



# MEMORANDUM

June 5, 2025

TO: Darci Haesche, Director  
Administrative Services Division

Kasey Singh, Deputy Director  
Equal Employment Opportunity Office

FROM: *Kirk Marston*  
Kirk Marston, Chief Audit Executive  
Program Integrity Division, Office of Audit Services

RE: Administrative Services Division & Equal Employment Opportunity Office –  
Final Audit Report – Follow-Up on State Personnel Board's Compliance  
Review (Assignment # 2425.01)

In accordance with the Government Code, section 13400 et seq. and State Administrative Manual, section 20060, all levels of management must be involved in assessing and strengthening the systems of internal control to minimize fraud, errors, abuse, and waste of government funds.

The Office of Audit Services conducted an audit to provide reasonable assurance of the existence and strength of Covered California's internal controls over the Human Resources Branch's, Equal Employment Opportunity Office's, and Covered California University's corrective actions in response to the March 2023 State Personnel Board's Compliance Review audit for the period of July 1, 2023, through June 30, 2024. Our report of this audit is attached.

We appreciate the cooperation and assistance of the Human Resources Branch, Equal Employment Opportunity Office, and Covered California University management and staff during our audit. If you have any questions regarding this report, please contact me at (916) 954-3498 or [Kirk.Marston@covered.ca.gov](mailto:Kirk.Marston@covered.ca.gov).

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# FOLLOW-UP ON STATE PERSONNEL BOARD'S COMPLIANCE REVIEW

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COVERED CALIFORNIA  
HUMAN RESOURCES BRANCH  
COVERED CALIFORNIA UNIVERSITY  
EQUAL EMPLOYMENT OPPORTUNITY OFFICE

## FINAL AUDIT REPORT

ISSUED ON:  
JUNE 5, 2025

PREPARED BY:  
COVERED CALIFORNIA  
PROGRAM INTEGRITY DIVISION  
OFFICE OF AUDIT SERVICES

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# TABLE OF CONTENTS

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Executive Summary .....	1
Background, Objective, Scope, and Methodology .....	3
Background .....	3
Objective.....	3
Scope .....	4
Methodology .....	4
Results .....	5
Positive Observations .....	5
Findings & Recommendations .....	6
Conclusion .....	13
Management Responses .....	14
Evaluation of Responses.....	16
Appendix A.....	17
Finding Ratings.....	17
Rating Definitions.....	18

# EXECUTIVE SUMMARY

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## **Objective and Scope**

The Office of Audit Services conducted an audit to assess the progress and effectiveness of corrective actions taken in response to the findings identified in the State Personnel Board's (SPB) Compliance Review audit report for the period of July 1, 2023, through June 30, 2024.

## **Positive Observations**

The SPB's Compliance Review audit report cited the following three findings:

- Finding #1: Appointment documentation within personnel records was not fully retained.
- Finding #2: Written documentation regarding the status of a complainant's case was not provided within the required 90-day period.
- Finding #7: A retired annuitant's work hours were not consistently tracked to ensure they did not work over the annual 960-hour limit.

The Office of Audit Services verified, with reasonable assurance, that the Equal Employment Opportunity Office and Human Resources Branch have since rectified these findings by:

- Strengthening procedures for retention and recordkeeping of appointment documentation within personnel records.
- Improving controls to provide written documentation on the status of complainants' cases within 90 days.
- Enhancing methods to more accurately track retired annuitant hours worked.

## **Reportable Conditions**

We noted some matters below that we consider to be reportable under the *Global Internal Audit Standards*:

- **Human Resources Branch did not consistently retest employees that received bilingual pay within required intervals.**
- **Human Resources Branch did not audit employee leave records on a monthly basis.**
- **Human Resources Branch did not consistently ensure employees received performance appraisals.**

- **Covered California University did not ensure their records accurately reflected the completion of the required ethics training by all designated filers.**
- **Covered California University did not ensure all supervisory employees completed mandatory leadership training.**
- **Covered California University did not ensure all employees were provided sexual harassment prevention training.**

### **Follow-up**

The Office of Audit Services will follow up with management on their progress of corrective action plans and will report updates accordingly to the Audit Committee. A follow-up audit may be performed to determine the completion and adequacy of the corrective action plans.

# BACKGROUND, OBJECTIVE, SCOPE, AND METHODOLOGY

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## **Background**

The State Personnel Board (SPB) guides and directs California's Civil Service System to ensure employment decisions are based on merit and free from political patronage. SPB audits departments' employment practices for compliance with merit system laws and rules. SPB audited Covered California in 2022 and issued its report in March 2023. In this audit, SPB identified nine findings in the areas of Appointments, Equal Employment Opportunity, Mandated Training, Compensation and Pay, Leave, and Policy. These areas are overseen by Covered California's Human Resources Branch (HRB), Covered California University (CCU), and the Equal Employment Opportunity (EEO) Office.

HRB is comprised of several key sections, each dedicated to providing comprehensive support and services to employees. These sections include: Employment and Classification Services, Career Services, Digital Innovation & Operations, Executive Recruitment, Performance & Disability Management, Payroll & Benefits, Investigations, and Labor Relations. Together, these sections work collaboratively to support employees through various services, including assistance with Workday, support for people with disabilities, recruitment and hiring employees, career development, and managing payroll and benefits-related activities.

CCU is comprised of the Learning Programs Section, Content & Data Management Section, and Organizational Change Management Section. The units within these sections assist with organizational effectiveness and workforce development through a variety of guides for employees and training tools. CCU is responsible for ensuring compliance with mandated training requirements, including ethics and sexual harassment training for all staff and leadership training for all supervisors, managers, and executives.

The EEO Office establishes policies, programs, and procedures to promote equal opportunity and prevent unlawful discrimination. The EEO Office is responsible for investigating employee complaints related to various issues such as disabilities, medical conditions, and reasonable accommodations. If an investigation exceeds 90 days, the EEO Office is responsible for informing employees of the reason for the delay.

## **Objective**

The objective of this audit was to assess the progress and effectiveness of corrective actions taken in response to findings identified in SPB's Compliance Review audit report that was issued in March 2023.

## **Scope**

The scope of this audit covered HRB's, CCU's, and the EEO Office's policies, procedures, and records for the period of July 1, 2023, through June 30, 2024.

## **Methodology**

Our evaluation included gaining an understanding of HRB's, CCU's, and the EEO Office's policies and procedures related to internal controls over the findings identified in the SPB's Compliance Review audit report. Additionally, we conducted verification processes to ascertain whether the internal controls and resources of HRB, CCU, and the EEO Office were effectively and efficiently supporting the implementation of corrective actions in response to the findings from SPB's Compliance Review audit report to ensure compliance with applicable policies, procedures, and requirements.



# RESULTS

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## **Positive Observations**

The SPB's Compliance Review audit report cited the following three findings:

- Finding #1: Appointment documentation within personnel records was not fully retained.
- Finding #2: Written documentation regarding the status of a complainant's case was not provided within the required 90-day period.
- Finding #7: A retired annuitant's work hours were not consistently tracked to ensure they did not work over the annual 960-hour limit.

The Office of Audit Services verified, with reasonable assurance, that the EEO Office and HRB have since rectified these findings by:

- Strengthening procedures for retention and recordkeeping of appointment documentation within personnel records.
- Improving controls to provide written documentation on the status of complainant's cases within 90 days.
- Enhancing methods to more accurately track retired annuitant hours worked.

## **Findings & Recommendations**

### **Finding #1 – Human Resources Branch did not consistently retest employees who received bilingual pay within required intervals**

Finding Rating:	Priority	High	Medium	Low
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#### ***Condition***

Finding #6 of SPB’s Compliance Review audit report cited that Covered California failed to supply supporting documentation demonstrating the need for bilingual services.

We verified that the Human Resources Branch (HRB) implemented their stated corrective actions to enhance their recordkeeping procedures for supporting documentation. However, our testing revealed that 10 employees with speaking and listening proficiency scores below a score of 3 had test results older than five years.

#### ***Criteria***

*CalHR Human Resources Manual, section 1003 – Bilingual Services* states, in part, “Beginning in the year 2024, in order to maintain qualification to serve in a bilingual position and receive bilingual pay, all employees scoring below the equivalent of International Language Roundtable (ILR) scores of ‘3’ in speaking and listening must have on file test scores not older than five (5) years.”

#### ***Cause***

HRB has not yet developed a procedure to ensure employees scoring below a 3 on the ILR scale are subjected to retesting within five-year intervals.

#### ***Effect***

Insufficient retesting may lead to some employees not meeting the required language proficiency standards. This may compromise the quality of bilingual services delivered to clients and stakeholders, while also leading to potential unmerited compensation for individuals who may not be fully qualified to provide sufficient bilingual services.

#### ***Recommendation***

HRB management should implement a process to have employees with IRL scores lower than 3 retest every five years.

## **Finding #2 – Human Resources Branch did not audit employee leave records on a monthly basis**

Finding Rating:	Priority	High	Medium	Low
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### ***Condition***

Finding #8 of SPB’s Compliance Review audit report cited that Covered California did not certify that all leave records were reviewed and corrected if necessary.

We identified that HRB did not audit employee leave records on a monthly basis to identify and correct leave input errors.

### ***Criteria***

*CalHR Human Resources Manual, section 2101 – Leave Accounting* states, in part, “Departments shall create an audit process to review and correct leave input errors on a monthly basis. This includes all leave types accrued/earned or used by all employees on a monthly basis, regardless of whether leave records are system generated or manually keyed.”

### ***Cause***

HRB relied on the automated functions in the Workday system to ensure leave records were accurately maintained; however, HRB was unaware of the requirement to establish a manual process for reviewing these records on a monthly basis.

### ***Effect***

By not auditing employee leave records monthly, employee leave records can be inaccurate and potential issues within Workday might not be identified and addressed promptly.

### ***Recommendation***

HRB should create a documented process for reviewing leave records on a monthly basis.

### **Finding #3 – Human Resources Branch did not consistently ensure employees received performance appraisals**

Finding Rating:	Priority	High	Medium	Low
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#### ***Condition***

Finding #9 of SPB’s Compliance Review audit report cited that Covered California failed to provide performance appraisals to all employees.

Of the 33 employees reviewed who were due to have performance appraisals completed, 20 employees did not receive them.

#### ***Criteria***

*California Code of Regulations Title 2, section 599.798 – Performance Appraisal* states, in part, “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 for the purpose of informing the employee of the caliber of the employee's work, helping the employee recognize areas where performance could be improved and developing with the employee a plan for accomplishing such improvement.”

#### ***Cause***

HRB asserted that supervisors often assume the performance appraisal is complete in Workday when, in fact, supervisors have not performed the last step to finalize it.

#### ***Effect***

Without consistent performance appraisals, Covered California risks overlooking high-performing employees and failing to identify those with performance issues. This could lead to workforce dissatisfaction, higher turnover, and below average output from underperforming employees.

#### ***Recommendation***

HRB management should implement procedures to monitor and track the completion of performance appraisals to ensure they are completed timely.

**Finding #4 – Covered California University did not ensure records accurately reflected the completion of the required ethics training by all designated filers**

Finding Rating:	Priority	High	Medium	Low
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***Condition***

Finding #3 of SPB’s Compliance Review audit report cited that Covered California failed to provide the required ethics training for all employees designated as “Statement of Economic Interest” filers (filers).

We reviewed the training records of 10 filers and identified records which indicated that two new filers had not completed the ethics training within the required six-month period.

***Criteria***

*Government Code, section 11146.3* requires new filers to complete the mandatory ethics training within six months of being designated as a filer.

***Cause***

CCU noted the ethics training course is completed outside of the learning management system, requiring manual entry of completion data, which inherently carries the risk of human errors, such as data entry mistakes and missing information.

***Effect***

Failing to ensure CCU’s records accurately reflect ethics training completion poses a risk that filers may not complete the required ethics training, leading to potential inconsistent adherence to ethical standards. This could undermine regulatory compliance and negatively impact workplace culture and the organization’s reputation.

***Recommendation***

CCU management should establish and implement policies and procedures for maintaining ethics training records to ensure all filers complete the required training and that training records accurately reflect their completion.

## **Finding #5 – Covered California University did not ensure all supervisory employees completed mandatory leadership training**

Finding Rating:	Priority	High	Medium	Low
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### ***Condition***

Finding #4 of SPB's Compliance Review audit report cited that Covered California did not provide leadership training for all supervisors, managers, and executives (supervisory employees).

We reviewed the training records of 17 supervisory employees and identified:

- One supervisor did not complete at least 80 hours of supervisory training within six months of initial appointment.
- One manager did not complete at least 40 hours of leadership training within 12 months of initial appointment.
- Four supervisory employees did not complete at least 20 hours of biennial leadership training.

### ***Criteria***

*Government Code, section 19995.4* describes the training requirements for supervisors, managers, and executives. Specifically, supervisors must be provided a minimum of 80 hours of supervisory training within six months of initial appointment. Managers must be provided a minimum of 40 hours of leadership training within 12 months of appointment. Executives must be provided a minimum of 20 hours of leadership training within 12 months of appointment. Additionally, all supervisory employees must be provided a minimum of 20 hours of biennial leadership training.

### ***Cause***

CCU has not yet implemented an effective procedure to track who needs to complete required leadership training and when. Additionally, CCU noted supervisory employees do not consistently submit their externally completed training certificates into the learning management system.

### ***Effect***

If CCU does not ensure supervisory employees complete required training, they may not properly carry out their leadership roles. This could result in non-compliance with regulations, reputational damage, legal liabilities, and ineffective and inconsistent leadership practices.

***Recommendation***

CCU management should establish and implement policies and procedures to ensure that supervisory employees complete required training upon initial appointment and biennially thereafter, and also ensure training certificates completed outside of the learning management system are properly and timely submitted.

## **Finding #6 – Covered California University did not ensure all employees were provided sexual harassment prevention training**

Finding Rating:	Priority	High	Medium	Low
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### ***Condition***

Finding #5 of SPB's Compliance Review audit report cited that Covered California did not provide sexual harassment training for all employees.

We reviewed the training records of 23 employees and identified that six employees did not complete the required sexual harassment prevention training. Specifically:

- Two new non-supervisory employees did not complete the training within six months of their hire date.
- Three current supervisory employees and one current non-supervisory employee did not complete the training within a two-year period.

### ***Criteria***

*Government Code, section 12950.1 (a)(1)* states that California agencies "shall provide sexual harassment training and education to each employee in California once every two years. New non-supervisory employees shall be provided training within six months of hire. New supervisory employees shall be provided training within six months of the assumption of a supervisory position."

### ***Cause***

The learning management system process that automatically enters the due date into the database was not functioning correctly, causing the due dates in the system to be later than they should have been. For current employees, re-enrollment in sexual harassment prevention training is handled manually, which increases the risk of human errors, such as data entry mistakes or missing information, which may have contributed to issues in properly setting up re-enrollment of the training for current employees.

### ***Effect***

By not providing sexual harassment prevention training to all employees, there is a risk that workplace culture can be negatively impacted. This limits the organization's ability to retain a quality workforce, impacts employee morale and productivity, and subjects the organization to potential litigation.

### ***Recommendation***

CCU management should establish and implement policies and procedures to ensure all new and current employees complete the required sexual harassment prevention training within required timeframes.



# CONCLUSION

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During our audit, HRB, CCU, and the EEO Office demonstrated that they made improvements to their processes since the March 2023 State Personnel Board Compliance Review audit, as shown by their efforts in strengthening recordkeeping procedures and accurately tracking hours worked for retired annuitants. However, as shown in the six findings we identified, opportunities still exist to lower potential administrative risks including:

- HRB's administration of bilingual pay, leave records, and performance appraisals.
- CCU's administration of mandatory ethics, supervisory, and sexual harassment trainings.

If these findings are not addressed, they could result in negative impacts to Covered California's workplace and the level of customer service provided. In general, one of the findings is rated at low risk level, three are rated at medium risk levels, and two are rated at high risk levels due to the potential adverse effects to HRB's and CCU's operations and Covered California as a whole, including potential adverse impact on overall reputation.

# MANAGEMENT RESPONSES

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Presented below are HRB's and CCU's management responses to the findings which includes their corrective action plans.

Finding 1:	Human Resources Branch did not consistently retest employees who received bilingual pay within required intervals
Recommendation 1:	HRB management should implement a process to have employees with IRL scores lower than 3 retest every five years.
HRB Management Response/ Corrective Action:	HRB is formalizing a process for retesting employees receiving bilingual pay when required. Concurrently, retesting is also in progress.
Targeted Completion Date:	November 28, 2025

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Finding 2:	Human Resources Branch did not audit employee leave records on a monthly basis
Recommendation 2:	HRB should create a documented process for reviewing leave records on a monthly basis.
HRB Management Response/ Corrective Action:	HRB agrees with this finding and has developed an action plan to ensure the accuracy and proper management of employee leave records. This plan includes developing a monthly process to review and audit all employee leave accruals and balances, developing desk guides, and certifying the accuracy and completeness of records.
Targeted Completion Date:	July 31, 2025

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Finding 3:	Human Resources Branch did not consistently ensure employees received performance appraisals
Recommendation 3:	HRB management should implement procedures to monitor and track the completion of performance appraisals to ensure they are completed timely.
HRB Management Response/ Corrective Action:	HRB has developed a plan to address and enhance the process for issuing annual performance appraisals. This plan includes streamlined processes, enhanced software, monthly reporting, and supervisor training.
Targeted Completion Date:	February 28, 2026

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Finding 4:	Covered California University did not ensure records accurately reflected the completion of the required ethics training by all designated filers
Recommendation 4:	CCU management should establish and implement policies and procedures for maintaining ethics training records to ensure all filers complete the required training and that training records accurately reflect their completion.
CCU Management Response/ Corrective Action:	CCU is developing procedures to maintain Ethics training records to ensure that all staff completions are recorded accurately.
Targeted Completion Date:	August 29, 2025

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Finding 5:	Covered California University did not ensure all supervisory employees completed mandatory leadership training
Recommendation 5:	CCU management should establish and implement policies and procedures to ensure that supervisory employees complete required training upon initial appointment and biennially thereafter, and also ensure training certificates completed outside of the learning management system are properly and timely submitted.
CCU Management Response/ Corrective Action:	CCU is developing procedures to ensure supervisory employees complete the required training upon initial appointment and biennially thereafter.
Targeted Completion Date:	August 29, 2025

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Finding 6:	Covered California University did not ensure all employees were provided sexual harassment prevention training
Recommendation 6:	CCU management should establish and implement policies and procedures to ensure all new and current employees complete the required sexual harassment prevention training within required timeframes.
CCU Management Response/ Corrective Action:	CCU is developing procedures to monitor enrollments and assigned due dates in the sexual harassment prevention training.
Targeted Completion Date:	August 29, 2025

# EVALUATION OF RESPONSES

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The corrective action plans provided by the Human Resources Branch and Covered California University, if implemented as intended, should be sufficient to correct the reportable conditions noted. The Office of Audit Services will conduct quarterly follow-ups to provide reasonable assurance that the corrective action plans have been implemented and are operating as designed. Additionally, a follow-up audit may be performed to determine the completion and adequacy of the correction action plans.

We thank the Human Resources Branch, Equal Employment Opportunity Office, and Covered California University for their help and cooperation during this audit.

# APPENDIX A

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## Finding Ratings

Finding	Priority	High	Medium	Low
1. Human Resources Branch did not consistently retest employees that received bilingual pay within required intervals			X	
2. Human Resources Branch did not audit employee leave records on a monthly basis				X
3. Human Resources Branch did not consistently ensure employees received performance appraisals			X	
4. Covered California University did not ensure records accurately reflected the completion of the required ethics training by all designated filers			X	
5. Covered California University did not ensure all supervisory employees completed mandatory leadership training		X		
6. Covered California University did not ensure all employees were provided sexual harassment prevention training		X		

## **Rating Definitions**

<b>Priority</b>	<p>Immediate and on-going threat to the achievement of division or Covered California strategic goals and objectives. In particular:</p> <ul style="list-style-type: none"><li>- Significant adverse impact on reputation</li><li>- Non-compliance with statutory requirements</li><li>- Potential or known financial losses</li><li>- Substantially raising the likelihood that risks will occur</li></ul> <p>Management must implement corrective actions as soon as possible and monitor the effectiveness.</p>
<b>High</b>	<p>High probability of adverse effects to the division or Covered California as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p> <ul style="list-style-type: none"><li>- High potential for adverse impact on reputation</li><li>- Increase in the possibility of financial losses</li><li>- Increase in the likelihood that risks may occur</li></ul>
<b>Medium</b>	<p>Medium probability of adverse effects to the division or Covered California as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p> <ul style="list-style-type: none"><li>- Medium potential for adverse impact on reputation</li><li>- Potential increase in the likelihood that risks may occur</li></ul>
<b>Low</b>	<p>Low probability of adverse effects to the division or Covered California as a whole, but that represent an opportunity for improving the efficiency of existing processes. Correcting this will improve the efficiency and/or effectiveness of the internal control system and further reduce the likelihood that risks may occur.</p>