

December 19, 2025

Nick Maduros, Secretary
California Government Operations Agency
1304 O Street, Suite 300
Sacramento, CA 95814

Dear Secretary Nick Maduros,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Human Resources submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Helen Fairchild, Chief Operating Officer, at (916) 562-4481, helen.fairchild@calhr.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Mission

To serve as the trusted advisor to our strategic partners and the public, providing exceptional human resource services and guidance in developing a diverse and inclusive workforce.

Vision

Shaping California's future of public service excellence with fair and equitable employment opportunities and a diverse, engaged workforce.

Core Values

People Centric

We consistently prioritize the people of California in everything we do, recognizing their needs, experiences, and well-being as our primary focus.

Leadership

We model best practices in Human Resource Management and innovate to provide better services to all state employees and stakeholders.

Accountability

We take ownership of our actions and decisions and are responsible for delivering results that align with the organization's mission and goals.

Diversity, Equity, Inclusion and Accessibility

We value diversity of thoughts, abilities, and backgrounds, and we believe that accessibility is

a fundamental aspect of equity. We foster equitable opportunities in an inclusive environment where everyone can thrive and contribute their unique talents and experiences.

Integrity

We are committed to the highest ethical standards and strive to do what is right in all our actions.

Transparency

Through open communication and honest practices, we build trust and promote a culture of clarity and fairness. We value diversity of thoughts, abilities, and backgrounds, and we believe that accessibility is a fundamental aspect of equity. We foster equitable opportunities in an inclusive environment where everyone can thrive and contribute their unique talents and experiences.

Strategic Goals

Goal 1: Customer Service

Provide a Superior Customer Experience

Deliver a comprehensive, reliable and responsive level of service that targets the distinct needs of all state departments and employees. Prioritize our customers' needs and preferences, placing them at the center of our strategy and decision-making processes.

Goal 2: Leadership

Lead as an Employer

As a model employer, we cultivate a culture of inclusivity, belonging, engagement, employee well-being and upward mobility. We aim to attract top talent that reflects the diversity of California by removing barriers, creating pathways to State employment and empowering employees at all levels to advance and enjoy meaningful and rewarding work.

Goal 3: Operational Excellence

Invest in CalHR

Optimize operational efficiencies and effectiveness through streamlining processes, adopting new technologies and leveraging data-driven insights while providing ongoing training and development to ensure a diverse and well-trained workforce.

Control Environment

Integrity is one of the core values that guides CalHR management. All executive staff, managers, supervisors, and labor relations officers are required to take the Attorney General's online ethics course every two years.

The Director, Chief Deputy Director, Deputy Director of Labor Relations, and Chief Counsel are the department's primary executive management and oversight body and is responsible for

the overall establishment and maintenance of internal control and monitoring systems. This group meets regularly to discuss external labor and legal issues, as well as internal and external administrative issues. Other members of executive management include the Deputy Director of Legislative Affairs and the Deputy Director of Communications. The Deputy Director of Legislative Affairs serves as CalHR's principle legislative advocate, monitoring legislation affecting the Administration's directives, and CalHR programs and operations, and is the primary contact between CalHR and the Legislature, high-level Administration staff, and various external organizations. The Deputy Director of Communications is responsible for development, monitoring, and control of internal and external communications for CalHR through various communication strategies.

CalHR's operating and management structure is organized by discrete divisions, with a division head (division chief, or for the Legal Division, the Chief Counsel) as the senior executive operating management over each division. Each division has discrete units and sub-units to facilitate meeting its mission, goals, and objectives. As part of this organizational structure, division chiefs and the Chief Counsel consider how units communicate and interact. Key positions are assigned to unit managers, and they have responsibility for fulfilling the unit's duties. As such, key members of management further delegate duties to subordinates and evaluate the effectiveness of delegated authority to ensure proper segregation of duties.

Division Chiefs and the Chief Counsel represent key positions within the department, and these individuals possess the knowledge and expertise to oversee and evaluate departmental operations. These key members of management possess capabilities and characteristics including integrity, ethical standards, leadership, critical thinking, and problem-solving abilities, an internal control mindset, and programmatic and operational expertise. The key members of management provide oversight of the design and implementation of the department's control environment, the risk assessment process, control activities, the information and communication systems, and monitoring of key systems.

Information and Communication

Management at all levels oversees the use of information critical to department operations and ensures needed information is developed internally as required. Further, management requests and works with others to obtain information from outside the organization. This includes the Governor's office, Government Operations Agency (GovOps), and business partners such as the California Public Employees' Retirement System (CalPERS), the State Controllers' Office (SCO), and other State agencies, departments, and divisions.

A high level of attention is given to the timeliness and accuracy of information deemed necessary to meet internal and external operational objectives. Management does this by requiring units to report the necessary information through CalHR's chain of command. The

accuracy and adequacy of the information is routinely evaluated by various program staff. Attention is given to the completeness, timeliness, and relevance of data.

Management communicates information through established channels about policies, programs, and operations. The communication channels follow the chain of command to ensure employees throughout the organization receive information. In addition to the chain of command communication, CalHR uses a variety of methods to communicate important and relevant information. Examples of such methods include regular management and team meetings, bulletin boards, all staff meetings, email blasts, newsletter, Microsoft Team's Committee postings, training sessions, and intranet postings. Further, the department communicates via email and through bulletin board postings regarding the State's Whistleblower hotline for reporting ethical issues.

If the communication line is compromised, staff are provided the option to report matters to the Director or Chief Deputy directly through an "open door" policy. The department is aware of the importance of relationships with members of the Administration, the Legislature, State departments, labor unions and groups, and other stakeholders. Staff, within their appropriate lines of authority, devote significant effort to pursuing appropriate communication with these parties. Two-way information is evaluated and used to meet operational objectives and to manage and monitor challenges, opportunities, and the related internal controls. Data and information are expected to be relevant and reliable, to the best abilities of CalHR's data and information collection methods and systems.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Human Resources monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Kristian Neira, Training Officer; Helen Fairchild, Chief Operating Officer.

Identification and oversight of CalHR's risk management activities are the responsibility of the Directorate and Executive Leadership Team. The Executive Leadership Team is composed of the Division Chiefs.

CalHR is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to CalHR's business processes, systems of controls, and monitoring.

The adoption of a formal communication strategy regarding the monitoring of controls with the executive monitoring sponsor is in progress. CalHR's controls are also monitored by outside audits or reviews. More specifically, the State Personnel Board conducts a triennial audit of the Human Resources practices, and the Department of Military reviews the Information Technology controls. These audits and reviews are monitored by the CalHR Human Resources Officer, the Information Security Officer (ISO) and the Information Technology Division Chief, with reporting going to the executive monitoring sponsor. Any deficiencies in controls found during these audits or reviews are reported to the executive monitoring sponsor, who is responsible for providing direction and coordination of corrective action plans until they are fully implemented.

CalHR management is responsible for governance and culture. CalHR governance framework supports risk management practices. All management is responsible for risk governance and risk management within their roles. Management is responsible for the following risk management segments:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk mitigation and control (including risk treatment)

Governance framework with CalHR is as follows:

Activity: Responsible CalHR Staff

Overarching accountability for risk management and determining risks for CalHR: Directorate

Oversight of the CalHR risk management activities: Directorate and Executive Leadership Team

Responsibility for the oversight and monitoring specifically of risks: Executive Leadership Team and Unit or Branch Managers

Liaise with management in monitoring key risks and, where appropriate, report to Executive Leadership to provide assurances concerning the management of risks within CalHR: Executive Leadership Team, Unit or Branch Managers

Responsible for ensuring that risk management activities are carried out effectively within CalHR and for promoting a culture that encourages strong risk management: Chief Deputy Director

Responsible and accountable to the Director to oversee implementation of the Risk Management Framework across CalHR and ongoing risk reporting to Director: Chief Deputy Director

Responsible to develop and maintain risk tracking and report risks: Executive Leadership Team, Unit or Branch Managers

Responsible to ensure staff are adequately trained in risk assessment and are acquainted with relevant policies and procedures: Executive Leadership Team, Unit or Branch Managers

Responsible for practicing risk management within the organization: Directorate, Executive Leadership Team, Unit or Branch Managers, and Professional Staff

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Human Resources risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, other/prior risk assessments, questionnaires, and consideration of potential fraud.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

In accordance with State Leadership Accountability requirements the Director, Chief Deputy Director, Deputy Director of Labor Relations, Chief Counsel, and Division Chiefs met to identify and discuss significant department-wide risks that could adversely impact the achievement of CalHR's objectives and mission. Risk evaluations were performed and evaluated, with input from affected unit managers and staff. Unit management was party to risk evaluations and assisted in the determination of corresponding controls.

RISKS AND CONTROLS

Risk: Key Person Dependency

There is a risk that insufficient staffing or key-person dependency throughout program areas across the department could compromise service delivery, program and platform maintenance, and/or statewide user support. Program knowledge and experience is primarily only obtained through time in positions. There is very little to no ability to

duplicate and allow for backup/redundancy in the positions with the existing staff constraints. Open positions are often readvertised multiple times before a suitable candidate can be found, resulting in the state suffering from a loss of highly qualified individuals to navigate a complex and evolving subject matter area.

Control: Develop a Workforce Succession Plan

CalHR is developing a Workforce Succession Plan to help mitigate the impact that the loss of key employees creates.

Control: Cross Training and Documentation

Cross-training, procedure documentation, department inquiry escalation support where feasible. Revisit workload to scale/prioritize for existing staff and redirect vacant positions where possible. Explore possible resource opportunities.

Risk: EEO Data Security

Unauthorized access, data breaches, or accidental disclosure could occur if security controls, user permissions, or data handling procedures are not consistently applied. This may result from outdated protocols, human error, or inconsistent departmental practices. The consequence could include privacy violations, legal exposure, reputational damage, and reduced trust in CalHR's data systems.

Control: Strict Access Control

CalHR enforces strict access controls, encryption, and secure logins for all EEO data systems overseen by CalHR. User permissions are limited to authorized staff and reviewed regularly. Departments receive guidance on safeguarding

confidential information and using secure channels. CalHR coordinates with IT Security to maintain protections, monitor activity, and provide internal DCTS and department EEO staff training on privacy and data handling requirements.

Risk: VOWS to Snowflake Transition

During the transition from the Veteran Opportunity in the Workforce and State (VOWS) System to Snowflake (a platform designed to store and align data for analysis and reporting), data access or reporting inconsistencies may occur if migration steps are delayed or information is not fully validated. Root causes may include technical integration issues, system configuration errors, or limited user familiarity with the new platform. The result could be temporary disruption to statewide reporting and data analysis during the transition period.

Control: Complete the Snowflake Migration

CalHR is coordinating closely with IT, SCO, and data teams to manage the transition plan, testing, and validation. The VOWS system will remain operational until the Snowflake migration is fully tested and confirmed successful. Parallel system operation ensures data access continuity and validation accuracy. CalHR is using phased implementation, pilot testing, and reconciliation of legacy data to minimize risk. Staff training and documentation will support a smooth transition, and contingency reporting options will remain available until full system stability is achieved.

Risk: Contribution Monitoring and Compliance with Tax Regulations.

IRS tax law sets limits on employee contributions to their retirement savings accounts. This includes the standard IRS Limits, Catch-up Contribution limitations, and new Secure Act requirements on high earners, requiring Roth Contributions for employees who make over a specified amount. Current system limitations do not allow Savings Plus to stop contributions when employees reach these limits. Manual processes are currently in place to monitor and notify and process corrections for employees after the limit has been exceeded. These processes create a risk of error while coordinating across multiple agencies and systems, and relying on the employee to take action. Corrections take time and cross tax years, creating escalations and complaints from employees.

Control: CSPS Implementation Controls

Work with CSPS to implement controls to stop payroll contributions when employees reach the annual limitations in the current tax year, and automatically restart the contribution in the next tax year.

Risk: External Agency Representation

External Agencies lack of adequately trained departmental labor relations officers at entry and senior levels increases the frequency and severity of labor relations litigation (arbitrations, unfair practices, and court challenges) against the state from the Unions which impacts CalHR's statutory duty to administer effective state-wide labor relations and to effectuate the purposes of the Dills Act (Gov. Code 3512 et seq).

Control: Establish Training Opportunities

Establishment of LR training officer and increased CalHR supervised training programs, including but not limited to, reinstatement of the LR Academy, revision of CalHR LR training materials, and on-the-job learning opportunities

Risk: Dependency on Legacy Systems

Legacy systems prevent expansion of employee self-service tools, increase payroll/personnel error risks, reduce HR staff retention, and hinder consistency across 165+ departments.

Control: California State Payroll System (CSPS) Project

California State Payroll System (CSPS) Project – modernization effort jointly led by CalHR and SCO, replacing legacy systems with an integrated, future-ready HCM solution.

Risk: Medical Program Privacy Risk

In the Medical and Psychological Screening Division Medical Program, candidate medical information may be subject to exposure during non-secure transmissions initiated by external parties. Documents and records are shared through FTP, with some information exchanged through e-mails. While the division follows protocols with secure e-mails that anonymize candidates, we have no control over outside parties' adherence to privacy measures. Private Health Information/Personally Identifiable Information (PHI/PII) may be listed in unsecured e-mails that are ultimately in our

possession. A data breach would compromise privacy, leading to serious disruptions for candidates and negatively impacting the department's reputation. An audit puts us at risk of regulatory violations and fines. A system shutdown could cause decentralized information to be inaccessible, leaving us unaware of possible contraventions while offline and puts us at risk for data loss.

Control: Implement Case Management System

Implementation of a Case Management System

Risk: Inaccurate Data Systems

Incomplete or inaccurate data in statewide systems such as the Discrimination Complaint Tracking System (DCTS) and Workforce Analysis (WFA) dashboards may affect reporting reliability and decision-making. DCTS data depend on timely and complete submission by departments, and WFA disability data rely on employees voluntarily completing the Change in Disability Status Survey.

Control: CalHR Guidance & CSPS Implementation

CalHR issues regular data submission reminders and deadlines, runs automated validation checks, and follows up with departments on incomplete data. Departments confirm submission completeness through electronic certification, and system alerts identify missing or overdue entries in DCTS. Staff provide technical assistance, conduct quarterly data quality reviews, and encourage departments to include the Change in Disability Status Survey in onboarding materials. CalHR also provides departments with communication templates and talking points to help increase voluntary employee participation and improve overall data accuracy. CalHR will continue to add additional controls to DCTS and ways to promote employees taking the survey including an awareness video on the survey. CSPS may make it easier to collect this information.

Risk: Class Plan Maintenance

Class Plan Maintenance: Backlog of unmet classification specification revision demands both from departments and bargaining agreements are not being timely addressed with current staff resources. Outdated class specs result in departments experiencing recruitment difficulties, which may impede their missions respectively, and create public safety concerns where sufficient state personnel cannot be hired to maintain adequate program oversight due to outdated class specifications. Backlog caused by combined division workload exceeding staffing levels and mandates (legislation, board orders, MOU provisions) that de-prioritize department-driven spec revision needs.

Control: Re-prioritization of Class Plan Maintenance Projects

Re-prioritize class plan maintenance projects over other customer service work in 2025 (focus staff on getting through 20+ items vs. prior annual avg 6 items.) Focus remains on mandated changes driven by legislation, board order, or bargaining agreement. Department driven needs end up escalated to CalHR Exec for emergency prioritization. Explore resource opportunities or a division reorganization (e.g., budget change proposal)

CONCLUSION

The Department of Human Resources strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Monica Erickson, Acting Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency