
Associate Governmental Program Analyst	Transfer	1	3
District Sales Representative, California State Lottery	Certification List	2	3
Information Technology Specialist II	Certification List	1	2
Information Technology Supervisor II	Certification List	1	3
Key Accounts Specialist	Certification List	1	2
Office Technician (Typing)	Certification List	1	3
Staff Services Analyst	Certification List	1	2
Staff Service Manager I	Reinstatement	1	2
Staff Services Manager II (Supervisory)	Certification List	1	3
Warehouse Worker	Certification List	1	1
Warehouse Worker	Transfer	1	3

Classification	Appointment Type	No. of Appointments	Total No. of Late Probation Reports
Associate Governmental Program Analyst	Certification List	1	2
District Sales Representative, California State Lottery	Certification List	1	1
Staff Management Auditor	Certification List	1	2
Warehouse Worker	Certification List	1	2

**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 CSLC states that while supervisors and managers are regularly trained regarding the requirements of completing probationary evaluations timely, the department did not have a mechanism to track or notify supervisors of upcoming and overdue reports.

**Corrective Action:** Within 90 days of the date of this report, the CSLC must submit to the SPB a written corrective action response which addresses the corrections the department will implement to demonstrate conformity with the probationary requirements of Government Code section 19172 and California Code of Regulations, title 2, section 599.795. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

<b>SEVERITY: TECHNICAL</b>	<b>FINDING No. 4 APPOINTMENT DOCUMENTATION WAS NOT KEPT FOR THE APPROPRIATE AMOUNT OF TIME</b>
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**Summary:** Of the 23 appointments reviewed, the CSLC did not retain 16 NOPAs. This is the second consecutive time this has been a finding for the CSLC.



- Criteria:** As specified in section 26 of the Board's Regulations, appointing powers are required to retain records related to affirmative action, equal employment opportunity, examinations, merit, selection, and appointments for a minimum period of five years from the date the record is created. These records are required to be readily accessible and retained in an orderly and systematic manner. (Cal. Code Regs., tit. 2, § 26.)
- Severity:** Technical. Without documentation, the CRD could not verify if the appointments were properly conducted.
- Cause:** The CSLC states that the cause of missing NOPA documents in the Official Personnel Files (OPF) is due to a gap in the process. The current process has dual responsibility between HR and the employee; and if the employee does not return the signed NOPA, it does not get filed in the OPF.
- Corrective Action:** Within 90 days of the date of this report, the CSLC must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with the record retention requirements of California Code of Regulations, title 2, section 26. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

### **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. 5 <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 CRD determined that the CSLC'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 CSLC. The CSLC 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, December 1, 2023, through August 30, 2024, the CSLC had 58 PSC's that were in effect. The CRD reviewed 22 of those, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
YouGov	Quantitative Research on Consumer Perceptions	\$61,000	Yes	No
ICF Incorporated, LLC	Lottery Public Website Maintenance and Operations	\$58,587,703	Yes	No
Epicor Software Corp	Software, Support, and Subscription Services for ERP Cloud Suite	\$1,429,748	Yes	Yes
Securitas	Security Guard Services	\$15,032,963	Yes	Yes
Pure Spectrum	Online Research Surveys	\$84,000	Yes	Yes
Sky Landscape	Landscape Maintenance	\$18,876	Yes	Yes
Alter Agents	Quantitative Research on 40th Anniversary	\$96,500	Yes	Yes
Shaw Law Group	Workplace Investigations	\$100,000	Yes	No
Citiguard	Security Guard Services	\$12,500,000	Yes	Yes
Kord Fire Protection (formerly Majestic Fire Inc.)	Fire Alarm Monitoring, Extinguisher Service, Fire System Maintenance	\$99,000	Yes	No

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Accurate Cleaning	Lottery HQ Parking Lot Sweeping Services	\$17,135	Yes	Yes
Macias Gini & O'Connell, LLP	Financial Research and Consulting Services	\$100,000	Yes	No
Lutron	Lutron Quantum Software Upgrade	\$21,423	Yes	Yes
Credit Reporting Services, LLC	Credit Report Services	\$75,000	No	No
Bulletproof Solutions, Inc.	WLA STD2020 Recertification	\$29,340	Yes	Yes
Shred Source	Emergency Shredding (SoCal)	\$49,000	Yes	Yes
Astute Solutions	IT Consulting Services for DIAS	\$1,400,000	Yes	No
Viking Shred, LLC	Scratcher Shredding Services	\$1,500,000	Yes	Yes
Shaw Law Group	Internal Investigations and Litigation - Expert Witness Services	\$200,000	Yes	Yes
Fallen Leaf Tree	Palm Tree Pruning and Care	\$11,300	Yes	Yes
Terminix Commercial	IPM - Rancho Cucamonga DO	\$6,338	Yes	Yes
ProCASP ADA Consultants	Inspection Services for Retailer Access Program	\$90,000	Yes	Yes

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 6    UNIONS WERE NOT NOTIFIED OF PERSONAL SERVICES CONTRACTS</b>
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**Summary:** The CSLC did not notify unions prior to entering into 7 of the 22 PSC's reviewed. This is the third consecutive time this has been a finding for the CSLC.

**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 CSLC states that several contracts were provided with union notice prior to contract execution and met 19130 requirements; however, the start date did not match the date on the Form STD 215. For other contracts, union notification was submitted after the contract execution, prior to the contract service start date. The CSLC did not submit union notifications for amended contracts, as is required.

**Corrective Action:** Departments are responsible for notifying all organizations that represent state employees who perform or could perform the type of work 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. Within 90 days of the date of this report, the CSLC 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 Legislature encourages the state and its agencies to consult on a government-to-government basis with federally recognized tribes and with non-federally recognized tribes and tribal organizations in order to allow tribal officials the opportunity to provide meaningful and timely input in the development of policies, programs, and projects that have tribal implications. (Gov. Code, § 11019.81, sub. (c).) Each official specified in

Government Code section 11019.81 subdivision (f)<sup>8</sup> shall complete tribal consultations training by January 1, 2025, or, for officials appointed after that date, within six months of their appointment or confirmation of appointment, whichever is later. (Gov. Code, § 11019.81, sub. (h).) Each official shall retake the training annually. (*Ibid.*)

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

The CRD reviewed the CSLC's mandated training program that was in effect during the compliance review period, September 1, 2022, through August 30, 2024.

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 7    ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS</b>
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**Summary:** The CSLC did not provide ethics training to 42 of 358 existing filers. In addition, the CSLC did not provide ethics training to two of six new filers within six months of their appointment.

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

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

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<sup>8</sup> Within the executive branch, the following officials have authority to represent the state in a tribal government-to-government consultation: the governor, the attorney general, each constitutional officer and statewide elected official, the director of each state agency and department, the chair and executive officer of each state commission and task force, and the chief counsel of any state agency. (Gov. Code, § 11019.81, sub. (f) (1).) Each authorized official may formally designate another agency official to conduct preliminary tribal consultations, and each designated official may have the authority to act on behalf of the state during a government-to-government consultation. (Gov. Code, § 11019.81, sub. (f) (2).)

**Cause:** The CSLC states that despite having a process in place to follow up and provide reminders to employees, the required ethics training did not get completed in time. This is likely due in part to failure to adequately convey the requirements to the employees and supervisors, reminders not generating soon or often enough, and inadequate process steps to ensure all training is completed in time. Additionally, new filers' training due dates were set based on Form 700 filing requirements, which do not align with the six-month completion rule.

**Corrective Action:** Within 90 days of this report, the CSLC must submit to the SPB a written correction action response which addresses the corrections the department will implement 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.

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 8 SUPERVISORY TRAINING WAS NOT PROVIDED FOR ALL SUPERVISORS, MANAGERS, AND CEAS</b>
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**Summary:** The CSLC did not provide basic supervisory training to 3 of 21 new supervisors within 12 months of appointment; and did not provide CEA training to its 1 new CEA 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 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 CSLC states it relies on division management to ensure required leadership trainings are completed within the required timeframes. Division management is provided a training dashboard each month



that provides details regarding all required training; they are expected to work through the employee's chain of command to ensure the training is completed as required. This finding is likely the result of insufficient training for management regarding their responsibility for ensuring required trainings are completed timely, and a lack of follow-up by the Training Unit to ensure employees enroll in and complete training in the required timeframe.

**Corrective Action:** Within 90 days of the date of this report, the CSLC 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 with leadership and development training within 12 months of appointment 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.

## **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>9</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, November 1, 2023, through April 30, 2024, the CSLC made 115 appointments. The CRD reviewed 10 of those appointments to determine if the CSLC applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

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<sup>9</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)
District Sales Supervisor, California State Lottery	Certification List	Permanent	Full Time	\$4,890
District Sales Representative	Certification List	Permanent	Intermittent	\$4,564
District Sales Representative	Certification List	Permanent	Intermittent	\$4,564
District Sales Representative	Certification List	Permanent	Intermittent	\$4,564
Information Technology Specialist II	Certification List	Permanent	Full Time	\$10,429
Information Technology Specialist II	Certification List	Permanent	Full Time	\$10,429
Information Technology Supervisor II	Certification List	Permanent	Full Time	\$10,741
Office Technician (Typing)	Certification List	Permanent	Full Time	\$3,609
Staff Services Analyst	Certification List	Permanent	Full Time	\$3,941
Warehouse Worker	Certification List	Permanent	Full Time	\$3,762

<b>IN COMPLIANCE</b>	<b>FINDING NO. 9</b>	<b>SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES</b>
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The CRD found no deficiencies in the salary determinations that were reviewed. The CSLC 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, November 1, 2023, through April 30, 2024, the CSLC employees made three alternate range movements within a classification. The CRD reviewed the three alternate range movements to determine if the CSLC 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)
Custodial Supervisor I	O	A	Full Time	\$4,457
Information Technology Specialist I	B	C	Full Time	\$9,500
Management Services Technician	A	B	Full Time	\$3786

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

### Pay Differentials

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

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

During the period under review, November 1, 2023, through April 30, 2024, the CSLC authorized six pay differentials.<sup>10</sup> The CRD reviewed five of these pay differentials to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

Classification	Pay Differential	Monthly Amount
District Sales Representative, California State Lottery	441	\$250
Information Technology Specialist I	013	5%
Program Technician II	124	\$150
Program Technician II	124	\$150
Staff Services Analyst	441	\$250

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 11 INCORRECT AUTHORIZATION OF PAY DIFFERENTIALS</b>
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**Summary:** The CRD found one error in the five pay differentials reviewed:

Classification	Area	Description of Finding	Criteria
Information Technology Specialist I	Recruitment and Retention Pay	The employee's classification is not eligible to receive the five percent recruitment and retention pay resulting in the employee being overcompensated.	Pay Differential 13

**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:** Very Serious. The CSLC failed to comply with the state civil service pay plan by incorrectly applying compensation laws and rules in accordance with CalHR's policies and guidelines. This results in civil

<sup>10</sup> For the purposes of CRD's review, only monthly pay differentials were selected for review at this time.

service employees receiving incorrect and/or inappropriate compensation.

**Cause:** The CSLC states that upon transfer to the CSLC from another state department, a pay differential locked onto an employee's Personnel Action Request will continue to issue unless caught and removed by the new Human Resource Division staff. The CSLC failed to identify and remove the pay differential at the time of transfer to the CSLC, thus resulting in overpayment.

**Corrective Action:** Within 90 days of the date of this report, the CSLC must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with Pay Differential 13 and ensure that employees are compensated correctly and that transactions are keyed accurately. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

### Out-of-Class Assignments and Pay

For excluded<sup>11</sup> and most rank-and-file employees, out-of-class (OOC) work is defined as performing, more than 50 percent of the time, the full range of duties and responsibilities allocated to an existing class and not allocated to the class in which the person has a current, legal appointment. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(2).) A higher classification is one with a salary range maximum that is any amount higher than the salary range maximum of the classification to which the employee is appointed. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(3).)

According to the Classification and Pay Guide, OOC assignments should only be used as a last resort to accommodate temporary staffing needs. All civil service alternatives should be explored first before using OOC assignments. However, certain MOU provisions and the California Code of Regulations, title 2, section 599.810 allow for short-term OOC assignments to meet temporary staffing needs. Should OOC work become necessary, the assignment would be made pursuant to the applicable MOU provisions or salary regulations. Before assigning the OOC work, the department should have a plan

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<sup>11</sup> "Excluded employee" means an employee as defined in Government Code section 3527, subdivision (b) (Ralph C. Dills Act) except those excluded employees who are designated managerial pursuant to Government Code section 18801.1.

to correct the situation before the time period outlined in applicable law, policy or MOU expires. (Classification and Pay Guide Section 375.)

During the period under review, November 1, 2023, through April 30, 2024, the CSLC issued OOC pay to three employees. The CRD reviewed three 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
Supervising Lottery Agent	S07	Supervising Special Investigator II	07/26/2023 – 11/23/2023
Supervising Lottery Agent	S07	Supervising Special Investigator II	04/27/2023 – 07/27/2023, 11/27/2023 – 08/27/2024
Supervising Special Investigator II	S07	CEA	03/29/2023 – 7/25/2023, 11/27/2023 – 07/29/2024

<b>SEVERITY: VERY SERIOUS</b>	<b>FINDING NO. 12    INCORRECT AUTHORIZATION OF OUT-OF-CLASS PAY</b>
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**Summary:**                      The CRD found two errors in the three OOC pay assignments reviewed:

Classification	Out-of-Class Classification	Description of Findings	Criteria
Supervising Lottery Agent	Supervising Special Investigator II	The out-of-class pay was calculated based on the MSA pay which was later voided, resulting in the employee being overcompensated.	Pay Differential 91
Supervising Special Investigator II	CEA	The out-of-class pay was calculated from an incorrect base salary, resulting in the employee being overcompensated.	Pay Differential 91

**Criteria:**                      Employees may be compensated for performing duties of a higher classification provided that: the assignment is made in advance in writing and the employee is given a copy of the assignment; and the duties performed by the employee are not described in a training and development assignment or by the specification for the class to which the excluded employee is appointed and, are fully consistent with the

types of jobs described in the specification for the higher classification; and the employee does not perform such duties for more than 120 days in a fiscal year. (Cal. Code Regs., tit. 2, § 599.810, subd. (b)(1)(3)(4).)

For excluded employees, there shall be no compensation for assignments that last for 15 consecutive working days or less. (Cal. Code Regs., tit. 2, § 599.810, subd. (c).) An excluded employee performing in a higher class for more than 15 consecutive working days shall receive the rate of pay the excluded employee would receive if appointed to the higher class for the entire duration of the assignment, not to exceed one year. (Cal. Code Regs., tit. 2, § 599.810, subd. (d).) An excluded employee may be assigned out-of-class work for more than 120 calendar days during any 12-month period only if the appointing power files a written statement with the CalHR certifying that the additional out-of-class work is required to meet a need that cannot be met through other administrative or civil service alternatives. (Cal. Code Regs., tit. 2, § 599.810, subd. (e).)

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

**Cause:** The CSLC states that this finding appears to be the result of insufficient training for Out-of-Class pay determinations, and necessary follow up to correct pay after a change occurred that impacted the original salary determination, and other processing errors potentially resulting from a lack of attention to detail, or lack of sufficient review.

**Corrective Action:** Within 90 days of the date of this report, the CSLC must submit to the SPB a written corrective action response which addresses the corrections the department will implement to ensure conformity with California Code of Regulations, title 2, section 599.810 and Pay Differential 91. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

## 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>12</sup> worked and paid absences<sup>13</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-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.

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<sup>12</sup> For example, two hours or ten hours count as one day.

<sup>13</sup> For example, vacation, sick leave, compensating time off, etc.



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

Classification	Tenure	Time Frame	Time Worked
Associate Governmental Program Analyst	Retired Annuitant	July 1, 2023 - October 31, 2023	268 Hours
Program Technician	Temporary	July 1, 2023 - June 2024	16 Hours
Program Technician II	Retired Annuitant	March 4, 2024 - June 28, 2024	269 Hours
Senior Marketing Specialist	Retired Annuitant	January 2, 2024 - May 30, 2024	648 Hours
Staff Services Analyst	Retired Annuitant	July 3, 2023 - January 30, 2024	502 Hours
Staff Services Manager I	Retired Annuitant	July 11, 2023 - June 27, 2024	637.5 Hours

<b>IN COMPLIANCE</b>	<b>FINDING NO. 13 POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD found no deficiencies in the positive paid employees reviewed during the compliance review period. The CSLC 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, June 1, 2023, through May 31, 2024, the CSLC authorized 52 ATO transactions. The CRD reviewed 27 of these ATO transactions to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
District Sales Representative	07/13/2023	4 Hours
District Sales Representative	08/21/2023	8 Hours
District Sales Representative	12/14/2023	8 Hours
District Sales Representative	03/05/2024	2 Hours
District Sales Representative	05/16/2024	7 Hours
District Sales Supervisor	06/05/2023 – 06/12/2023	6 Days
Key Accounting Manager	08/21/2023	8 Hours
Lottery Ticket Sales Senior Specialist	08/31/2023	1 Hour
Material and Store Specialist	01/05/2024	.75 Hour
Office Technician (Typing)	05/29/2024	4 Hours
Program Technician	08/21/2023	8 Hours
Program Technician	03/01/2024	8 Hours
Program Technician II	03/04/2024 - 03/05/2024	2 Days
Route Sales Representative	08/21/2023	8 Hours
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/05/2024	.75 Hour
Warehouse Worker	01/16 -19; 01/22; 01/26/24	5 Days and .50 Hour
Warehouse Worker	08/21/2023	8 Hour
Warehouse Worker	02/01/2024	2 Hours
Warehouse Worker	02/06/2024, 02/20/2024	2 Days
Warehouse Worker	06/26/2024	.50 Hours

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 14 ADMINISTRATIVE TIME OFF WAS NOT PROPERLY DOCUMENTED</b>
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**Summary:** The CSLC did not grant ATO in conformity with the established policies and procedures. Of the 27 ATO authorizations reviewed by the CRD, 7 were found to be out of compliance for failing to document appropriate justification for ATO.

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

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

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

**Severity:** Serious. Because an employee on ATO is being paid while not working, a failure to closely monitor ATO usage could result in costly abuse. The use of ATO is subject to audit and review by CalHR and other control agencies to ensure policy compliance. Findings of non-compliance may result in the revocation of delegated privileges.

**Cause:** The CSLC states that Transactions staff processed ATO without proper approval documentation. In addition, timesheets were missing that document otherwise approved ATO. Furthermore, insufficient justification for ATO occurred as a result of the practice of returning employees, who had enacted their mandatory right of return, only after they had cleared the CSLC’s required background investigation. In many instances, clearance did not occur prior to the employees’ mandatory date of return so the returning employees were placed on ATO. In July 2023, CSLC changed its practice to no longer utilize ATO for this purpose.

**Corrective Action:** Within 90 days of the date of this report, the CSLC 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 19991.10 and Human Resources Manual Section 2121. Copies of relevant documentation demonstrating that the corrective action has been implemented must be included with the corrective action response.

### Leave Accounting

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

During the period under review, March 1, 2024, through May 31, 2024, the CSLC reported 14 units. The CRD reviewed 10 units within 3 pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 15    DEPARTMENT HAS NOT IMPLEMENTED A MONTHLY INTERNAL AUDIT PROCESS TO VERIFY ALL LEAVE INPUT IS KEYED ACCURATELY AND TIMELY</b>
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**Summary:** The CSLC 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 inputted 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 CSLC states that they do not currently use the CalHR 139 form. After the last SPB audit findings on this requirement, the CSLC committed to implementing the use of the CalHR 139; however, due to staff and management turnover in the Transactions Unit, the corrective action was never put in place.

**Corrective Action:** Within 90 days of the date of this report, the CSLC must submit to the SPB a written corrective action response which addresses the corrections the department will implement 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.<sup>14</sup> (Cal. Code Regs., tit. 2, § 599.608.) Full time and fractional employees who work less than 11 working days in a pay period will have a non-qualifying month and will not receive state service or leave accruals for that month.

Hourly or daily rate employees working at a department in which the full-time workweek is 40 hours who earn the equivalent of 160 hours of service in a monthly pay period or accumulated pay periods shall be considered to have a complete month, a month of service, or continuous service. (Cal. Code Regs., tit. 2, § 599.609.)

For each qualifying monthly pay period, the employee shall be allowed credit for vacation with pay on the first day of the following monthly pay period. (Cal. Code Regs., tit. 2, § 599.608.) When computing months of total state service to determine a change in the monthly credit for vacation with pay, only qualifying monthly pay periods of service before and after breaks in service shall be counted. (Cal. Code Regs., tit. 2, § 599.739.) Portions of non-qualifying monthly pay periods of service shall not be counted nor accumulated. (*Ibid.*) On the first day following a qualifying monthly pay period, excluded employees<sup>15</sup> 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, November 1, 2023, through July 10, 2024, CSLC had one employee with qualifying and non-qualifying pay period transactions. The CRD reviewed this transaction to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which is listed below:

Type of Transaction	Time base	No. Reviewed
Qualifying	Full Time	1

<sup>14</sup> 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.

<sup>15</sup> 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.

<b>IN COMPLIANCE</b>	<b>FINDING NO. 16</b>	<b>SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD determined that the CSLC ensured employees with non-qualifying pay periods did not receive vacation/sick leave, annual leave, and/or state service accruals. The CRD found no deficiencies in this area.

## **Policy and Processes**

### **Nepotism**

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

<b>IN COMPLIANCE</b>	<b>FINDING NO. 17</b>	<b>NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD verified that the policy was disseminated to all staff and emphasized the CSLC's commitment to the state policy of hiring, transferring, and promoting employees on the basis of merit. Additionally, the CSLC'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.*)

<b>IN COMPLIANCE</b>	<b>FINDING NO. 18</b>	<b>WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES</b>
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The CRD verified that the CSLC provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. Furthermore, the CRD verified that when the CSLC received workers' compensation claims, they properly provided claim forms within one working day of notice or knowledge of injury.

## Performance Appraisals

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



The CRD selected 88 permanent CSLC employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines.

<b>SEVERITY: SERIOUS</b>	<b>FINDING NO. 19    PERFORMANCE APPRAISALS WERE NOT PROVIDED TO ALL EMPLOYEES</b>
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**Summary:** The CSLC did not provide annual performance appraisals to 57 of 88 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 CSLC states that while they regularly train supervisors and managers regarding completing performance appraisals timely, the department did not have a mechanism to track or notify supervisors of upcoming and overdue performance appraisals.

**Corrective Action:** Within 90 days of the date of this report, the CSLC 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 CSLC's departmental response is attached as Attachment 1.

### **SPB REPLY**

Based upon the CSLC's written response, the CSLC 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 CRD.

700 North Tenth Street  
Sacramento, CA 95811  
**calottery.com**



May 29, 2025

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

**RE: California State Lottery Response to State Personnel Board Compliance Report**

Dear Ms. Campbell,

The California State Lottery (Lottery) appreciates the dedication, and the time spent by the State Personnel Board (SPB) producing the 2024 compliance review. Below is the Lottery's cause statements regarding Examinations, Appointments, Mandated Training, Compensation and Pay, Leave, and Policy where the Lottery had technical, serious, or very serious findings.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Fernandez', with a long horizontal stroke extending to the right.

Chris Fernandez  
Deputy Director, Human Resources

**Finding No. 2 Department Did Not Comply with Documentation Requirements for Permanent Withholds – Severity: Technical**

Cause: During the audit period the Classification and Pay (C&P) team erroneously understood that these worksheets were not required based on information from California Department of Human Resources' (CalHR) Minimum Qualifications training. However, in February 2025, the C&P team adopted use of the worksheets.

**Finding No. 3 Probationary Evaluation Were Not Provided for All Appointments Reviewed and Some That Were Provided Were Untimely – Severity: Serious**

Cause: While Lottery regularly trains supervisors and managers regarding the requirements of completing Probationary Evaluations (PE) timely, the department did not have a mechanism to track or notify supervisors of upcoming and overdue PEs.

**Finding No. 4 Appointment Documentation Was Not Kept for the Appropriate Amount of Time – Severity: Technical**

Cause: The cause of missing Notice of Personnel Action (NOPA) documents in Official Personnel Files (OPF) is due to a gap in the process. The current process has dual responsibility between HR and the employee and if the employee does not return the signed NOPA, it does not get filed in the OPF.

**Finding No. 6 Unions Were Not Notified of Personal Services Contracts – Severity: Serious**

Cause: Several contracts were provided union notice prior to contract execution (based on the start date of the agreements) and met 19130 requirements; however, the date did not match the date on the Form STD 215. CSLC has an exemption from being required to use that Form STD 215 and does not encumber funds when it is routed and signed and uses the form voluntarily. Other contracts, union notification was submitted after the contract execution, prior to the contract service start date. CSLC did erroneously not submit union notifications for amended contracts, as is required.

**Finding No 7. Ethics Training Was Not Provided for All Filers – Severity: Very Serious**

Cause: Despite Lottery having a process in place to follow up and provide reminders to employees, the required ethics training did not get completed in time. This is likely due in part to failure to adequately convey the requirements to the employee and supervisor, reminders not generating soon or often enough, and inadequate process steps to ensure all trainings are completed in time. Additionally, new-filers' training due dates were set based on Form 700 filing requirements, which does not align with the six-month completion rule.

**Finding No. 8 Supervisory Training Was Not Provided for All Supervisors, Managers, and CEAs – Severity: Very Serious**

Cause: The Lottery relies upon division management to ensure required leadership trainings are completed within the required timeframes. Division management is provided a training dashboard each month that provides details regarding all required training; they are expected to work through the employee's chain of command to ensure the training is completed as required. This finding is likely the result of insufficient training for management regarding their responsibility for ensuring required trainings are completed timely, and a lack of follow-up by the Training Unit to ensure employees enroll in and complete training in the required timeframe.

**Finding No. 11 Incorrect Authorization of Pay Differentials – Severity: Very Serious**

Cause: Upon transfer to the Lottery from another state agency/department, pay differential locked onto an employee's PAR, will continue to issue, unless caught and removed by the new Human Resource Division staff. Lottery failed to identify and remove the pay differential at the time of transfer to the Lottery, thus resulting in the overpayment.

**Finding No. 12 Incorrect Authorization of Out-Of-Class Pay – Severity: Very Serious**

Cause: This finding appears to be the result of insufficient training for Out-of-Class pay determinations, and necessary follow up to correct pay after a change occurred that impacted the original salary determination, and other processing errors potentially resulting from a lack of attention to detail, or lack of sufficient review.

**Finding No. 14 Administrative Time Off Was Not Properly Documented – Severity: Serious**

Causes:

1. Transactions staff processed Administrative Time Off (ATO) without proper approval documentation - During the audit period the Lottery did not have sufficient process in place for verifying ATO was authorized prior to keying ATO listed on a timesheet.
2. Missing timesheets that document otherwise approved ATO - There appears to be a breakdown in submission and filing due to significant vacancies impacting both the support staff responsible for filing timesheets and Transactions staff.
3. Insufficient Justification for ATO - During the review period, Lottery's practice was to return employees who had enacted their mandatory right of return, only after they had cleared the Lottery's required background investigation. In many instances, clearance did not occur prior to the employees' mandatory date of return so the returning

## California State Lottery Response to State Personnel Board Compliance Report

employees were placed on ATO. In July 2023 Lottery changed its practice to no longer utilize ATO for this purpose.

### **Finding No. 15 Department Has Not Implemented a Monthly Internal Audit Process to Verify All Leave Input is Keyed Accurately and Timely**

Cause: The Lottery does not currently use the CalHR 139 form. After the last SPB audit findings on this requirement, Lottery committed to implementing the use of the CalHR 139; however, due to staff and management turnover in the Transactions Unit, the corrective action was never put in place.

### **Finding No. 19 Performance Appraisals Were Not Provided to All Employees – Severity: Serious**

Cause: While Lottery regularly trains supervisors and managers regarding the requirements of completing Probationary Appraisals (PA) timely, the department did not have a mechanism to track or notify supervisors of upcoming and overdue PAs.