

Vacant Positions:

Departments Have Circumvented the Abolishment of Vacant Positions, and the State Needs to Continue Its Efforts to Control Vacancies



March 2002
2001-110

The first five copies of each California State Auditor report are free. Additional copies are \$3 each, payable by check or money order. You can obtain reports by contacting the Bureau of State Audits at the following address:

**California State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814
(916) 445-0255 or TDD (916) 445-0255 x 216**

OR

**This report may also be available
on the World Wide Web
<http://www.bsa.ca.gov/bsa/>**

The California State Auditor is pleased to announce the availability of an online subscription service.

For information on how to subscribe, please visit our Web site at www.bsa.ca.gov/bsa/. If you need additional information, please contact David Madrigal at (916) 445-0255, ext. 201.

Alternate format reports available upon request.

Permission is granted to reproduce reports.



CALIFORNIA STATE AUDITOR

ELAINE M. HOWLE
STATE AUDITOR

STEVEN M. HENDRICKSON
CHIEF DEPUTY STATE AUDITOR

March 12, 2002

2001-110

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning vacant positions in the State and the uses of funding associated with the positions. This report concludes that, although the Legislature amended state law to shorten the period a position can be vacant before it is abolished, the law's effectiveness is hindered by departments' efforts to preserve positions. The five departments we visited misused certain personnel transactions to circumvent the abolishment of vacant positions. Changes in state law have not completely addressed the reasons departments have lengthy vacancy periods in some positions. For example, the departments' ability to reestablish some abolished vacant positions does not resolve the problems caused by lengthy examination and hiring processes. Additionally, the departments we reviewed used the funding from vacant positions to carry out their programs, in part, because certain costs have not been fully funded. The departments spent the funding on the higher costs of their filled positions, overtime, personal services contracts, and operating expenses. Finally, the Department of Finance performed two reviews and plans to continue monitoring vacant positions during the next two years, but has not established an ongoing monitoring program.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

CONTENTS

<i>Summary</i>	1
----------------	---

<i>Introduction</i>	5
---------------------	---

Chapter 1

Departments Have Circumvented State Law, and Changes in the Law Have Not Fully Resolved the Causes of Vacant Positions	11
--	----

Recommendations	24
-----------------	----

Chapter 2

The State Needs Continued Oversight to Control the Number of Vacant Positions and Analyze the Uses of Related Funding	25
---	----

Recommendations	35
-----------------	----

Appendix A

The Methodology Used by the Department of Finance in Its Two Reports on Vacant Positions	37
--	----

Appendix B

Fiscal Year 2000–01 Vacant Position Data for the Five Departments Reviewed	39
--	----

Responses to the Audit

Department of Finance	41
State Controller's Office	43
Business, Transportation and Housing Agency	45
Department of Transportation	46
Health and Human Services Agency	49
Department of Mental Health	50
Employment Development Department	54

*California State Auditor's
Comments on the Response
From the Department of
Mental Health*

57

Department of Industrial Relations	59
Water Resources Control Board	61

*California State Auditor's
Comments on the Response
From the Water Resources
Control Board*

65

SUMMARY

Audit Highlights . . .

Our review of vacant positions in the State disclosed that:

- Although the Legislature amended state law to shorten the period a position can be vacant before it is to be abolished, the law's effectiveness is hindered by departments' efforts to preserve positions.*
 - The five departments we visited misused certain personnel transactions to circumvent the abolishment of vacant positions.*
 - Changes in state law have not completely addressed the reasons departments have lengthy vacancy periods in some positions.*
 - Finance performed two reviews and plans to continue monitoring vacant positions during the next two years, but has not established an ongoing monitoring program.*
 - A method to provide the Legislature with an up-to-date yet reliable count of vacancies still does not exist.*
-

RESULTS IN BRIEF

The Legislature and the Department of Finance (Finance) have acted to address concerns about the number of vacant positions in the State and the uses of the associated funding. As a result, some departments have abolished or redirected vacant positions and eliminated or redirected the funding for the positions. However, departments have also misused transactions to circumvent the abolishment of vacant positions. Thus, the State needs to continue its efforts to control the number of vacancies, eliminating positions no longer needed.

Government Code, Section 12439, mandates the State Controller's Office (SCO) to annually abolish positions that have been continuously vacant for a specified period of time. In July 2000 the Legislature amended the statute to shorten the uninterrupted vacancy period from a specific nine months to six consecutive monthly pay periods within a fiscal year. However, because state law confines the vacancy period before abolishment to a particular fiscal year, positions that become vacant after January 1 could stay continuously vacant almost one year.

Although the SCO reported it abolished 536 vacant positions for fiscal year 2000–01, a significant increase over the 94 positions it abolished in the prior fiscal year, the effectiveness of the law is hindered by the efforts departments take to preserve positions. Our review of five departments revealed that these departments misused certain personnel transactions and, thus, circumvented the purpose of the law. Departments used "120" transactions, which are intended to legitimately move existing employees between positions, to preserve vacant positions. Our analysis of 50 large departments showed that they increased their use of such transactions by 53 percent in the year after the Legislature shortened the allowable vacancy period. The departments also shifted the timing of their high-volume periods of transactions to compensate for the shortened period. The increased volume and shifts in timing suggest that, because of the change in state law, the departments increased their efforts to preserve vacant positions.

In fact, our testing at five departments found that during fiscal years 1999–2000 and 2000–01, the departments performed, on average, at least 89 percent of the “120” transactions we reviewed to save vacant positions. However, our findings should not be interpreted to mean that departments throughout the State performed 89 percent of “120” transactions to preserve vacant positions, as we selected some transactions to review because the patterns of use appeared questionable. During that same period, the five departments performed no less than 22 percent, on average, of the transactions we reviewed to change established positions—known as “607” transactions—to preserve vacancies. Staff acknowledged in many instances that the transactions were being used to preserve vacant positions and, in fact, stated that they used significant time and resources to ensure that positions were not abolished. The Employment Development Department reported, for example, that it spent 1,840 hours during fiscal year 2000–01 to monitor and preserve its vacancies.

Changes in state law have not completely addressed the reasons departments have lengthy periods of vacancy in some positions. For example, the departments’ ability to reestablish some abolished vacant positions does not resolve the problems caused by lengthy examination and hiring processes. Additionally, departments may maintain some vacant positions to absorb other costs not fully funded. These include the higher costs associated with filled positions, as well as increases in overtime and operating expenses.

Finance performed two reviews to address the Legislature’s concerns about the number of vacant positions and recommended that 4,236 positions be eliminated or redirected. We found the methodology used by Finance in its reviews to be reasonable. Although we found some inaccuracies in information submitted by the five departments we reviewed, they had little impact on the overall conclusions reached by Finance. The five departments we visited generally followed Finance’s recommendations. Although it plans to continue monitoring the status of vacant positions during the next two years, no ongoing monitoring program has been established. In addition, even though Finance and the SCO worked together to calculate a reliable, up-to-date number of vacancies as of June 30, 2001, their efforts yielded an estimate that proved to be inaccurate. Thus, a method to provide the Legislature with an up-to-date yet reliable count of vacancies statewide still does not exist.

RECOMMENDATIONS

Finance should issue an explicit policy to prohibit the use of “120” and “607” transactions to preserve vacant positions from abolishment. The SCO should issue guidance to departments on processing these transactions consistent with the policy issued by Finance. Further, the SCO should periodically provide to Finance reports of such transactions. Finance should analyze the reports to identify potential misuses of the transactions and follow up with departments as appropriate. Departments should discontinue their practice of using “120” and “607” transactions to circumvent the abolishment of vacant positions.

In conjunction with the SCO, Finance should continue with its current plans to examine the costs associated with modifying the SCO’s position control system to track vacancies across fiscal years. If Finance determines that the necessary system changes are feasible, it should seek to amend Government Code, Section 12439, to require that the six consecutive monthly pay periods for which a position is vacant before abolishment be considered without regard to fiscal year.

Finance should continue to work with departments and other oversight agencies to fully identify and address the issues that lead to positions being vacant for lengthy periods. Finance should then consider seeking statutory changes that provide it with the authority to approve the reestablishment of vacant positions in additional circumstances, including when delays in hiring and examination processes extend the time it takes to fill positions.

To ensure that the State continues to monitor vacant positions and the associated funding, Finance should direct departments to track and annually report the uses of such funding. Additionally, Finance should continue to analyze the departments’ vacant positions and uses of funds, recommend to what extent departments should eliminate vacant positions, and either eliminate or redirect the funding for the positions. Further, it should periodically report its findings to the Legislature to ensure that the information is available for informed decision making.

To ensure that budgets represent a true picture of how departments manage their programs, Finance should continue to assess if common uses of funds resulting from vacant positions represent unfunded costs that should be reevaluated and specifically funded.

To ensure that the State's decision makers have an accurate picture of the number of vacancies during the fiscal year, Finance and the SCO, in consultation with the Legislature, should work together on a method to calculate an up-to-date and reliable number of vacant positions statewide.

AGENCY COMMENTS

Finance, the SCO, and the five departments we visited generally concurred with our findings. However, Finance expressed concern about the consequences of prohibiting personnel transactions to preserve vacant positions in some instances. It also believes that the costs and benefits of monitoring the personnel transactions must be taken into account. In addition, the Department of Mental Health and the Water Resources Control Board expressed concerns about some of the specific information we presented in the report. ■

INTRODUCTION

BACKGROUND

Through the annual process that culminates in the approval of the State's budget, departments are authorized funding for positions to operate their approved programs. Historically, they have been unable to keep all their positions filled. In early 2000, the Legislature expressed concerns about the growing number of vacant positions statewide and how the funding targeted for positions that had remained vacant was ultimately used.

State Law Requires the State Controller's Office to Abolish Vacant Positions Annually

Government Code, Section 12439, mandates the State Controller's Office (SCO) to abolish positions annually that have been continuously vacant a specified period of time. Enacted in 1983, the statute set as the period of continuous vacancy before abolishment the nine months from October 1 through June 30. To control the continued growth of vacant positions, the Legislature amended the statute in July 2000 to shorten the required uninterrupted vacancy to six consecutive monthly pay periods within a fiscal year.

The statute also identifies the circumstances under which departments can retain vacant positions or reestablish positions previously abolished. They can retain positions if the vacancy occurred because of a hiring freeze and can reestablish positions when a late budget enactment contributes to the abolishment or for "hard-to-fill" classifications. However, the Department of Finance (Finance) must approve each request. Finally, the SCO is required to report to the Legislature annually the number of positions vacant for six months.

The State Controller's Office Maintains Position Data and Provides Guidance to Departments for Personnel Transactions

The SCO maintains the State's position control system, which includes databases for established positions and for employment and payroll history. Departments notify the SCO when positions

are established, filled, modified, or eliminated. Using information from its databases, the SCO semiannually reports the number of vacancies in positions established in the position control system. Additionally, since the statute was amended in July 2000, the SCO provides monthly reports of the positions that have been vacant for three, four, and five months to enable departments to monitor their vacant positions. It also provides departments with reports of positions vacant for six consecutive months during the fiscal year. Further, the SCO provides guidance in administering and processing personnel and payroll transactions, but it relies on departments to correctly perform such transactions.

Finance Administers the State’s Budget and Provides Some Oversight of Vacant Positions

Finance establishes fiscal policies to carry out the State’s programs and administers the budget. In its capacity, Finance annually reviews each department’s proposed budget, including the number of authorized positions, before submitting it to the Legislature. As previously mentioned, state law gives Finance the responsibility for approving those limited circumstances in which departments may request to retain a vacant position scheduled to be abolished or reestablish a position that was abolished. After the Legislature expressed concerns about the number of vacancies statewide, Finance analyzed vacancies at departments with significant numbers of authorized positions and identified how the departments used the funding originally targeted for positions that had remained vacant, issuing reports in May 2000 and January 2001. We discuss these reviews in Chapter 2. Appendix A describes the methodology Finance used in its reports.

Hypothetical Example of the Calculation of Salary Savings and Excess Vacancies

	Number of Positions	Related Dollars
Authorized positions (\$50,000 each)	100	\$5,000,000
Less: salary savings	5	250,000
Funded salaries and wages	95	4,750,000
Less: actual salaries and wages	90	4,500,000
Excess vacancies	5	\$ 250,000

The State’s Policies Recognize Departments Have Vacant Positions

Because it recognizes that departments are unable to keep all of their authorized positions filled throughout the fiscal year, the State does not fully fund all authorized positions. Instead, as part of the annual budget process, it reduces the funding by the “salary savings” each department plans to achieve. Salary savings is the amount a department estimates from its past experience will represent its vacancies from normal turnover and hiring delays. It is stated

in both dollars and the number of equivalent positions. The department in the hypothetical example has five “excess vacancies” and \$250,000 in potential savings from these positions. In actuality, some of the potential savings may reflect funds that the department did not receive, such as funds from the federal government. The department may use the remaining potential savings for other authorized purposes to carry out its programs.

Finance Has Not Yet Determined the Impact of the State’s Current Hiring Freeze on Vacant Positions

The governor ordered departments on October 23, 2001, to implement a freeze on hiring new employees except in certain instances. The freeze is to remain in effect until June 30, 2003. As previously mentioned, a hiring freeze is a circumstance for which departments can request approval from Finance to retain vacant positions. Finance reported in January 2002 that it expects the number of vacancies to increase as a result of the freeze; however, it had not yet determined how to address the impact of the hiring freeze on vacant positions in state departments.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits audit the vacant positions in state government to address concerns about their increasing number. The audit committee also requested that we review and assess the analysis of vacant positions by Finance in its January 2001 report to the Legislature. Further, the audit committee asked us to ascertain whether departments are circumventing internal controls that should identify and eliminate vacant positions, to determine how departments used the funding budgeted for the positions, and to reconcile, to the extent possible, the differences in data on vacancies provided by the SCO and Finance.

To determine whether departments are circumventing controls designed to identify and eliminate vacant positions, we reviewed the state law related to the abolishment of positions. We also reviewed and assessed the relevant policies and procedures for the State’s budget and position control systems. Additionally, we identified the two types of transactions departments perform that can affect vacant positions, known as “120” and “607” transactions.

Using a report of “120” transactions obtained from the SCO, we assessed for the 50 departments in Finance’s January 2001 report the impact of reducing the uninterrupted vacancy period to six months. We then used various criteria, including the number of excess vacancies and increases in the number of “120” transactions, and selected 5 departments—the Employment Development Department, the Department of Industrial Relations, the Department of Mental Health (Mental Health), the Department of Transportation (Transportation), and the Water Resources Control Board—for further review. For the 2 decentralized departments—Mental Health and Transportation—we selected a hospital and the headquarters, respectively. Using a detailed report of “120” transactions for fiscal years 1999–2000 and 2000–01, we identified transactions where certain patterns of use suggested the departments were avoiding the abolishment of vacant positions. We also identified transactions that did not involve a pattern. We examined documentation supporting the transactions for 30 employees at each department over a two-year period. We included in our review transactions that showed a pattern and those that did not.

We also selected at each of the five departments a sample of 30 “607” transactions for the same two-year period. For Mental Health, we selected the hospital we reviewed for “120” transactions. However, some of the transactions at each of the departments involved filled positions only, and we performed no further review. As a result, for a total of 116 transactions involving vacant and new positions, we analyzed the documents the departments maintained to substantiate each transaction. We also queried the five departments about the reasons they had positions vacant for lengthy periods of time and about their efforts to reduce the number of vacancies and gain approval from Finance for any hard-to-fill classifications.

To assess whether the methodologies Finance used in its January 2001 analysis of vacant positions were reasonable, we reviewed its report and the information supporting its analysis. We ascertained that Finance based the methodologies on those it established in its May 2000 report to the Legislature. Thus, we reviewed the methodologies it used in the preparation of both its January 2001 and May 2000 reports to the Legislature. Additionally, we examined the validity of the data the five departments submitted to Finance for fiscal year 1999–2000, which was the basis of the January 2001 report.

We used data from Finance's reports and information from the five departments for fiscal years 1996–97 through 2000–01 to determine how they spent funds associated with excess vacancies. We were unable to determine the total amount each department spent in the first and second years because they could not provide us with data. We attempted to ascertain the sources of funds budgeted for positions remaining vacant that the departments used for other purposes. However, the departments told us they manage by program funding rather than by positions. They do not track the funding source of individual positions as they believe it does not provide further information to assist in managing either their authorized programs or positions. As a result, we could not identify the sources of funds budgeted for positions remaining vacant that the departments used for other purposes.

To ascertain whether the number of excess vacancies increased in recent years, we obtained from Finance's reports and the governor's budget the data for fiscal years 1996–97 through 1999–2000 for 29 departments with 1,000 or more authorized positions. To calculate the number of excess vacancies for fiscal year 2000–01, we obtained data from Finance, the governor's budget, and the five departments we visited.

To determine for fiscal year 2000–01 the number of vacancies, the percent of excess vacancies to authorized positions, and the amount of funding associated with excess vacancies for the five departments, we reviewed data from the SCO but found it did not include all of the information needed to complete our analysis. Instead, we used data from the departments, which provided the most comprehensive data. Appendix B shows fiscal year 2000–01 vacant position data for the five departments.

To determine how the departments used funds budgeted for positions that were authorized but not established in fiscal year 2000–01, we reviewed the State's policies about the authorization and establishment of positions. We interviewed Finance and SCO staff about the processes involved in authorizing and establishing positions. Additionally, we reviewed at each of the five departments the end-of-year schedule reconciling the numbers of authorized positions to established positions. Nothing came to our attention to indicate the departments had funding that resulted from not establishing authorized positions.

To ascertain whether the data on vacant positions reported by the SCO and Finance could be reconciled, we interviewed key staff at both departments and analyzed worksheets prepared by Finance staff. Additionally, we identified the issues involved in calculating a reliable and up-to-date number of vacancies statewide. ■

CHAPTER 1

Departments Have Circumvented State Law, and Changes in the Law Have Not Fully Resolved the Causes of Vacant Positions

CHAPTER SUMMARY

The Legislature's concern over the number of vacant positions statewide led to a change in the law in July 2000. However, the change has neither entirely addressed the concern nor resolved the underlying reasons for vacancies. Although the change shortens to six months the period positions can remain vacant before the State Controller's Office (SCO) abolishes them, it stipulates that the six months must occur in the same fiscal year. Consequently, some positions could remain vacant for almost a year without being abolished. Additionally, the flexibility of certain policies and procedures, coupled with limited oversight of transactions that affect vacancies, allows departments to misuse the transactions. Departments actually performed 53 percent more "120" transactions, which are intended to legitimately move existing employees between positions, in the year following the shortening of the vacancy period. The SCO reported it abolished 536 positions for fiscal year 2000–01, a significant increase over the 94 positions it abolished in fiscal year 1999–2000. Despite this increase, the effectiveness of the new law is hindered by the departments' efforts to preserve vacant positions.

Our testing at five departments revealed that during fiscal years 1999–2000 and 2000–01 they performed, on average, at least 89 percent of the "120" transactions we reviewed to preserve vacant positions. During the same period, they performed, on average, no less than 22 percent of the transactions we analyzed to change established positions—known as "607" transactions—to keep vacant positions from being abolished. The departments' reasons for preserving vacant positions vary. They may use money from vacant positions to carry out their programs, partly because certain costs have not been fully funded, as discussed in Chapter 2. In other instances, departments simply have been unable to fill vacant yet necessary positions within a six-month period.

The July 2000 change in state law allows departments specific circumstances in which previously abolished positions can be reestablished. Nevertheless, the law still does not resolve some of the underlying causes of extended periods of vacancy, such as time-consuming civil service examination and hiring processes.

DESPITE CHANGES, THE LAW ALLOWS SOME POSITIONS TO REMAIN VACANT ALMOST A YEAR

After the Legislature became concerned about the number of vacant positions in state government, it amended the law in July 2000 to reduce to six months the period of vacancy before the SCO abolishes vacant positions. However, the amended law stipulates that the six months must occur in the same fiscal year. This allows some positions to stay vacant for almost a year before being abolished. Additionally, the SCO reported that, after the change in state law, the number of vacancies it abolished increased by more than 400 over the prior year.

In July 2000, the Legislature amended Government Code, Section 12439, which requires the SCO to annually abolish continuously vacant positions, to shorten the period before abolishment from a fixed nine-month period to any six consecutive monthly pay periods within a fiscal year and to identify circumstances under which previously abolished positions can be reestablished. Before the law was amended, departments could prevent vacant positions from being abolished only during a hiring freeze if they could demonstrate a continuing need and received the approval of the Department of Finance (Finance). Positions established in the SCO's position control system cannot be filled until the budget is authorized. Thus, the vacancy period could start before departments have the actual authority to fill them. The amended law allows departments to request reestablishment of any proposed new positions when a late budget act contributes to their abolishment. Departments may also request to reestablish positions when they have significant recruitment problems in hard-to-fill classifications, as defined by Finance. We discuss hard-to-fill classifications later in this chapter.

Even with the recent change, state law allows positions to remain vacant longer than six consecutive monthly pay periods depending on the timing of the vacancy. To comply with state law, the SCO tracks vacant positions until the end of the fiscal year. Its system to monitor established positions counts the

The Legislature amended state law in July 2000 to shorten the period before a vacant position is abolished.

Positions that become vacant after January 1 could remain continuously vacant for almost an entire calendar year.

start of the vacancy period as the first monthly pay period in which it did not issue any payment for the position. Although positions that become vacant during the first half of the fiscal year can remain vacant for no more than six consecutive monthly pay periods before they are subject to abolishment at June 30, positions that become vacant after January 1 could remain continuously vacant for almost an entire calendar year. Based on current law, the SCO's system tracks the vacancies until June 30 and then starts recounting the six consecutive monthly pay periods on July 1. Thus, some positions could be preserved from abolishment as long as the SCO issued a payment for only two days, January 2 and December 31. As we discuss further in Chapter 2, Finance reported in January 2002 it plans to examine the feasibility of amending state law to allow the vacancy period to cross fiscal years. However, as Finance also reported, the SCO's 30-year-old position control system requires significant changes to track vacancies without regard to fiscal year. Finance plans to evaluate the potential cost to modify the SCO's system. Finance stated that if the cost is feasible, it will address the funding in spring 2002.

Since the state law was amended, the SCO increased the number of vacant positions it annually abolished. For fiscal year 2000–01, the SCO reported it abolished 536 vacant positions, a 442-position increase (470 percent) over the 94 vacant positions it reported abolishing for fiscal year 1999–2000. However, as we discuss more fully in the subsequent sections, the effectiveness of the law has been hindered because departments have misused transactions to avoid the abolishment of positions.

FLEXIBILITY IN POLICIES AND LIMITED OVERSIGHT ALLOW DEPARTMENTS TO USE “120” TRANSACTIONS TO CIRCUMVENT THE ABOLISHMENT OF VACANT POSITIONS

The policies and procedures related to one type of transaction that affects vacant positions allow flexibility, require little documentation substantiating the need for the transaction, and are not closely monitored. According to the SCO's chief deputy controller for administration, “120” transactions were created in 1974 and allow departments the flexibility to move an existing employee from one position to another within the same job classification. Any modification to an employee's position is reflected in a new position number—a 13-digit code that indicates an employee's agency, reporting unit, classification,

To keep positions from being abolished, departments “move” existing employees into positions that are likely to be continuously vacant for six months.

and serial number. Changes in an employee’s assignment or reporting section, or a reorganization, may require a transaction to change the reporting unit or serial number portions of a position number.

However, to keep a position from being abolished, we found that departments may initiate transactions to “move” existing employees into positions of the same classification that have been or will likely be continuously vacant for six months. In some instances, departments have moved an employee from one position to another and then back to the original position. Departments may move the same employee back and forth several times. In other cases, departments change an employee’s serial number and move the employee through several positions. Regardless of the length of time that an employee is left in the previously vacant position, both strategies reset the beginning of the vacancy period, thereby saving a position and its related funding.

Although the State’s policies do not specifically preclude departments from performing these strategic moves to avoid having positions abolished, circumventing state law is not an appropriate use of this form of transaction. Additionally, policies and procedures provide little or no oversight of these transactions. For example, personnel staff at departments record transactions online through the SCO’s employee history database and are required to maintain minimal documentation as to why the transactions were necessary. More importantly, no external entity is required to specifically review or monitor departments’ use of such transactions.

Effective fiscal year 2000–01, the SCO at the request of departments began producing a three-, four-, and five-month vacancy report to assist departments in monitoring their vacancies. Ironically, the report may assist departments to initiate transactions to save vacant positions. With the report, personnel staff are alerted to those vacant positions that could be potentially abolished.

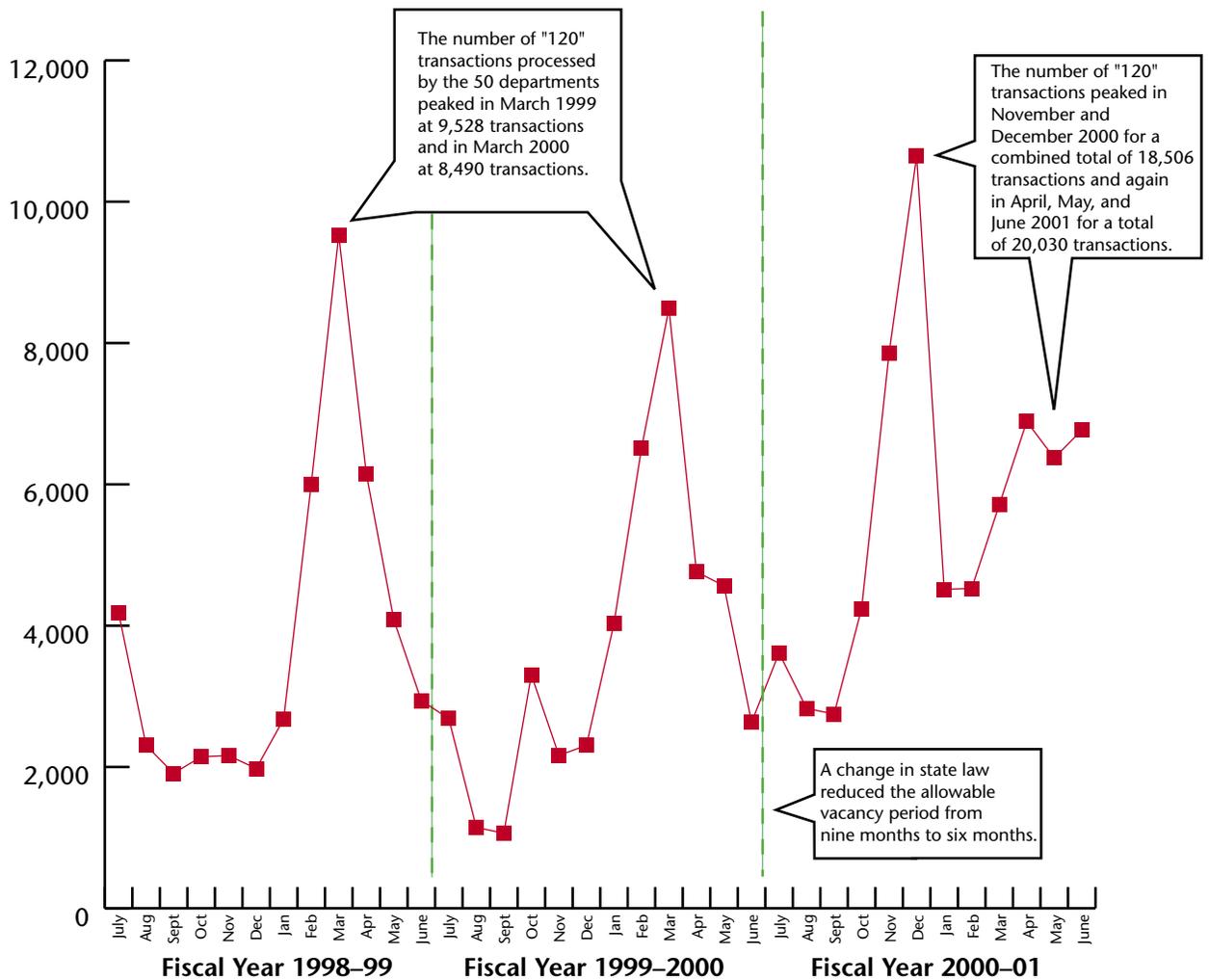
Our analysis of 50 departments indicated that in the year after the vacancy limit was shortened to six consecutive monthly pay periods, departments increased by more than 50 percent the number of such transactions they performed. We also noted during the same period a shift in departments’ timing for processing “120” transactions. Furthermore, our fieldwork at 5 departments confirmed that they were processing transactions to save positions from abolishment.

Departments Dramatically Increased the Volume of "120" Transactions After the July 2000 Change in State Law

Our review of three years of "120" transactions performed by 50 large state departments revealed a significant increase in the number of transactions after state law was amended in July 2000 to reduce the vacancy period from nine months to six consecutive monthly pay periods. These large departments processed 46,067 transactions in fiscal year 1998–99, 43,650 transactions in fiscal year 1999–2000, and 66,719 transactions during fiscal year 2000–01, a 53 percent increase over the previous year.

FIGURE

The Peak Volume Months for Transactions Shifted After the Change in State Law



In the year after the change in state law, 50 large departments increased the volume of “120” transactions by 53 percent and shifted the timing of the transactions.

Additionally, a shift in the timing of the transactions coincided with the change in vacancy period. As the Figure on the previous page shows, departments performed their highest volume of transactions in March during the first two years. In fact, staff at some of the five departments we visited told us they often processed many of the transactions a few months before the end of the nine-month vacancy period on June 30 to avoid position abolishment. We noted two peaks in transaction volume—December and April—during fiscal year 2000–01. Moreover, of the 66,719 transactions, departments processed 18,506 transactions (28 percent) in November and December 2000 and another 20,030 transactions (30 percent) in April, May, and June 2001. The first high-volume period occurred near the end of the first six months after the state law was amended, and the second occurred four to six months after the first peak. The increase in volume and the overall shift in the timing of the “120” transactions during fiscal year 2000–01 suggested to us that departments used a significant number of the transactions to preserve vacant positions.

MOST OF THE “120” TRANSACTIONS AT THE FIVE DEPARTMENTS WE REVIEWED WERE INITIATED TO SAVE VACANT POSITIONS

Our review of transactions at five selected departments for a two-year period revealed that they initiated at least 440 (89 percent) of 495 transactions to avoid abolishment of vacant positions, as shown in Table 1. For example, the Department of Industrial Relations (Industrial Relations) moved one employee 10 times within 16 months. In fact, on several occasions, it initiated transactions on the same day to move the employee in and out of the same position. Industrial Relations moved the employee in this manner to preserve six vacant positions from abolishment. Additionally, the Employment Development Department (EDD) was unable to support the rationale for 2 of its transactions, and the Department of Transportation (Transportation) could not support its rationale for performing 5 transactions.

Our findings do not necessarily mean that 89 percent of all “120” transactions are performed by all state departments to save vacant positions. We intentionally selected some because the patterns of use, such as multiple transactions for the same employee, suggested the departments were using them to avoid

having vacant positions abolished. However, we noted numerous instances in the five departments in which these patterns occurred, leading us to believe that the use of such transactions for this purpose statewide could be significant.

TABLE 1

The Five Departments Performed Many “120” Transactions to Preserve Vacant Positions in Fiscal Years 1999–2000 and 2000–01

Department	Number of Sample Employees	Number of Sample Transactions*	Transactions to Preserve Positions From Abolishment	Percent of Transactions Performed to Preserve Positions
Department of Mental Health— Napa State Hospital	30	129	125	97%
Department of Industrial Relations	30	119	112	94
Water Resources Control Board	30	119	109	92
Employment Development Department	30	73	60	82
Department of Transportation— Headquarters	30	55	34	62
Totals	150	495	440	89%

* The number of transactions differs from the number of employees because some of the sample employees had multiple transactions during the two-year period.

Staff at the five departments admitted that they used the transactions to avoid the abolishment of vacant positions. In fact, they acknowledged having done this before the change in state law. Staff at some departments further stated that following the implementation of the shortened vacancy period in July 2000, their departments processed even more “120” transactions to avoid having vacant positions abolished.

DEPARTMENTS ALSO MISUSE “607” TRANSACTIONS

Our analysis of “607” transactions at these same departments revealed that they are also sometimes misused, though not nearly as often as “120” transactions. Properly used, a “607” transaction proposes new positions, deletes positions, or reclassifies positions established in the State’s position control

Departments sometimes misuse “607” transactions, though not nearly as often as “120” transactions.

system. However, the departments performed, on average, at least 22 percent of the transactions we analyzed to preserve positions, a significant majority of which reclassified vacant positions. More controls exist for “607” transactions than for “120” transactions, but the State requires little external accountability for “607” transactions. As we found with “120” transactions, state policies do not specifically preclude the use of “607” transactions to preserve existing positions. However, circumventing state law is not an appropriate use for the transactions.

Some of the “607” Changes Departments Made Were to Save Vacant Positions

On average, the five departments initiated at least 22 percent of the “607” transactions we analyzed to save vacant positions. As Table 2 shows, of the 116 transactions we reviewed involving vacant and new positions, the departments performed 25 (22 percent) to preserve positions from subsequently being abolished. Staff at the departments generally acknowledged this. The EDD performed 19 (76 percent) of these 25 transactions.

When using “607” transactions, departments most often reclassified positions to preserve them. In fact, 19 (76 percent) of the 25 transactions contained a reclassification. A reclassification involves the simultaneous deletion and addition of a position. For example, the EDD deleted one vacant Tax Auditor II position by reclassifying it to a Tax Auditor III in one of its field offices, and on the same day in the same field office, it deleted another vacant Tax Auditor III position by reclassifying it to a Tax Auditor II position. The EDD initiated this action to save two positions from potential abolishment.

Two departments—the Water Resources Control Board and the Department of Mental Health (Mental Health)—were unable to substantiate their reasons for performing another four transactions. The Water Resources Control Board’s rationale for performing three transactions to reclassify vacant positions raised questions because it subsequently reclassified some of the positions again and performed “120” transactions to move employees in and out of the reclassified positions. One of the “607” transactions at Mental Health was questionable because Mental Health performed “120” transactions to rotate employees in and out of the related positions.

TABLE 2

**The Departments We Reviewed Performed Some “607”
Transactions to Preserve Vacant Positions in
Fiscal Years 1999–2000 and 2000–01**

Department	Transactions Involving Vacant and New Positions	Transactions to Preserve Positions From Abolishment	Percent of Transactions Performed to Preserve Positions
Employment Development Department	28	19	68%
Department of Mental Health— Napa State Hospital	24	4	17
Department of Industrial Relations	20	1	5
Water Resources Control Board	27	1	4
Department of Transportation	17	0	0
Totals	116*	25	22%

* We did not analyze another 34 transactions that involved only filled positions as discussed in the scope and methodology section of the Introduction to the report.

Additionally, we found that Transportation may have delayed establishing two positions after they were authorized, thus avoiding having them vacant and subject to abolishment by the SCO. Until recently, Transportation had the authority to abolish or establish most of its positions without external approval. However, beginning in March 2001, after the Legislature expressed concerns, Transportation has had to obtain approval from Finance for such “607” transactions. Transportation reported in May 2001 that an internal project team it created to address the Legislature’s concerns concluded that the department had delayed the establishment of positions for months after they were authorized. In fact, according to the report, Transportation’s standard practice was not to establish positions until it had employees ready to occupy them. According to its position control project manager, Transportation never intended to delay establishing positions to redirect and use the funding for another purpose. Additionally, the project team reported that for fiscal year 2000–01, Transportation

established 270 more positions than authorized. The project team also reported that Transportation has since abolished the extra positions and developed position control policies and procedures to help alleviate the Legislature's concerns.

The State Imposes Few External Controls Over "607" Transactions

Generally, departments have the authority to make changes to positions without external approval by Finance. In fact, Finance is required to approve the changes only when departments do the following:

- Administratively establish new positions not authorized by the Legislature.
- Establish permanent positions from blanket authorizations, which budget total salaries and wages but do not specify a required number of positions.
- Temporarily downgrade positions.
- Reclassify positions where the minimum salary of the new position exceeds a designated amount in the annual budget act. For fiscal year 2000-01, that amount was \$6,032 per month.

Most of the 116 transactions we analyzed did not require external approval since they involved reclassifications to positions that did not meet the minimum salary criteria. However, Mental Health did not submit two transactions for Finance's approval, although they involved a reclassification to positions above the minimum salary level required. Mental Health believed that one of these transactions did not need Finance's approval because it downgraded a position and the related salary. Nonetheless, Finance staff stated that both transactions needed its approval. Thus, Mental Health did not adhere to the established controls requiring them to seek external approval.

Most of the "607" transactions we analyzed did not require approval by Finance.

The SCO, which processes "607" transactions, maintains that reclassifying vacant positions does not save the positions from being abolished. The tracking system it uses is supposed to follow a position through subsequent reclassifications. Thus, if the combined vacancy period before and after the reclassification is more than six consecutive pay periods, the SCO flags the reclassified position for potential abolishment. However, the SCO's system for identifying positions to be abolished has two

The SCO's system for identifying positions to be abolished cannot track a position reclassified more than once during the fiscal year and does not have the capability to account for "120" transactions performed to circumvent abolishment.

significant limitations. First, it cannot track a position that is reclassified more than once during the fiscal year. This causes the SCO to manually research transactions, which increases the risk that some may be missed. Second, the system does not have the capability to account for the use of "120" transactions performed to circumvent the abolishment of vacant positions. To determine how long a position is vacant, the SCO's data file identifies the number of consecutive months in which it had no expenditures. Because "120" transactions can move employees in and out of a position, the position shows expenditures while "occupied" by an employee. If a position shows expenditures at any time within six consecutive months, the SCO will not abolish it. As we discussed previously, departments use "120" transactions extensively to preserve vacant positions, thus increasing the likelihood of the tracking system missing vacant positions that should be abolished.

THE AMENDED LAW HAS NOT RESOLVED SOME OF THE UNDERLYING CAUSES OF VACANCIES

Changes in state law have not resolved some of the reasons departments have positions with lengthy periods of vacancy. The law currently provides departments with only one circumstance—a hiring freeze—to retain vacant positions and two circumstances—late budget enactment and Finance's hard-to-fill classification designation—to reestablish vacant positions. The hard-to-fill designation, for instance, has not entirely solved the problem of departments' inability to fill some vacant positions. Departments stated that lengthy examination and hiring processes hinder their ability to fill positions within six months. Further, departments may maintain some vacant positions to absorb other costs not fully funded.

In July 2000, Finance instructed departments to justify hard-to-fill classifications with specific data, including prior confirmation from the Department of Personnel Administration that classifications were indeed hard to fill, salary surveys demonstrating lower state employee salaries than for similar positions in the private sector, and vacancy rates in specific classifications significantly above a department's average despite demonstrable recruitment efforts. Finance stated that the existence of recruitment and retention pay differentials approved by the Department of Personnel Administration was not enough to prove that a classification was hard to fill although this information could be combined with evidence that several departments were experiencing high vacancy rates in specific classifications.

Despite difficulties in recruitment and retention, the five departments we visited have not always successfully obtained Finance's approval to designate certain classifications hard to fill and, thus, reestablish vacant positions. Finance stated that three of the five departments—Mental Health, Transportation, and the Water Resources Control Board—requested it to reestablish vacant positions abolished June 30, 2001. However, only Mental Health and the Water Resources Control Board were able to successfully demonstrate that their classifications fit the category. Finance approved for reestablishment 54 vacant positions Mental Health requested and 19 positions the Water Resources Control Board requested.

Moreover, the departments' extensive preservation efforts may mask the need to have Finance approve more classifications as hard to fill. The EDD and Industrial Relations had no vacant positions abolished at the end of the first fiscal year following the change in legislation. Mental Health had 54 positions abolished, Transportation had 52, and the Water Resources Control Board had 27—relatively few compared to the total number of vacant positions in each department. As we discussed in previous sections, the departments performed numerous transactions to retain vacant positions. We believe that additional classifications may be hard to fill, but the efforts made by departments have obscured the need for Finance's approval. According to its director, Finance's workload would increase significantly if all "120" and "607" transactions to preserve positions were prohibited and Finance were required to review and approve the reestablishment of all positions eliminated. Further, the director believes that in some cases, such as state hospitals, where large numbers of eliminated positions would need to be restored immediately to maintain certification, for example, Finance would need to complete its review and the SCO would need to process the transactions in a very short time period in order not to disrupt state programs.

Additionally, departments stated that their ability to fill vacant positions within six months is sometimes slowed down by the time-consuming steps of notifying, testing, interviewing, and extending employment offers to successful candidates. Generally, according to some departments, the examination and hiring processes alone average a total of six months, and a variety of factors could increase the time frame. For example, the

Departments' extensive preservation efforts may mask the need for Finance to approve more classifications as hard to fill.

Water Resources Control Board said that it commonly had individuals accept positions but withdraw before starting work. In those instances it needed to restart the hiring process. The EDD stated that just to administer an examination for one of its specialty classifications requires five to six months.

Departments may also maintain some vacant positions to absorb the higher cost of other positions and other program needs that have not been fully funded. For example, the EDD told us it finds it necessary to keep some positions vacant to pay for various cost increases. Finance acknowledged in its May 2000 report on vacant positions that some departments hold positions vacant to pay for the higher cost of their filled positions, shortfalls in operating expenses, and costs not funded by the State. We discuss more fully in Chapter 2 how departments use the funding for positions that remain vacant.

RETAINING VACANT POSITIONS CONSUMES CONSIDERABLE TIME AND RESOURCES

To ensure EDD does not lose positions, it begins its preservation process in October and continues efforts for the remainder of the fiscal year.

Most of the departments we visited told us their position preservation efforts require considerable resources, including the cost for staff time filling out forms, which partially offset the funding the departments may retain through these preservation efforts. Department staff told us they devote a significant workload to avoid having positions abolished, especially since the implementation of the shorter vacancy period in July 2000. For example, the EDD reported that it used 1,840 hours during fiscal year 2000–01 to monitor and preserve its vacancies. It begins its preservation process in October and continues efforts through the remainder of the fiscal year to ensure it does not lose positions. In another example, the Water Resources Control Board stated that its focus on filling vacant positions within the six-month period resulted in a 20 percent to 30 percent increase in existing workload for the analyst responsible for position control.

Departments also expressed concern about the vacancy time limit of six consecutive monthly pay periods. For example, one department called the time limit arbitrary; another stated that it places unrealistic burdens on departments that are already working against other obstacles to fill vacant positions. The departments generally agreed that the shortened time frame has exacerbated the difficult task of filling vacant positions.

RECOMMENDATIONS

Finance should issue an explicit policy to prohibit the use of “120” and “607” transactions to preserve vacant positions from abolishment. The SCO should issue guidance to departments on processing “120” and “607” transactions consistent with the policy issued by Finance. Further, the SCO should periodically provide to Finance reports of such transactions processed by departments. Finance should analyze the reports to identify potential misuses of the transactions and follow up with departments as appropriate. Departments should discontinue their practice of using “120” and “607” transactions to circumvent the abolishment of vacant positions.

In conjunction with the SCO, Finance should continue with its current plans to examine the costs associated with modifying the SCO’s position control system to track vacancies across fiscal years. If Finance determines that the necessary system changes are feasible, it should seek to amend Government Code, Section 12439, to require that the six consecutive monthly pay periods for which a position is vacant before abolishment be considered without regard to fiscal year.

Finance should continue to work with departments and other oversight agencies to fully identify and address the issues that lead to positions being vacant for lengthy periods. Finance should then consider seeking statutory changes that provide it with the authority to approve the reestablishment of vacant positions in additional circumstances, including when delays in hiring and examination processes extend the time it takes to fill positions.

The SCO should consider the feasibility of modifying its system for identifying positions to be abolished so it can track them through more than one reclassification.

Mental Health should ensure that it submits for Finance’s required approval all “607” transactions that involve a reclassification to positions above the specified minimum salary level. ■

CHAPTER 2

The State Needs Continued Oversight to Control the Number of Vacant Positions and Analyze the Uses of Related Funding

CHAPTER SUMMARY

To address the Legislature's expressed concerns about the number of vacant positions in state government, the Department of Finance (Finance) performed two special reviews. The reviews recommended that certain departments eliminate or redirect a total of 4,236 positions beginning in fiscal year 2000–01. The five departments we visited generally followed Finance's recommendations. In January 2002, Finance stated that it plans to conduct further reviews in 2002 and 2003. However, no ongoing monitoring program has been established. Periodic reviews such as these are needed because, as we noted in Chapter 1, some of the underlying causes for these vacancies have not yet been addressed.

The State's budget process permits departments to use funding originally designated for positions now vacant to pay for other authorized purposes. In fact, departments told us that the practice of not specifically augmenting funds for certain costs has contributed to their using the funding budgeted for positions that remained vacant to cover unfunded costs. Departments spent these funds for the higher costs associated with filled positions, as well as increases in overtime, personal service contracts, and operating expenses. Under these circumstances, departments are unlikely to eliminate vacant positions.

Finance and the State Controller's Office (SCO) worked together to calculate an accurate up-to-date count of vacancies statewide after the Legislature expressed concern about differing numbers of vacancies presented by the two entities. However, their efforts yielded an estimate that proved to be inaccurate. Thus, a method to provide an up-to-date yet reliable count of vacancies statewide still does not exist.

DESPITE FINANCE’S RECENT SCRUTINY OF VACANT POSITIONS, ONGOING MONITORING IS NEEDED

To address the Legislature’s concerns regarding the extent of vacant positions in state government, Finance performed two special reviews and recommended that departments either eliminate or redirect 4,236 positions. A position is redirected when it is moved from one reporting unit to another. Redirecting can be accomplished by moving the same level position to another reporting unit or by reclassifying and moving the position to another reporting unit. Our analysis of data for 29 departments, those Finance reviewed in its first report, indicated that the number of vacant positions increased every year but one between fiscal years 1996–97 and 2000–01. However, because the number of authorized positions has increased, the percentage of excess vacancies declined each year for the last three years. In January 2002, Finance released its plans to continue such reviews during 2002 and 2003. However, without a regular monitoring process, Finance may not be able to provide relevant information to the State’s decision makers, including the Legislature, on a consistent basis.

Two Recent Reviews Provided Detailed Information on Vacant Positions

Until the Legislature expressed concerns about the number of vacant positions, Finance played a limited role in determining how departments managed their vacancies and the associated funding. Although Finance budget analysts review department budget information before it is included in the annual governor’s budget as part of their normal budget procedures, they are not specifically required to determine the number of vacancies, track the annual changes in those numbers, or identify how departments use the funding from the vacancies.

In response to the Legislature’s concerns, Finance’s Performance Review Unit prepared two special reports. Its first report, issued in May 2000, provided a detailed look at vacant positions in 29 of the largest departments, reporting total vacancies and “excess vacancies,” a term defined by Finance as those beyond a department’s budgeted number of vacancies due to normal turnover and hiring delays. The report also provided information on how the departments used the funding for the excess vacant positions. Finance’s second report, issued in January 2001, analyzed the vacant positions and the use of the related funding at 50 departments including the 29 departments in the first report. We found the methodology used by Finance in its reports

Until the Legislature expressed concerns, Finance played a limited role in determining how departments managed vacancies and the associated funding.

to be reasonable. Although we found some inaccuracies in the information submitted by the 5 departments we reviewed, they had little impact on the overall conclusions reached by Finance. We provide more detailed information about the methodology used by Finance in Appendix A.

The two reports presented a comprehensive look at vacant positions in the State and provided a more global perspective about how departments managed their vacant positions and used the associated funding. Finance's reports included historical information on vacant positions, excess vacancies, and the departments' use of the associated funds, allowing trends to emerge and commonly reported uses of the funds by the departments to be highlighted. Based on this information, Finance provided recommendations to each department.

Finance's Reviews Recommended That Departments Eliminate or Redirect Vacant Positions

As a result of Finance's recommendations from its first report, the fiscal year 2000–01 budget act required 17 departments to eliminate vacant positions. However, Finance recommended that the funding from the positions be reallocated to the departments for other program uses, including paying for the increased costs associated with filled positions, overtime, and operating expenses. In its second report, Finance proposed that 33 departments eliminate or redirect positions as part of their fiscal year 2001–02 budget. The positions to be redirected were to provide resources for new program and workload needs. However, Finance did not identify the total amount of funding associated with the positions to be eliminated or reallocated. Table 3 on the following page summarizes the recommendations made by Finance in its two reports.

Three departments we visited eliminated a total of 86 positions as recommended in Finance's first report, with related funding reallocated to other needs.

To gain a sense of whether actual events mirrored Finance's recommendations, we reviewed the effect of its reports on the five departments we visited. The Department of Mental Health (Mental Health), the Water Resources Control Board, and the Department of Industrial Relations (Industrial Relations) eliminated a total of 86 positions as recommended in Finance's first report, with a total of \$3,652,000 reallocated within the three departments for other program needs. Finance did not recommend that positions be eliminated at the Department of Transportation (Transportation) or the Employment Development Department (EDD) in the first report.

TABLE 3**Finance Recommended That Departments Eliminate or Redirect 4,236 Positions***

	Positions Identified in the First Report	Positions Identified in the Second Report	Totals
Number of positions to be eliminated	1,736	837	2,573
Number of positions to be redirected	0	1,663	1,663
Totals to be eliminated or redirected	1,736	2,500[†]	4,236

* The numbers shown in this table represent equivalent numbers of positions.

[†] Finance reported in the governor's budget issued in January 2002 that vacant positions were reduced by 2,500. As Table 3 shows, 1,663 of the positions were to be redirected to new program and workload needs.

We found similar results in our review of the effects of Finance's recommendations in its second report. It made no further recommendations to the Water Resources Control Board. However, it did recommend eliminations or redirections to Mental Health, Transportation, Industrial Relations, and the EDD. In total, the four departments eliminated or redirected 450 positions, which was generally in line with Finance's recommendations. The departments had a total of \$14,009,000 reallocated to other internal program needs; Transportation and Industrial Relations also had \$6,140,000 eliminated from their budgets.

Despite Finance's Recommendations, Vacancies Increased Slightly in Fiscal Year 2000–01

To assess the impact of Finance's recommendations on the total number of vacant positions and excess vacancies in fiscal year 2000–01 and to identify recent trends, we reviewed data over five fiscal years for the 29 departments in Finance's first report. The number of authorized positions increased by over 21,600 (12 percent) from fiscal year 1996–97 to fiscal year 2000–01. As Table 4 shows, the total vacancies, excess vacancies, and the percentage of vacancies to the total number of positions are higher in fiscal year 2000–01 than in fiscal year 1996–97. However, because the number of authorized positions has increased, the percentage of excess vacancies has declined in each of the last three years.

TABLE 4

**For 29 Departments, Vacancies and Excess
Vacancies Generally Increased Over a Five-Year Period**

Fiscal Years	Number of Authorized Positions	Total Vacancies*		Excess Vacancies*	
		Number	Percent	Number	Percent
1996–97	172,301	15,042	8.7	6,251	3.6
1997–98	177,106	18,710	10.6	10,532	5.9
1998–99	182,116	18,743	10.3	9,891	5.4
1999–2000	188,529	18,680	9.9	9,883	5.2
2000–01	193,909	19,095	9.9	9,971	5.1

Sources: For fiscal years 1996–97 through 1998–99, Finance’s May 2000 report; for fiscal year 1999–2000, data from the governor’s budget and Finance; and for fiscal year 2000–01, data from the governor’s budget, Finance, and the five departments we visited.

* The numbers shown for total vacancies and total excess vacancies represent equivalent numbers of positions over the entire fiscal year.

The effect of Finance’s first report, issued in May 2000, would not be felt until fiscal year 2000–01, the last of the five fiscal years we reviewed. Although we might have expected the number of vacant positions and excess vacancies to decline as a result, they actually increased slightly. This indicates that other influences offset the reductions Finance recommended. For example, the number of authorized positions increased in fiscal year 2000–01. If departments were unable to fill newly authorized positions, the number of vacant positions would likely increase. We could not assess the impact of the recommendations from Finance’s second report on 24 of the 29 departments because the positions were to be eliminated or redirected in fiscal year 2001–02. However, as discussed previously, we did review this for the 5 departments we visited.

The State Needs Ongoing Oversight to Accurately Monitor Vacant Positions and the Use of Related Funding

In January 2002, when it proposed the State’s budget for the next fiscal year, Finance stated it would continue its reviews of vacant positions. Starting in spring 2002, Finance plans to further review 11 of the 29 departments it analyzed in its first report and to perform first-time reviews of vacant positions in another 25 departments. In addition, Finance intends to

examine the feasibility of changing state law so that positions continuously vacant for six months, regardless of the fiscal year, would be eliminated. We discussed the current state law in Chapter 1. Finally, in spring 2003 Finance plans to perform additional reviews of the departments included in its second report that had problems with excess vacancies in fiscal year 2001–02.

Finance performed its prior reviews of vacant positions as a result of legislative concerns about the number of vacant positions. Its planned future efforts appear to be the result of similar concerns and are occurring at the time the State is taking various actions to address its present fiscal difficulties. However, without a regular external process to monitor vacant positions, data may not be available to enable the State’s decision makers, including the Legislature, to make informed decisions. Additionally, without ongoing external oversight, departments are unlikely to gather critical information about their vacant positions and uses of the funding originally budgeted for the positions, which they too could use to make informed decisions.

Some of the departments we visited could only tell us how they spent the funds budgeted from vacant positions after extensive research.

Although the five departments we visited identified the total number of vacant positions for our review of fiscal year 2000–01, some could only tell us how they spent the funds budgeted from those vacant positions after extensive work and research. A comprehensive understanding of where they spend vacant position funding is critical in helping departments decide how to reduce program spending or when to request additional funds from Finance for various program expenditures.

DEPARTMENTS USE FUNDING FROM EXCESS VACANT POSITIONS FOR OTHER AUTHORIZED PURPOSES

Departments told us they use funding from excess vacant positions to carry out their programs, in part, because certain costs have not been fully funded. As a result, the actual funding needs of a department may be obscured. The State’s budget policies permit departments to transfer funds, within the specified limits established in the annual budget, from one part of their operations to another. Thus, departments can expend the funding from positions that are vacant to pay for other authorized purposes.

Similar to Finance's findings in its reports, our review at five departments found that they spent the funds budgeted from excess vacant positions for the higher costs of their filled positions, overtime, personal services contracts, and operating expenses. Table 5 on the following page summarizes, by type of cost, how the departments spent funding from their excess vacant positions.

The departments used excess vacant position funds to pay employee overtime. For example, Mental Health paid overtime at its hospitals to maintain its level-of-care ratios when the department was unsuccessful in its recruiting efforts. The departments also used the funding for personal service contracts. The EDD, for example, told us it used some of this funding to pay consultants for the year 2000 computer system upgrading. Industrial Relations told us it shifted some of this funding to the operating expenses and equipment portion of its budget to pay for rent increases at 19 of its offices.

The five departments in total spent the majority of their funding from excess vacant positions on the higher cost of filled positions. In part, the increased costs resulted from efforts to hire in hard-to-fill classifications, as discussed in Chapter 1, and included such expenses as hiring above the minimum salary level and pay differentials. In fact, all of the departments stated that they hired employees above the minimum salary level and provided pay differentials for at least some job classifications. The departments told us, and Finance acknowledges, that the State typically has not augmented department budgets for increases in the costs of filled positions. However, Finance has taken steps to address one of the causes of increased costs. Until recently the State budgeted new positions at the lowest step of the salary range. After Finance issued its second report in January 2001, it notified all departments that, effective fiscal year 2001-02, they are allowed to budget new positions at the mid-step level.

Typically, the State has not augmented department budgets for increases in the costs of filled positions.

TABLE 5

**Funds Spent From Excess Vacant Positions by Department and Type of Cost
Fiscal Years 1996–97 Through 2000–01
(Dollars in Thousands)**

Department/Fiscal Year	Higher Cost of Filled Positions	Overtime	Personal Services Contracts	Operating Expenses and Equipment	Total Vacant Position Funding Used
Employment Development Department					
1996–97	\$25,011	\$ 2,676	*	*	*
1997–98	23,361	7,243	*	0	*
1998–99	13,204	10,996	0	\$20,969	\$45,169
1999–2000	0	5,926	\$ 6,232 [†]	1,345 [†]	13,503
2000–01	16,154	6,931	0	0	23,085
Department of Industrial Relations					
1996–97	2,441	83	*	*	*
1997–98	1,611	76	*	4,920	*
1998–99	942	283	0	3,990	5,215
1999–2000	1,918 [‡]	555 [‡]	1,140	4,365 [‡]	7,978
2000–01	2,029	0	2,660	3,275	7,964
Department of Mental Health					
1996–97	10,949	6,892	*	*	*
1997–98	5,128	8,854	*	6,663	*
1998–99	306	18,222	224	9,146	27,898
1999–2000	8,972	25,363	299	13,160	47,794
2000–01	11,363	34,297	328	4,464	50,452
Department of Transportation					
1996–97	5,771	1,207	15,500	*	*
1997–98	0	12,668	*	37,489	*
1998–99	0	0	0	0	0
1999–2000	19,466	0	0	0	19,466
2000–01	19,827	0	0	0	19,827
Water Resources Control Board					
1996–97	1,869	0	*	*	*
1997–98	1,728	51	*	0	*
1998–99	0	996	0	0	996
1999–2000	4,740 [†]	288	2,820	0	7,848
2000–01	4,473	739	2,853	0	8,065

Source: For fiscal years 1996–97 through 1998–99, Finance data; for fiscal years 1999–2000 and 2000–01, department data.

* This information was unavailable.

[†] We have revised the funds from vacant positions spent by the Employment Development Department and the Water Resources Control Board. The original amounts reported to Finance for the January 2001 report were in error.

[‡] We have revised the amount of funds spent from vacant positions by Industrial Relations for fiscal year 1999–2000. Industrial Relations stated that although the information submitted to Finance for its January 2001 report was the best available at the time, subsequent information more accurately reflects how it spent the funding for positions that remained vacant.

Departments told us they have regularly absorbed the costs of merit salary adjustments.

Other common cost-related issues remain unresolved. For example, when an employee stays in a position and meets the standards of efficiency required for it, state regulations mandate the department to annually pay the employee a merit salary adjustment until he or she reaches the maximum step in the salary range. In fact, unless the SCO is notified otherwise, employees receive the adjustment automatically. Nevertheless, according to Finance, departments typically have not received funding for merit salary increases since the early 1980s. The departments we reviewed told us they have regularly absorbed the costs. Finance performed a separate review of cost increases and reported in May 2000 that the State's policy on funding merit salary adjustments had a relatively minor impact on some departments and a severe impact on others. Additionally, Finance has asserted that if departments have unfunded merit salary adjustment needs, excess vacant positions are not affected when departments properly allocate their budgeted salary savings. For those reasons, Finance has modified the funding policy only on a department-by-department basis.

Finance has taken a similar approach to increases in departmental operating expenses. It reported in May 2000 that such increases have affected departments differently and, therefore, it should assess each department individually, augmenting budgets only when the department can make a compelling case. However, because certain program costs are not fully funded, departments sometimes use funding from excess vacant positions to bridge the gap between actual costs and present funding levels. Unless the State specifically augments funding for certain costs, departments are not likely to eliminate excess vacant positions.

A METHOD TO PROVIDE RELIABLE, UP-TO-DATE INFORMATION ABOUT THE NUMBER OF VACANT POSITIONS DOES NOT EXIST

Legislators have expressed concerns because current point-in-time information on vacant positions from the SCO appears to show a substantially higher number of vacancies than those presented by Finance. The vacancy number that Finance presented is derived from past year actual information from other SCO reports. However, this number is generally not available until about five to six months after the end of the fiscal year. The SCO and Finance worked together to calculate a reliable, up-to-date number of vacancies as of June 30, 2001. Their efforts were beneficial as they provided a better understanding of the

differences in the various data used by the entities. However, the efforts resulted in an estimate of vacancies that proved to be inaccurate.

The SCO and Finance attempted to determine a reliable, up-to-date number of vacancies statewide; however, their efforts yielded an estimate that proved to be inaccurate.

The Legislature's concerns led to a joint effort by the SCO and Finance in July 2001 to reconcile the approaches each used in reporting the number of vacancies and to attempt to accurately determine the number of vacancies statewide as of June 30, 2001. In their discussions, the two entities recognized that the vacancy data used in each approach is intended to communicate different information. Specifically, the SCO semiannually reports on the number of gross vacancies in positions that are individually established by departments in the SCO's position control system. The semiannual report does not include blanket positions because departments do not individually establish them in the SCO's position control system. Additionally, many positions appear vacant in the SCO's semiannual report because of lags in processing the paperwork to establish the correct position number for existing employees. Further, the semiannual report does not account for the fact that departments plan to have vacant positions to achieve budgeted salary savings. In contrast, the past year actual information that Finance uses reflects the vacancies in all authorized positions, not just for positions established in the position control system. Additionally, the vacancy total that Finance presents represents the number of excess vacancies, which it considers more meaningful because those are the vacancies beyond the number of positions budgeted to be vacant for salary savings.

Also, the timing of the information used to present vacancy data varies. The semiannual reports reflect point-in-time vacancies. For example, the June 30, 2001 total identifies the number of vacancies in established positions as of that date. In contrast, the past year actual reports that Finance uses reflect cumulative data on vacancies over an entire fiscal year. However, the past year actual data must be reconciled by departments as part of preparing the next year's budget. Thus, the statewide data on vacancies that Finance presents is generally not available until five to six months after the end of the fiscal year.

The efforts in July 2001 to provide an up-to-date number of vacancies yielded an estimate that proved to be inaccurate. As of June 30, 2001, the SCO's semiannual report showed 26,347 vacancies in established positions. Because final cumulative data was not available at the time, Finance used the limited data

available from specially created SCO reports to project a statewide total for vacancies and estimated 8,813 excess vacancies for the one-year period ending on June 30, 2001. However, the past year actual data released in January 2002 revealed that 12,259 excess vacancies actually existed for fiscal year 2000–01. Thus, a method to provide an up-to-date yet reliable count of vacancies statewide still does not exist.

RECOMMENDATIONS

To ensure that the State continues to monitor vacant positions and the associated funding, Finance should direct departments to track and annually report the uses of this funding. Additionally, Finance should continue to analyze the departments' vacant positions and uses of funds, recommend to what extent departments should eliminate vacant positions, and either eliminate or redirect the funding for the positions. Further, it should periodically report its findings to the Legislature to ensure that the information is available for informed decision making.

To ensure that budgets represent a true picture of how departments manage their programs, Finance should continue to assess if common uses of funds resulting from vacant positions represent unfunded costs that should be reevaluated and specifically funded.

To ensure that the State's decision makers have an accurate picture of the number of vacancies during the fiscal year, Finance and the SCO, in consultation with the Legislature, should work together on a method to calculate an up-to-date and reliable number of vacant positions statewide.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE
State Auditor

Date: March 12, 2002

Staff: Karen L. McKenna, CPA, Audit Principal
Russ Hayden, CGFM
Susie Lackie, CPA
Karen R. Peterson
Felicity Wood

APPENDIX A

The Methodology Used by the Department of Finance in Its Two Reports on Vacant Positions

After the Legislature expressed concerns about the number of vacant positions in the State, the Department of Finance (Finance) issued reports in May 2000 and January 2001 analyzing the number of vacant positions in departments and the uses of the funding budgeted for these positions. In its first report, Finance identified for analysis 29 departments that had 1,000 or more authorized positions each. These departments accounted for approximately 85 percent of all vacancies during fiscal year 1998–99. Finance collected expenditure and position data for the departments for fiscal years 1989–90 through 1998–99. It identified a 10-year history of the number of authorized positions and vacancies. Using this data, it calculated the number of vacancies in excess of budgeted salary savings. Additionally, it calculated the average budgeted cost for each position. Using the average cost, Finance identified the number of positions and related funding the departments redirected for other authorized purposes.

In its second report, Finance identified for analysis 50 departments with at least 300 authorized positions. Each department completed a worksheet and a questionnaire provided by Finance. From these worksheets, Finance calculated the number of excess vacancies and the associated funding that each department redirected for other purposes. It also calculated for each department the excess vacancies remaining after redirection. Further, it reviewed the questionnaires to ascertain the rationale for any excess vacancies the departments identified. Finance determined whether each department had available positions and funding remaining.

Both reports focused on excess vacancies, which Finance defined as the number of vacant positions a department had in excess of the number of vacancies needed to meet budgeted salary savings. Additionally, it used an average cost of positions to calculate the equivalent number of excess vacant positions needed by departments for other authorized purposes. Thus, the calculation approximates the number of affected positions

and does not identify the actual number of affected positions. Further, Finance primarily used governor's budget information for its May 2000 report. For the January 2001 report, Finance reviewed the budget data provided by departments for the report to determine if it was in line with department data submitted for the governor's budget.

We reviewed data submitted to Finance for its January 2001 report by the five departments we visited and found, in some instances, the departments estimated information. Additionally, we identified errors and inaccuracies in the submitted data. The Employment Development Department, the Department of Industrial Relations, and the Water Resources Control Board submitted some inaccurate data to Finance. We considered the revised data in our analysis. Additionally, the data submitted by the Department of Mental Health and the Department of Transportation contained immaterial errors. However, the estimates, errors, and inaccuracies we noted had little impact on the overall conclusions Finance reached in its reports, and we considered Finance's assumptions and the methodologies it used to be reasonable.

APPENDIX B

Fiscal Year 2000–01 Vacant Position Data for the Five Departments Reviewed

Table B1 on the following page provides information for fiscal year 2000–01 on the total number of authorized positions, filled positions, and vacancies reported by the five departments we visited. In addition, it identifies vacancies budgeted for salary savings, total excess vacancies, and the percent of excess vacancies to authorized positions. Further, Table B1 presents the amount of funds associated with excess vacancies. It is important to recognize that the funds associated with excess vacancies do not represent the funds remaining in a department’s budget because departments use these funds to pay for other costs, as discussed in Chapter 2.

TABLE B1

**Vacant Position Information for Five Departments
Fiscal Year 2000–01**

Department	Total Authorized Positions*	Total Filled Positions†	Total Vacancies†	Vacancies Budgeted for Salary Savings†	Total Excess Vacancies†	Funds Associated With Excess Vacancies (In Thousands)	Percent of Excess Vacancies to Authorized Positions
Employment Development Department	10,180	9,368	812	296	516	\$23,085	5.1%
Department of Industrial Relations	2,844	2,473	371	145	226	11,769	7.9
Department of Mental Health	8,935	7,564	1,371	266	1,105	50,452	12.4
Department of Transportation	24,625	22,753	1,872	1,467	405	19,827	1.6
Water Resources Control Board	1,811	1,521	290	84	206	11,163	11.4

Source: Information provided by departments.

* Based on information provided by the departments, we adjusted the number of authorized positions for data such as the positions associated with federal funds that departments did not receive.

† The numbers shown for total filled positions, total vacancies, vacancies budgeted for salary savings, and total excess vacancies represent equivalent numbers of positions over the entire fiscal year. The actual numbers vary on a day-to-day basis. Thus, at any point in time, the numbers could be higher or lower than the equivalent numbers shown.

Agency's comments provided as text only.

Department of Finance
Office of the Director
State Capitol, Room 1145
Sacramento, CA 95814-4998

February 28, 2002

Ms. Elaine Howle, State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Thank you for the opportunity to respond to the report, "Vacant Positions: Departments Have Circumvented the Abolishment of Vacant Positions, and the State Needs to Continue Its Efforts to Control Vacancies".

I share your concern that departments appear to be processing numerous personnel transactions to preserve vacant positions from abolishment. I concur that these efforts mask the number of vacant positions that would be abolished if these transactions were not processed.

I am pleased that you found our methodology for analyzing vacant positions to be reasonable and our conclusions to be supported by the data. I am also pleased that your determination of the reasons for vacant positions confirms our findings as described below.

I would like to make several comments about the context of the report. On a statewide basis, the savings to be gained by eliminating vacant positions are limited, as my staff has demonstrated in two reports to the Legislature. Although the number of excess vacancies in 2000-01 was 12,259, as you noted, the actual savings from these positions was about \$50 million, or 0.46 percent of the total amount budgeted for authorized salaries and wages statewide. Furthermore, a considerable portion of these savings was already captured in the 2000-01 Budget through the \$20 million of unidentified General Fund savings. For 2001-02 and 2002-03, that amount has been increased to \$40 million.

The primary reason for the apparent discrepancy between the number of vacant positions and actual savings associated with them is that nearly two-thirds of the savings from the vacant positions are spent on the costs of other positions, either for the unbudgeted higher cost of filled positions, or for overtime and contract personnel to do the work of the positions that could not be filled. This is consistent with your findings pursuant to your review of the five departments for this report. In addition, nearly one-fifth of the "savings" reflects funds that the departments never actually received. Thus, when departments engage in transactions to preserve vacant positions, in the majority of cases it is because they need the funding from these positions to pay for other positions. In many other cases, they are preserving positions that will be filled later when delayed funding, such as federal funds, is received.

In addition, as you noted in your report, the hiring process can take longer than six months. Thus, departments also attempt to preserve vacant positions so that they can be filled when the hiring process is completed.

Elaine Howle
February 28, 2002
Page 2

Given the context described above, I am concerned that the problems you identified be remedied in a manner that takes into account both consequences and cost-benefit. My specific concerns are described below.

You recommend that personnel transactions to preserve vacant positions be prohibited. As reflected in your report, I am concerned that the consequence would be the elimination of thousands of positions that it would be in the State's best interest to restore quickly. For example, the State hospitals would likely lose hundreds of positions that would have to be restored immediately in order to safeguard federal certification and the funding necessary to continue services to patients. The State prisons would also lose hundreds of positions necessary to supervise the inmate population. The workload to review, approve, and restore the positions would be extensive, and would have to be completed in a very short timeframe. Thus, any policy to prohibit position-saving personnel transactions should allow for the orderly continuation of State services and ensure that the effort is cost-beneficial.

You recommend that my staff review personnel transactions to ensure that they are not executed for the purpose of preserving positions. Given that there were 67,000 such transactions last year, and 44,000 the year before, such a review, depending how it is structured, could generate a significant workload at a time when important public services are being squeezed because of the State's fiscal condition.

You correctly note that vacant positions are likely to continue because many of their causes have not been addressed, and you recommend continued monitoring and analysis of the associated funds. We agree with your findings, but note that many of the causes are intractable, outside the State's control, or prohibitively expensive to remedy. Moreover, I believe further analysis will continue to show that there are limited savings to be achieved from eliminating vacant positions.

You correctly point out that there is not a reliable means of determining an up-to-date number of vacancies statewide, and you recommend that my staff and the State Controller work together to produce this calculation. Last summer, my staff and legislative staff worked together with the State Controller to produce such a calculation. The results proved to be inaccurate, because the State Controller's system does not provide real-time vacancy information. Before a new calculation can be made, we will continue to work with the Controller's office to assess the system changes needed to support this calculation and the cost of those changes.

I agree that vacant positions are a persistent problem that must be addressed. The Department of Finance has made concerted efforts over the last two years to reduce and eliminate vacant positions. We are continuing to focus on this issue and on its implications for the budget.

Sincerely,

(Signed by: B. Timothy Gage)

B. TIMOTHY GAGE
Director

Agency's comments provided as text only.

State Controller's Office
300 Capitol Mall, Suite 1850
Sacramento, CA 95814

MEMORANDUM

Date: March 1, 2002

TO: Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

FROM: **State Controller's Office**
JOHN R. HARRIGAN (*Signed by: Don Scheppmann for*)
Chief Deputy Controller, Administration

SUBJECT: **VACANT POSITION AUDIT**

On February 27, 2002, our office received an excerpt from a draft copy of an audit on vacant positions in State government. The excerpt deals with the portion of the audit report that addressed the role of the State Controller's Office in the area of position control and managing positions used in State agencies. Comments were requested by February 28, 2002.

Subsequent to receiving the draft from your office, I have had conversation with Karen McKenna of your staff on the draft language. Based on those conversations, the Controller's Office does not have any problems with the excerpt of the draft audit report.

Thank you for the opportunity to meet with your staff to discuss the results of their findings and for the opportunity to comment on the draft report. If you have any questions, please feel free to call me at 445-2639 or e-mail at coajh@attglobal.net.

Blank page inserted for reproduction purposes only.

Agency's comments provided as text only.

Business, Transportation and Housing Agency
980 9th Street, Room 2450
Sacramento, CA 95814-2719

February 28, 2002

Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Attached is the Department of Transportation's (Department) response to your draft report based on the audit you conducted of vacant positions in state government (#2001-110). I am pleased with the progress that the Department has made to improve position control. As mentioned in your draft report and the Department's response, the Department formed an internal project team to address concerns about the management of positions last year. As a result, in the last several months, the Department has made significant changes to the way in which it manages positions.

I appreciate the fact that your report goes beyond the finding of departments circumventing the abolishment of vacant positions by discussing the underlying causes for the departments' actions. Addressing these causes will assist the State in developing a system that works for all interested parties, and will provide a more accurate financial picture of departmental activities and their associated costs.

I appreciate the opportunity to respond to your audit report. If you need additional information, please do not hesitate to contact me, or Michael Tritz, Chief of the Office of Internal Audits within the Business, Transportation and Housing Agency, at (916) 324-7517.

Sincerely,

(Signed by: Al Lee for)

MARIA CONTRERAS-SWEET
Secretary

Attachment

Department of Transportation
Office of the Director
1120 N Street
P.O. Box 942873
Sacramento, CA 94273-0001

February 25, 2002

Maria Contreras-Sweet, Secretary
Business, Transportation and Housing Agency
980 - 9th Street, Suite 2450
Sacramento, CA 95814

Dear Secretary Contreras-Sweet:

I am pleased to provide our response to the Bureau of State Audits (BSA) draft audit report on vacant positions in State Government. The report contained two chapters. The first chapter discussed the flexibility in policies and limited oversight that allow State departments to use "120" transactions to circumvent the abolishment of vacant positions. The second chapter discussed that State departments use funding from excess vacant positions for other authorized purposes.

The audit report draws the same findings and conclusions as identified by the Department of Transportation's (Department) internal project team and reported to the Legislature last year. The sample of transactions that led to the conclusions in this audit report reflects the past practices utilized by the Department prior to the full implementation of position management.

During the last year, the Department has given the highest priority to implement and strengthen its position management controls and processes. The Department has successfully implemented position management that meets Legislative requirements and addresses those concerns raised by the Legislature regarding our past practices.

As discussed in the audit report, the Department had vacant positions because they were in hard-to-recruit classifications, in high-cost-of-living locations, or because of other delays in the hiring process. It is important to note that the abolishment, reestablishment, or internal redirection of staff was done with the intent to eventually fill authorized positions to deliver the Department's projects and programs and not to redirect and use the funding for another purpose.

Maria Contreras-Sweet
February 25, 2002
Page 2

In addition to our past efforts, the following specific actions are currently underway:

- A Position Tracking Automated System (PTAS) has been implemented to replace our outdated manual process of tracking positions.
- Staff from the Divisions of Budgets and Human Resources will conduct training sessions for district budget and personnel representatives to ensure they understand the guidelines and processes surrounding position management and budgets. Training is scheduled for spring 2002.

If you have any questions, or require further information, please contact Gerald A. Long, External Audit Liaison, at (916) 323-7122.

Sincerely,

(Signed by: Jeff Morales)

JEFF MORALES
Director

Blank page inserted for reproduction purposes only.

Agency's comments provided as text only.

Health and Human Services Agency
1600 Ninth Street, Room 460
Sacramento, CA 95814

February 28, 2002

Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall – Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Attached you will find the responses of the Department of Mental Health and the Employment Development Department to your recent draft audit of vacant positions. Also enclosed is a disquette containing the departments' responses, consistent with your request.

Sincerely,

(Signed by: Grantland Johnson)

GRANTLAND JOHNSON

Attachments

Department of Mental Health
1600 9th Street
Sacramento, CA 95814

February 26, 2002

Elaine M. Howle*
State Auditor
Bureau of State Audits
555 Capitol Mall – Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The Department of Mental Health (DMH) is pleased to have the opportunity to respond to the recently completed audit of vacant positions.

Chapter 1 – Flexibility on Policies and Limited Oversight Allow Departments to Use “120” Transactions to Circumvent the Abolishment of Vacant Positions

DMH is responsible for the provision of mental health services to a current population of 4,489 patients in the four state hospitals and the inpatient psychiatric program at the California Medical Facility at Vacaville. All of these facilities are operated pursuant to a facility license granted by the Department of Health Services, Licensing and Certification Division. Because these facilities are licensed and accredited by the Joint Commission on Accreditation of Healthcare Organizations (the Vacaville Program is not accredited), level-of-care staffing standards have been established and are required to be delivered 24 hours per day. DMH’s state hospitals and psychiatric program, as all other state agencies required to provide 24-hour care, have for several years been struggling with the difficulty in recruiting for virtually all level-of-care classifications, which include doctors, nurses, psychiatric social workers, psychologists, rehabilitation therapists, psychiatric technicians and teachers. A review of the 1,105 vacant position equivalents noted in the Bureau of State Audits report on DMH show that 654.5 or 59.0 percent of the vacancies that occurred in Fiscal Year 2000-01 were in the level-of-care classifications and another 244.3 were in other difficult to fill classifications, such as hospital police officers, dietitians and pharmacists or in those classifications with a high turnover rate, such as food service workers and janitors. These three groups make up 81.3 percent of the reported “excess” vacancies.

The Administration, through both the Department of Personnel Administration and the Department of Finance, has officially recognized virtually all of these classifications as being difficult to fill by approving, and in some instances providing additional funding for, recruitment and retention (R&R) pay differentials. These enhancements to the base pay of specific classifications, while assisting state agencies with recruitment problems, do not provide the complete answer. Various departments pay differing amounts and in some locales one agency may have an R&R for a particular class, while another does not. This results in departments often having an unfair advantage in the recruitment for these specialized classifications. In addition, even with these R&Rs, state salaries continue to lag significantly behind not only the private sector, but other governmental agencies as well.

* California State Auditor’s comments appear on page 57.

Because of the difficulty in filling the level-of-care classifications the state hospitals often resort to the use of "120" transactions. Unfortunately there are few other options available to generate the funds necessary to pay for R&R pay differentials, overtime, professional staff from registries and other services that are required because of the continuing recruitment problems in level-of-care classifications.

Since DMH's level-of-care staffing is based on a required standard, losing a position in one year would most likely not result in a permanently abolished position and associated savings. State hospital staffing is reviewed twice annually in conjunction with the development of the annual Governor's Budget and the May Revision to the Governor's Budget. Based on the number of patients, their legal classification and the acuity level, the number of level-of-care positions is determined for both the current and budget years.

Use of 120 transactions eliminates the need to constantly reestablish level-of-care positions required by licensing regulations, as the number of authorized level-of-care positions is based on accepted staffing standards. Use of 120 transactions eliminates a substantial workload for line agencies, as well as the various control agencies. It further allows the state hospitals the ability to continuously recruit and fill positions. Abolishing positions and then reestablishing them would eliminate that flexibility and requires resources be redirected to establishing rather than recruiting for positions.

Chapter 1 – Departments Also Misuse "607" Transactions

In Fiscal Year 1999-00, DMH processed a total of 537, 607 documents which involved nearly 2,900 positions. In Fiscal Year 2000-01 588, 607 documents were processed involving more than 2,900 positions. For the most part, the review of these documents is done by three individuals in the Department's Budget Office. The one 607 document that included a reclassification to a position with a salary range above that authorized by Section 31.00 of the Budget Act should have been submitted to the Department of Finance. However, the error rate involved is very minor. The Department will ensure in the future that any document involving a minimum salary range above the Section 31.00 authorization will be sent for review and approval by the Department of Finance.

The Department of Finance staff responsible for DMH budget has changed very recently. The prior incumbent provided this department with an informal delegation of 607 documents when the reclassification involved the downgrade of a position, regardless of the salary level. DMH was operating under this delegation with regard to the second 607 noted in the audit report.

Departmental staff are not convinced that the statement regarding the use of 607 documents to preserve positions is correct with regard to Napa State Hospital. Because the patient population is constantly adjusted to reflect not only changes in the numbers, but also available resources, we find that many 607 transaction result in the movement of a position from one reporting unit to another. Such movement of positions is necessary to ensure that appropriate staffing ratios are available on each of the patient occupied units and not to "preserve" vacant positions.

Chapter 1 – The Amended Law Has Not Resolved Some of the Underlying Causes of Vacancies

For DMH the amendments to Section 12439 of the Government Code have only heightened the recruitment problems faced by the state hospitals. The hiring process for the state hospitals not only faces the same lags and limitations experienced by other state agencies, but additional burdens, such as requirements for extensive background checks, physical agility and psychological testing and fingerprinting add to the time required to successfully recruit for many state hospital positions.

The Bureau of State Audit reports indicates that DMH had 57 positions abolished and 54 of those were requested to be reestablished. There is a minor technical error in these numbers. Indeed, the Department had 57 positions listed for abolishment. However, this represented only 53.7 fulltime equivalent positions (rounded to 54 for report purposes). The Department was successful in its request to have all 54 fulltime equivalent positions restored. 49.7 of these were level-of-care positions that would have virtually been approved to be reestablished based on the biannual review of the state hospital population and all of them would have been identified as “hard to fill”.

Chapter 2 – Vacant Positions and the Use of Related Funding

DMH feels a strong need to clarify the use of funding from vacant positions to meet other programmatic needs. As Table 5 in the Bureau of State Audit report indicates, the Department used in excess of \$11.0 million to fund “the higher cost of filled positions”. This amount would equate nearly exactly to the amount of unfunded R&Rs that have been absorbed over many years. Prior to Fiscal Year 2000-01, when an R&R for staff psychiatrists was both approved and funded, DMH has been required to absorb the costs associated with providing R&R pay differentials. Without these R&Rs the Department would have lost many more employees to more lucrative salary levels in facilities operated by both the California Department of Corrections and the Department of Developmental Services, both of which have 24-hour facilities located nearby to all of this Department’s facilities.

Overtime usage also continues to be an underfunded problem as DMH must ensure an adequate staffing level is provided in all program units as required by licensing regulations. The difficulties associated with the availability of nursing staff, both registered nurses and psychiatric technicians, has made the use of mandatory overtime and professional registries a must to maintain an appropriate level of staffing in the state hospitals.

Appendix B – Fiscal Year Vacant Position Data for the Five Departments

Table B.1 indicates a total of 1,105 total excess vacancies for DMH in Fiscal Year 2000-01. It should be noted that these “vacancies” reflect fulltime equivalent positions. It is unlikely that many of the Department’s positions remained vacant for an entire year, but rather the recruitment difficulties experienced by the state hospitals allowed for some positions to only be filled for part of the fiscal year. In addition, vacant position equivalents also occur when positions are “held” for employees on leaves of absences to meet family or educational needs, non-industrial disability insurance (NDI) leave or industrial disability leave (IDL). For example, information from Napa State Hospital for Fiscal Year 1999-00 reflects the loss of 4,972 days to IDL. This is the equivalent of nearly 20 vacant positions. When extrapolated to all of the hospitals this results in a significant number of vacancies over a fiscal year.

Elaine Howle
February 26, 2002
Page 4

Please be assured that DMH continues to be concerned about the number of vacant positions throughout the Department, but especially in the state hospitals. This department continues to be proactive in working within the Administration to obtain approval for additional R&Rs, as well as leading efforts in several instances to increase the availability of the recruitment pool primarily for the nursing classifications. To this end programs have been increased at both Napa State Hospital and Atascadero State Hospital to increase the "home grown" availability of registered nurses and psychiatric technicians respectively. In addition, DMH successfully requested a General Fund augmentation to assist in the development of a psychiatric technician training program in conjunction with West Hills Community College in Coalinga. This program is now being expanded as part of the Governor's initiative to address the statewide nursing shortage and create job opportunities in the Central Valley for many healthcare professionals.

Departmental staff are available at your convenience should your audit staff wish to discuss any of the information included in this response.

Sincerely,

(Signed by: Wm. David Dawson)

Wm. David Dawson
Chief Deputy Director

Employment Development Department
P.O. Box 826880
Sacramento, CA 94280-0001

Elaine Howle
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

This letter contains the Employment Development Department's (EDD) response to the Bureau of State Audits (BSA) review of vacant positions within the EDD. Below is the BSA recommendation followed by the EDD's response:

Recommendation: Departments should discontinue their practice of using "120" and "607" transactions to circumvent the abolishment of vacant positions.

The EDD does not dispute the findings in the draft copy of BSA report. Some of the primary reasons the EDD must preserve positions are:

- **Recruitment and Retention** — Many exams take up to six months to complete. Because the EDD conducts 60 or more exams per year, we cannot always begin an exam as soon as it is requested, therefore, extending that time period. Although we attempt to plan exams to meet hiring needs, some exams may be delayed until resources are available to administer those exams. The EDD also has hiring needs in a variety of locations and languages. In some locations and for some languages, eligible lists may become stale soon after they are released, requiring additional testing before hiring needs can be fully met.
- **Federal Funding** — The EDD is primarily federally funded. The EDD does not receive regular augmentations from the General Fund for federal programs. When general salary increases, reclassifications, bonuses, etc., resulting from the bargaining process occur, the EDD must sometimes leave positions vacant in the federally funded programs and use the funding (from those positions) to support the unfunded increases.

- **Workload Driven Funding** — The EDD’s program funding levels are determined by fluctuations in workload which in turn mirror the fluctuations in the economy. Sometimes we must leave positions vacant if workload and funding drop so we do not overspend available budget. However, we must also be able to fill vacancies quickly when the economy declines and workload increases. If we did not have vacant positions immediately available, we would not be able to fill positions to meet workload demands. Some program service delivery would be negatively impacted. The Revise Process stated annually in the Budget Act provides the EDD with the ability to make adjustments based on economic fluctuations and the removal of unfunded positions when necessary.

However, currently with the freeze on state hiring, the EDD is experiencing vacancies in **funded positions**. Again since most of the EDD positions are federally funded, the EDD is pursuing freeze exemptions. To date we have received approval from the Department of Finance (DOF) for some freeze exemptions and intend to continue to pursue freeze exemptions for other positions. The EDD believes that it uses the “120” and “607” transaction process in a prudent and appropriate manner to preserve funded positions as needed to ensure these vacant funded positions are not abolished and full use of federal resources can be accomplished.

The recommendation stated in the report does not provide the EDD with a solution that will allow us to maintain an adequate number of funded positions needed to meet the fluctuating program needs of our customers. However, be assured that the EDD will continue to work closely with DOF through the Budget/Revise process to manage our vacant positions, removing unfunded positions while maintaining the critical balance between budget and service delivery.

If you have any questions regarding this response, please contact Dennis Lloyd, Chief, Audit and Evaluation Division, at 654-6847.

Sincerely,

(Signed by: Michael S. Bernick)

MICHAEL S. BERNICK
Director

Blank page inserted for reproduction purposes only.

COMMENTS

California State Auditor's Comments on the Response From the Department of Mental Health

To provide clarity and perspective, we are commenting on the Department of Mental Health's (Mental Health) response to our audit report. The numbers below correspond to the numbers we placed in the margin of Mental Health's response.

- When Mental Health contended during our fieldwork that it had an informal delegation from the Department of Finance (Finance), we specifically questioned Finance staff about it. Finance staff denied that they instructed departments not to send "607" transactions for its approval when the transaction downgraded a position to a new position that is still above the minimum salary level. Thus, Finance staff stated that the transaction needed its approval.
- Staff at Mental Health-Napa State Hospital confirmed to us that they initiated four "607" transactions, as shown in Table 2 on page 19 of the report, to preserve vacant positions from abolishment. In addition, as we discuss on page 18, the reason for another "607" transaction was questionable because Mental Health performed "120" transactions to rotate employees in and out of the related positions.
- Based on subsequent information provided to us, Mental Health actually had 54 positions abolished at June 30, 2001. We have revised the text accordingly.
- We revised Table B1 in Appendix B to include a footnote to indicate that the number of excess vacancies represents an equivalent number of positions over the entire fiscal year.

Blank page inserted for reproduction purposes only.

Agency's comments provided as text only.

Department of Industrial Relations
Director's Office
455 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102

February 28, 2002

Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall
Sacramento, CA 95814

Dear Ms. Howle:

The Department of Industrial Relations (DIR) has reviewed the excerpt from the draft copy of the Bureau of State Audits (BSA) report on the audit of vacant positions that was provided on February 22, 2002. This letter contains DIR's response to the draft for inclusion in the final report.

Chapter 1 of the report describes departments' use of "120" transactions to preserve vacant positions. As you may know, this issue was raised during the 2001-02 budget enactment process, and DIR acknowledged in legislative budget subcommittee hearings our use of the "120" transaction process to preserve positions.

At that time, DIR had notified the Department of Finance that we had identified 27 classifications that are considered hard to fill, resulting in approximately 280 vacancies statewide during fiscal year 2000/01. DIR submitted justification to the Department of Finance in May, 2001 to obtain the hard to fill designation for some of these classifications. Many of these DIR positions were, and still are, located in high cost cities such as San Francisco, San Jose, and Los Angeles. State salaries, while adequate in areas such as Sacramento and Bakersfield, are not competitive as compared to private sector or even local government jobs available in these and other cities. This is especially true in very low paid classifications like office assistants and legal secretaries and higher salaried, high skilled, very specialized classifications such as industrial relations counsel, safety engineers and industrial hygienists. While these classifications were under Department of Finance review, DIR continued efforts to fill vacant positions, then used the "120" transaction process to preserve these positions. In July of 2001, the Department of Finance staff informed us that Finance would not be designating positions as hard to fill at that time.

In addition, during the period reviewed, DIR was implementing three major new programs: the Electrician Certification program (AB 931), the Garment Manufacturers Inspection program (AB 633), and the Permanent Amusement Ride Inspection program (AB 850). In total, 75 new positions and general fund loans for half year funding were provided for these new programs in fiscal year 2000-2001. It was envisioned that regulations would be in place and that the new fees would fund the programs for the second half of the 2000-2001 year. The regulatory process was

Elaine Howle
Bureau of State Audits
February 28, 2002
Page 2

The regulatory process was not completed in 2000-2001, funding from the loan was not sufficient to enable DIR to fill these positions, so DIR used the "120" transactions to preserve these positions.

DIR does have some positions authorized for programs where the workload has not materialized. Several of the positions, however, were eliminated upon completion of the Department of Finance's vacant position report and through Control Section 31.50 of the Budget Act of 2000. The balance of the positions will likely be abolished by the State Controller through Government Code Section 12439 in July of 2002.

It is important to note that Government Code Section 12439 does not provide a mechanism to preserve positions that become vacant for valid, and somewhat routine reasons that require that DIR as an employer to provide a position for an employee on leave to return to as follows:

- Employees on approved paid and unpaid leave such as disability leave, Family Medical Leave Act leave, California Family Rights Act leave, maternity leave, extended medical leave, military leave, and educational leave.

In each of the above cases, pay does not issue from the position, but the employee will return at some point in time and must be returned to a position. Under authority of Government Code Section 12439, the position could be gone, the employee displaced.

As a final note, the DIR would like to comment on reductions that impact the current vacancy status of the department. Appendix B notes that DIR had 226 excess vacancies in fiscal year 2000/01, with excess vacancies being defined as vacant positions above the standard five percent salary savings level. DIR has eliminated 41.3 positions as a result of Control Section 3.90 of the 2001 Budget Act and has proposed the elimination of 141.7 positions as part of its General Fund reduction plan for FY 2002/03. If the reduction plan is approved, the combination of these two reductions is 183 positions, which virtually eliminates the excess vacancies within the department.

DIR appreciates the opportunity to provide a response to your audit findings. If you have questions, please contact Tina Z. Bass in our Budget Office at (916) 327-0389.

(Signed by: Stephen J. Smith)

Stephen J. Smith
Director
Department of Industrial Relations

Agency's comments provided as text only.

State Water Resources Control Board
Executive Office
1001 I Street
Sacramento, California 95814

TO: Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

FROM: Celeste Cantú (*Signed by: Celeste Cantu*)
Executive Director
EXECUTIVE OFFICE

DATE: February 28, 2002

SUBJECT: SWRCB RESPONSE TO AUDIT OF VACANT POSITIONS IN STATE
GOVERNMENT

Winston H. Hickox, Secretary, California Environmental Protection Agency referred your request to me for comments on excerpts from your draft report dealing with vacant positions in state government. We appreciate the opportunity to provide comments.

Before responding to the specific audit findings I would like to offer the following remarks as an introduction to our response. The SWRCB has been fortunate to receive substantial staff augmentations over the past two years. The Governor and the Legislature recognized the increasing number of critical water quality issues that were unmet and augmented the SWRCB's budget by 400 positions to address these needs. Filling these new positions, which amounted to a nearly one-third increase in our statewide staff resources, has been a daunting task. We took this mandate very seriously and conducted an extensive and aggressive recruitment effort. Further, we implemented many hiring process improvements and innovations to fill the vacancies. I am happy to report that we have been very successful. As a result of our efforts, we filled more than 1,000 positions over this two-year period. This factors in not only the 400 new positions, but also the high rate of attrition we believe we experienced due to a rapidly growing economy and salaries that are not competitive with other private and public entities.

Your audit makes observations regarding transactions we processed to "preserve" our ability to fill these positions. While I understand this point of view, it would have been very unfortunate to lose the opportunity to fill these positions considering how critical they are to enabling us to address the State's most important water quality problems.

Elaine M. Howle, State Auditor

* California State Auditor's comments appear on page 65.

Further, I understand the reluctance of your office to provide us with the full audit report due to reasons of confidentiality. However, it has made it difficult for us to comment on the one recommendation provided, since we cannot view it in the context of the full report. Nonetheless, we have attempted to respond as fully as we can, in this limited environment.

The following is our response to the excerpted audit findings and recommendation:

CHAPTER 1 (Excerpt)

Report Findings:

DEPARTMENTS ALSO MISUSE “607” TRANSACTIONS

“Our analysis of “607” transactions at these same five departments revealed that they are also sometimes being misused, though not nearly as often as “120” transactions. Properly used, a “607” transaction proposes new positions, deletes positions, or reclassifies positions established in the State’s position control system.”

“As Table 2 shows, of the ___ transactions we reviewed involving vacant and new positions, the departments performed ___ (___ percent) to preserve positions from subsequently being abolished, and staff at the departments generally acknowledged this.”

“When using “607” transactions, departments most often reclassified positions to preserve them.”

“The Water Resources Control Board ___ were unable to substantiate the reason they performed another ___ transactions.”

SWRCB Response:

The SWRCB did not misuse the “607” transaction process and did not reclassify positions to preserve them since it is not possible to do so with a “607” transaction. We used “607” documents properly to add new positions, delete positions, reclassify positions or move them from one internal organization to another due to changing program priorities. Further, the report indicates that the SWRCB was unable to substantiate the reason some “607” transactions were performed. We believe we provided adequate explanations for all of the transactions noted.

Report Finding:

THE AMENDED LAW HAS NOT RESOLVED SOME OF THE UNDERLYING CAUSES OF VACANCIES

“Further, departments maintain some vacant positions to absorb other costs not fully funded.”

Elaine M. Howle, State Auditor

“Finance stated that ___ of ___ departments _____ the Water Resources Control Board – requested it to reestablish vacant positions abolished June 30, 2001. However, only ___ was able to successfully demonstrate that its classifications fit the category.”

“Finance acknowledged in its May 2000 report on vacant positions that some departments hold positions vacant to pay for the higher cost of their filled positions, shortfalls in operating expenses, and costs not funded by the State.”

SWRCB Response:

The SWRCB makes every effort to fill all vacant positions and does not intentionally leave any positions vacant to absorb other costs. Please see our response (below) to Chapter 2 of the audit report for more details. Despite intensive recruitment efforts, the SWRCB lost 26.6 positions on July 1, 2001 due to their being continuously vacant for six months. However, the FY 2002-03 Governor’s Budget proposes reestablishment of 19.1 positions. We believe this is in recognition of our critical program needs and our difficulty in filling them despite our aggressive recruitment efforts.

Report Finding and Recommendation:

“Until the underlying causes of vacancies are fully addressed by the State, departments are likely to continue to circumvent the abolishment of vacant positions.”

“Departments should discontinue their practice of using “120” and “607” transactions to circumvent the abolishment of vacant positions.”

SWRCB Response:

We are unable to comment on this recommendation without reviewing it in context with all other recommendations in the audit report. Taken alone, this recommendation does not solve the “underlying causes” of vacancies. It is our view that the primary difficulty in attracting and retaining qualified staff is our inability to offer competitive salaries. Additionally, restrictive rules and regulations create delays in the hiring process. Until these problems can be solved we will continue to face extreme challenges in attempting to fill vacancies in a timely manner.

CHAPTER 2 (Excerpt)

DEPARTMENTS USE FUNDING FROM EXCESS VACANT POSITIONS FOR OTHER AUTHORIZED PURPOSES

Report Finding

“Departments told us they use funding from excess vacant positions to carry out their programs, in part because certain costs have not been fully funded.”

“Table 5 - Funds Spent From Excess Vacant Positions by Department and Type of Cost”

Elaine M. Howle, State Auditor

SWRCB Response:

We dispute the validity of some of the information in Table 5. We realize the amounts included in this table were taken from information collected by DOF; however, the methodology utilized by DOF to develop the amounts noted as the "Higher Cost of Filled Positions" does not reflect actual experience. The DOF form used to collect this information relies upon averages and calculations to "back into" the number reflected as the higher cost of positions. The SWRCB does not divert funds from unfilled positions to pay for the higher cost of positions. As required by DOF, each year in the budget process the SWRCB ensures that sufficient funds are available to pay for all of our authorized positions, less the requirement of salary savings.

It is true that the SWRCB has temporarily used funding from vacant positions to carry out its programs. As indicated by Table 5, the savings generated during the recruitment process to fill our recent augmentations were temporarily used for personal services contracts (students) and additional overtime to address the critical workload for which those new positions were provided. We believe this is a legitimate use of these funds and this has enabled the SWRCB to meet program mandates from the Administration and Legislature while continuing to recruit and fill positions.

Report Finding:

APPENDIX B

Fiscal Year 2000-01 Vacant Position Data for the Five Departments

"Appendix B provides information for fiscal year 2000-01 on the total number of authorized positions, filled positions, and vacancies reported by the five departments we visited... Further, Appendix B presents the amount of funds associated with the excess vacancies."

SWRCB Response:

We believe the information as presented is somewhat misleading. At the end of FY 2000-01, based on actual positions, the SWRCB had 1635 filled positions and 176 vacancies. Table B.1 reflects "position equivalents" not actual positions filled at the end of the fiscal year. As a result, it does not account for hiring successes late in a fiscal year. For example, if 30 vacancies were filled effective June 1, 2001, Table B.1 would reflect only 2.5 "position equivalents". The SWRCB's success in filling vacancies (when discounted for required salary savings) left only 91 actual, unfilled positions at the end of FY 2000-01. Had the current hiring freeze not been put in place, the SWRCB was on pace to fill all of these positions by the beginning of February 2002.

Again, thank you for allowing the SWRCB to respond to the BSA audit report on vacant positions in state government. If you wish to discuss our response, please contact Bill Brown, Chief, Division of Administrative Services at (916) 341-5049.

COMMENTS

California State Auditor's Comments on the Response From the Water Resources Control Board

To provide clarity and perspective, we are commenting on the Water Resources Control Board's response to our audit report. The numbers below correspond to the numbers we placed in the margin of the Water Resources Control Board's response.

- Although the Water Resources Control Board asserts it did not misuse the "607" transaction process, it confirmed to us that it performed one "607" transaction, as shown in Table 2 on page 19 of the report, to preserve a vacant position from abolishment. In addition, as we discuss on page 18, we were unable to substantiate its rationale for performing three transactions to reclassify vacant positions. The transactions raised questions because the Water Resources Control Board reclassified some of the positions again and performed "120" transactions to move employees in and out of the reclassified positions.
- The Water Resources Control Board's concerns are directed at the information provided to us from the Department of Finance, particularly the higher cost of filled positions. However, the Water Resources Control Board reviewed the information contained in Table 5 on page 32 prior to receiving the draft of our audit report. During its review, the Water Resources Control Board expressed concerns about some of the amounts reported. We provided it with the opportunity to modify the information to more accurately report the amounts of funding from vacant positions it believed were used for the higher cost of filled positions. The Water Resources Control Board declined to revise its amounts in Table 5.
- We revised Table B1 in Appendix B to include a footnote to indicate that the number of filled positions and vacancies represents equivalent numbers of positions. The footnote also points out that the actual number of positions varies on a day-to-day basis.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press