



CALIFORNIA STATE AUDITOR

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FACT SHEET

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Report: 2008-103

The California State Auditor released the following report today:

California Unemployment Insurance Appeals Board

Its Weak Policies and Practices Could Undermine Employment Opportunity and Lead to the Misuse of State Resources

BACKGROUND

Created in 1953 to conduct hearings and issue decisions to resolve disputed unemployment and disability determinations and tax-liability assessments made by the Employment Development Department (department), the quasi-judicial agency, the California Unemployment Insurance Appeals Board (appeals board) operates fairly independently. According to statute, the appeals board hires/appoints, directs, and controls its own employees and prepares its own budget, while receiving some business support from the department. Further, a seven-member full-time board or its authorized deputies or agents oversee the appeals board and its staff.

KEY FINDINGS

Our review of the appeals board's hiring, procurement, and administrative practices revealed the following:

- ◆ Managers did not consistently document the basis for their hiring decisions, leaving the appeals board vulnerable to allegations that its hiring decisions are unfair and exclusive. We found several deficiencies in the hiring process for the 27 advertised positions we reviewed such as:
 - No explanation as to why the appeals board selected the candidate in 21 cases.
 - No evidence that reference checks occurred for 19 hires.
 - No documentation that eight hiring interviews took place.
- ◆ Nearly half of the employees who responded to our survey believe that familial relationships or employee favoritism compromised hiring and promotion practices. Further, the appeals board's past practice of hiring board members for civil service jobs could undermine its employees' faith in the civil service selection process. Moreover, new policies related to nepotism and hiring former board members are not fully enforceable because the appeals board did not obtain approval from the State's Office of Administrative Law.
- ◆ Weak controls over travel expenses resulted in questionable uses of state resources.
 - Of the 20 travel expense reimbursements we reviewed, we found that the business purpose of the trip for seven was not sufficiently documented and thus we could not determine if the travel was in the best interest of the State.
 - We noted instances in which the former executive director may have inappropriately claimed and received more than \$2,200 in reimbursements for expenses that appear to be associated with travel between his home and headquarters.
- ◆ The appeals board maintains 35 parking spaces at a cost of approximately \$5,000 per month, yet has no policies or procedures to ensure that these spaces are used only for appropriate purposes.

KEY RECOMMENDATIONS

We made numerous recommendations to the appeals board to ensure its hiring decisions are, and are perceived to be, fair. Some of the steps we recommended include adopting a comprehensive hiring manual and documenting the basis for the appeals board's hiring decisions. We also recommended that the appeals board strengthen its travel manual by requiring supervisors to preapprove travel plans and ensure that all travel is in the State's best interest and in compliance with regulations. Moreover, the appeals board should review travel-related payments made to its former executive director and seek recovery for any travel reimbursements that do not comply with state regulations.

