

South Carolina Budget & Control Board



Annual Accountability Report
2004-2005

Executive Summary

The core purpose of South Carolina Budget and Control Board programs is to help state and local governments across South Carolina maximize their ability to serve the public. This goal is embodied in our vision statement: "We Make Government Better." We achieve this goal by continuously improving the quality of services that we provide while holding down costs. In 2004-05, the Board continued to deliver on this commitment and was recognized for a number of accomplishments.

During the past year the Board:

- Was honored by *Governing Magazine's* "**Grading the States 2005**," which called the Office Of Human Resources "**outstanding**," with a workforce plan that is "one of the best in the country." The state's personnel system was given an A-, making it one of just three states to earn an A grade from the prestigious program.
- Funded and coordinated the most comprehensive study of South Carolina state agency fleet operations ever undertaken. Board staff worked with an independent consultant to identify operating efficiencies and policy changes that could save the state millions



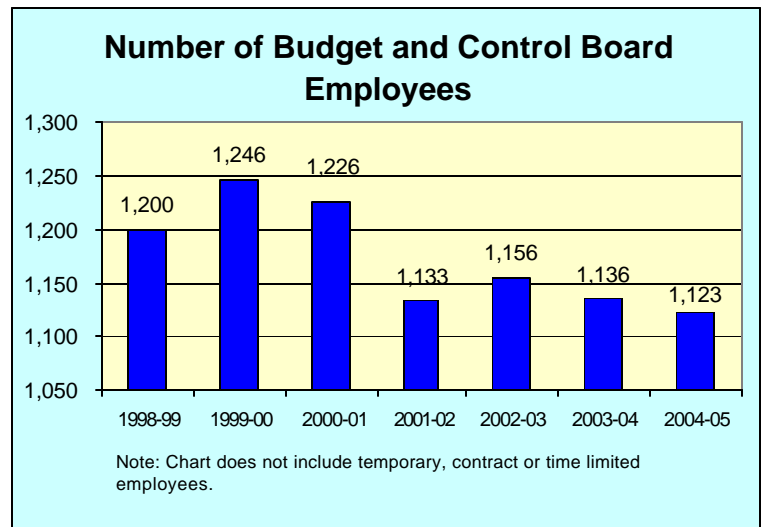
President Bush visited the South Carolina General Assembly April 18, 2005. Board staff went the extra mile to prepare the State House for the occasion.



*The Office of Human Resources was rated "outstanding" by the *Governing Magazine* "Grading the States" project.*

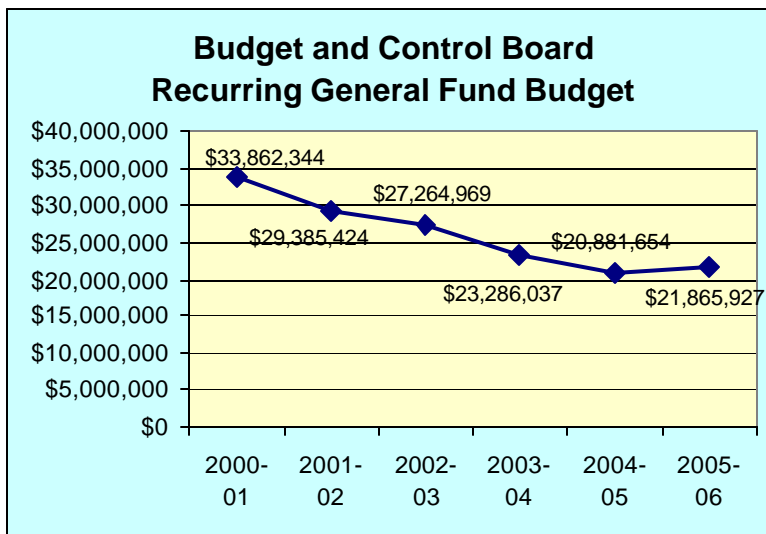
- of dollars.
- Developed the Governor's "Activity Based Budget." The Office of State Budget created a new data base budget system paralleling the current detail budget system. Staff worked with state agencies to break the \$18 billion budget into 1,500 distinct activities which is used by the Governor to develop his Executive Budget.
- Was honored by the **Council of State Governments** with an **Innovations Award** for the creation of the South Carolina Information Sharing and Analysis Center, a multi-agency partnership designed to fight cyber terrorism.
- Worked with counties, public safety officials, and cell phone companies to enable emergency answering centers to be capable of automatically locating wireless 911 callers in about 50 percent of the state. That rate is expected to grow to 75 percent in 2005-2006.
- Renegotiated the rent for Board office space in the Capitol Center building on Main Street, which helped offset budget cuts.

- Created the position of Budget and Control Board Chief Information Officer to coordinate and systematize the agency's internal technology efforts.
- Made special efforts to accommodate the visit of President Bush to the State House in April. Board employees worked nights and weekends to prepare the building and grounds for the first visit by a sitting president since 1989.
- Played a key role in facilitating communication between rescue and law enforcement during the deadly January 2005 train wreck in Graniteville. The Information Technology Council of the Greater



South Columbia Chamber of Commerce honored the CIO for its work during the crisis with a **Palmetto Pillar Award**.

- Launched the PerksCard discount card program, which lets state employees save money at dozens of national and local merchants. The card was distributed free to more than 60,000 workers.
- Implemented the first phase of a web-enabled electronic enrollment system in the Employee Insurance Program. Agency benefits administrators will be able to enroll or change coverage levels for employees electronically during the open enrollment period in



October 2005, eliminating errors and a huge amount of paper forms.

- Received the **Certificate of Excellence in Financial Reporting** from the **Government Finance Officers Association** for the South Carolina Retirement Systems' Comprehensive Annual Financial Report and the Popular Annual Financial Report.
- Was presented with a **Notable State Document Award** from the **State Library** for the Office of Research and Statistics' website, which hosts a tremendous amount of information about the health and demographics of South Carolina.



The Office of Research and Statistics won a Notable State Document Award for its website from the State Library.

Business Overview

Through leadership, policy direction, data collection, analysis and value-added services, the Board improves the efficiency of governments. In most cases, the Board does not provide direct service delivery to the public. Instead, **we make government better** by maximizing the effectiveness of entities that do.

This leadership starts with the five members of the South Carolina Budget and Control Board. Chaired by Governor Mark Sanford, the Board sets broad policy direction under the authority granted to it by the General Assembly. This includes oversight of state finance, purchasing, personnel and real property transactions. The Board, which meets about 10 times annually, also serves as trustees for the South Carolina Retirement Systems. The Board carries out its duties through the Executive Director and various Board programs.



The South Carolina Budget and Control Board, 2004-05. From left to right, Executive Director Frank Fusco; Senate Finance Committee Chairman Hugh K. Leatherman, Sr.; Governor Mark Sanford; Comptroller General Richard Eckstrom; House Ways and Means Committee Chairman Robert W. Harrell, Jr. and State Treasurer Grady L. Patterson, Jr. Representative Dan Cooper was elected House Ways and Means Chairman and joined the Board in June 2005.

Key Customers and Suppliers:

Key customers include the General Assembly, the Governor's Office, Board members, other elected officials, all state agencies, local entities, public schools, and state and local employees. The Board's key suppliers include:

- 32,371 vendors who are registered with the Materials Management Office, and any other business that desires to seek a state contract.
- State agencies, cities, counties and school districts who remit contributions, enroll members and provide verification information to the Retirement Systems and the State Health Plan.
- Computer technology and telecommunication firms who contract with the CIO.
- The federal government which supplies funds for infrastructure development.
- Firms that administer claims and benefits for the State Health Plan and the Insurance Reserve Fund.
- Health care agencies, private businesses and non-profit groups who partner with the Of-

Office of Research and Statistics on collaborative projects.

Major Products and Services:

- More than 407,000 public employees, their families and survivors receive health, dental and life insurance through the Employee Insurance Program.
- The South Carolina Retirement Systems provides benefits to 104,000 retirees and beneficiaries and 225,000 active employees at the state and local levels.
- The General Services Division maintains 82 state buildings, including the State House and the Governor's Mansion. It also operates the state-wide Agency Mail, Central Supply, Fleet and Surplus Property programs and assists agencies in obtaining leased office space at the best possible price.
- The Insurance Reserve Fund insures more than \$19.5 billion in property, 168,000 state and local government employees, 38,000 vehicles, including the state school bus fleet, 19 hospitals, and over 1,600 government-employed physicians and dentists.
- As the central human resources agency for state government, the Office of Human Resources operates consulting, policy development, training, recruitment, grievance and mediation and the state pay system so that South Carolina maintains a diverse, high performance workforce.
- The Division of the State Chief Information Officer provides a wide assortment of telephone, networking, operations, applications development, computer maintenance and IT procurement services.
- The Materials Management Office promotes the highest quality procurement services and life safety services under the auspices of the State Engineer's Office.
- The Office of State Budget is responsible for the development and oversight of the process for preparing the annual state budget. This includes requests for funds, allocations of funds, and the responsible utilization of funds to achieve the needs of state government.
- The Office of Local Government provides grants, loans and technical assistance for water and sewer projects that protect public health and support economic development.

Guiding Principles of the Budget and Control Board

Vision *We Make Government Better*

Mission Statement

The Budget and Control Board provides innovative leadership and a variety of services to government agencies to foster effective government.

Values

Quality Customer Services and Products

We consistently provide outstanding products and excellent customer services, as defined by our customers, and we strive for continuous improvement.

Innovation

We are receptive to and flexible with the changing environment and the evolving world of technology. We welcome challenges, embrace innovation and encourage creativity.

Leadership

We strive to lead government through strategic and visionary approaches that are proactive, fair and ethical.

Professionalism

We perform our work with honesty, integrity, and loyalty. We are committed to performance that is credible, thorough, competent and worthy of customer confidence.

Employee Well-Being

We respect the individual contributions of each employee and endeavor to empower them with the needed resources for teamwork, shared pride and continuous learning.

- Through partnerships and educational programs, the State Energy Office improves public sector energy efficiency.
- The Office of Research and Statistics gathers, analyzes and publishes data vital to the social, health, and economic well-being of South Carolina. The office includes sections focusing on economic research, demographics, mapping, and health data. It also works with other agencies to prevent overlap and duplication of data gathering activities.
- The Executive Institute provides high-quality executive development training to state agency heads, rising leaders from state and local agencies and the private sector.

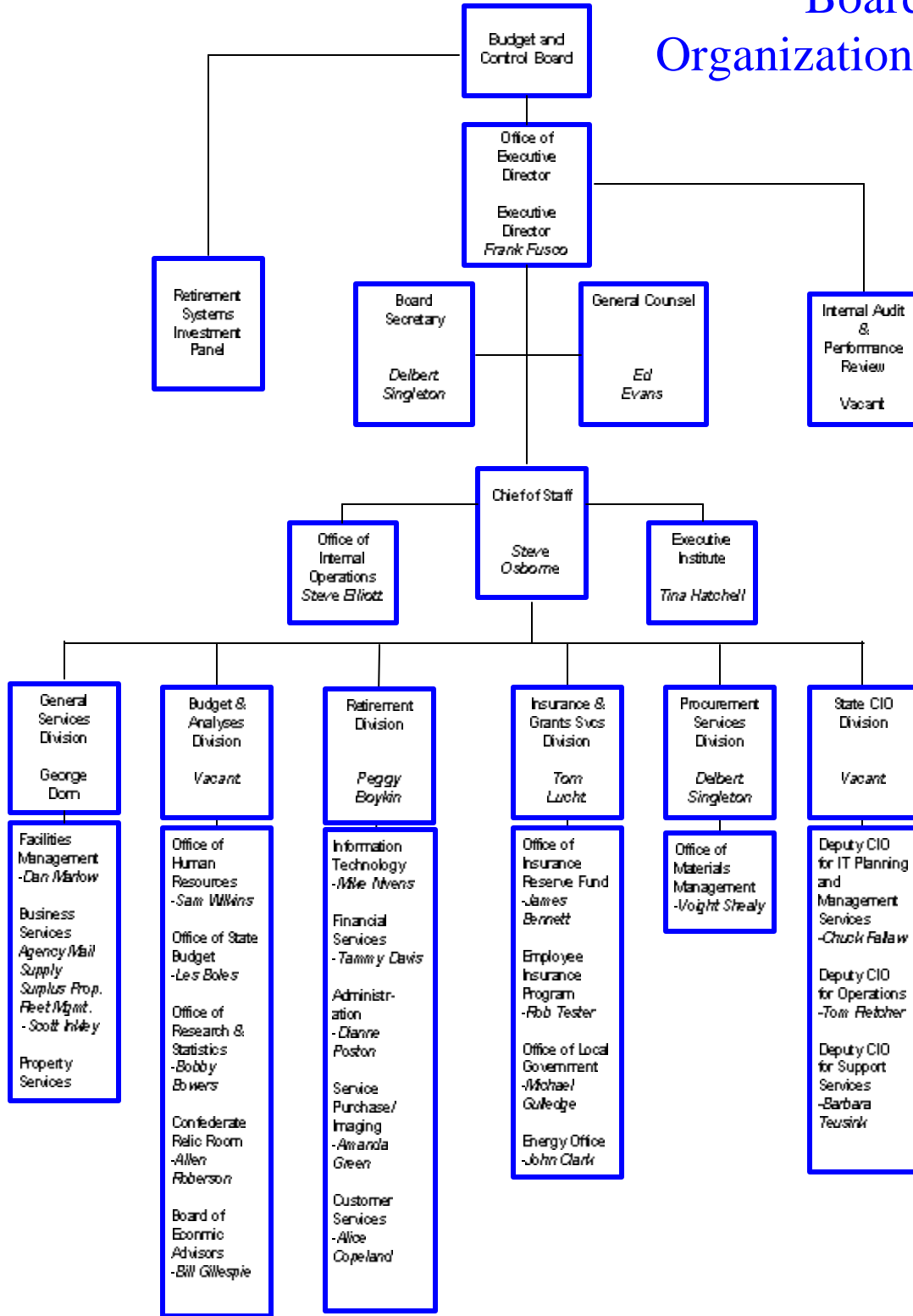
Budget and Control Board Key Challenges for 2005-06 and Beyond

Using the large number of anticipated retirements as an opportunity to train, reward and give opportunities to existing employees.

To continue to reduce the workforce and use technology to maintain or improve the delivery of services.

To continue to find ways to reduce expenditures while improving services.

Budget and Control Board Board Organizational Chart



Note: The State Auditor reports directly to the Budget and Control Board and provides a separate accountability report.

Office	Employees	Location
Executive Office	7	Wade Hampton Building
General Counsel	9	1201 Main Street
General Services	267	1201 Main Street, 921 Main Street, 1022 Senate St., 1441 Boston Ave., 1942 Laurel St., DSS Building, State House
State Budget	22	1201 Main Street
Research and Statistics	50	Dennis Building, 1919 Blanding St., 5 Geology Rd.
Human Resources	34	1201 Main Street., 1401 Senate Street
Economic Advisors	5	Dennis Building
Confederate Relic Room	6	301 Gervais Street
Retirement Systems	176	202 Arbor Lake Drive
Insurance & Grants Services Division	4	1201 Main Street
Employee Insurance Program	76	1201 Main Street
Insurance Reserve Fund	53	1201 Main Street
Local Government	9	1122 Lady Street
Energy Office	17	1201 Main Street
Materials Management	35	1201 Main Street
State CIO	295	4430 Broad River Road, The Citadel 1026 Sumter Street, Wade Hampton Building
Agency Support	7	Wade Hampton Building
Internal Operations	43	1201 Main Street
Executive Institute	4	1201 Main Street
Internal Audit & Performance Review	4	1201 Main Street
TOTAL EMPLOYEES	1,123	(Note: Numbers are headcount of permanent employees only)

Key External Customers	State Agencies	Governor's Office	General Assembly	Local Government/ Schools	Higher Education	State/ Local Employees
General Services	X	X	X	X	X	
Retirement	X	X	X	X	X	X
Human Resources	X	X	X		X	X
CIO	X	X		X	X	
Insurance and Grants	X	X	X	X	X	X
Research and Statistics	X	X	X	X		
Internal Operations		X	X			
Budget Office	X	X	X	X		
Executive Institute	X	X		X	X	X
General Counsel						
Confederate Relic Room				X	X	

Base Budget Expenditures and Appropriations

	2003-04 Actual Expenditures		2004-05 Actual Expenditures		2005-06 Appropriations Act	
<i>Major Budget Categories</i>	<i>Total Funds</i>	<i>General Funds</i>	<i>Total Funds</i>	<i>General Funds</i>	<i>Total Funds</i>	<i>General Funds</i>
Personal Services	\$51,956,452	\$8,761,433	\$53,300,447	\$8,663,963	\$57,469,289	\$9,135,682
Other Operating	\$69,271,701	\$5,165,807	\$88,279,703	\$4,823,577	\$90,086,954	\$6,018,694
Special Items	\$8,149,779	\$2,654,068	\$11,474,859	\$3,100,427	\$9,875,954	\$3,023,151
Permanent Improvements	\$2,089,687	\$0	\$2,623,254	\$0	\$2,200,000	\$0
Debt Services	\$537,406	\$420,000	\$863,173	\$529,785	\$205,644	\$0
Distributions to Subdivisions	\$6,400,163	\$3,199,996	\$3,890,606	\$1,064,090	\$5,526,234	\$1,136,234
Fringe Benefits	\$13,939,714	\$2,267,952	\$14,172,903	\$2,224,500	\$15,971,803	\$2,552,166
Non-recurring	\$13,493,942	\$8,067,487	\$7,993,198	\$7,993,198	\$0	\$0
TOTAL	\$165,838,844	\$30,536,743	\$192,149,434	\$28,973,900	\$181,335,872	\$21,865,927

Note: These figures include pass-through funds designated for other agencies.

Other Expenditures

<i>Source of Funds</i>	<i>2003-04 Actual Expenditures</i>	<i>2004-05 Actual Expenditures</i>
Supplemental Bills	\$1,691,235	\$1,519,265
Capital Reserve Funds	\$176,896	\$0
Bonds	\$998,073	\$253,181

Interim Budget Reductions

<i>2002-03 Interim Reduction</i>	<i>2003-04 Interim Reduction</i>
\$228,660	\$0

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 03-04 Budget Expenditures	FY 04-05 Budget Expenditures	Key Cross Reference for Financial Results *
VIII.B - CIO Operations: Connectivity	To provide network services in the areas of voice, video and data connectivity to state agencies, local governments, K-12 schools and public libraries and to provide local and long distance telephone service, internet service and network connectivity.	State: 8,067,487 Federal: 923,978 Other: 26,056,299 Total: 35,047,764 % of Total Budget: 21%	State: 7,993,198 Federal: 4,975,755 Other: 30,842,995 Total: 43,811,948 % of Total Budget: 23%	Pages 36, 37.
V.B. - Facilities Management	To provide centralized mechanical, maintenance, custodial, energy, environmental, and horticulture services for state owned buildings and grounds.	State: 2,646,611 Federal: 5,188 Other: 25,619,376 Total: 28,271,175 % of Total Budget: 16%	State: 2,390,430 Federal: - Other: 25,303,314 Total: 27,693,744 % of Total Budget: 15%	Page 33.
VIII.B - CIO Operations: Data Processing	To provide data processing services for state agencies to include applications development, security, disaster recovery, help desk, and output management services.	State: Federal: Other: 20,138,727 Total: 20,138,727 % of Total Budget: 12%	State: Federal: Other: 17,726,849 Total: 17,726,849 % of Total Budget: 9%	Page 36.
IX - SC Retirement Systems	To administer a comprehensive program of retirement benefits responsive to the needs of public employees and to perform fiduciary duties as stewards of the contributions and disbursements of the pension trust funds.	State: Federal: Other: 16,245,505 Total: 16,245,505 % of Total Budget: 10%	State: Federal: Other: 16,975,997 Total: 16,975,997 % of Total Budget: 9%	Pages 34,35.
V.E. - State Fleet Management	To provide motor vehicles through short-term motor pool and long-term leases for state agencies' use in performing official business.	State: Federal: Other: 7,936,400 Total: 7,936,400 % of Total Budget: 5%	State: Federal: Other: 14,815,832 Total: 14,815,832 % of Total Budget: 8%	Pages 32,33.
VII.B - Employee Insurance	To provide cost effective insurance benefits to employees and retirees of public sector employers in South Carolina to include health, dental, life, long-term disability, long-term care and flexible spending accounts.	State: Federal: Other: 6,452,718 Total: 6,452,718 % of Total Budget: 4%	State: Federal: Other: 8,343,983 Total: 8,343,983 % of Total Budget: 4%	Page 44.

IV.B. - Office of Research and Statistics	To gather, analyze and publish data vital to the social, health and economic well-being of South Carolina and to work with other agencies to prevent overlap and duplication of data gathering activities.	State: 2,654,093 Federal: 705,467 Other: 2,699,917 Total: 6,059,477 % of Total Budget: 4%	State: 2,562,381 Federal: 536,803 Other: 2,942,495 Total: 6,041,679 % of Total Budget: 3%	Page 43.
VIII.C - CIO IT Planning and Management Services: SCEIS	As part of the SCEIS project, to promote cost efficiencies, enable data sharing and promote interoperability among state agencies.	State: Federal: Other: - Total: - % of Total Budget: 0%	State: 861,946 Federal: Other: 5,054,874 Total: 5,916,820 % of Total Budget: 3%	
IV.D. - Office of Human Resources	To provide central human resources for state government in the areas of consulting, policy development, training, recruitment, grievance, mediation and state pay.	State: 3,026,751 Federal: Other: 1,801,788 Total: 4,828,539 % of Total Budget: 3%	State: 3,089,182 Federal: Other: 2,099,489 Total: 5,188,671 % of Total Budget: 3%	Page 46.
VII.A - Office of Insurance Reserve Fund	To provide property and liability insurance to qualified governmental entities to include the underwriting of policies, reinsurance, rate development and settlement and defense of claims.	State: Federal: Other: 4,472,305 Total: 4,472,305 % of Total Budget: 3%	State: Federal: Other: 4,780,264 Total: 4,780,264 % of Total Budget: 3%	Pages 40, 42
VII.D - Energy Office	To promote energy efficiency and cost savings through financial assistance, energy audits, technical assistance, workshops, training, publications and other activities.	State: Federal: 1,140,744 Other: 3,586,143 Total: 4,726,887 % of Total Budget: 3%	State: Federal: 2,503,424 Other: 1,949,053 Total: 4,452,477 % of Total Budget: 2%	Page 45.
VII.C - Office of Local Government	To provide grants, loans and technical assistance for water and sewer projects that protect public health and support economic development.	State: 4,067,807 Federal: 422,000 Other: 552,039 Total: 5,041,846 % of Total Budget: 3%	State: 1,925,962 Federal: 906,000 Other: 1,583,836 Total: 4,415,798 % of Total Budget: 2%	Page 34.
VI. - Procurement Services	To provide centralized procurement expertise and services to all public procurement officials and provide Building Code and Life Safety reviews and expertise.	State: 2,655,082 Federal: Other: 108,659 Total: 2,763,741 % of Total Budget: 2%	State: 2,310,301 Federal: Other: 534,533 Total: 2,844,834 % of Total Budget: 1%	Pages 38, 39.
IV.D. - State Budget Office	To support the Governor, General Assembly, and the Budget and Control Board in the development and implementation of the annual state budget and other fiscal matters.	State: 2,030,825 Federal: Other: Total: 2,030,825 % of Total Budget: 1%	State: 2,196,252 Federal: Other: Total: 2,196,252 % of Total Budget: 1%	Page 42.

Remainder of funds for programs listed at right:

State:	5,388,087	State:	5,644,248
Federal:		Federal:	
Other:	16,434,848	Other:	21,300,038
Total:	21,822,935	Total:	26,944,286
% of Total Budget:	13%	% of Total Budget:	14%

List any programs not included above:

Executive Director, Internal Operations, Comptroller General/State Treasurer Data Processing Pass Through, Civil Contingent Fund, Base Closure, Brandenburg Coordination Committee, Veteran's Monument, Agency Support, Executive Institute, Confederate Relic Room, Board of Economic Advisors, Internal Audit and Performance Review, General Counsel, Gambling Disorders, Intra-Agency Mail, Surplus Property, Office Supply, Parking, Adoption Assistance, Leasing and Appraisal, IT Planning & Project Management, IT Procurement, Print Shop and Non-bond funded SPIRS projects.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 04-05 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
V.B. - Facilities Management	Return on investment.	Maintained state buildings below public and private sector cost benchmarks.	Pages 31, 33.
VIII.B - CIO Operations: Connectivity and K-12.	Customer satisfaction. Return on investment.	Secured funding for S.C. Enterprise Information System and finished work on implementation blueprint. Expanded K-12 network to include more bandwidth for schools. Systematic training system for all employees.	Pages 36, 37.
VIII.B - CIO Operations: Data processing	Customer satisfaction. Return on investment.	Created new output management system, saving processing and mailing costs for user agencies. Outsourced development of new portal management system. New work order system providing more detailed billing for customers.	Page 36.
IX - SC Retirement Systems	Customer satisfaction. Return on investment. Enhance security and privacy.	Developed new claims and payment systems. Made continuous software upgrades to enhance efficiency. Have removed Social Security numbers from documents to enhance privacy.	Pages 34 35.
VII.B - Employee Insurance	Customer satisfaction. Return on investment.	State Health Plan customer service processes are being reengineered as part of a two-year project. New technology being employed to facilitate electronic enrollment.	Page 44.
IV.B - Research and Statistics	Customer satisfaction. Return on investment.	Assistance to other governments and the non-profit sector is growing.	Page 43.
IV.D Office of Human Resources	Customer satisfaction. Employee well-being. Return on investment.	Took leading role in workforce planning and designing initiatives to recruit for hard-to-fill positions such as nurses.	Page 46.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 04-05 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
VII.C Office of Local Government	Return on investment.	The office continued to operate in an efficient manner. Prudent loan decisions and portfolio management provided by the Revolving Loan Programs resulted in no late payments or defaults for FY 2004-05, or any prior year since inception.	Page 34.
VII.D Energy Office	Return on investment.	The Energy Office continued to promote energy efficiency and cost savings with energy improvements to public facilities projected to provide significant cost savings. This office also promoted the increase in the usage of alternative energy sources in order to replace petroleum with clean burning fuels.	Page 45.
VII.A Office of Insurance Reserve Fund	Return on investment.	Program continues to operate efficiently and to offer rates well below what is available from the private sector.	Pages 40, 41, 42.
VI Procurement Services	Return on investment. Customer satisfaction.	Employees are shifting job duties and being cross-trained to expand the office's capabilities.	Pages 38, 39.
IV.D State Budget Office	Customer satisfaction.	Continued to provide quality customer service.	Page 42.
V.E. State Fleet Management	Return on Investment	Maintained daily motor pool rates below private sector benchmarks.	Page 31.

1.0 Leadership

1. How do senior leaders set, deploy and ensure two-way communication for: a) short and long term direction; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and f) ethical behavior.

1.1.a-f As a group, the division directors and the executive leadership have continued to focus the agency's efforts on three key areas: return-on-investment, employee well-being and customer focus.

The Executive Director and Chief of Staff meet regularly with division directors to discuss and resolve short-term issues. A strategic plan includes the longer-term key objectives of the Board. The strategic plan and key objectives have been presented to all employees through division and office level work sessions. The strategic planning process, described elsewhere in this report, outlines the systematic approach used for setting objectives.

The Executive Director has made personal visits to each office, where he met with senior leaders in those units. The focus has been on developing appropriate measurement instruments to analyze the effectiveness of Board services to the customer. Many of these measures are reported in Section 7 of this document.

The Executive Director also conducts a three-hour introductory training course for all new employees explaining the Board's vision, values and the basic concepts of the Malcolm Baldrige criteria.

The Board has continued to emphasize direct communication, primarily via e-mails sent directly to all employees. A summary of all senior staff meetings is sent to all employees via this system and the Executive Director frequently sends messages to employees about key agency-wide concerns. In addition, the *Across the Board* newsletter includes articles about key agency issues, features on employees who embody the Board's key values and columns by senior leadership discussing important issues facing the agency.

The top four levels of agency management have aligned their performance evaluations to the agency's strategic plans, key objectives and values. The EPMS is critical to the full deployment, alignment and communication as part of the strategic planning process. Our values are incorporated into each division's strategic plans, performance evaluation for managers and the employee recognition program. The expectation of ethical behavior is clearly stated.

Meetings with senior leaders and routine daily communication are used to continually assess progress. The Executive Director and Chief of Staff work with each division head to identify key measures for maintaining service quality. Senior managers continue to learn how to develop action plans that target key areas for improvement.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?

1.2 Senior leaders have determined that customer focus is one of the three key strategic objectives for the agency. Every division and office has enabled customers to provide input through various methods for actionable feedback. This information is used in short-term decision-making and, as the process is improved, in the annual strategic planning process.

3. How do senior leaders maintain fiscal, legal, and regulatory accountability?

1.3 The Internal Audit and Performance Review program regularly conducts audits of key financial and performance measures. It employs both a routine audit schedule of all Board financial matters and also conducts special inquiries as circumstances warrant. It is operationally independent from other Board offices and reports directly to the Executive Director. Performance measure audits are provided to senior managers.

4. What key performance measures are regularly reviewed by your senior leaders?

1.4 Results are compared to expected results derived from the strategic plan. Interim adjustments are made as needed in work processes and training. Specific programmatic measures are maintained and monitored in offices and programs and are reported to senior management periodically.

5. How do senior leaders use organization performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

1.5 Senior leaders perform an assessment of the annual accountability report to develop key opportunities for improvement. Employee feedback was collected in 2001-02 and 2003-03 through an annual satisfaction survey and through the proactive contact with the workforce by the agency ombudsperson. In 2004-05, focus groups were conducted with past Leadership Academy participants in order to get feedback on ways to improve the program. We also conducted focus groups on the new benefits orientation on-line process to get feedback on its effectiveness.

6. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

1.6 As a public entity, the organization looks primarily for cost savings and quality improvement measures for services provided. The major risks assessed and avoided are in the areas of health, building safety and avoidance of legal problems.

All press inquiries, Freedom of Information Act requests and references to the Board in print or broadcast media outlets are logged and tracked.

7. How does senior leadership set and communicate key organizational priorities for improvement?

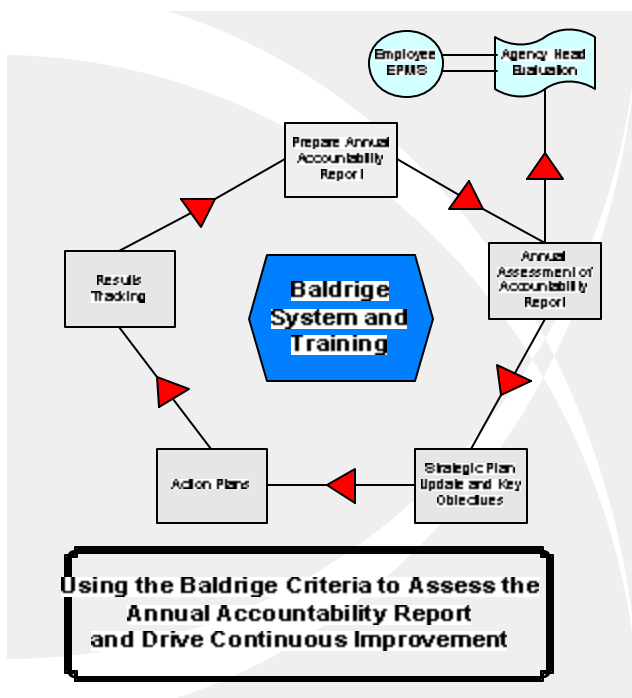
1.7 The annual assessment process generates key priorities for improvement. These pri-

orities are communicated through routine meetings between management and employees. Measures are developed for each key priority and progress is tracked. The results of all meetings held by the senior leadership team are communicated via e-mail. The Executive Director continuously conducts site visits to all Board program areas during which he discusses their operations and the agency's challenges. The Executive Director has also led 100 percent of the three-hour performance improvement training sessions which all new Board employees receive.

8. How does senior leadership actively support and strengthen the community? Include how you identify and determine areas of emphasis?

1.8 These include primarily fund-raising events, volunteerism and community events. Because the Board is a key landowner in the Congaree Vista area of Columbia, the Executive Director serves on the River Alliance, a broad-based community group that is working to develop the Midlands riverfront.

2.0 Strategic Planning



1. What is your strategic planning process, including key participants, and how does it account for: a) customer needs and expectations; b) financial, regulatory, societal and other potential risks; c) human resource capabilities and needs; d) operational capabilities and needs; e) supplier/contractor/partner capabilities and needs.

2.1 The process began in January 2002, with a two-day session for 30 senior Board leaders. During the session, the management team agreed upon the major functions of the Board and reviewed the previous strategic plan. They also conducted an analysis of the strengths and weaknesses of the Board, opportunities for growth and the potential challenges.

From that process, the team selected three key objectives that would serve as the long-term focus of the Board's efforts: customer and stakeholder satisfaction, employee well-being and return on investment.

The Board continues to progress toward a systematic strategic planning process that uses the annual accountability report as a major tool for driving improvement. The chart on the previous page outlines the process.

In November 2004, Board senior staff from all program areas met for a day-long retreat to

discuss accomplishments during the year, opportunities and challenges faced by the organization and the need to prepare a new generation of leaders for the agency. The Executive Director and Chief of Staff also shared their “Expectations for High Performance,” which includes critical success factors such as: anticipating customer needs, accuracy, follow-through, measuring and improving operations.

Board divisions have the responsibility for “local” strategic planning processes for program-specific issues that align with the agency’s plan. For example, the CIO conducts a two-day strategic planning session, attended by CIO senior management staff. In preparation for this event, the CIO conducts an annual assessment of its customers, employees and vendors through a number of face-to-face and third party interviews and discussions with members from each group. During the session, reviews of vendor, customer and employee input into the strategic plan are considered. Problems, challenges and issues are identified and a strategy is developed for each CIO goal.

2. What are your key strategic objectives? (Address in Strategic Planning Chart)

2.2 All Board programs are aligned to focus on the agency’s three key objectives of customer satisfaction, employee well-being and return on investment. Divisions may add objectives as needed to address their particular challenges. For example, both the CIO and the South Carolina Retirement Systems have focused on protecting the privacy and security of data.

3. What are your key action plans/initiatives? (Address in Strategic Planning Chart)

See strategic planning chart on pages 12-13.

4. How do you develop and track action plans that address your strategic objectives? Note: Include how you allocate resources to ensure accomplishment of your action plans.

2.3 The three previously identified strategic objectives remained the focus. Therefore divisions, offices and programs developed their yearly goals and objectives to align with the strategic initiatives. Each division identified several initiatives to improve ROI and customer satisfaction.

5. How do you communicate and deploy your strategic objectives, action plans and performance measures?

2.5 The mission, vision, values, strategic and key objectives were communicated to employees by the employee newsletter, managers’ and staff meetings, new employee orientation and through the EPMS process. Divisions may use other means as appropriate, such as publishing a strategic plan, strategy profiles, action plans, and performance measures.

3.0 Customer Focus

1. How do you determine who your customers are and what are their key requirements?

3.1 Customers for the most part are statutorily determined. State laws and regulations determine who is eligible for state health insurance and participation in the retirement system.

The Consolidated Procurement Code mandates the Board's role in government purchasing while other statutes require Board regulation of state land transactions, construction projects and property leasing. More than 407,000 employees, retirees and dependents receive health insurance coverage through the Employee Insurance Program and another 329,000 active and retired public employees are served by the South Carolina Retirement Systems.

Many customers do business with the Board by choice. More than 32,000 individuals and businesses have registered to seek governmental business through the Board's Materials Management Office. Similarly, many non-state governmental entities insured for property, casualty, or liability losses voluntarily purchase their coverage through the Board's Insurance Reserve Fund. The Agency Mail, Central Supply and Statewide Building Services programs are entirely voluntary for state agencies. While state property must be disposed of through the Surplus Property Program, the system only works if government agencies, non-profit organizations and the public choose to shop there to buy the surplus items. The Health and Demographics Section of Research and Statistics conducts much of its work through voluntary partnerships and grant-funded efforts. The Confederate Relic Room and Museum attracts visitors with high-quality historical displays.

Efforts throughout the Board are being made to determine customer requirements in a variety of ways. The most prevalent methods are through written surveys and personal contacts with the direct recipients of services. Focus groups are being used more often in that they provide more actionable feedback and a greater ability to assess performance and quality of services. Formal processes for evaluating and resolving customer complaints is another method by which the requirements for quality services and products are updated continuously.

2. How do you keep your listening and learning methods current with changing customer and business needs?

3.2 The Board's philosophy is to emphasize direct contact with customers. Employees take formal customer service training, which serves to increase their sensitivity to evolving customer requirements.

Regular customer service training is provided to Board employees on an as-needed basis. The course, designed by Midlands Technical College, is to help Board employees deal effectively with customers in a courteous and professional manner and achieve success in the view of the customer.

3. How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

3.3 Information from customers is used most often to determine whether processes are in place and adequately functioning to meet their expectations. Complaint resolution processes are an example of this and the Board attempts to build customer loyalty by incorporating customer feedback into decisions. Information from customers is used to redesign services and employee training. To be innovative and responsive, the Board's offices make customer

information the prime ingredient of process improvements. Even though staff recognizes that every customer complaint is an opportunity, we attempt to reduce problems by understanding expectations from the outset. Most of our customer information is used in daily operations when situations occur so that staff can provide immediate feedback.

4. How do you measure customer/stakeholder satisfaction?

Customer satisfaction is measured or inferred using post-service questionnaires and feedback cards, holding periodic meetings with customers, personal interviews, focus groups discussions, complaint resolution efforts, and written annual surveys. Virtually all parts of the Board now use several of these methods. In 2004-05, the CIO established a new unit, Stakeholder Relations, as an additional method for understanding the evolving needs of customers. They meet regularly with agency staff to identify current and strategic requirements.

A new quality check form and call-back process was implemented by the South Carolina Retirement Systems. Results showed that 98.8 percent of customers were satisfied with the service they received from the Call Center and 99.4 percent were satisfied with service in the Customer Intake Department.

5. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

3.5 Positive relationships are built by giving a high priority to customer concerns. The executive leadership of the Board emphasizes an open environment wherein communication is nurtured and encouraged. This has been translated into agency-wide efforts to increase customer communications. All forms of communication are used and no subject is restricted from customer comment. Board staffs visit customers regularly and host meetings to share ideas and to solicit comments about our performance. The agency head seeks and encourages other agency heads to let him know of any emerging problems or concerns.

4.0 Information and Analysis

1. How do you decide which operations, processes and systems to measure for tracking financial and operational performance?

4.1 Through the Board's strategic planning process, key business services and primary customers are identified for each of the Board's programs and measures are established accordingly. As a result of the strategic planning work sessions, three key objectives have been selected to drive long-term improvement. This also drives the identification of processes to be targeted for improvement in each program area. Executive management requires all program areas to measure and report on return on investment, customer satisfaction and employee well being.

Performance measures are established for the services that impact the customer the greatest as determined by customer feedback, surveys and focus groups. Decisions about what to measure are influenced by the ability to collect meaningful data on a consistent basis, the availability of industry comparative data and benchmarks, and by the requirements of spe-

cific business industry standards, federal and state laws and statutes, and by regulatory agencies.

Performance measures are designed to reflect various categories including quality assurance, timeliness and accuracy of information, level of effort and cost-effectiveness, and the program successes and benefits to customers.

2. What are your key measures?

4.2 Key measures include customer satisfaction as determined by surveying key users of Board services. Employee well-being is measured primarily through work-force surveys and other instruments. Return on investment is measured primarily by comparing the costs of Board services to comparable products and services in the private sector.

3. How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?

4.3 The Office of Internal Audit and Performance Review audits performance measures reported by the Board's major program areas to determine their accuracy and usefulness. Internal Audit conducted nine audits and provided consulting services for various Board programs in 2004-05. As part of the audit process, standards for a performance measurement control system were developed and provided to each major program area to ensure that a systematic approach to collecting, processing, reviewing, and reporting of measures is used across the agency.

All major program areas have designated employees who are responsible for ensuring that the data collected is accurate. Many programs are subject to external independent audits on an annual basis and several areas use independent third-party actuarial services and consultants such as the Insurance Reserve Fund and the Employee Insurance Program. The IRF is also subject to audit by the South Carolina Department of Insurance. Automated systems designed with internal controls for data accuracy, automated data collection, and routine reporting functions are used in all the major program areas. The Retirement Systems' financial records are subject to an annual audit by an independent external auditor. In addition, an annual actuarial valuation is conducted by an independent external actuarial firm on all four defined benefit retirement plans.

Customer and end-user data entry is encouraged. This allows for data integrity checks at the point of entry such as the General Services Facilities Management work-order system. Throughout the Board, Internet access is available to customers and end-users allowing access to real-time data that encourages immediate feedback from customers. Internal Operations has made financial data available through a database providing pre-established reports and special query capabilities. Board management monitors data through reports, trend analysis, and monthly dashboards. Periodic reconciliation of data with various internal and external data sources are done monthly within the South Carolina Retirement Systems and Internal Operations. In-house professionals and statisticians provide independent analysis of surveys for various program areas within the agency.

4. How do you use data/information analysis to provide effective support for decision-making?

4.4 Changes in measures and immediate customer feedback are used to identify developing trends that need to be addressed by management in the short-term via changes to policies and procedures. For example, management uses cycle time measures to indicate where changes are needed in the product and service delivery processes.

In 2004-05, the Office of Internal Audit and Performance Review conducted an audit of travel expenditures made by various Board programs. The findings of the audit were used by senior management to revise the agency travel policy to include new approval requirements and safeguards to ensure that maximum value is achieved in travel spending.

Internal Audit also conducted an analysis of internal controls and inventory management for the Surplus Property Program. The audit resulted in improvements with the warehouse area layout, enhanced security for theft deterrence, and customer accessibility to property. The calculation process for the selling price of property was automated. Programming changes were made to increase the reliability of the inventory management system. Inventory management and property disposal processes were revised to increase efficiency and improve organization.

In 2004-05, MMO conducted a baseline review of all procurement data. The analysis was designed to find efficiencies in response to customer needs and process improvements. Further analysis is expected to yield additional changes in 2005-06.

The MMO Director is also leading a national effort to help develop a common set of measures that state procurement offices can use to benchmark their performance. This project is being conducted through the National Association of State Procurement Officers.

The Office of Local Government was recognized by the U.S. Office of the Inspector General for its financial monitoring process for existing loans. The OLG process has been used as a benchmark for other states. The office has provided training to other states to explain how the Board's Office of Local Government monitors its loan programs.

Competitive benchmarking and price comparisons may indicate product or service pricing changes for areas such as Interagency Mail Services, telecommunication and information technology. Executive management uses human resource data such as skills gap analysis and workforce dynamics for succession planning and assessing the need for workforce training.

5. How do you select and use comparative data and information?

4.5 The Board seeks to find the best in each business segment, including government and the private sector, with which to benchmark. The Retirement Systems selected Cost Effectiveness Measurement, Inc. to provide an annual benchmarking study of 52 leading pension systems in customer service practices, communication services, and in defining new

service standards. CIO used the Gartner Group methodology to compare the key business operations of the CIO with similar peer groups that provides evaluation for the competitiveness of the CIO's IT business. The Employee Insurance Program selects comparative data from other state health plans to assist in making plan design changes. Where industry data is not attainable, data is compared year to year to identify trends and to assess the need for changes in quality and level of services.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

4.6 The Board's succession planning efforts are designed to ensure that accumulated employee knowledge is transferred to successor employees. Some Board offices are beginning to hire key replacement staff, using non-recurring dollars, to allow for a transition period. The Board has identified a diverse group of employees for training in the ongoing Leadership Academy. Several promotions have already occurred from this group.

5.0 Human Resources

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?

5.1 Each Board division is mandated to conduct in-house reward and recognition programs. Each program holds a special recognition event during Public Service Recognition Week in May. During this time, employees achieving the milestones of 20, 30, and 40 or more years of state service are also recognized. *Across the Board*, the Board's newsletter, regularly features articles on employees and their accomplishments.

Individual Board programs also honor outstanding performance. The Division of the Chief Information Officer sponsored an Awards and Recognition Program that honored 192 employees in 2004-05. Managers honor individuals and teams for customer service, continuous improvement, teamwork and personal development.

The Board continued to accommodate employees who requested to participate in the voluntary furlough program so that they could return to school, care for family members, or attend to other personal needs. A total of 59 employees took 928 furlough days in 2004-05, saving the Board \$108,807.

In 2004-05, we had no grievances filed. Also during the year, 7.5 percent of permanent employees left the Board, of which 2.7 percent retired.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?

5.2 In 2004-05, the Board hired its first Training and Development Director. He is developing a systematic training and development plan in consultation with program managers

from across the agency.

Insuring that our workforce will be able to provide the services needed by our customers and at a high level of customer satisfaction is critical to the success of the Budget and Control Board. In 2004-05, the Budget and Control Board began workforce planning efforts by using a structured approach. Approximately 31 percent of our employees are eligible to retire in the next five years or will leave through the Teacher Employee Retention Incentive (TERI) plan. The Board identified the demographic and organizational information for those employees who are leaving and for those employees who are eligible to retire. The Board's Human Resources section provides this information to the offices and divisions of the Board and assists them in planning strategies to retain the employees with the skills needed to perform, transferring knowledge to the workforce left behind, developing employees to be able to take the place of those leaving, and considering diversity and skill gaps when making hiring decisions.

Board programs have also worked to make their workforces more agile. The South Carolina Retirement Systems has addressed growing workloads by cross training its employees. The Service Department, Financial Services Department and Customer Services Department all have cross-trained staff.

The Board has continued to sponsor the Leadership Academy as a key component of workforce planning. The academy is designed to give employees with outstanding leadership potential a greater understanding of all Board duties so that they are better prepared to provide leadership beyond their immediate program area. The second class of the Leadership Academy graduated in May 2004 and a third class was formed in August 2005.

The Board sponsored its second Benefits Education Month in September 2004. The program featured numerous seminars, including sessions on financial planning and retirement. The education month culminated with a Benefits and Health Fair for our agency employees as well as employees located in Capitol Complex area.

All employees have received a minimum of three hours of Baldrige training. The training was designed to provide an orientation for all employees to understand the mission, vision, values and system for continuous performance improvement. The Executive Director leads the training and continues to conduct the course for all new hires.

3. How does your employee performance management system, including feedback to and from employees, support high performance?

5.3 The Board implemented a universal review date in January 2003. This required evaluations to be completed on all employees at the same time. Senior managers have this information on all employees to use as a barometer to measure the progress of employees and to determine areas that need to be addressed as well as performances that deserve recognition. Senior managers can also develop trends and analysis to help them evaluate their managers.

Breakdown of the performance levels for Board employees: Meets 21.7 percent, Exceeds 65.3 percent, and Substantially Exceeds, 13 percent. Statewide averages were: Meets 48.6, Exceeds 40.6 percent and Substantially Exceeds 10.8 percent.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

5.4 The Board conducted its second Employee Well-Being Survey in June 2003. By using comparable questions, the agency is able to compare changes in employee attitudes and to determine what changes should be employed. The Executive Director has an “open door policy” and some employees have met personally to discuss their concerns. The Executive Director also frequently visits Board offices and program areas where he informally talks with employees. Agency managers are also encouraged to do the same.

In 2004, the Board sponsored several focus groups to determine the quality of internal communication within the agency and preferred methods for receiving news.

5. How do you maintain a safe, secure, and healthy work environment? (Include your workplace preparedness for emergencies and disasters)

5.5 The Board implemented a Board-wide safety initiative involving representation for all of the major program areas to address safety issues and concerns. Board employees participated in CPR/ First Aid training. A total of 125 Board employees had CPR/First Aid training and were certified in FY 2003-04. The number of work related accidents decreased from 34 in 2003-04 to 24 in 2004-05.

The Facilities Management Section brought all fire alarm systems in buildings that it maintains up to current National Fire Protection Association standards, leading to a higher level of security to these buildings.

The General Services Division was honored again this year for achieving an OSHA Recordable Incidence Rate that is at least 50 percent below the state average for companies in the same industry.

The Board has a full-time emergency preparedness coordinator who works to ensure that Board operations are prepared for emergency situations and to continue operations in case of interruption. The General Services Division also has a team assigned to ensure compliance with federal safety regulations.

The CIO has established a Disaster Recovery Program to benefit customer agencies who store large amounts of data on the division’s large systems. This process encourages joint participation between the CIO disaster recovery teams and key disaster recovery personnel within the responsible customer agencies. The Disaster Recovery program addresses production, test and development applications that run on the CIO data processing systems on behalf of its customer agencies. The objective of the program is to restore and make accessible to its end-users critical and vital operating environments and data within 72 hours of a disaster

declaration. The Retirement Systems has a disaster recovery program for payments and is expanding its program to include all other aspects of its operations.

6. What activities are employees involved with that make a positive contribution to the community?

5.6 The Board is active in the community through programs important to employees. The agency participates annually in the United Way campaign, the Annual Good Health Appeal and a variety of Red Cross blood drives that are held at various Board facilities across Columbia.

Numerous Board volunteers play a key role in staffing South Carolina's Emergency Operations Center to coordinate and respond to hurricanes and other natural disasters. These employees work at night and over weekends to protect the public. As mentioned earlier, the Board played a key role in the response to the Graniteville train tragedy.

6.0 Process Management

1. What are your key processes that produce, create or add value for your customers and your organization, and how do they contribute to success?

6.1 Throughout the Board's wide range of services, computer-based management programs are used to track work orders, customer contacts, repair histories, and service requests. Generally, this broad pool of data is coupled with customer focus groups, routine customer satisfaction surveys, and up-front solicitation of customer requirements to determine policy changes, budget requests, employee training needs and the provision of new services.

Key systems for designing and delivering services include:

- The Facilities Management Section uses two comprehensive computerized maintenance management systems to manage the 82 state buildings under its care. The Facilities Center system records all scheduled maintenance needs for each mechanical system in a facility and creates reports so that managers know when routine upkeep is needed. All work orders for building repair and alteration requested by tenants are also recorded. Maintenance workers enter into the system all tasks performed at a facility. This allows Facilities Management to track long term maintenance costs by building and equipment manufacturers. The Facilities Assessment System maintains deferred maintenance costs and anticipated remaining lifespan for all major components of each state building. When combined with the database on actual repair history. Facilities Management can make capital improvement projections and prioritize funding requests and work scheduling.
- The Fleet Management Section uses the South Carolina Equipment Management Information System which tracks all cost data during the life of a vehicle including depreciation, maintenance and fuel. This system is funded by State Fleet Management and made available to agencies for their use free of charge. This gives Fleet Management superior

data to track service and cost history by make, model and type of vehicle, which can govern future purchasing and deployment decisions. Data from this system has also been used to notify vehicle manufacturers of developing service problems.

- The South Carolina Retirement Systems tracks all customer requests for information, benefits estimates and other services on a centralized computer system. This system allows Retirement Systems to measure customer service goals such as completing the research of phoned information requests within three business days. The Electronic Employer Service allows benefits administrators in state and local agencies to access the central Retirement Systems database to conduct benefits estimates and other transactions that otherwise would be performed manually.
- State Building and Property Services acts as a conduit for state agencies and the private leasing market. It maintains a central database of existing state leases for private office and other building space and a list of firms interested in leasing to state agencies. State agencies requesting new space discuss their needs with the office, which issues solicitations and presents the agency with finalists that best meet the requirements.
- The Executive Director uses a systematic approach to track legislative and regulatory changes under consideration by the General Assembly and the executive branch. A designated agency contact monitors developing legislation and informs the affected program area should they be required to provide information or implement new legislation. All information queries by lawmakers to individual Board programs are centrally reported so that consistent, accurate and timely information is provided.
- The Office of State Budget logs all agency fund transfer requests and requests for fiscal impact statements for pending legislation into an Access database. This allows the office to monitor its response time, employee workload and the need for data from other agencies involved in the fiscal impact process.
- The Construction and Planning Unit's project managers monitor the performance of each service provider on a regular basis. Project managers also initiate projects with pre-construction conferences involving customers and service providers and they evaluate the performance of service providers at the end of projects using a process designed by the Office of the State Engineer.

2. How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process design and delivery?

6.2 The Board leadership team has designated three key performance measures for all service delivery programs: customer satisfaction, employee well-being, and return on investment. These three agency performance measures are incorporated into the process management of the various program areas in the following ways:

- 1) Planned periodic and ad hoc customer input and feedback points

- 2) Annual customer satisfaction surveys
- 3) Process documentation
- 4) Employee training designed to ensure consistent delivery of services
- 5) Measures for timeliness, accuracy, quality and cost comparisons
- 6) Routine monitoring by management and employee work teams
- 7) Changes in processes using data from 1 through 6 above.
- 8) Follow-up

The South Carolina Retirement Systems has completed a project to strengthen identity theft controls. All individuals receiving checks from the system were contacted and encouraged to convert to electronic deposit. The total of payees receiving funds via direct deposit grew from 79 percent to 85 percent. The SCRS Imaging Center continues to serve as a model system for organizations in both the public and private sectors. The Retirement Systems has conducted tours of its Imaging Center for seven state retirement systems and 13 South Carolina state agencies. In addition, the Imaging Center has been the focus of visits by five private sector organizations. Retirement Systems' staff has been asked to make presentations by the Department of Archives and History, the South Carolina Public Records Association, and SCITDA.

An audit by the Internal Audit and Performance Review staff led to the automation of billing calculations performed by the Energy Office for data received from the Department of Energy and comparisons of calculated results with actual billing invoices submitted by Chem-Nuclear to detect billing variances at the Barnwell low-level nuclear facility. The application will create a database of waste shipments for managerial decision making. Also, this database provides container shipping information to assist management in developing pricing for the various types of waste disposed at the Barnwell site.

The Employee Insurance Program's web-enabled electronic enrollment project is the first of its kind in state government. Phase one is complete and will allow benefits administrators in agencies across the state to enroll their employees during the October 2005 enrollment period. This state of the art system was developed in-house. The electronic processing of enrollment transactions will eliminate the huge volume of paper forms previously keyed by the EIP staff during the enrollment period.

The Surplus Property Program has begun selling items surrendered at airport security counters. These items, such as small pocket knives and lighters, would otherwise be discarded by the federal Transportation Security Administration. Surplus Property staff collects these materials from airports around the state. Surplus Property is also using new channels to sell items. The program has sold goods totaling more than \$58,000 on eBay and has received 100 percent positive feedback from eBay customers through more than 300 transactions.

Agency Mail has worked to expand its customer base in the face of changing technology. State agencies are sending less mail and using electronic messages more. To offset this loss of mail volume, Agency Mail has won new business from the Clemson Agricultural

programs and local branch libraries.

3. How does your day-to-day operation of these processes ensure meeting key performance criteria?

6.3 Board programs are constantly seeking new approaches for streamlining back-office functions.

Board senior management is provided with detailed financial and personnel information for all agency programs to aid in timely decision making. This information is collected into a single “Executive Management Reports” series that is updated monthly—or more often if required—electronically. Access is granted to management personnel via a password system on a shared network drive. Some previous presentations of data did not sufficiently highlight matters of interest to management. The new system includes new reports with a sharper focus.

The Statistical Data Warehouse developed by the Health and Demographics Section of the Office of Research and Statistics and the Web Based Client Information System has been nationally recognized as a benchmark to other states. ORS has presented reports on this project at numerous national conferences -- many of which have been federally sponsored. In addition, ORS has provided technical assistance with a number of states who are interested in developing such a resource for their individual state and has been cited as a best practice by a number of national organizations through their publications.

4. What are your key support processes, and how do you improve and update these processes to achieve better performance?

6.4 The Office of Internal Operations provides support services to all program areas of the Board, including procurement, accounting, personnel, payroll, budgeting and courier services. The Office of Internal Audit and Performance Review supports and monitors individual program performance and common functions that serve all Board entities.

We use technology to improve processes and have an agency-wide technology improvement project underway. Information support systems are crucial to delivery of employee benefits, telecommunications, data processing, and human resources. While program specific main-frame and applications systems are supported by their own teams, a common approach to ensure timely, accurate services is employed by these information systems teams. End-user meetings are conducted on a regular basis to assess needs and address changing requirements of the end-users, legislative changes, and those of the customers as well.

5. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

6.5 Board programs work collaboratively with suppliers and partners to ensure that Board customers receive the best possible service at the best price. Vendor services are regulated by state procurement law that provides guidelines for procuring products and services. Communication with vendors is regulated by the Procurement Code and requires that the agency

specify requirements for product and service quality, time frame for delivery, and service period.

Contracted vendor services provide claims processing for the employee health benefit services. Continuous monitoring and management of vendor performance is critical to assure customer requirements are met. The Employee Insurance Program communicates with the vendors through regular and ad hoc meetings and evaluates the services provided to customers based on contract specifications and pre-established standards, enforcement of compliance through performance guarantees, and follow-up to customer complaints and comments. Insurance benefits contracts contain requirements that customer satisfaction be measured.

The Employee Insurance Program has implemented a comprehensive process improvement program to enhance customer service. Customer service teams have been trained in how to function as a unit and have been empowered to make operational changes in response to customer needs. Process measurements, including seconds required to answer a call, e-mail volume and number of visitors, are reviewed on a daily basis. An integrated phone system has been implemented that allows for the efficient direction of calls and for voice mail customer surveying. Web-accessible forms are now provided.

The Retirement Systems' Customer Services Field Education Unit holds training sessions for all benefits administrators to explain SCRS procedures and policy changes. It also offers one-on-one training for new benefits administrators and makes mandatory site visits to all entities that join the Retirement Systems.

The Commercial Vendor Repair Program requires State Fleet Management to be particularly active in partnering with both customers and suppliers. The CVRP uses 400 regular vendors and an additional 200 specialty vendors for services such as towing, transmission and radiator repair. The program provides maintenance for 9,355 vehicles belonging to 39 government agencies. Before arriving at a CVRP shop for repairs, the drivers call one of State Fleet Management's master mechanics toll-free. The mechanic is able to discuss the problem with the driver and calls up the vehicle repair history. The mechanic then discusses with the CVRP repair shop the repairs they plan to undertake. This system avoids unnecessary repairs and also allows the agency to be reimbursed for work on parts that may still be under warranty after having been repaired at a facility elsewhere in the state.

The CIO uses a Help Desk to handle customer problems, information, service level agreements, automated escalations and other state-of-the-art IT management. Using this system, trouble ticketing and requests for service will be systemized to ensure a more efficient work flow.

State Building and Property Services acts as a conduit for state agencies and the private leasing market. It maintains a central database of existing state leases for private office and other building space and a list of firms interested in leasing to state agencies. A computerized data-

base tracks when existing leases are set to expire so that renewal negotiations can begin. State agencies requesting new space discuss their needs with the office, which issues solicitations and presents the agency with finalists that best meet the requirements.

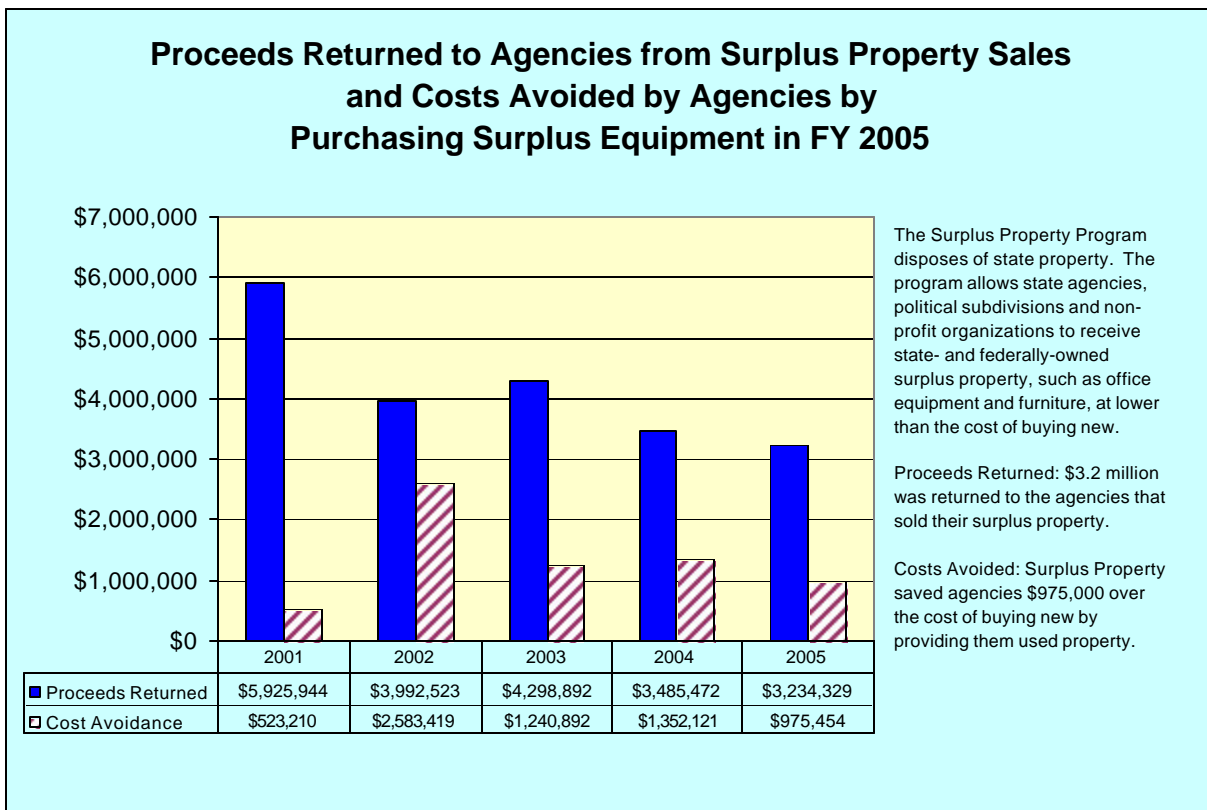
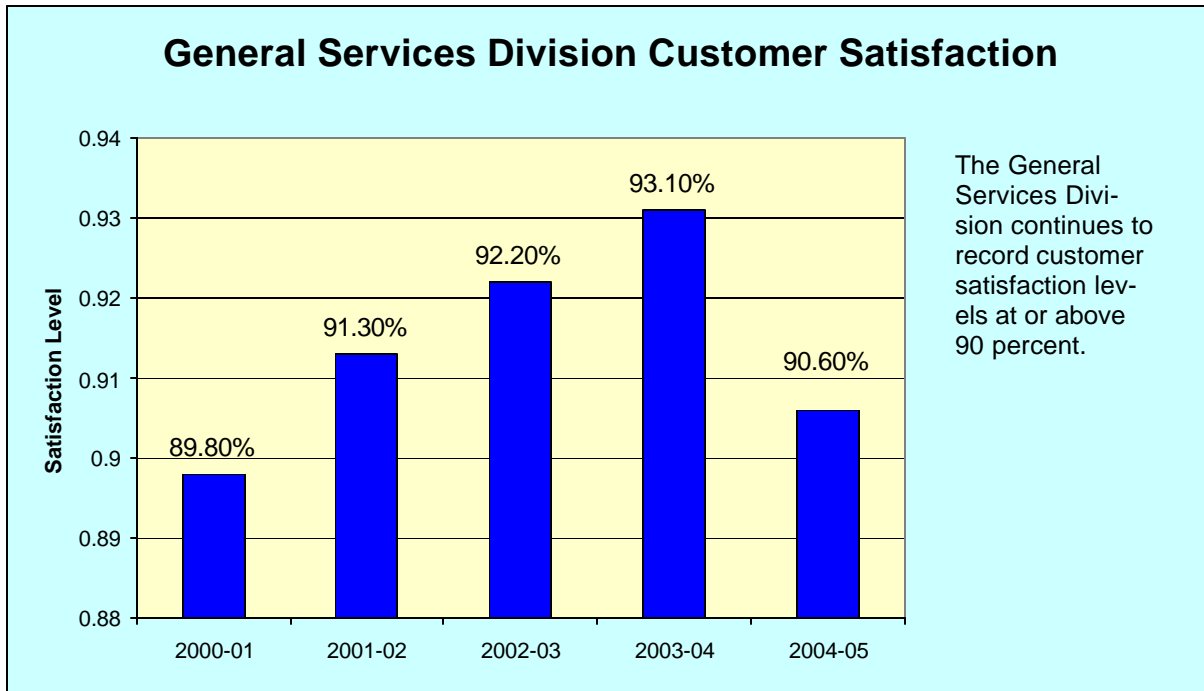
The Office of Human Resources has assigned a consultant for each state agency who provides advice and guidance on human resources issues and OHR procedures. OHR also has a Human Resources Advisory Committee made up of agency representatives who advise the office of customer needs and help disseminate information across state government.

The South Carolina Energy Office has the Energy Advisory Committee, made up of representatives from utilities, business, individual consumer interests and environmental groups, who provide guidance on how the Energy Office can best serve the citizens of the state. The committee reviewed and approved the Energy Office's 2005-06 strategic plan.

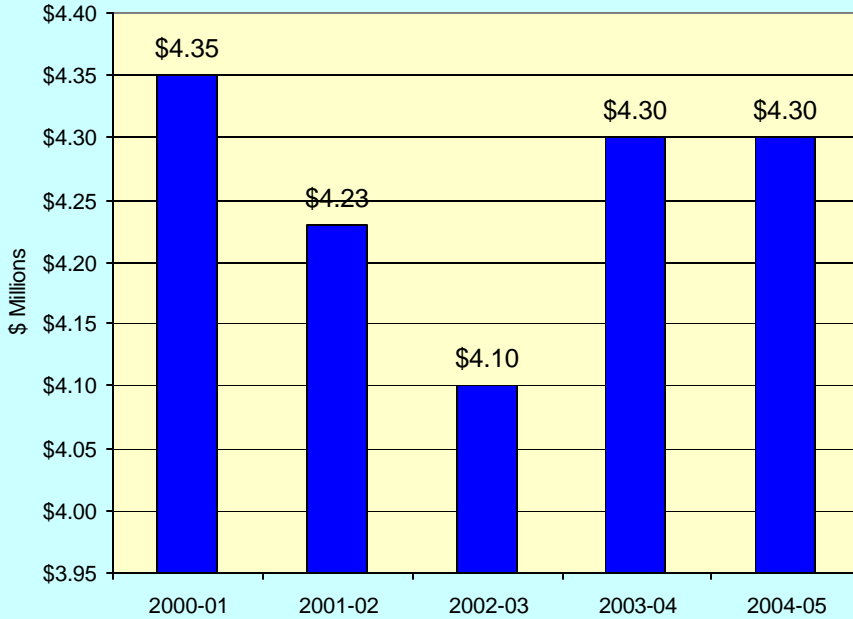
The Geodetic Survey Section has forged very close partnerships with counties in an effort to move South Carolina local governments from paper to digital mapping for land ownership and taxation purposes. Because many counties lack trained staff for digital mapping, Geodetic Survey provides startup grants for digital mapping and writes specifications for digital mapping requests for proposals. Mapping contractors send their data directly to the section which conducts rigorous quality controls on the product before sending it to the county. Geodetic Survey then conducts on-site training for county personnel on how to use the new digital maps.

7.0 Business Results

7.1 Performance levels and trends for the key measures of customer satisfaction.



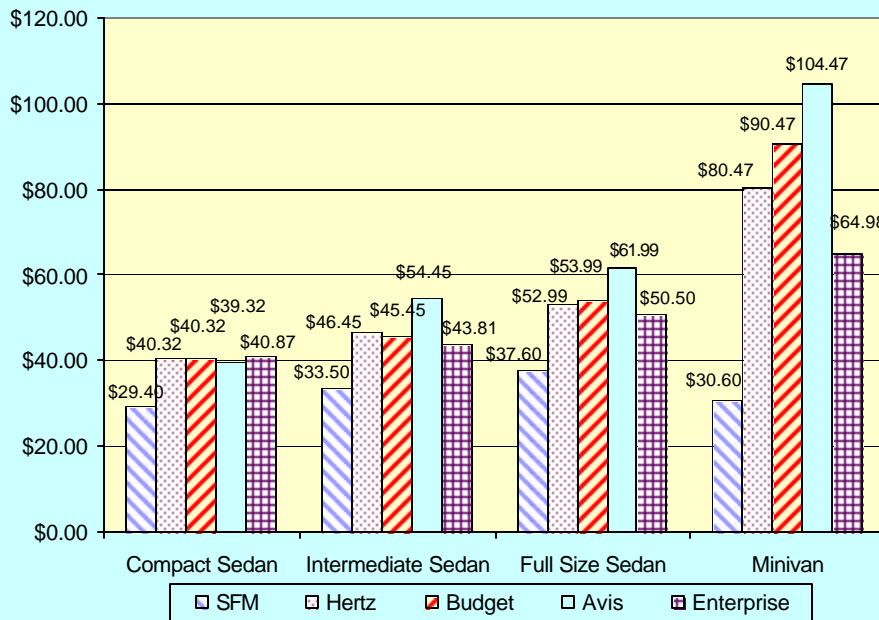
Money Saved for State Agencies by Using the Board's Mail Service Instead of US Postal Service



With rates well below the U.S. Postal Service, Agency Mail saves millions of dollars annually for state and local agencies. The increased cost of gasoline has caused Agency Mail to raise its First Class rate from \$.90 per pound to \$1.10 per pound.

U.S. Postal Service Official First Class rate: \$3.82 per pound.

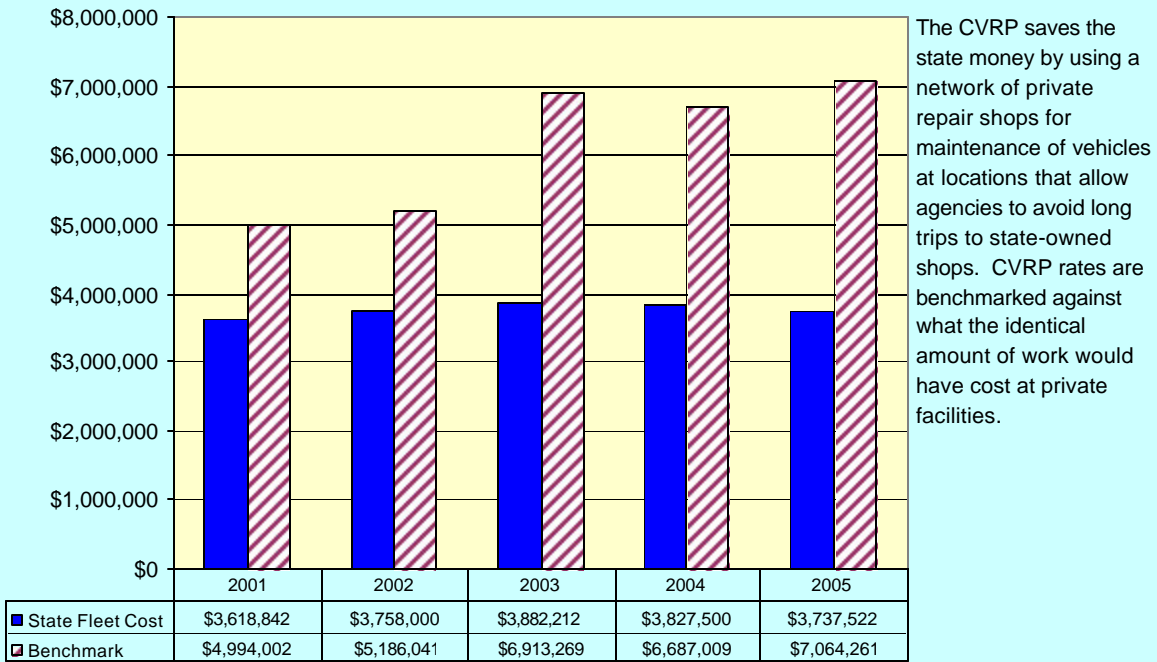
State Fleet Daily Motor Pool Rates Compared to Private Sector Rates in FY 2005 (Based on the Average Motor Pool Trip Mileage)



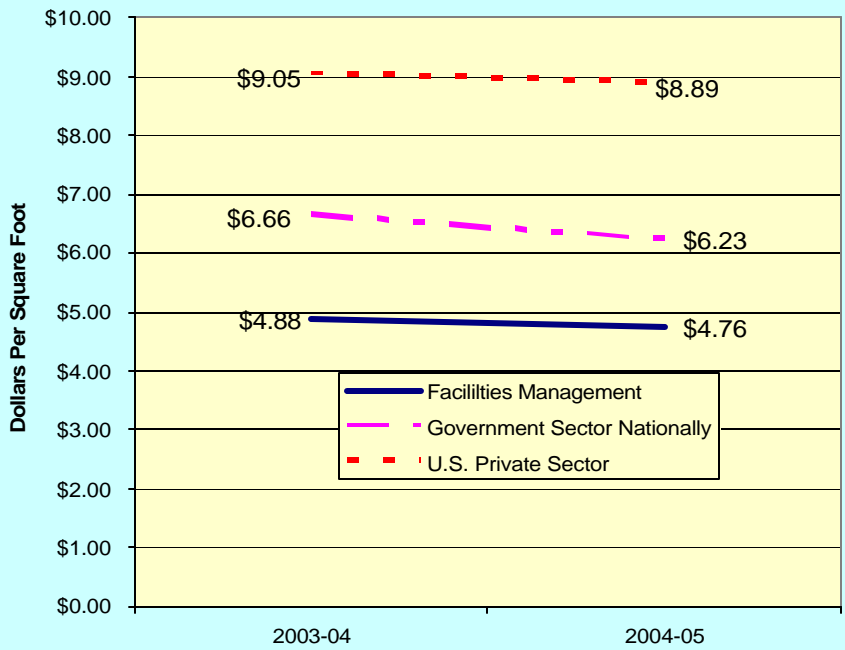
State Fleet Management benchmarks their daily motor pool rates against the private sector's special fleet rates for daily rentals.

Commercial rates are adjusted to include taxes and fuel, but not insurance.

Commercial Vendor Repair Program (CVRP) Costs Compared to National Fleet Account Benchmark for FY 2005



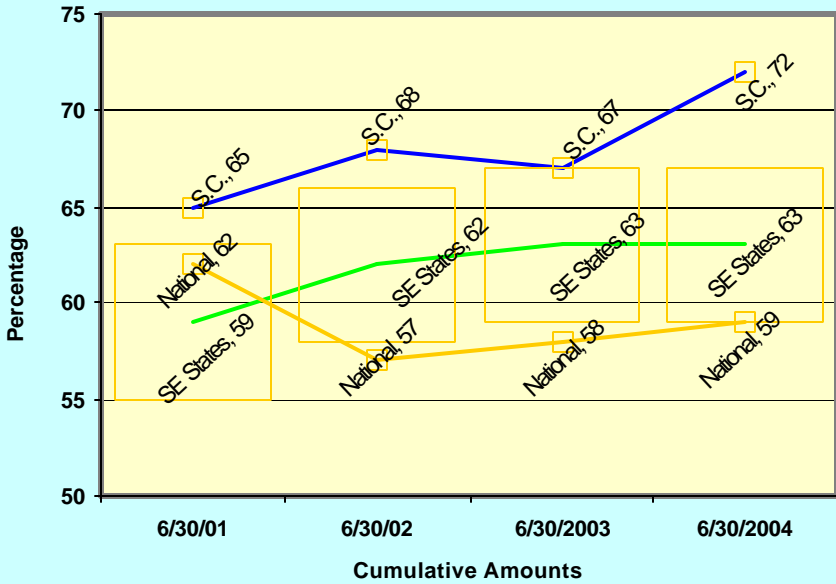
Facilities Management Section Cost to Maintain State Buildings in 2004-05



Using data from the Building Owners and Managers Association, the Facilities Management Section compares its costs to maintain state buildings to the public and private sector. FM costs are about 75 percent of the cost for all government buildings in the United States. This data includes maintenance, custodial, utilities and administration.

Note: Private and government benchmark figures are adjusted downward to account for the lower cost of living in Columbia.

Completed Projects as Percent of Total Cumulative Funds Available in SRF

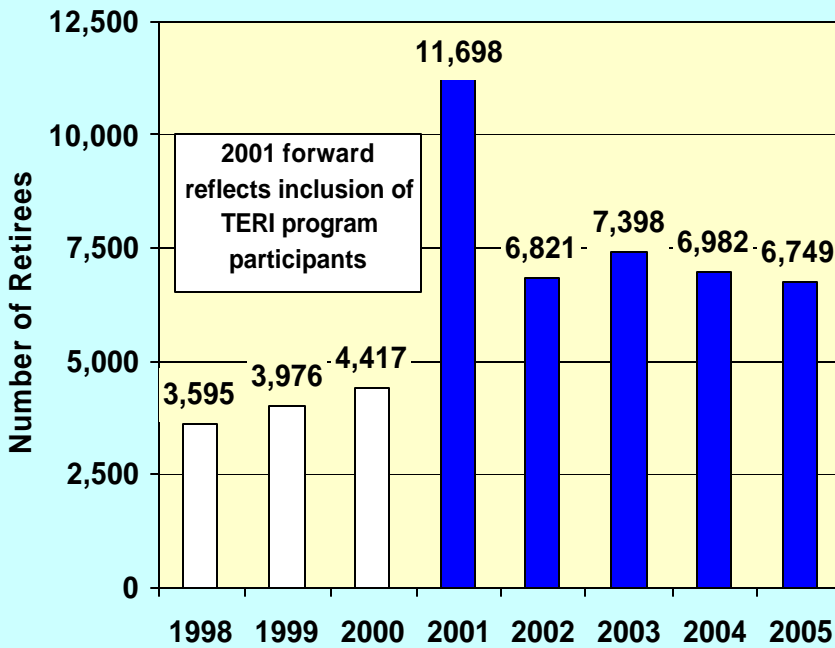


South Carolina converts its loan funds into facilities that meet environmental, public health and economic development needs at a much higher pace than other states, both nationally and in the southeast.

↑=Good



Comparison of Service Retirement Claims Processed by South Carolina Retirement Systems



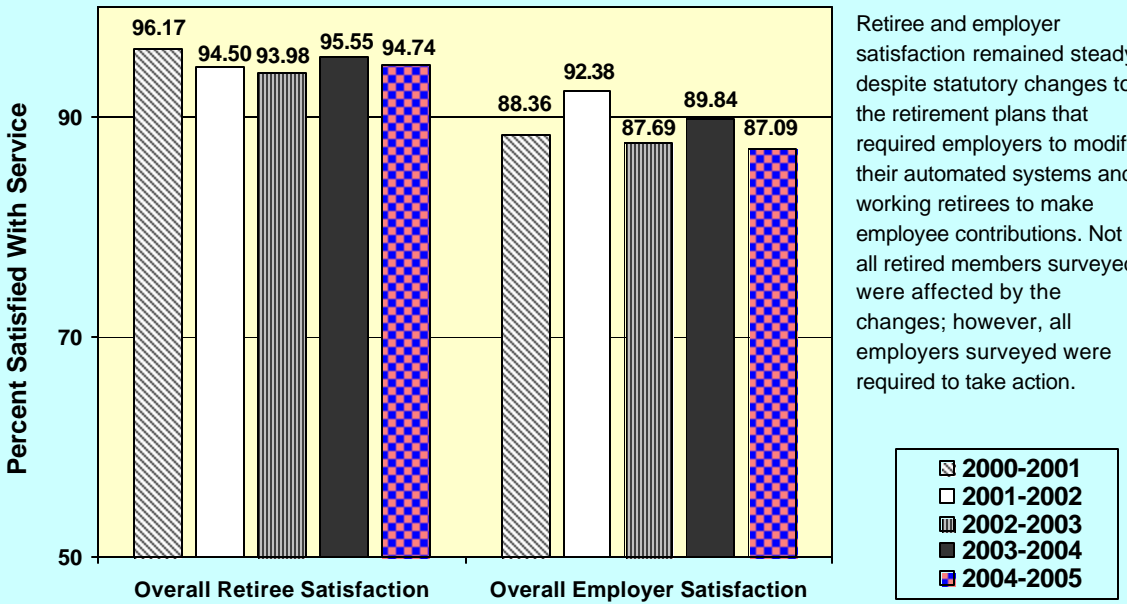
A higher workload trend continued for the fourth consecutive year. The number of claims processed in 2002 through 2005 was an average of 58% higher than the number processed in 2000. Governmental downsizing in response to budgetary concerns and changes to retirement statute continued to affect the sustained workload. The SCRS workforce remained relatively constant.

Administrative Cost Per Member of South Carolina Retirement Systems



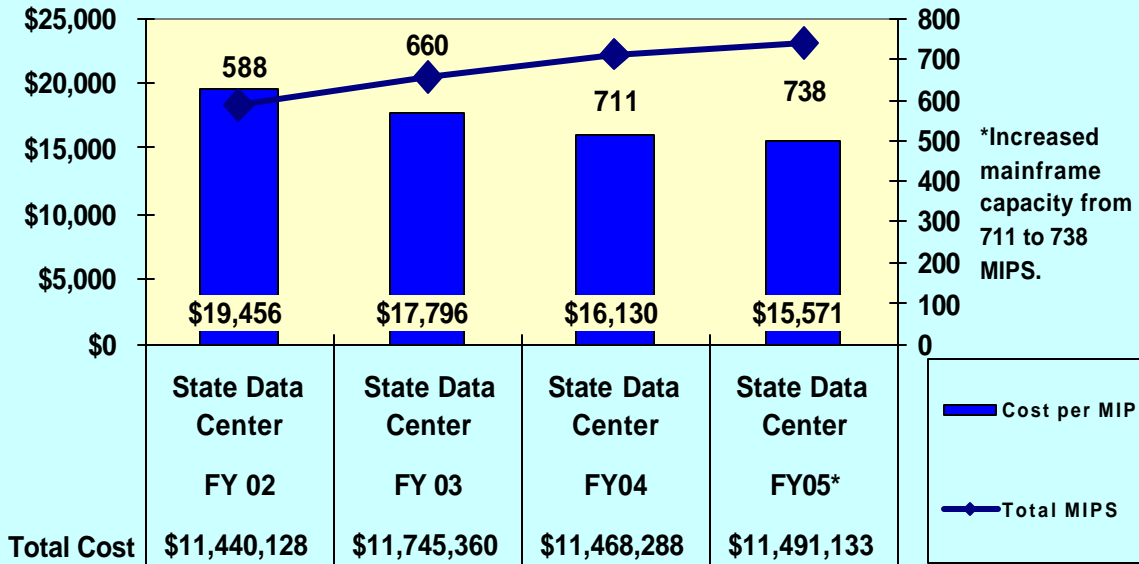
A benchmarking analysis by Cost Effectiveness Measurement, Inc., found that in 2004 the Retirement Systems operated at the fourth lowest cost per member among the 17 peer

South Carolina Retirement Systems Customer Satisfaction



Retiree and employer satisfaction remained steady despite statutory changes to the retirement plans that required employers to modify their automated systems and working retirees to make employee contributions. Not all retired members surveyed were affected by the changes; however, all employers surveyed were required to take action.

Mainframe Cost and Capacity State Data Center



*Increased mainframe capacity from 711 to 738 MIPS.

Total Cost of Operations

Fiscal Year	Total Cost of Operations (\$)
FY 02	\$11,440,128
FY 03	\$11,745,360
FY04	\$11,468,288
FY05*	\$11,491,133

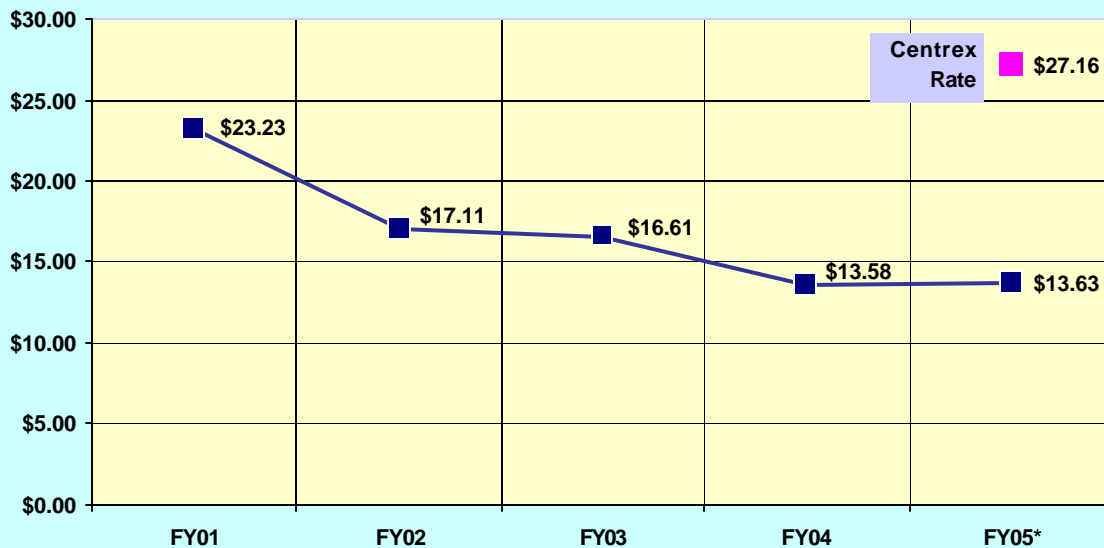
CIO mainframe operations were 18.8% more efficient than the public administration peer group and 3.0% more efficient than the workload peer group as reported in the Gartner Group Information Technology Review.

Average Cost Per Minute for CIO-Provided Long Distance Service



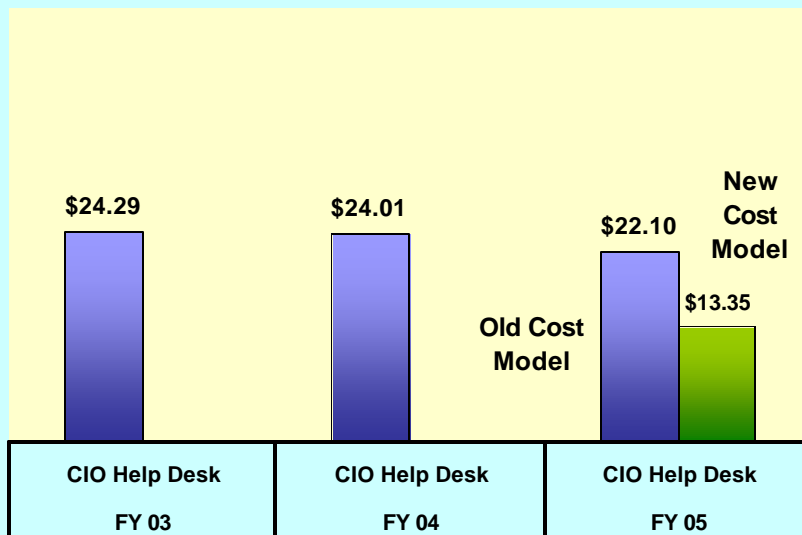
The Division of the State Chief Information Officer reduced the cost of long distance services four times during the past five fiscal years.

Average Monthly Port Charge for CIO-Provided Local Telephone Service (All Ports)



* Customer demand resulted in an increase in digital ports.
 * Digital ports provide improved services but at an increased cost.

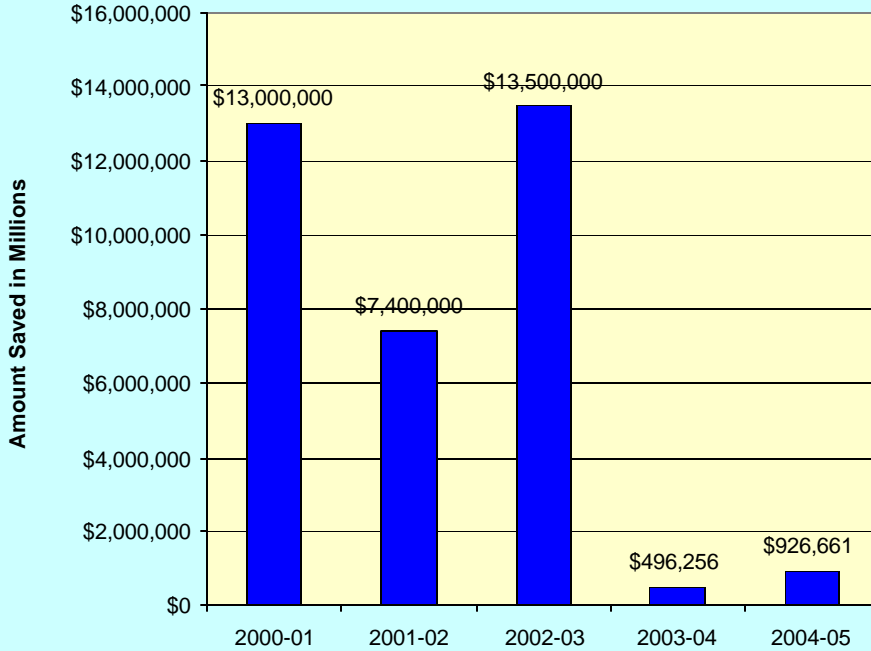
CIO Help Desk Average Cost Per Call



This cost model has been modified to more accurately reflect industry standards as recommended by the Gartner Group.

Note: Call volume includes both voice and data customer calls to the Help Desk.

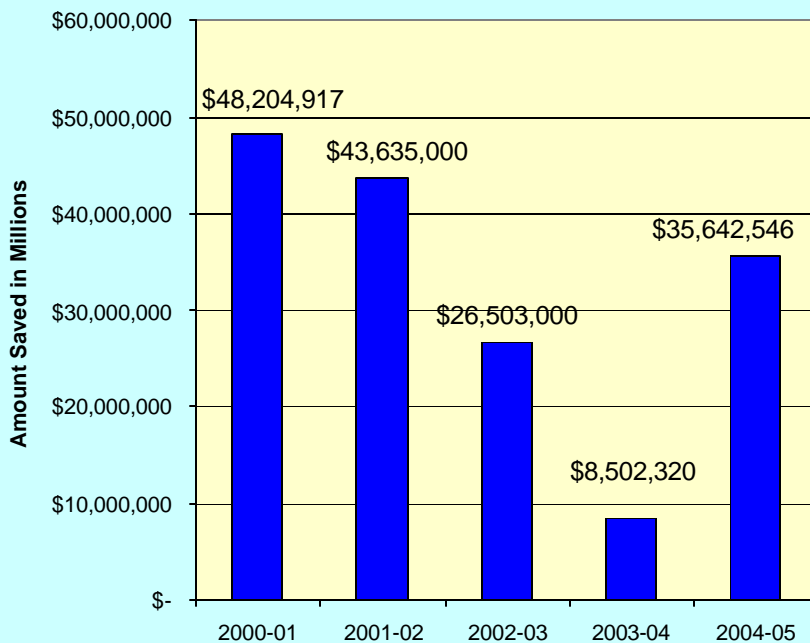
Money Saved Via MMO Negotiations After Initial Bid



While savings nearly doubled when compared to the previous year, the loss of experienced procurement staff has resulted in less opportunity for extensive negotiations to reduce contract costs. MMO buyers have a median of one year of experience with MMO as compared to a median of 13 years of experience 10 years ago.

Some lost savings is cyclical depending on the expiration of large contracts.

Savings Via State Term Contract Process

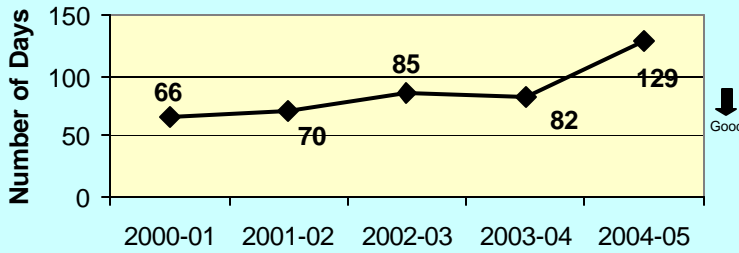


These figures represent the total savings to agencies by pooling the state's buying power with state-wide term contracts. Savings increased substantially in 2004-05 compared to the previous year.

In 2004-05, the savings equated to 23 cents on every dollar spent, up from 20 cents per dollar the previous year.

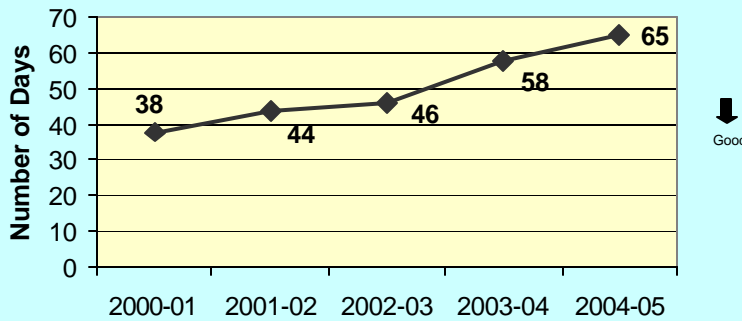
Materials Management Office Cycle Times

Materials Management Office Request for Proposals Cycle Time



Cycle time is measured for the two major methods of procurement. The times rose in 2004-05 due to loss of experienced MMO procurement staff. Currently, buyers have a median of one year of experience with MMO as compared to a median of 13 years of experience 10 years ago.

Invitation for Bid Cycle Time

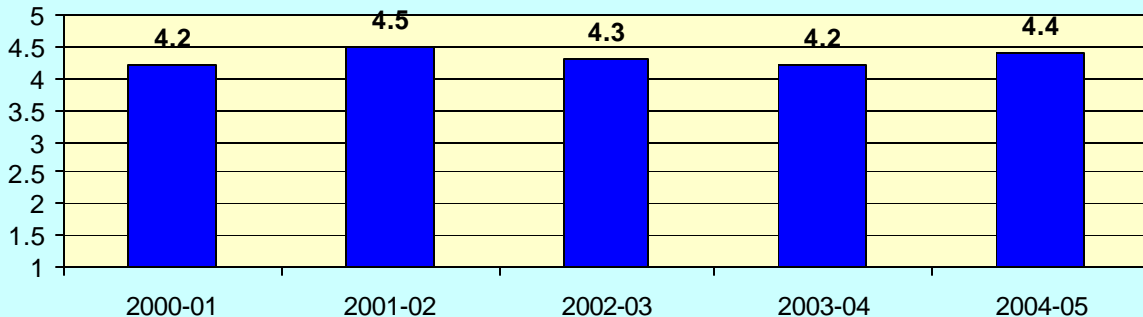


Other Materials Management Office Savings Measures

Savings to agencies from publishing of South Carolina Business Opportunities over use of daily newspapers: \$2.92 million in 2004-05.

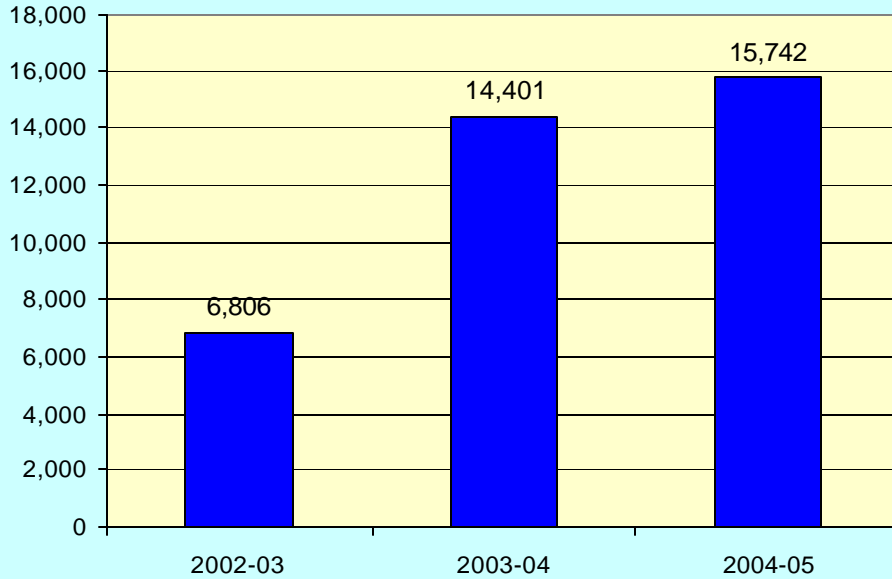
Rebates from the Procurement Card: \$1.01 million.

Materials Management Office Customer Satisfaction



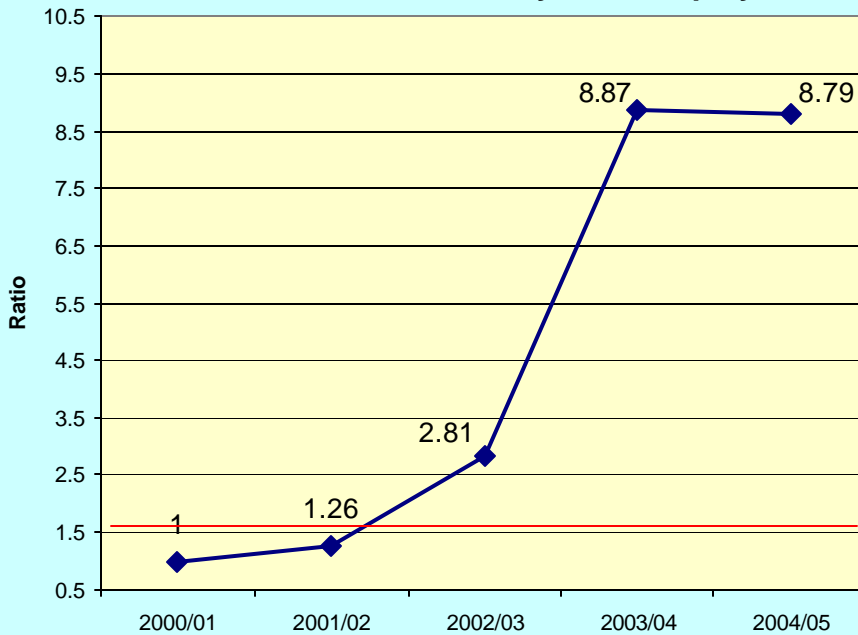
Customers are asked a variety of questions about the quality and dependability of MMO services. Answers are given on a 1 to 5 scale with 5 being "strongly agree" with a positive statement about an aspect of service and 1 representing "strongly disagree."

Confederate Relic Room and Museum Attendance



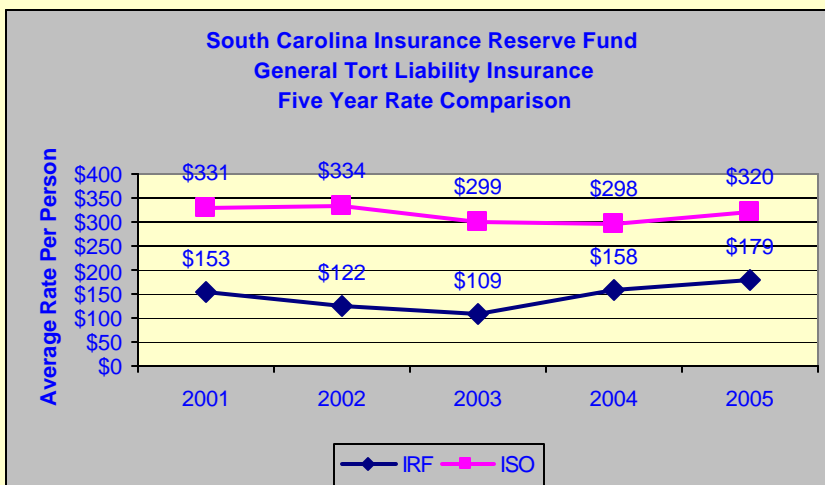
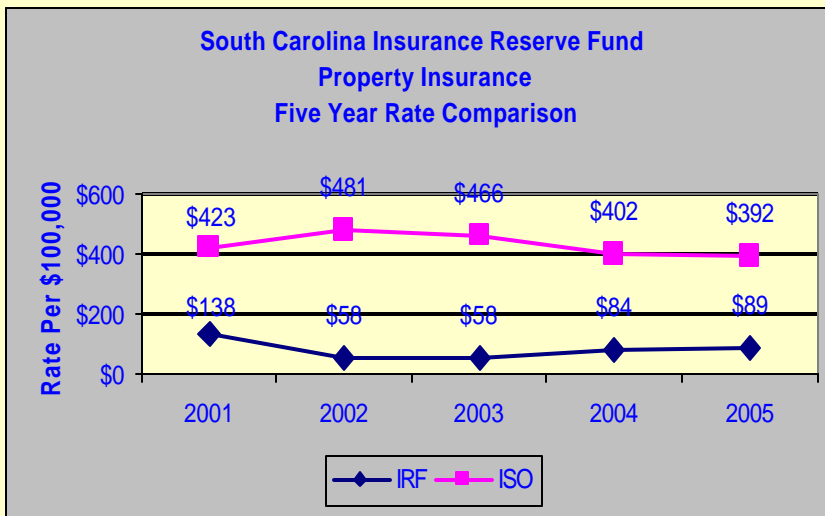
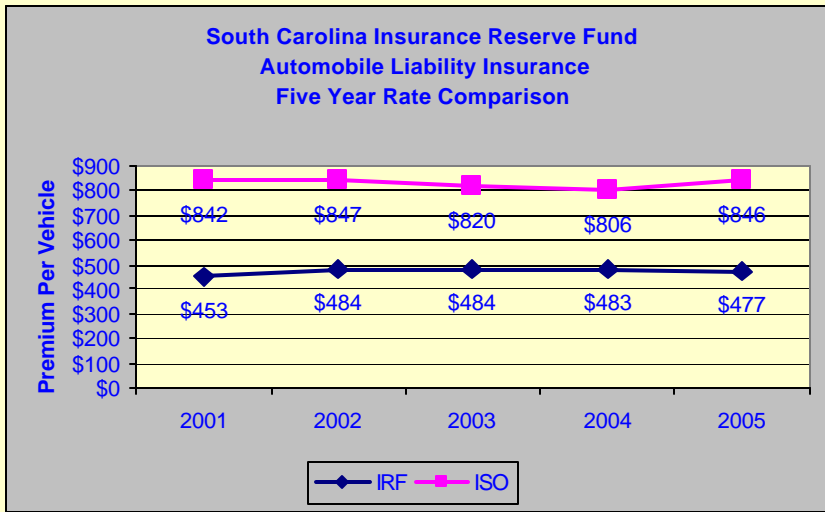
Attendance at the Confederate Relic Room and Museum has grown consistently since it moved into a new facility at 301 Gervais Street.

South Carolina Insurance Reserve Fund Losses and Loss-Adjustment Expense Reserves to Policyholder Equity



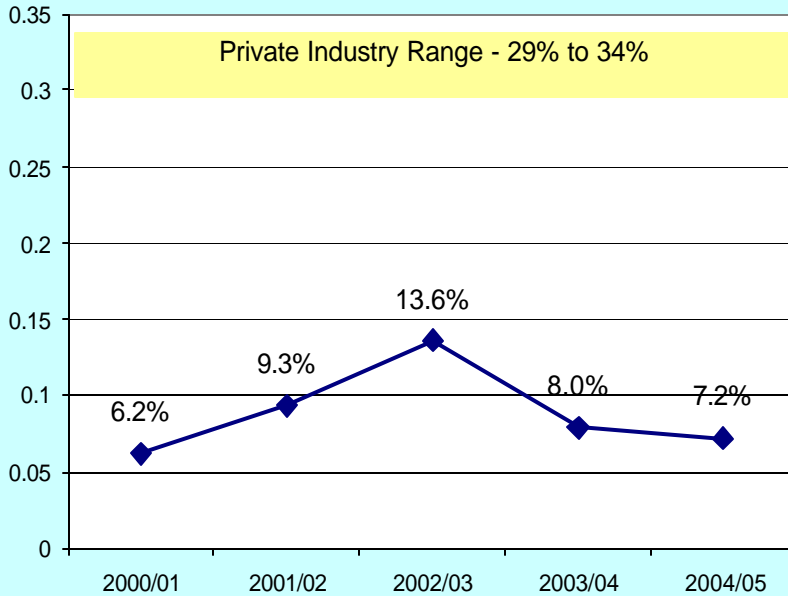
This ratio is used as a primary measure of financial strength. When the range is no higher than 1.5, assets are sufficient to pay all incurred and projected obligations.

Insurance Reserve Fund Rates Compared to the Private Sector



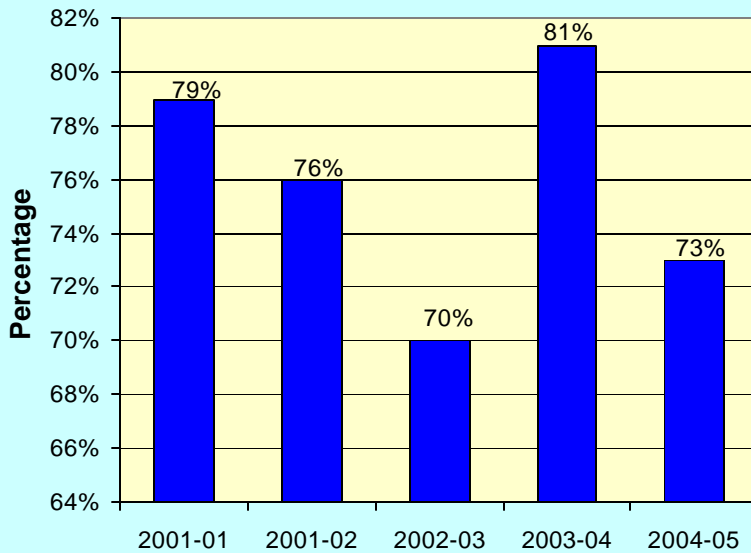
The Insurance Reserve Fund regularly compares its premiums to data collected by the Insurance Service Organization, the property and casualty insurance industry's leading supplier of statistical, actuarial, underwriting, and claims data. The IRF's premiums continue to be well below industry averages.

South Carolina Insurance Reserve Fund Expense Ratio Fiscal Year 2000/01 thru 2004/05



The expense ratio for an insurance operation is calculated by dividing the operation's "operating expenses" by written premium. The Insurance Reserve Fund consistently operates with much lower expense ratios than private property and casualty insurance companies.

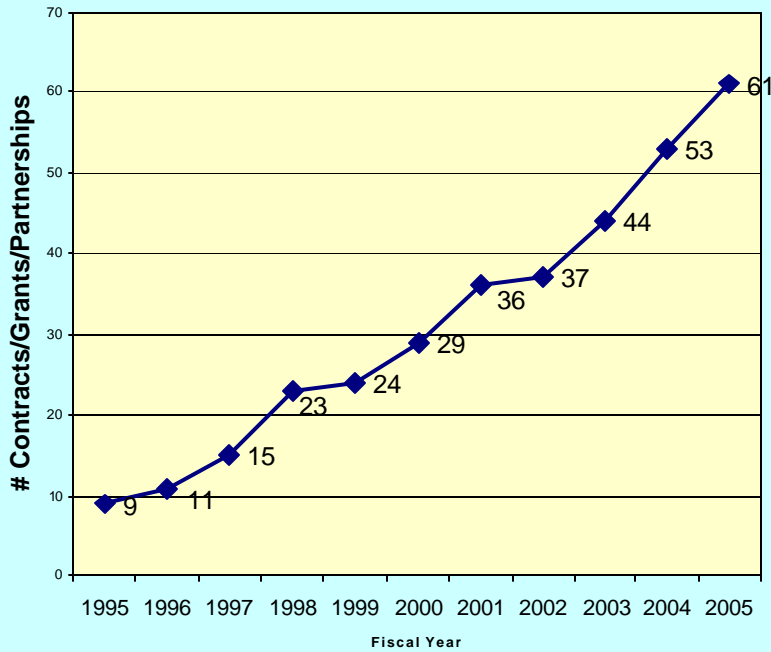
Percentage of Fiscal Impact Statements Prepared in 14 Days or Less



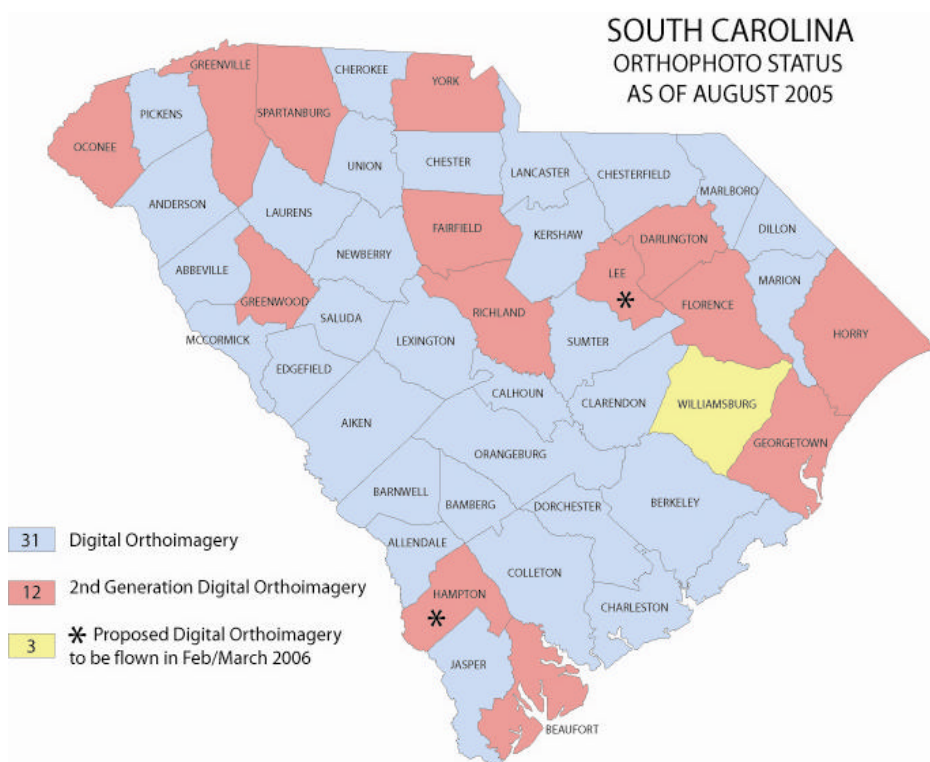
The Office of State Budget's goal is to complete at least 70% of all impacts within 14 days of the request. For FY 2004-05 OSB completed 73% of all impacts within this established time frame.

OSB processed 453 fiscal impacts in 2004-05 compared to 316 in 2003-04.

Health and Demographics Contracts, Grants, and Partnerships

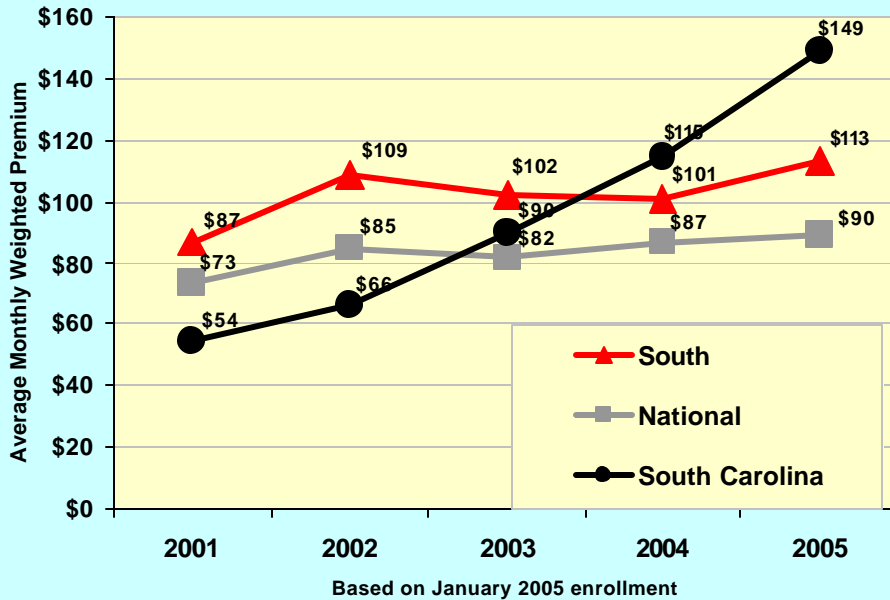


The Health and Demographics Section of the Office of Research and Statistics operates primarily by forging innovative partnerships with agencies and non-profit organizations. The increase in partnerships reflects the increasing use of information to improve service delivery.



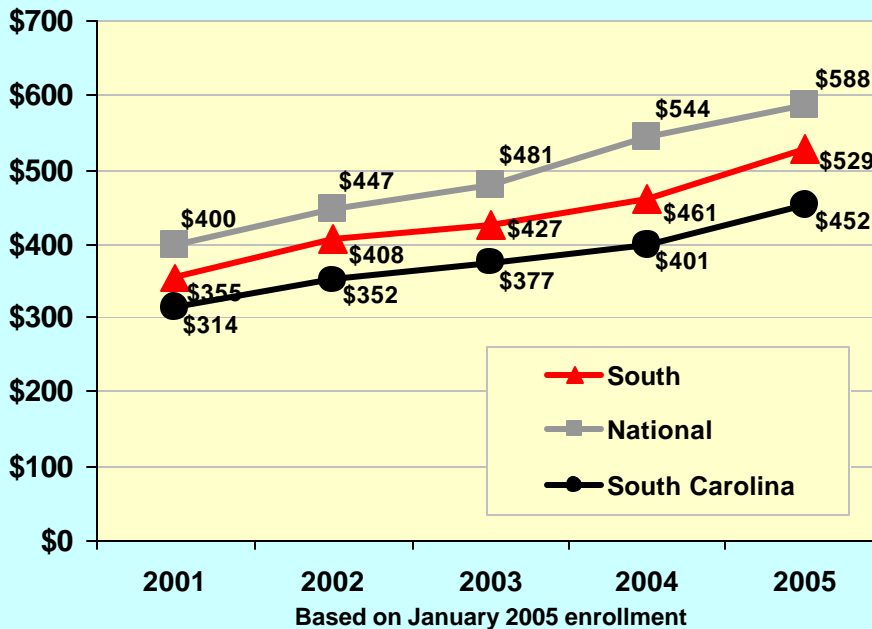
The Office of Research and Statistics continues to provide grants and technical support to enable South Carolina counties to create highly accurate digital maps used for property ownership, taxation and planning purposes. Most South Carolina counties have now been reached via this effort.

Average Weighted Employee Premiums for State Health Plan Compared to Regional and National Averages



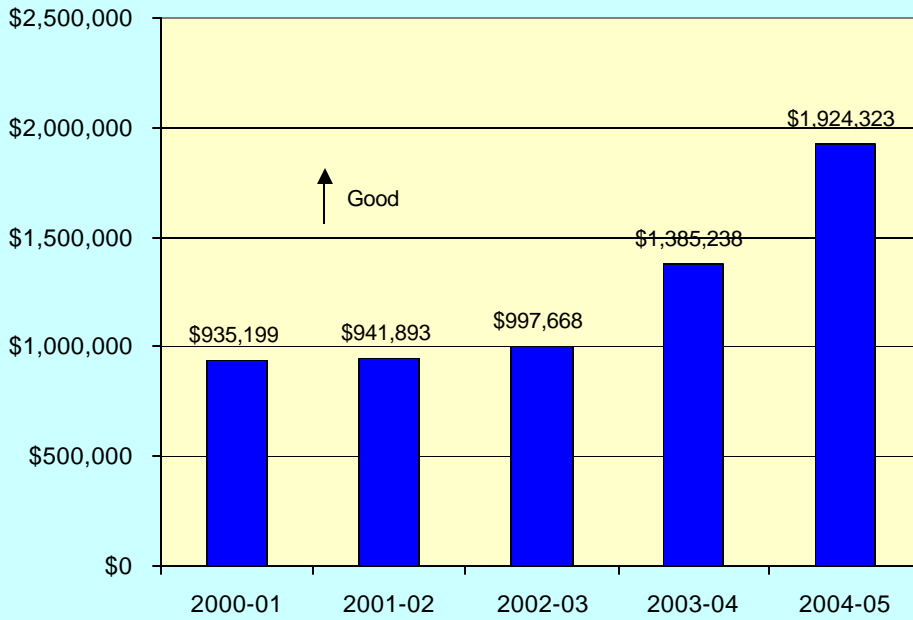
Rate increases have pushed average employee health insurance premiums above the regional and national averages.

Combined Employee and Employer Average Weighted Premiums for State Health Plan Compared to Regional and National Averages



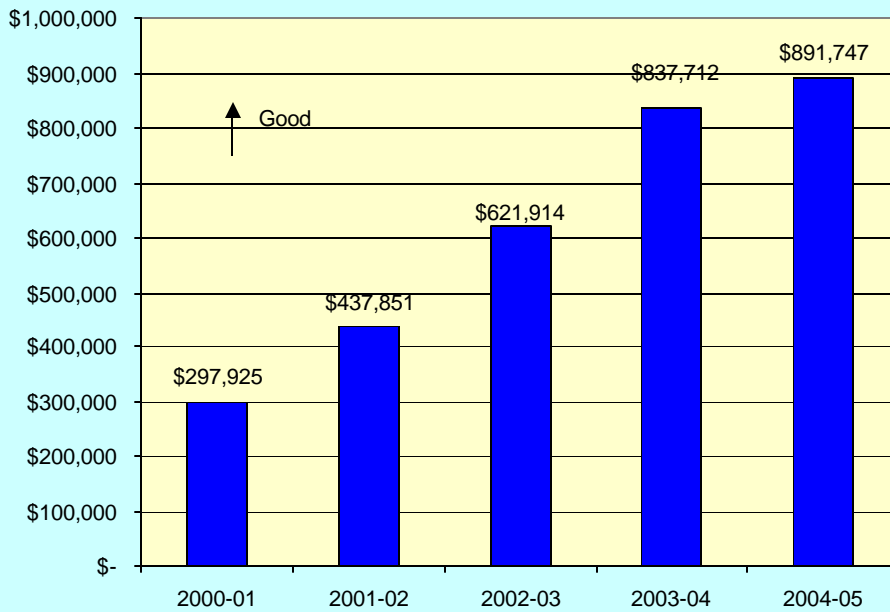
While rates have been rising because of higher health care costs, the combined employer and employee State Health Plan premium continues to be below regional and national averages.

State Agency Facility Savings from Energy Office Projects



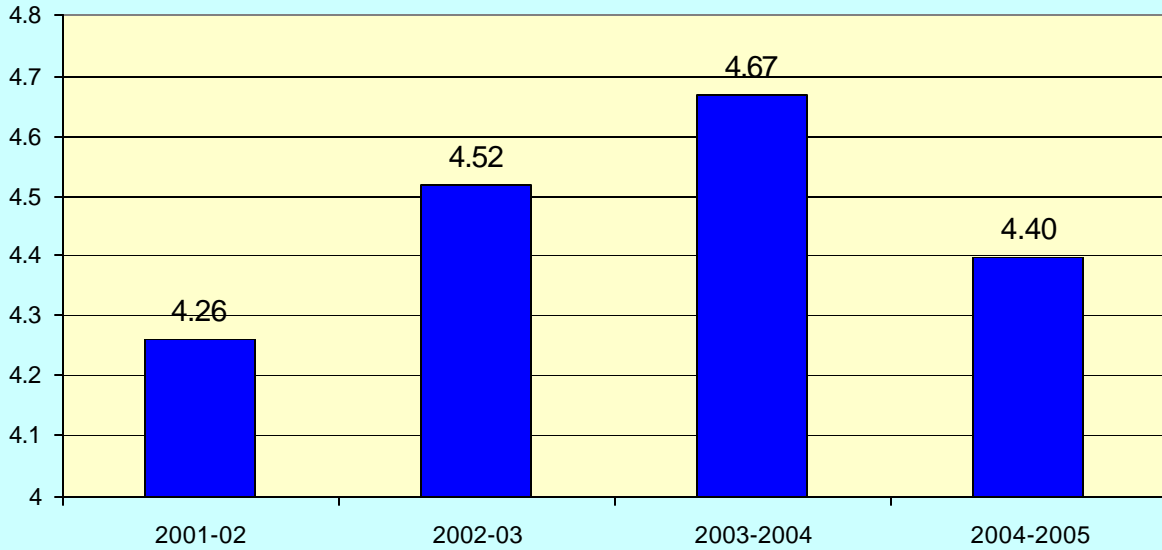
Cost savings to state agencies through implementing energy saving projects has resulted in cumulative savings of \$6 million to date.

School District Savings from Energy Office Projects



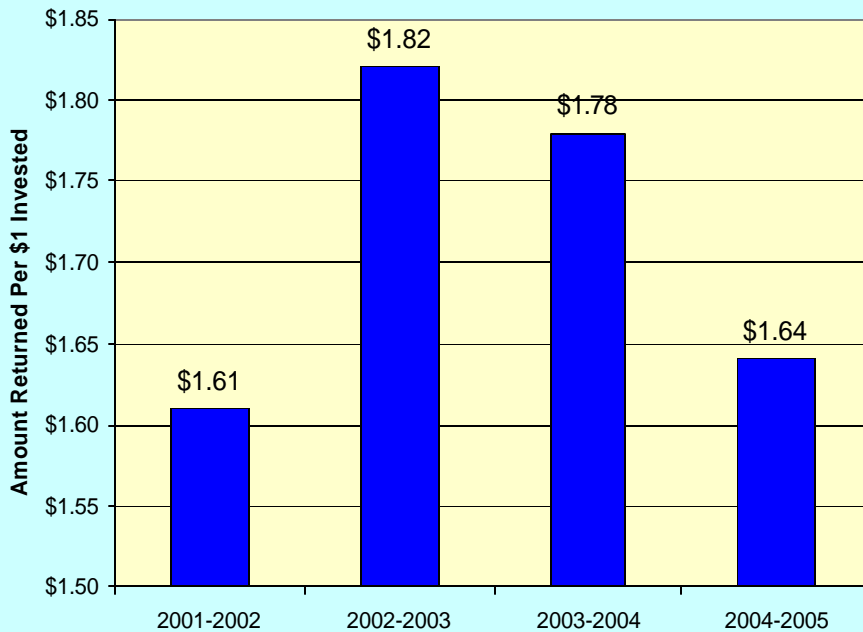
Cost savings to school districts through implementing energy saving projects have resulted in cumulative savings of over \$3 million to date.

Office of Human Resources Customer Satisfaction



A new data collection process was implemented in January 2003 to collect more pertinent and timely information from our customers. A 5 indicates a strong positive response and a 1 indicates a strong negative response.

Office of Human Resources Return on Investment



The Office of Human Resources continued to provide a very positive ROI in 2004-05. The rate dropped slightly due to a decrease in some revenues and additional expenditures to upfit and relocate offices.