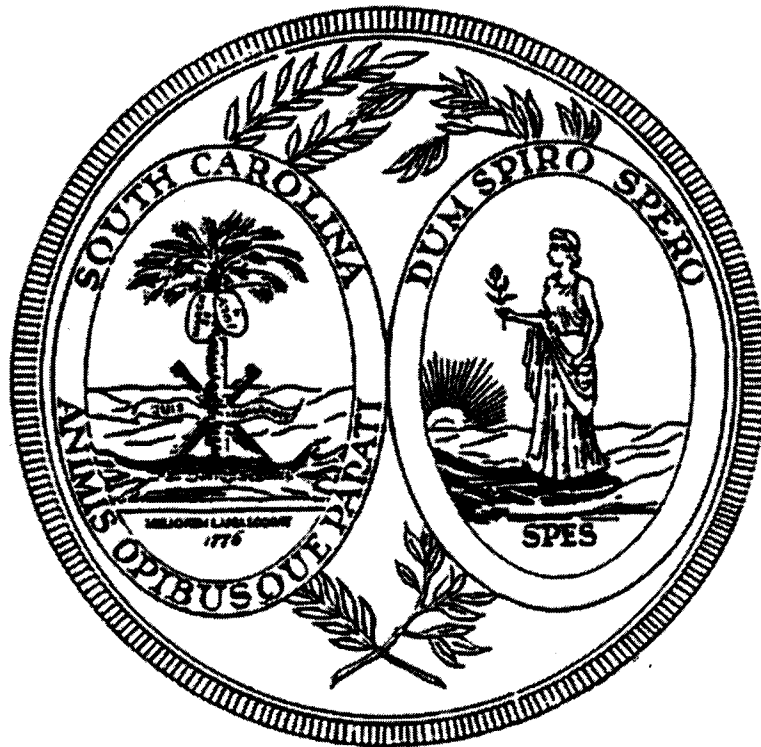


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**USING FOURTH GENERATION MANAGEMENT IN
EVALUATING AND IMPROVING THE
PROCUREMENT PROCESS
AT THE STATE TREASURER'S OFFICE**



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May 7, 2004**

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STATE DOCUMENTS

I began employment on January 2, 2004 with the State Treasurer's Office as the Senior Assistant State Treasurer for Administration. In my new position, it was imperative that I begin reviewing and evaluating current processes of my unit to determine the unit's efficiency and effectiveness in meeting our customers' needs and expectations. The administrative unit currently consists of only four employees including myself. Just a short three years ago, the unit consisted of seven employees that carried out the administrative functions of the agency. Budget reductions over the last three years caused not only a downsizing of our unit but the agency as a whole. The agency at one time employed 72 full time positions, but now only has approximately 56.

The State Treasurer is a constitutional officer elected by the people every four years and is charged with providing statewide banking and financial management services while managing an \$18 billion portfolio. The State Treasurer and his staff are responsible for the receipt and disbursement of funds from all revenue sources; investment of state and other custodial funds; management of state debt issuance and debt service; management of cash flow; and management of the state's banking relations. The State Treasurer's Office also manages the state's Unclaimed Property Program, College Savings Plans, and the Local Government Investment Pool. All of this is accomplished by 56 employees comprising four service units – Accounting Services, Banking Services, Investment Management and Debt Management – and three support units – Public Information/Constituent Services, Data Processing and Administration.

The administrative unit comprised of four employees plays a vital role in supporting the service units and other support units of the agency – our customers and key stakeholders. We are responsible for the agency's fiscal management including budgeting, accounting, and

financial reporting; human resource management; procurement services; and facilities management. By carrying out the administrative functions of the agency both efficiently and effectively, we are able to play a vital role in the accomplishment of the agency's mission which is to serve the citizens of South Carolina by providing the most efficient and effective banking and financial management services for state government. It is our responsibility to ensure that our staff is provided with the resources and tools necessary in a timely manner to accomplish the agency's mission.

As the new Senior Assistant State Treasurer for Administration, my goal was to review, learn and evaluate all systems and processes that were the responsibility of my unit. I knew this would take some time and so began prioritizing the processes I would review. As I have staff to perform most duties of the unit with the exception of budgeting and financial management, I started in those areas. During the first six weeks of serving in my new position, it came to my attention that staff, especially senior managers, had more and more questions and comments concerning the lack of tools and resources they needed to better do their jobs. Unfortunately, the budget reductions over the last several years had put a halt to ordering all but critical items. So, I continued to concentrate on the budget and tried to find ways we could ensure that we were in a position to start providing the much needed resources for our staff. Then, the agency's procurement specialist resigned his position after my being there only seven weeks. Suddenly, it was extremely urgent that I learn the full details of our agency's procurement policies and procedures.

I immediately posted the procurement specialist's position, but knew it would take some time to fill the position and that because of it being an entry level position; I would probably have individuals with no state government procurement experience and possibly no

state government experience at all in the applicant pool. Since I would be assuming responsibilities for all procurement services until the position could be filled and because I would also be the one to train the new procurement specialist, I immediately began my review and evaluation of not only our agency's procurement process but how our process relates to and complies with the South Carolina Consolidated Procurement Code and the Budget and Control Board's Procurement Regulations.

I began my review and evaluation through data collection and analysis. The first thing I did was to look for our agency's procurement policy and procedures manual. I found no manual per se, but did find our agency's procurement policy and some general procedures, which were last updated in 2000. I also found our internal purchase request form on our agency's intranet – called a Tangible Goods Order (Appendix A) form and a Staff Development and Training Request (Appendix B) form. However, I found no detailed instructions or process of how an employee would request the purchase of goods and services. So, my next step was to interview one of my senior staff members who had been to a degree cross trained in the procurement area and on occasion filled in with the ordering of routine items. Her understanding of how procurements were initiated include; 1) for small routine items or service repair calls, employees would send an email or phone call to the procurement specialist without any knowledge or approval of their supervisor, and 2) for larger non-routine items, employees would complete a TGO form and have the Senior of their unit sign off and submit it to the Senior of Administration. Now, I thought it was time to find out what the other Seniors' knowledge and understanding of the appropriate procedure or process to initiate the purchase of goods or services.

I began conducting informal meetings with the other Senior Assistant State Treasurers. Of the other six Seniors, four had been hired for their positions within the last twenty-four to thirty-six months. During the meetings, I learned that several of the Seniors did not recall the TGO form, what it was or when and how to use it, or had little or no reason to use the form since purchases have been mostly routine and therefore, accepted verbally by procurement. Some of these same Seniors were interested in entering into new service contracts with investment brokers and traders, purchasing debt finance software and other more complicated procurements. I also learned that there were varying degrees of confusion when it came to requesting goods or services. Seniors did not know who to go to or what procedure to follow. Further, I learned that some of the newer Seniors did not trust that the Administrative unit was unbiased in determining which units and employees received what goods and services since the Administrative unit is not only responsible for the purchase of goods and services, but also the management of each unit's budget.

I knew I had my work cut out for me. All in all, I learned that the State Treasurer's Office does have a procurement policy and general procedures, but the complete procurement process needs to be reviewed and updated. There seemed to be an inconsistent application of procurement procedures across departmental lines as well as from one procurement to another. This inconsistency has resulted mostly from the turnover of employees serving in the capacity of procurement specialist over the last three to five years in addition to having other administrative staff covering routine purchases in between. I also learned that even though there are general procedures, there needs to be more detailed procedures documented and communicated to essential Administrative staff and Senior management. There seems to be dissention among and between various areas of the agency

when it comes to the procurement process. Through my meetings, discussions and evaluations (i.e. analysis of data collection), I was able to determine that the problem had nothing to do with the people, and everything to do with the process. At this point, I was able to develop a potential solution and implementation plan that would hopefully improve our agency's procurement process.

As part of the implementation plan, I developed action steps to be taken, timeframes for when actions should take place and who was responsible for those steps. The following actions steps were identified: 1) review of the South Carolina Consolidated Procurement Code; 2) review of the Budget and Control Board's Procurement Regulations; 3) review of other state agencies procurement procedures; 4) discussion with Materials Management Office staff concerning procurement of non-routine goods and services; 5) discussion with Deputy State Treasurer concerning buying authority and approval signatures; 6) develop new procurement process; 7) outline/flow chart the new process; 8) design a new internal purchase requisition form forms instructions (Appendix C); 9) prepare written documentation of new procurement process; 10) review of procedures with Deputy State Treasurer for agency approval; 11) review of procedures with Administrative staff; 12) document the process in the form of a policy and procedures manual; 13) obtain approval of the manual by the Materials Management Office; 14) communication of procedures with senior management staff (i.e. key stakeholders); 15) training of senior managers on how to complete forms; and 16) implementation of new procurement process. The attached Gantt chart (Appendix D) illustrates these actions steps with timeframes and responsible persons. The next step of the implementation plan was to identify potential obstacles to overcome,

potential resources, communication methods to stakeholders and integration of new procedures into current process.

The most significant potential obstacle I identified to overcome was resistance to change. I anticipated based on previous interactions with staff members that they felt the current process was adequate and why should they have to take extra steps and do additional work if they didn't have to. Therefore, it will be critical to get staff buy-in through communication of the benefits of having set, consistent, approved procedures. The potential resources needed to perform action steps include: copy of the S.C. Consolidated Procurement Code; copy of B&C Board Procurement Regulations; other state agency procurement manuals/procedures; flow charting software; state procurement professionals; and communication tools. Communication to key stakeholders will also be crucial if the new process is going to work. Communication to key administrative staff assisting with the implementation of new procedures will be through formal and informal meetings, while communication to our customers will be through formal training sessions including a PowerPoint presentation. Part of the presentation to staff will include a flow charting process (Appendix E). I believe the key to integration will be largely dependent upon the success of communication.

Once all the action steps have been implemented, and the new procedures have been communicated and integrated, the last step will be to evaluate the effectiveness of the changes to the process. I will be able to survey the seniors to determine their satisfaction as our customers of the new procedures (Appendix F). I will also have informal and formal meetings with my Administrative staff, especially procurement and payables staff to receive feedback on how they think the new process is working and whether they think there has

been enough communication and training. I set out to promote an all one team environment by improving the agency's procurement process and by communicating the process to our internal customers and key stakeholders. I believe the implementation and evaluation of this plan will demonstrate that the State Treasurer's Office has a documented, accurate, consistent and equitable procurement process.

REFERENCES:

“Everything You Ever Wanted to Know About the State Treasurer’s Office”, Powerpoint Presentation, Paige H. Parsons, CPA

South Carolina Code of Laws, Title 11, Chapter 35, South Carolina Consolidated Procurement Code, 2003

South Carolina State Housing Finance and Development Authority Procurement Manual

South Carolina State Library Procurement Manual

South Carolina State Treasurer’s Office Accountability Report, 2003

South Carolina State Treasurer’s Office Procurement Policy and Procedures, 2000

South Carolina State Treasurer’s Office Strategic Plan, 2003

State Treasury Profiles, National Association of State Treasurers, 1999

Systems Analysis of State Government Accounting and Other Financial Systems, 1995

The Budget and Control Board Procurement Regulations

APPENDIX A:

STATE TREASURER'S OFFICE
PURCHASE/REPAIR REQUEST

Equipment _____ Non-Stock Supplies _____ Repair _____ *

Requestor: _____ Division: _____ Telephone # _____

Item: _____

Purpose/Need: _____

Quantity: _____ Color: _____ Size: _____ Sample Attached: Y / N

Possible Vendor(s): _____ Catalogue Page # _____ Item Number _____

Item To Be Located in Room _____

Required Delivery Date: _____

Approximate Cost: \$ _____

State Contract: Yes or No State Contract Price: \$ _____ (If No, Fill out on reverse side)

Description: _____

***Request For Repair By Service Company _____**

Item: _____ Serial # _____

APPROVAL

Senior Asst. State Treasurer _____ Date _____

Budget Approval _____ Date _____

Deputy State Treasurer (if applicable) _____ Date _____

Comments _____

Revised 8/97

APPENDIX B:

Original Budget Approval? Y or N

TRAINING FORM AND TRAVEL CHECK LIST

Participants Name _____ SS # _____
Participants Job Title _____ Telephone # _____
Division _____
Title of Training Program _____
Sponsored by _____ Attendance Dates _____
Location _____ Mode of Transportation _____
Meeting/Conference \$ _____ Hotel \$ _____ Meals \$ _____ Transportation \$ _____
TOTAL COST: \$ _____ (see checklist on back of page)
Purpose of Meeting/Conference and Benefit to the Office Operations _____

TYPE OF TRAINING:

- () Management/Supervisory () Administrative/Clerical () Investment/Debt
() Accounting/Banking () Data Processing/PC () Other
() Required for CPE Credits * () Career Development

* Total CPE Credits Required _____
CPE Balance (Including Carry Forward) for Calendar Year _____ and Fiscal Year _____

Participant Signature _____ Date _____

APPROVAL

Senior Asst. State Treasurer _____ Date _____

Budget Approval _____ Date _____

Deputy State Treasurer _____ Date _____

Comments _____

STO 07/99

-- OVER --

APPENDIX B: continued

TRAVEL CHECKLIST

Transportation: Determine which method of transportation shall be used - automobile or airlines. Transportation shall be whichever method is most economical.

Auto: Contact Fleet Management at 737-1517 to see if a State vehicle is available for your trip. If a state vehicle is not available, please request them to send a fax to Accounts Payable at 343-0137 stating no State vehicle was available.

Mileage rates are as follows:

State vehicle available \$.275 per mile

State vehicle not available \$.315 per mile.

___ State Vehicle available for trip.

___ Vehicle not available, requested fax to be sent to Accounts Payable at 343-0137.

Air Travel:

___ Contacted State Treasurer's Office travel agent, Travel Unlimited at 798-8122.

___ Reviewed applicable air fare options (i.e. determined if a flight involving a Saturday night stay and additional hotel expense is both economical and practical, scheduled flight 14 days in advance.)

___ Provided travel agency business frequent flyer account number.

Lodging: Lodging shall be reasonable.

___ Used the directory for discount hotels and motels for Government Employees located on the book shelf in Human Resources.

___ Hotel rates are either below or meet federal guidelines located in Human Resources.

___ If hotel exceeds Federal guideline rates, please explain. (i.e. conference location, no other accommodations available, etc.)

Telephone Usage: Limit \$5.00 reimbursement for phone calls.

Important Reminders when Preparing Voucher...

Meals: All meal receipts are to be attached to the voucher in order to receive reimbursement. Reimbursement rates are as follows:

In State (Max \$25/day)

-Breakfast \$ 6.00

-Lunch \$ 7.00

-Dinner \$12.00

Out of State (Max \$32/day)

-Breakfast \$ 7.00

-Lunch \$ 9.00

-Dinner \$16.00

Miscellaneous:

___ Recorded purpose of trip on voucher.

___ Recorded departure and arrival time recorded.

___ Attached all meal and miscellaneous receipts.

___ Reviewed voucher to make sure it is complete.

Reviewed By:

Date:

**SOUTH CAROLINA STATE TREASURER'S OFFICE
INTERNAL PURCHASE REQUISITION**

APPENDIX C:

CERTIFICATION:

Approved: _____

Charge To: _____
 Program Source of Funds Project Year Object Code

Justification: _____

Date: _____
Name: _____
Title: _____
Department: _____
Deadline: _____
Approved: _____

ITEM #	QTY	U/M	COMMODITY CODE	DESCRIPTION	UNIT PRICE	TOTAL
FOR PROCUREMENT USE ONLY						TOTAL

F.E.J.N. VENDOR: _____

- MINORITY VENDOR
- CONTROLLABLE \$
- NON-CONTROLLABLE \$
- SOLE SOURCE PROCUREMENT*
- EMERGENCY PROCUREMENT**

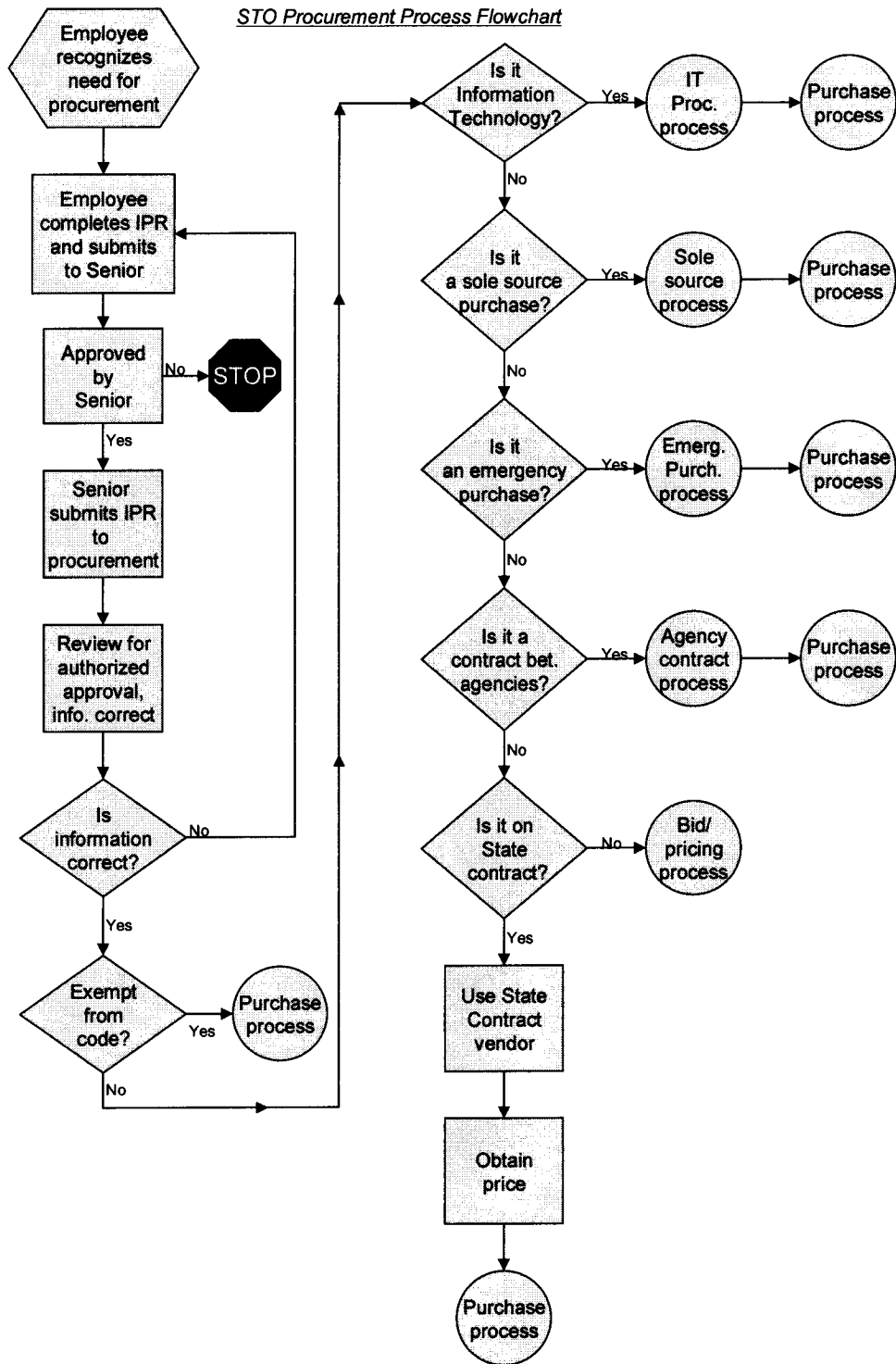
PO/REQ NO.: _____
DATE: _____
CONTRACT NO.: _____

05/04

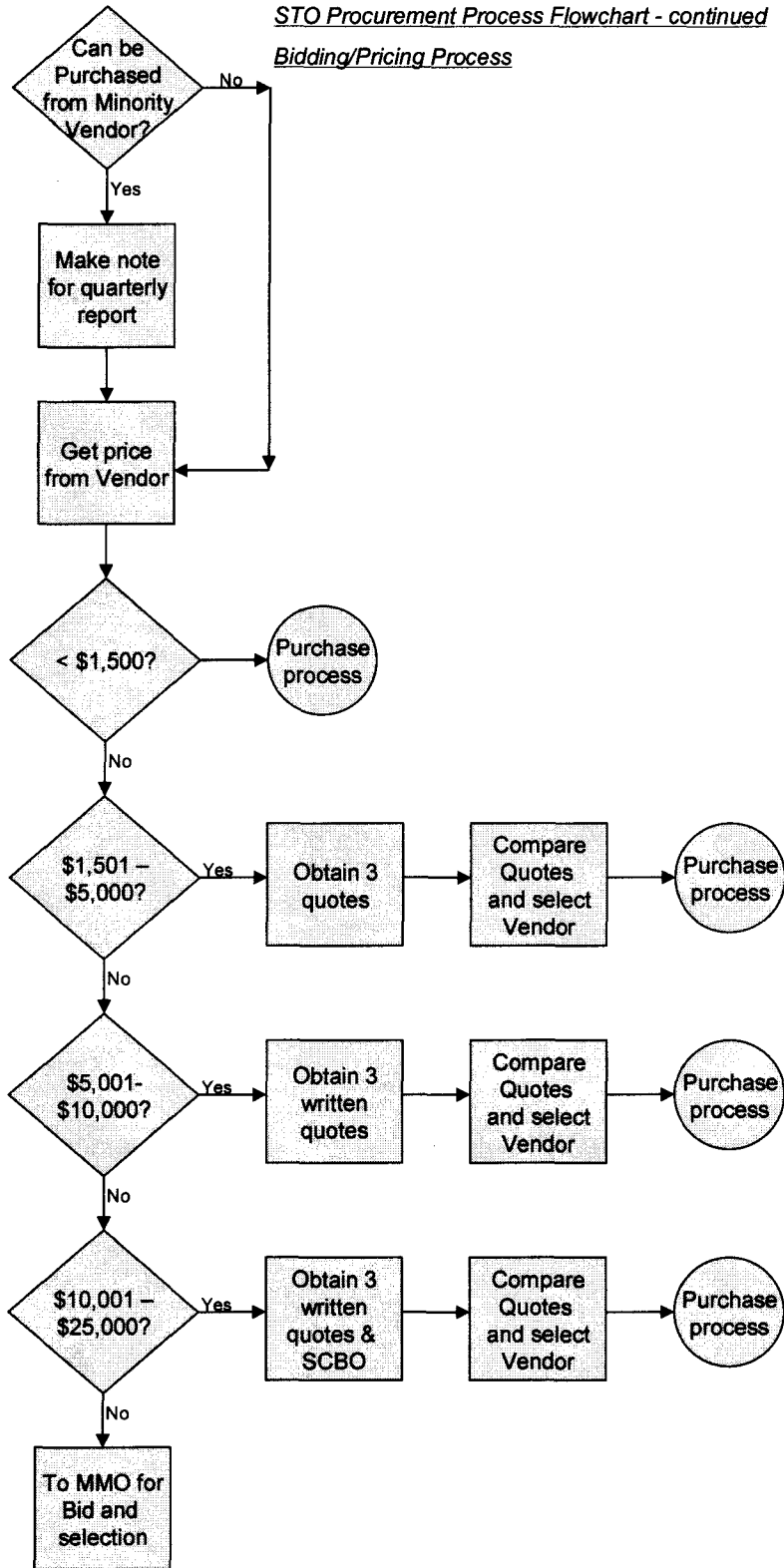
*(Must complete MMO Form # 102) **(Must complete MMO Form # 103)

RESPONSIBILITY	Senior Mgr for Admin	Senior Managers	Admin Staff	MMCO Staff	Deputy State Treas	Week 1		Week 2				Week 3				Week 4				Week 5				Week 6				Week 7													
						Mar / Apr		April				April				April				April				May				May													
						29	30	31	1	2	5	6	7	8	9	12	13	14	15	16	19	20	21	22	23	26	27	28	29	30	3	4	5	6	7	10	11	12	13	14	
TASK		M		T		W		T		F		M		T		W		T		F		M		T		W		T		F		M		T		W		T		F	
Review SC Consolidated Procurement Code	◆		●																																						
Review B&C Bd Procurement Regulations	◆		●	■																																					
Review other agencies procurement procedures	◆		●																																						
Talk with Materials Mgmt staff concerning non-routine procurements	◆			■																																					
Talk with Deputy State Treas concerning signature approvals and buying authority	◆				■																																				
Flow Chart new procurement process	◆																																								
Design forms with written instructions	◆		●																																						
Prepare written documentation of new procurement process	◆			■																																					
Review procedures with Deputy State Treasurer for agency approval	◆				■																																				
Review procedures with Administrative staff	◆		●																																						
Communicate new procurement procedures to Senior Managers	◆	■	●																																						
Train Senior Managers on how to complete forms	◆	■	●																																						
Implementation of new procurement procedures	◆		◆																																						
	◆	= Primary Responsibility																																							
	●	= Secondary/team member																																							
	■	= Need information to/from																																							

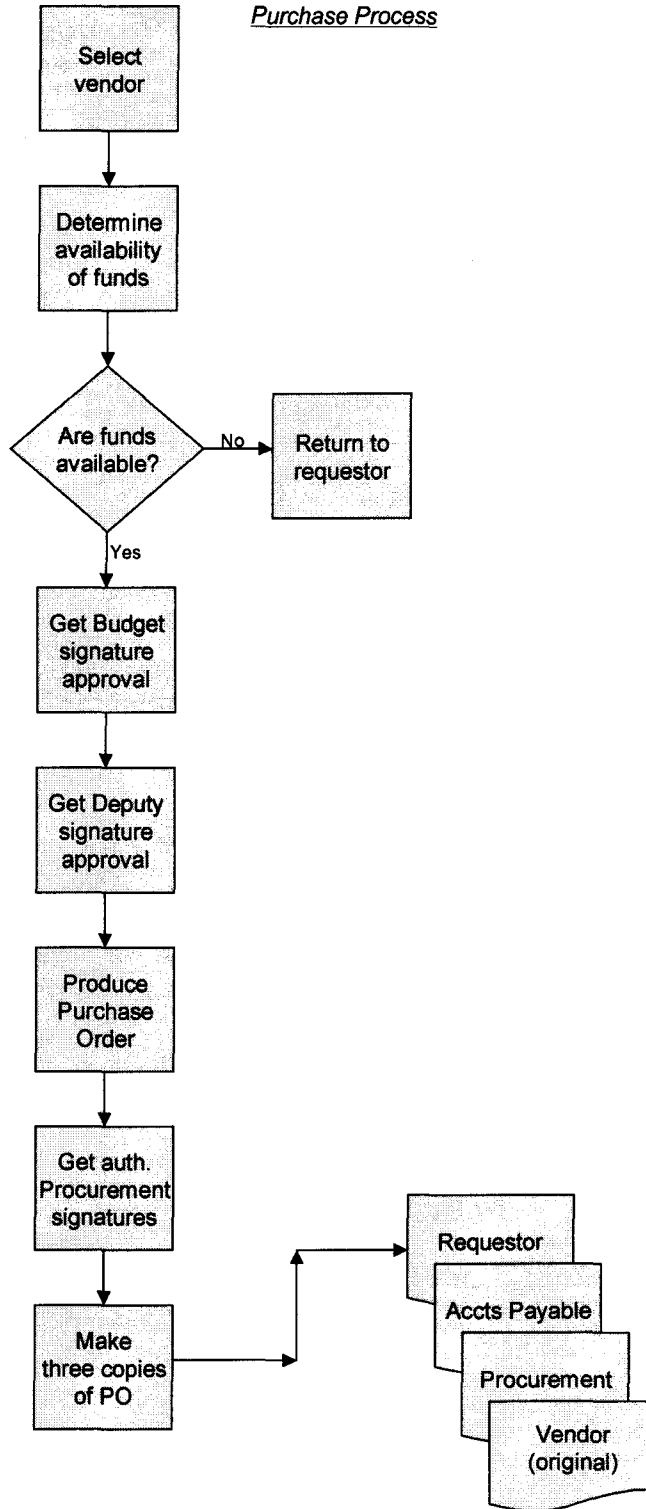
APPENDIX E:



STO Procurement Process Flowchart - continued
Bidding/Pricing Process



STO Procurement Process Flowchart - continued
Purchase Process



APPENDIX F:

Survey of Process Evaluation

- 1) Has the procurement process been communicated to the appropriate staff?
(Answers: Yes = 4; Somewhat = 2; No = 0)

- 2) Has the appropriate staff been trained effectively?
(Answers: Yes = 4; Somewhat = 2; No = 0)

- 3) Are procurement forms and instructions readily available and easily accessible?
(Answers: Yes = 4; Somewhat = 2; No = 0)

- 4) Are you receiving timely responses to your procurement requests?
(Answers: Yes = 4; Somewhat = 2; No = 0)

- 5) Has the new procurement process promoted consistency and fairness?
(Answers: Yes = 4; Somewhat = 2; No = 0)

- 6) Has the procurement process been improved at the State Treasurer's Office?
(Answers: Yes = 4; Somewhat = 2; No = 0)

CPM PROJECT COURSE

Office of Human Resources

I release the materials submitted and final copy of my CPM project paper for reproduction, distribution, publication or other educational purposes by the Office of Human Resources.

Signature:

Name: Karen L. Wicker, CGFO