South Carolina
Budget and Control Board

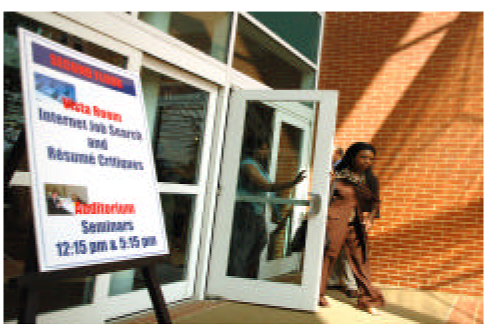
Annual Accountability Report
2005-06

Executive Summary

The fundamental purpose of 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 aim to achieve this goal by continuously improving the quality of services that we provide while holding down costs. In 2005-06, the Board continued to deliver on this promise.

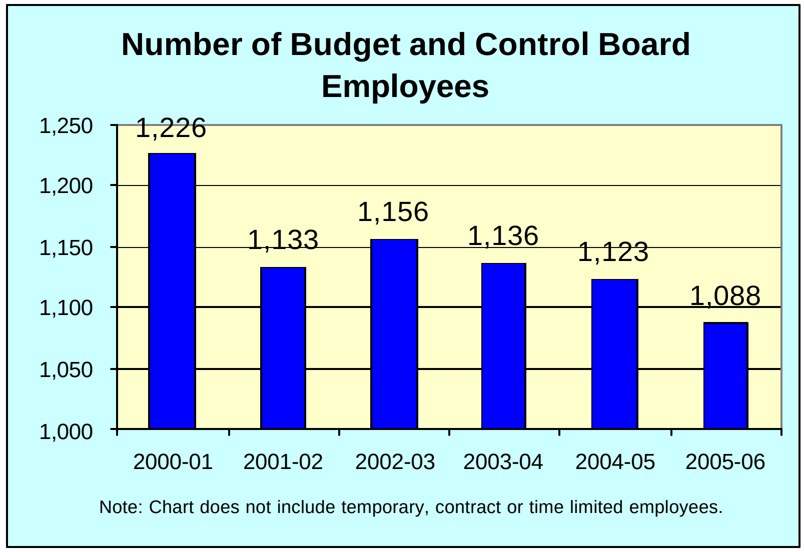
During the past year the Board:

- Launched SC.GOV, the official web site of the State of South Carolina, which provides citizens and businesses easy access to the state's online services. Through an innovative public-private partnership between the state and eGovernment firm NIC, the self-funded portal offers cost saving features for state government entities such as a payment engine, content management server, and online shopping mall. SC.GOV was recognized by the South Carolina State Library with a 2005 Notable State Document Award and helped South Carolina jump from 43rd to 17th in a national study of government websites by Brown University.
- Made free tobacco cessation treatment available to every member of the State Health Plan. The nationally-recognized Quit For Life™ program offers telephone counseling and nicotine replacement products to all plan members. Nearly half of the more than 1,600 people who signed up for the program during the first six months reported they had successfully quit, a rate about 10 percent higher than the Quit for Life average.
- Won the South Carolina Chapter of the International Professional Managers Association—Human Resources Program of the Year Award of Excellence for 2005-06 in recognition of the Office of Human Resources' HR Professional Development program.
- Coordinated the most comprehensive study ever undertaken of South Carolina state government fleet operations. The independent analysis by Mercury Associates, Inc. called for centralizing all operations under the Board's State Fleet Management section and will lead to changes in financing, management and maintenance practices.

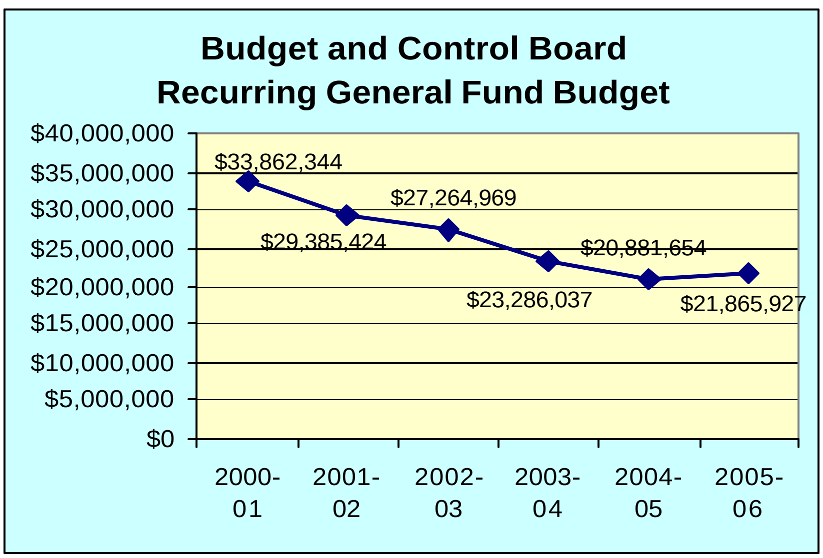


- Hosted the first State Government Career Fair in five years. More than 4,000 job seekers attended the September 28 fair sponsored by the Office of Human Resources.
- Received a grant from the U.S. Department of Homeland Security for the Geodetic Survey Section to create a unified digital map of the entire state for initial use by the State Law Enforcement Division and the Emergency Management Division.
- Worked with the Centers for Disease Control and Prevention to develop innovative methods for medical researchers to contact volunteers for clinical studies by employing health care data housed in the Office of Research and Statistics. The system has been

used for a study of epilepsy at the Medical University of South Carolina and for a CDC project looking at Lou Gehrig's Disease.



- Moved the South Carolina Enterprise Information System (SCEIS) project from the blueprint phase to the implementation phase. SCEIS will become the vehicle to integrate, standardize, and streamline business processes within the government and information systems of South Carolina. The SCEIS Solution Center opened its doors to provide agencies with a demonstration site for hands-on testing of the new system.
- Oversaw construction of memorials on the State House Grounds to honor South Carolina's military veterans and fallen law enforcement officers.
- Began production of a prototype for the statewide exchange of electronic medical records, prescriptions and lab data. When fully implemented, the system would allow medical professionals to immediately access patient health records without having to wait for paper copies to be shipped manually.



- Assumed administration of the National Guard Retirement System. This required modifying the South Carolina Retirement Systems' custom in-house database to accommodate the new plan and communication with 10,000 members and beneficiaries.
- Authored, solicited and awarded the first-ever reverse auction performed at the state level in South Carolina using a platform and contract awarded by the Information Technology Management Office.
- Partnered with the South Carolina State Election Commission to purge voter rolls preventing voter fraud. States nationwide used the pilot program developed and maintained by the CIO as a model to compare voter registration databases to identify voters registered in multiple states.
- Implemented a web-based electronic enrollment system during the State Health Plan's annual open enrollment period in October 2005. The system streamlines how employees make changes in their insurance options while also reducing costs and errors.

- Successfully maintained catastrophic property reinsurance through the Insurance Reserve Fund. This occurred during a period of worldwide catastrophes that had a devastating financial impact on the international reinsurance market.
- Provided leadership in the development of new tax incentives to encourage energy efficiency.
- Via the State Energy Office, worked with the Palmetto State Clean Fuels Coalition to dramatically increase the number of filling stations that sell ethanol and biodiesel fuels.
- Hosted a major traveling art exhibit at The Confederate Relic Room and Museum. “The Art of Soldiering” received excellent reviews and further boosted the museum’s attendance.

Organizational Profile

The primary purpose of the Budget and Control Board is to help state and local entities serve the citizens of South Carolina. Through leadership, policy direction, data collection and value-added services, the Board improves the efficiency of government. In most cases, the Board does not provide direct service delivery to the public. Instead, **we make government better** by maximizing the effectiveness of those agencies that do.

The agency is led by the five members of the 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, which are established and governed by state law and regulations.

The South Carolina Budget and Control Board, 2005-06. Seated from left to right are Executive Director Frank Fusco; Governor Mark Sanford and State Treasurer Grady L. Patterson, Jr. Standing left to right are Senate Finance Committee Chairman Hugh K. Leatherman, Sr.; Comptroller General Richard Eckstrom and House Ways and Means Committee Chairman Dan Cooper.

Major Products/Services and How They are Provided

Budget and Control Board products and services reach all state and local governments and school districts as well as employees and retirees of those entities. Board customers expect reliable, affordable services and products and in many cases can seek similar services from other providers if they are not satisfied with our agency's performance.

Key products include:

- Health, dental and life insurance for state and local public sector employees via contracts with third-party providers.
- Retirement and disability benefits for state and local workers directly administered by the South Carolina Retirement Systems.
- Maintenance of state buildings, including the State House and the Governor's Mansion, by the staff of the General Services Division and outside contractors. General Services also directly operates the statewide Agency Mail, Fleet and Surplus Property programs

and assists agencies in obtaining leased office space at the best possible price.

- Property, liability and casualty insurance for public workers, vehicles and buildings provided by the Insurance Reserve Fund via direct underwriting and reinsurance purchased from outside vendors.
- Consulting, policy development, training, recruitment, grievance and mediation and oversight of the state pay system provided to state agencies by the staff of the Office of Human Resources. OHR aims to foster a diverse, high performance workforce.
- Telephone, network, data center operations, applications development, IT procurement and IT management services provided by the Division of the State Chief Information Officer through direct services and third party contractors.
- The effective and efficient procurement of goods and services for state agencies by the Materials Management Office. MMO's Office of the State Engineer assists and monitors public construction and safety services.
- Assistance for the Governor and General Assembly in the development and oversight of the annual appropriations act by the Office of State Budget. This includes requests for funds, allocations of funds, and the responsible utilization of funds to achieve the needs of state government.
- Oversight of state and federal grants and loans for water and sewer projects by the Office of Local Government. These projects protect public health and support economic development.
- Improvement of public sector energy efficiency through partnerships arranged by the State Energy Office. A unit of the office also oversees certain aspects of the Barnwell low-level nuclear waste facility.
- Grants, contracts and partnerships with public agencies, medical providers and non-profit organizations are arranged by the Office of Research and Statistics. The program 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.
- High-quality executive development training for state agency heads, rising leaders from

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.

state and local agencies and the private sector via the Executive Institute.

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

The Board's key suppliers/partners include:

- Vendors who are registered with the Materials Management Office and the IT Management Office, and any other business that desires to seek a state contract.
- Contractors selected to conduct specialized maintenance and repairs on state buildings.
- State agencies, cities, counties and school districts who remit contributions, enroll members and provide verification information to the Retirement Systems.
- Hospitals, dentists, doctors and other medical care providers under contract with the State Health Plan.
- Computer technology and telecommunication firms who contract with the State CIO.
- Federal agencies that supply 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 Office of Research and Statistics on collaborative projects.

Budget and Control Board Key Challenges for 2006-07

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

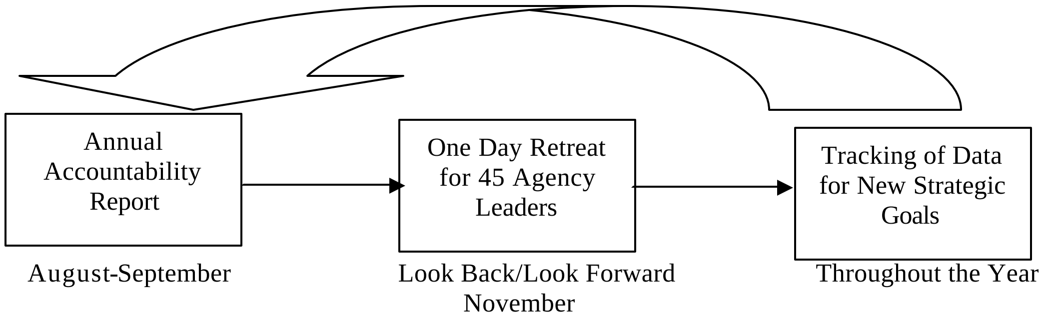
To continue to reduce the workforce and use technology to maintain or improve the delivery of services.

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

The Budget and Control Board's Performance Improvement System

The Board's performance improvement system is based upon a simple cycle that can be deployed in any of the agency's various program areas. The core of the system involves listening to customers and stakeholders and truly understanding their needs and concerns. This can be done by having front-line staff talk with customers on a daily basis, or it can involve more formal surveys and focus groups. The key is to obtain actionable data that allows management to target the most important areas for improvement and to embed those priorities within the organization. After taking an improvement initiative, continued dialogue with customers and data collection can determine if the initiatives have succeeded. If they have, other areas of improvement can be targeted. This repeatable cycle is symbolized by a chart that Executive Director Frank Fusco showed to agency leaders at the annual retreat last fall. The drawing depicted an ear (listening), an apple (learning) and an up arrow (continuous improvement as would be shown on a chart), each serving as a metaphor for the Board's improvement process.

Budget and Control Board
Strategic Planning Process



Board Division Strategic Planning Process Steps for Systematic Improvement

CIO

Key Steps/Timeline

April-May: Summary of prior year's accomplishments with input from all stakeholders
June-July: Review of finances, mission, vision, values. Offsite retreat to identify projects and measures for plan. Strategic planning document completed.
August: Action plan and tracking document created.
August-October: Results reported in agency Accountability Report and CIO Customer Report.
Quarterly: Results tracked and reviewed by executive staff.

Participants

Employees, vendors and customers.

Data/Information Reviewed

- Customer plans
- Employee suggestions
- Organizational financial status
- State strategic IT plan
- Legislative issues

Examples of Key Action Items

- Develop enterprise information technology vision for the state.
- Help agencies develop IT plans.
- Create an effective, enforceable enterprise security policy.
- Develop a method for "sun setting" services.
- Improve internal communications.
- Develop an employee learning plans and succession plans.

Insurance and Grants

Key Steps/Timeline

- Periodic staff meetings are used to communicate the vision and direction from a division-wide perspective.
- Data measurements are taken throughout the fiscal year with a summary at the end of the year by office.

Participants

- The division director, office directors, and division level staff.
- Individual office staffs also participate in the open door policy maintained by DIGS and receive visits from the division director.

Data/Information Reviewed

- Web based applications
- Quality control measures in place to listen to our customers.
- Periodic vendor performance reviews.
- Mail, telephone and computer surveys.

Examples of Key Action Items

- Electronic enrollment project.
- Web based application and data base for local government loans.
- Ongoing improvement of websites for all four DIGS programs with a focus on high quality content and accessibility.
- Integration of imaging workflow system for EIP.

General Services

Key Steps/Timeline

January: All assistant directors and team leaders review current strategic plan with their teams.
February: Team leaders review work of their team and forward results to assistant directors.
March: Assistant directors review the work and forward results to division director.
April: Division director reviews results with assistant directors and revises plan.

Participants

All employees.

Data/Information Reviewed

The monthly dashboard of indicators includes revenues, expenditures and return on investment calculations that are compared to private and public sector benchmarks. General Services listens to the voice of the customer via formal surveys, focus groups, customer interviews, meetings and phone conversations.

Examples of Key Action Items

Some of our customers thought that we could improve our response time. As a result, all of General Services' programs have worked at being more responsive to customers. State Fleet Management for example, has established a call center, patterned after Baldrige winner Michelin.

Retirement

Key Steps/Timeline

- Periodic departmental staff meetings are conducted at the division level to communicate the vision and direction from a division-wide perspective.
- Data measurements are taken throughout the year and reported in the annual division accountability reports and departmental reports.

Participants

SCRS Director and departmental assistant directors, managing legal counsel, internal auditor, and project management officer.

Data/Information Reviewed

- Departmental volume measures including inquiries, requests, claims, and payments.
- Quality control measures and audits.
- Policies and procedures.
- Responses to various customer satisfaction surveys.
- Division-level IT objectives.

Examples of Key Action Items

- Ongoing improvement of web site to enhance usability and relevance.
- Comprehensive auditing process in Imaging.
- Ongoing review of informational and educational materials.
- Providing and/or revising written procedures for certain division processes.
- Need for division project management.

Procurement

Key Steps/Timeline

The division updated its strategic plan during the spring and summer of 2006. We plan to update the plan annually as we approach each new fiscal year.

Participants

Managers of the division's four program areas, the office director, the division director, and legal counsel participated in the initial strategic planning discussions. Program managers were instructed to seek input from staff members after each discussion and upon completion of the first draft via a presentation to the entire division staff.

Data/Information Reviewed

Division objectives, annual reports and our needs assessment.

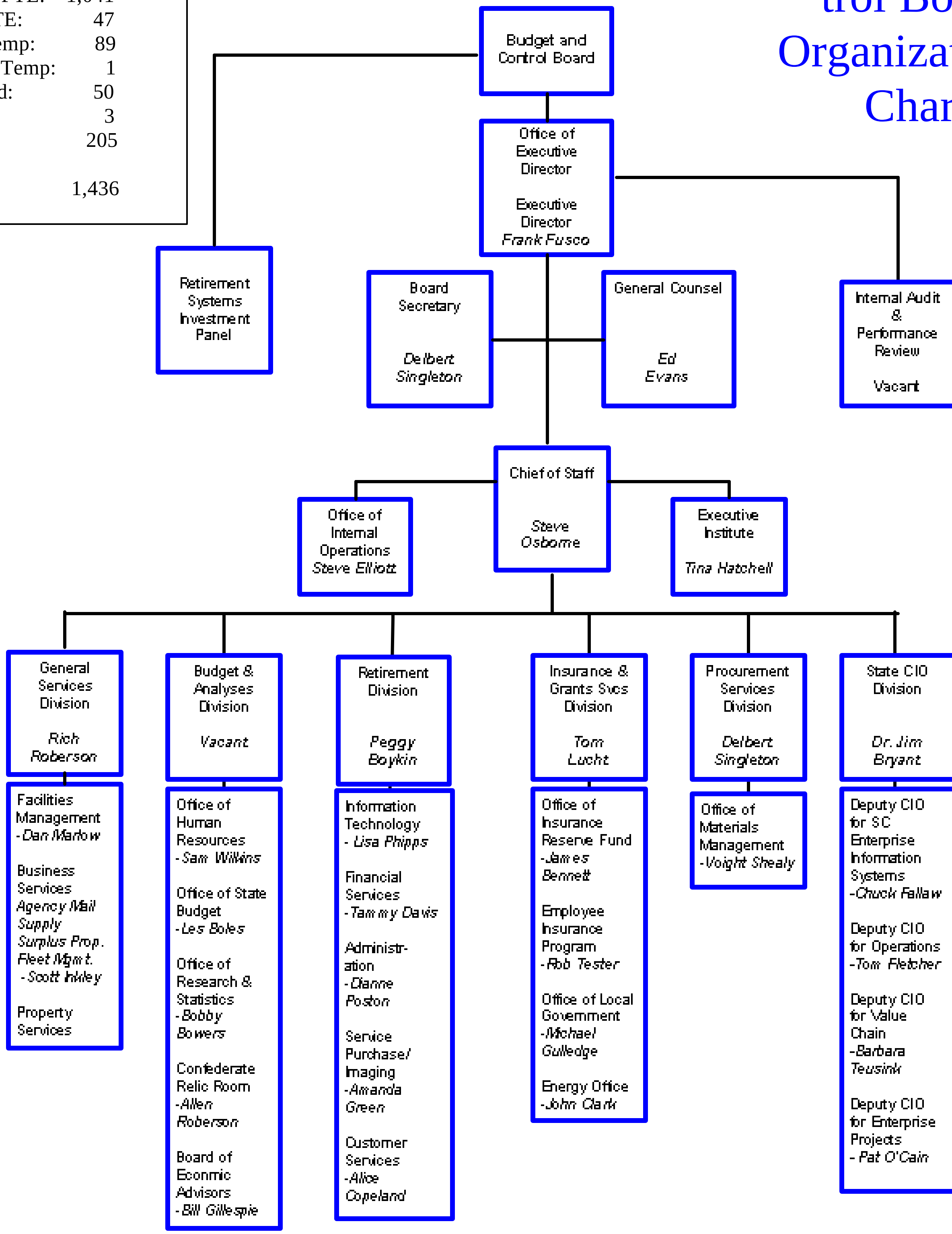
Examples of Key Action Items

- Workforce/succession Planning
- Focus on core duties
- Process improvement
- Securing sustainable funding sources
- Advocacy, public relations and training

Budget and Control Board Organizational Chart

Board Employee by Type

Unclassified FTE:	1,041
Classified FTE:	47
Classified Temp:	89
Unclassified Temp:	1
Time-Limited:	50
Grant:	3
Contract:	205
TOTAL:	1,436



Budget and Control Board Office Locations

Executive Director	600 Wade Hampton Bldg
General Counsel	1201 Main St.
Internal Operations	1201 Main St. 1205 Pendleton St.
Executive Institute	1201 Main St.
Chief Information Officer	4430 Broad River Rd. 1026 Sumter St. Wade Hampton Bldg. 171 Moultrie St., Charleston
Confederate Relic Room	301 Gervais St.
Board of Economic Advisors	1000 Assembly St.
State Budget	1201 Main St.
Human Resources	1201 Main St. 1401 Senate St.
Research and Statistics	1000 Assembly St. 1919 Blanding St. 5 Geology Rd.
Local Government	1122 Lady St.
Retirement Systems	202 Arbor Lake Dr.
Employee Insurance	1201 Main St.
Insurance Reserve Fund	1201 Main St.
Div Dir / Ins. and Grants Energy	1201 Main St. 1201 Main St.
Internal Audit	1201 Main St.
General Services	1201 Main St. 441 Boston Ave. 1942 Laurel St. 921 Main St. Columbia 1201 Pendleton St. 140 Stoneridge Dr. 516 Senate St. 1535 Confederate Ave. 1026 Sumter St.
Procurement/MMO	1201 Main St. 171 Ashley Blvd., Chas. 800 University Way, Sburg.

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

	2004-05 Actual Expenditures		2005-06 Actual Expenditures		2006-07 Appropriations Act	
Major Budget Categories	***Total Funds***	***General Funds***	***Total Funds***	***General Funds***	***Total Funds***	***General Funds***
Personal Services	$53,300,447	$8,663,963	$56,422,199	$8,913,422	$61,449,901	$10,548,994
Other Operating	$88,279,703	$4,823,577	$82,032,731	$5,898,691	$98,869,556	$8,235,219
Special Items	$11,474,859	$3,100,427	$12,723,524	$2,344,955	$10,323,151	$3,223,151
Permanent Improvements	$2,623,254	$0	$2,729,494	$0	$2,700,000	$0
Debt Services	$863,173	$529,785	$327,840	$111,857	$856,975	$0
Distributions to Subdivisions	$3,890,606	$1,064,090	$4,361,389	$1,064,090	$8,060,234	$3,760,234
Fringe Benefits	$14,172,903	$2,224,500	$14,787,128	$2,265,882	$17,131,307	$3,023,588
Non-recurring	$17,544,489	$8,567,558	$14,426,937	$528,394	$0	$0
TOTAL	**$192,149,434**	**$28,973,900**	**$187,811,242**	**$21,127,291**	**$199,391,124**	**$28,791,186**

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

Other Expenditures

Source of Funds	***2004-05 Actual Expenditures***	***2005-06 Actual Expenditures***
Supplemental Bills	$1,519,265	$2,511,845
Capital Reserve Funds	$0	$3,445,484
Bonds	$253,181	$1,807

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures		FY 05-06 Budget Expenditures	
VIII.B - CIO Operations: Connectivity	To provide network services in the areas of voice, video and data connectivity to state agencies and local governments and to provide local and long distance telephone service, internet access and network connectivity.	**State:**	7,993,198	**State:**	6,802
		Federal:	4,975,755	**Federal:**	1,697,910
		Other:	30,842,995	**Other:**	34,739,828
		Total:	43,811,948	**Total:**	36,444,540
		% of Total Budget:	23%	**% of Total Budget:**	19%
V.B. - Facilities Management	To provide centralized mechanical, maintenance, custodial, energy, environmental and horticulture services for state-owned buildings and grounds.	**State:**	2,390,430	**State:**	2,353,532
		Federal:	-	**Federal:**	-
		Other:	25,303,314	**Other:**	26,899,300
		Total:	27,693,744	**Total:**	29,252,832
		% of Total Budget:	15%	**% of Total Budget:**	16%
V.E. - State Fleet Management	To provide motor vehicles through short-term motor pool rentals and long-term leases for state agencies use in performing official business	**State:**		**State:**	-
		Federal:		**Federal:**	-
		Other:	14,815,832	**Other:**	19,244,453
		Total:	14,815,832	**Total:**	19,244,453
		% of Total Budget:	8%	**% of Total Budget:**	10%
VIII.B - CIO Operations: Data Processing	To provide data processing services for state agencies, including applications development, security, disaster recovery, help desk and output management services.	**State:**		**State:**	-
		Federal:		**Federal:**	-
		Other:	17,726,849	**Other:**	18,676,812
		Total:	17,726,849	**Total:**	18,676,812
		% of Total Budget:	9%	**% of Total Budget:**	10%
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:**		**State:**	50,000
		Federal:		**Federal:**	-
		Other:	16,975,997	**Other:**	16,024,497
		Total:	16,975,997	**Total:**	16,074,497
		% of Total Budget:	9%	**% of Total Budget:**	9%
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:**		**State:**	-
		Federal:		**Federal:**	-
		Other:	8,343,983	**Other:**	8,722,512
		Total:	8,343,983	**Total:**	8,722,512
		% of Total Budget:	4%	**% of Total Budget:**	5%

VIII.C - IT Planning and Management Services: SCEIS	To promote cost efficiencies, enable data sharing and promote interoperability among state agencies via the SCEIS project.	**State:** 861,946 **Federal:** **Other:** 5,054,874 **Total:** 5,916,820 **% of Total Budget:** 3%	**State:** 2,716,256 **Federal:** - **Other:** 4,603,290 **Total:** 7,319,546 **% of Total Budget:** 4%
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:** 2,562,381 **Federal:** 536,803 **Other:** 2,942,495 **Total:** 6,041,679 **% of Total Budget:** 3%	**State:** 2,676,878 **Federal:** 699,141 **Other:** 3,159,446 **Total:** 6,535,465 **% of Total Budget:** 3%
VII.A - Office of Insurance Reserve Fund	To provide property and liability insurance to qualified governmental entities including the underwriting of policies, reinsurance, rate development and settlement and defense of claims.	**State:** **Federal:** **Other:** 4,780,264 **Total:** 4,780,264 **% of Total Budget:** 3%	**State:** - **Federal:** - **Other:** 4,856,060 **Total:** 4,856,060 **% 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:** 3,089,182 **Federal:** **Other:** 2,099,489 **Total:** 5,188,671 **% of Total Budget:** 3%	**State:** 2,888,088 **Federal:** - **Other:** 1,898,778 **Total:** 4,786,866 **% of Total Budget:** 3%
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:** 1,925,962 **Federal:** 906,000 **Other:** 1,583,836 **Total:** 4,415,798 **% of Total Budget:** 2%	**State:** 1,495,604 **Federal:** 535,105 **Other:** 2,713,400 **Total:** 4,744,109 **% of Total Budget:** 2%
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:** 2,310,301 **Federal:** **Other:** 534,533 **Total:** 2,844,834 **% of Total Budget:** 1%	**State:** 1,929,950 **Federal:** - **Other:** 1,243,772 **Total:** 3,173,722 **% of Total Budget:** 1%
VII.D - Energy Office	To promote energy efficiency and cost savings through energy audits, other technical assistance and the revolving loan program.	**State:** **Federal:** 2,503,424 **Other:** 1,949,053 **Total:** 4,452,477 **% of Total Budget:** 2%	**State:** - **Federal:** 1,098,182 **Other:** 1,193,092 **Total:** 2,291,274 **% of Total Budget:** 1%
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:** 2,196,252 **Federal:** **Other:** **Total:** 2,196,252 **% of Total Budget:** 1%	**State:** 2,128,459 **Federal:** - **Other:** 4,808 **Total:** 2,133,267 **% of Total Budget:** 1%

Programs not listed: 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-Bonds SPIRS Projects.

Remainder of funds for programs listed at left:

State:	5,644,248	**State:**	4,881,722
Federal:		**Federal:**	278,691
Other:	21,300,038	**Other:**	18,394,874
Total:	26,944,286	**Total:**	23,555,287
% of Total Budget:	14%	**% of Total Budget:**	13%

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 05-06 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
VIII.B - CIO Operations: Connectivity and K-12.	Customer satisfaction. Return on investment.	Awarded a state term contract for a MPLS network which is a single system that ensures mission-critical traffic receives priority to move through the network and provides for economical and reliable access and additional security. Agencies and the K-12 community are upgrading their networks to this new infrastructure, taking advantage of reduced costs and greater bandwidth.	Pages 37,38.
V.B. - Facilities Management	Customer satisfaction. Return on investment.	Maintained state buildings below public and private sector cost benchmarks.	Pages 32,34.
V.E. State Fleet Management	Return on Investment	Maintained daily motor pool rates below private sector benchmarks. Assisted with comprehensive study of all operations by independent consultant and began implementation of recommendations. Relocated facilities.	Pages 33, 34.
VIII.B - CIO Operations: Data Processing	Customer satisfaction. Return on investment.	Awarded a contract for disaster recovery services for mainframes. This contract adds the enterprise computing platforms and provides facility-based, mobile site and quick ship recovery services for many platforms. This multi-agency contract allows other state agencies to use it for disaster recovery.	Page 37.
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 35, 36.
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 45.
VIII.C - SC Enterprise Information System: SCEIS	Customer satisfaction. Return on investment	The SCEIS project moved from blueprint phase to implementation phase; the hardware and software infrastructure was installed. A "Solution Center" was opened to permit agency hands-on testing of the new system.	No charts listed.

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*
IV.B - Research and Statistics	Customer satisfaction. Return on investment.	Assistance to other governments and the non-profit sector is growing.	Pages 35, 47.
VII.A - Office of Insurance Reserve Fund	Return on investment.	The program continues to operate efficiently and to offer rates well below what is available from the private sector.	Pages 42, 43,44.
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.
VII.C - Office of Local Government	Return on investment.	Prudent loan decisions and portfolio management resulted in no late payments or defaults for 2005-06 or any year since inception.	Page 42.
VI - Procurement Services	Return on investment. Customer satisfaction.	New employees have been added to the staff to enhance customer service. A comprehensive review of key measures was undertaken and changes are being implemented.	Pages 40, 41.
VII.D Energy Office	Return on investment.	The office continued to promote energy efficiency and cost savings with energy improvements to public facilities projected to provide significant cost savings. The program also promoted the increase in the usage of alternative energy sources in order to replace petroleum with clean burning fuels.	Page 39.
IV.D - State Budget Office	Customer satisfaction.	Continued to provide quality customer service.	Page 44.

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.
The Executive Director participates in each orientation session for new Board employees. During these three-hour sessions for all new staff, he explains the agency's deployment of the Baldrige concepts, the Board's three strategic objectives and how the annual accountability report is used within the agency. The Board's Director of Employee Development has updated the new employee orientation program to have a greater focus on the goals of listening, learning, improving and measuring results. All Board programs begin with a focus on customers and customer service is the first of the agency's objectives.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?
During the annual senior leadership retreat, the Executive Director and Chief of Staff ask that all agency managers share their key measures and customer-focused accomplishments with the group. Agency-wide issues are discussed in view of how they will impact the direct delivery of services throughout the year . Any complaints or concerns received by the Executive Director involving customer service are fully analyzed and resolved.

3. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?
The biggest responsibility of the Board is to be a good steward of public funds, and the agency has in place strong legal and auditing components to ensure that all legal and regulatory standards are met. The Executive Director and senior leadership consistently emphasize to all employees that it is their duty to live up to the highest standards of ethical behavior.

4. How do senior leaders maintain fiscal, legal and regulator accountability?
The Board works with the state's elected leadership to meet long-term fiscal and regulatory requirements. As new issues emerge, staff members ensure that policy makers have the facts to support good decision-making. For example, the State Health Plan has commissioned independent studies and will assist a special legislative committee in looking at how South Carolina should address new financial standards for retiree health benefits.

5. What key performance measures are regularly reviewed by your senior leaders?
Return on investment, customer satisfaction and employee well-being measures are regularly reviewed by senior leaders across the agency. Individual programs have also identified many specific measures that are tailored to their particular needs. The Chief of Staff meets regularly with Board human resources officials to review agency hiring decisions and trends in workforce management.

6. How do senior leaders use organization performance review findings and employee feed-

back to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

Each program in the Board is required to use a systematic approach that employs data to continuously review and improve operations. For example, the Materials Management Office streamlined procurement rules and has worked to give agencies greater purchasing authority in response to the need to improve service delivery time. (See Strategic Planning Process, page 8.)

7. How do their personal actions reflect a commitment to the organizational values? How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

Succession planning has been spurred by the ongoing commitment to the Leadership Academy, which for the last three years has taken a group of talented young managers and exposed them to the Baldrige criteria, leadership skills and Board operations. The graduates are better positioned for agency-wide leadership roles and a number have found promotional opportunities since the program began.

The 2006 class of the Leadership Academy.

8. How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, and innovation?

The executive leadership team participates regularly in awards ceremonies, receptions and other events that recognize the accomplishments of Board employees. The Executive Director also works to foster a constancy of purpose throughout the agency by emphasizing listening, learning and improving during his interactions with others. Each program area is expected to develop these three components for systematic improvement.

9. How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities?

Community involvement is supported by agency participation in the United Way, Community Health Charities and active participation in civic groups like the River Alliance. In 2006, the Board also sponsored Crayons for Kids, a one-day fundraiser that helped purchase surplus school supplies and donate them to several non-profit groups around the state.

2.0 Strategic Planning

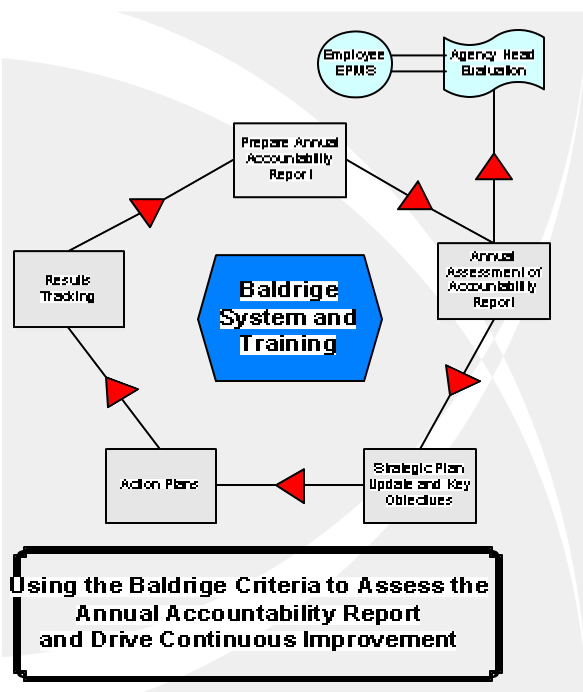
1. What is your strategic planning process, including key participants, and how does it account for: a) your organization's strengths, weaknesses, opportunities and threats; b) financial, regulatory, societal and other potential risks; c) shifts in technology or the regulatory environment; d) human resource capabilities and needs; e) the opportunities

and barriers you described in the Executive Summary (question 4); f) business continuity in emergencies; g) your ability to execute the strategic plan.

The annual strategic planning retreat for Board senior leaders was held in December 2005 at Saluda Shoals.

Every year about 40 senior Board division and program managers meet to discuss the agency's strategic situation and plans for the coming year. Each manager posted a list of accomplishments realized by their area during the past year and discussed key initiatives with the group. Further discussions involve the strengths, weaknesses, opportunities and threats that transcend individual operational units. Discussions include considerations of financial, technology and human resource challenges. Identified common issues such as workforce planning are tracked throughout the year by the appropriate Board unit with data reports to senior management. Each business unit reports key results as part of the annual accountability report and the data is reviewed by Board executives and office directors during a day-long meeting in August. This serves as an agency-wide review of progress since the management retreat provides an additional opportunity to evaluate goals.

Using data collected from multiple sources, including the Human Resource Advisory Committee meetings, customer surveys, and environmental scanning, the Office of Human Resources developed a three-year plan in 2005. The plan outlines both strategic and major operational initiatives in all areas of the office. At the annual OHR planning session, the initiatives were discussed, prioritized and assigned timeframes and project leaders. Plan attainment is monitored through progress noted in an internal database by the project leaders, through ongoing project meetings and by OHR leadership in management level meetings. Every six months the plan is formally updated in review sessions as initiatives are completed, new information is gathered, and ongoing project progress is analyzed, essentially creating a rolling three-year planning document.



2. 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.

As described above, senior leaders meet annually to set strategic objectives for the agency. Each Board program area sets specific goals and action plans to meet those broad objectives within their area. Progress is monitored throughout the year by senior leadership and is specifically reported during the accountability reporting process. Senior management allocates resources on an as-needed basis. For example, funding was made available to create the position of Director of Employee Development to enhance training and employee well-being which are key agency-wide strategic goals. (See Strategic Planning Chart, page 8.)

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

Strategic objectives and action plans are discussed and communicated first at the annual senior management retreat that is held each fall. Those program leaders then communicate agency priorities to their key leadership teams and employees. Divisions and offices also create their own action plans. For example, the General Services Division included all areas in the development of its strategic plan. Each functional area within General Services built upon previous Accountability Report data to develop its part of the plan, and senior management integrated the results into the four strategic areas identified in the plan. Senior management distributed a draft to all levels of management for comment, revision and approval, and then published the final product. It is to be reviewed and updated annually.

4. How do you measure progress on your action plans?

Each program area has a detailed list of measures that are used both internally and externally to track progress and highlight opportunities for improvement. Measures include both workload, workflow, output, financial and customer satisfaction. Ideally, each is benchmarked against customer needs and expectations and industry leaders. Measures are also continually reviewed and upgraded in the face of changing customer and stakeholder expectations. For example, the Materials Management Office has nearly 70 performance measures which it developed in the last year with the input of an outside Baldrige consultant and the Board's Director of Employee Development.

5. How do your strategic objectives address the strategic challenges you identified in your Organizational Profile?

The strategic objectives of return on investment, customer satisfaction and employee well-being are all closely linked to the identified strategic challenges. Maintaining a strong workforce in the face of retirements will require ensuring that the Board is a good place to work for all employees. The use of technology to reduce expenditures will allow us to continue to provide excellent customer service while remaining competitively priced as our customers demand.

3.0 Customer Focus

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

As a public agency, our customers are largely mandated by statute and regulation. However, many users of Board services are voluntary, such as local governments that purchase coverage through the Insurance Reserve Fund and customers of the Agency Mail Program. Customer requirements are determined through direct interaction by Board employees, correspondence and customer surveys.

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

The Division of the Chief Information Officer developed a customer call plan where agency representatives go to every customer's location on a semiannual basis and meet with the business stakeholders. Additionally, the CIO's Customer Relations unit conducts on-site meetings with customers to ensure their changing business needs and expectations are met on a continuous basis.

The Division of Insuance and Grants conducts field visits, quality control measurement reviews, and continuous surveying by mail, telephone, and on line. It also incorporates technological innovations such as web-based enrollment, improved website accessibility and content, automated loan and billing systems and integrated imaging workflow systems.

The Materials Management Office receives feedback from monthly meetings with agency procurement directors and attendance at local and regional meetings of procurement professionals. Recent improvements to the procurement certification program were made with agency participation. MMO is also participating in a national cooperative for procurement training, and updating individual training plans for each employee.

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

Each Board division has a system for collecting actionable customer feedback which helps determine the delivery of services. This involves direct feedback, customer surveys and data tracking. The South Carolina Retirement Systems tracks incoming calls, including the time to answer and the number abandoned, to monitor customer demand and redeploy resources as needed. In February, the State Health Plan launched an evidence-based medicine program through an independent contractor. This initiative uses a team of board-certified physicians and pharmacists to review the latest studies, journals and findings. This data is placed in a complex computer system that the vendor uses to make specific care recommendations to doctors for individual patients. The system is expected to improve patient outcomes and help control costs.

4. How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

Board programs employ a variety of methods in this area including the use of focus groups, surveys, direct follow-up calls to customers who have received service and customer feedback cards. Other opportunities are used, such as calls received from elected officials seeking assistance for their constituents.

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

Relationships are strengthened by demonstrating a willingness to listen and take action when appropriate. For example, the Materials Management Office recently conducted a day-long meeting with 250 agency representatives to discuss the changes to the Consolidated

Procurement Code. At that meeting, participants also discussed their proposals for amendments to the regulations and commented on the definition of total value of funds expended, which is relative to procurements with minority vendors. This input will drive changes in procedures and recommend legislative amendments. Because the agency has so many different kinds of customers, the key is having listening methods that result in actionable feedback.

4.0 Measurement, Analysis, and Knowledge Management

1. How do you decide which operations, processes and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?

Each program area is required to have measures that focus on the Board's three strategic objectives. Individual units typically have many additional measures that are tailored to their specific needs and business type that are designed for internal tracking purposes.

2. How do you use data/information analysis to provide effective support for decision making throughout your organization?

The measures described above are benchmarked against leaders in the appropriate line of business to serve as a high standard for which to strive. Areas where the data and customer feedback demonstrate opportunities for improvement become strategic priorities for the program.

3. What are your key measures, how do you review them and how do you keep them current with business needs and direction?

Key goals are set by researching the needs of all stakeholders (customers, vendors, employees, legislature, etc.). Once goals and objectives have been established, operational plans are developed to include results tracking and feeds for the annual accountability report. Data is regularly evaluated by specific program managers. For example, the Insurance Reserve Fund uses a computer modeling report produced by its outside actuaries to project losses during a hurricane or earthquake. This data allows the fund to determine if it has adequate reinsurance and what financial capacity is required to meet the needs of customers.

4. How do you select and use key comparative data and information to support operational and strategic decision making and innovation?

Board programs track hundreds of specific measures that are reviewed regularly. Depending on the nature of the measure, it may be reviewed daily in the case of call center activity, or quarterly in the case of many financial reports. The Board's Internal Audit and Performance Review function regularly audits key measures to ensure they are accurate and appropriately benchmarked. Independent consultants are also used to review financial and performance measures for the Employee Insurance Program and the Division of the State Chief Information Officer. An independent consultant was retained by State Fleet Management last year to review all aspects of the program and make recommendations for change. The data is used to determine the next most important area for improvement. Typically, teams will develop solutions using this information.

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

The Board's Internal Audit and Performance Review unit audited the validity and reliability of the performance measures reported in the 2005 Accountability Report to determine the level of reliance that Board management could place on the reported measures and to provide feedback regarding the degree of development and usefulness of performance measures. In addition, Internal Audit and Performance Review conducted an independent survey of the customers and employers of the S.C. Retirement System to assess their level of satisfaction with the services.

The Division of the State Chief Information Officer has implemented Cyber Sentry which enables government entities to integrate information from network and application layers for improved threat identification, compliance and security decision support. Cyber Sentry extends the system's existing support for monitoring application security to include correlation and reporting on actual user activity within an application to demonstrate the security of data as it is accessed throughout a transaction – a critical requirement for achieving ongoing regulatory compliance.

To ensure data availability, the CIO negotiated a contract with a third-party vendor to provide disaster recovery facilities for the data center mainframe and enterprise computing servers. This contract provides facility-based, mobile site and quick ship recovery services for the required hardware platforms. This multi-agency contract allows other state agencies to use it for disaster recovery.

In February, the CIO also participated in the National Cyber Storm Event hosted by the U.S. Department of Homeland Security. This exercise was designed to examine response, coordination and recovery mechanisms in the event of an attack on public computer systems Cyber Storm involved 115 public, private and international agencies, organizations and private sector firms.

6. How do you translate organizational performance review findings into priorities for continuous improvement?

Each program area follows the "listen, learn and improve" process described previously. Measures that lag the benchmarks or customer expectations become opportunities for improvement.

7. How do you collect, transfer, and maintain organizational and employee knowledge (your knowledge assets)? How do you identify and share best practices?

The Board employs various knowledge transfer methods to collect, transfer and maintain organizational knowledge. Traditional methods such as on-the-job training, documenting processes, job rotation and classroom training are used regularly. In addition, the Board has developed a knowledge transfer workshop to provide managers the tools they need to be able to successfully maintain employee knowledge. The Board shared 24 knowledge transfer strategies, developed by another state, with the leadership at its annual retreat and encouraged leadership to adopt those strategies that are most appropriate for the situation.

5.0 Human Resources

1. How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired organizational culture?

The Board's leadership encourages managers and supervisors to organize work to meet the strategic objectives and goals set for their part of the organization which ultimately feeds into their division's strategic plan. The Board's values support an environment of continuous improvement and innovation as well as quality customer services and products, leadership, professionalism, and employee well-being.

To assist managers with their workforce planning efforts, a number of demographic reports were developed to help them identify the employees leaving through retirement. Based on these retirements, as well as projected workload, new lines of business, and technology, the divisions identify gaps in skills or knowledge and develop succession plans or hire new employees with the needed skills.

To enable employees to develop and utilize their full potential, the Board has adopted the philosophy and approach of a learning organization (also see number 3 below). This includes both continuous improvement of existing approaches and adaptation to change. Sources of learning include staff ideas, research, customer and stakeholder input, best practice sharing and benchmarking. Organizational learning can result in enhancing the value to customers through new and improved services, reducing errors, defects, waste and related costs, improving responsiveness and cycle time performance, increasing productivity and effectiveness in the use of all resources throughout the organization.

2. How do you evaluate and improve your organization's human resource related processes?

The Board has employed several methods to evaluate human resource processes. Such methods include surveying our customers following an event such as open enrollment, orientation or training; soliciting feedback by meeting with key customers, human resource liaisons and division/office directors; analyzing exit interview information to identify systematic areas of concern; and benchmarking against other organizations. From the evaluations, we improve human resource processes by various methods to include making minor adjustments to processes and communicating the change to our customers, mapping our processes to determine a more effective way of performing a function, and using technology to operate more efficiently.

3. 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? How do you encourage the job use of the new knowledge and skills?

The Director of Employee Development ensures ongoing communication with the managers of the Budget and Control Board to identify competencies needed for performance excellence and to bridge the gap with classroom training, cross training, special assignments, mentoring and non-classroom experiences. The Board has developed a learning plan for employees that is currently being piloted in the Office of Human Resources and the Division of Procurement Services. An employee development plan was also created to communicate the Board's philosophy about employee learning. Through this plan, we are ensuring that the focus is on filling skill gaps rather than counting hours of training.

Each division develops specific training plans for new employees. In addition, all new employees are required to attend an orientation session and Baldrige training. These programs are conducted within a few months of hire to educate the employee about the Board and its policies and values and to give the new employee an overview of the Malcolm Baldrige criteria and a systematic approach to continuous improvement.

Safety and other job-specific training are mandated for certain positions within the organization. For example, in the Division of General Services, trades workers receive extensive safety training to ensure all OSHA guidelines are followed and employees are working in a safe environment. Other classroom training is made available through Midlands Technical College, Microbyte, internal training sessions, and the Office of Human Resources. Future leaders and selected managers are eligible to participate in the Board's Leadership Academy, which is designed to give employees with outstanding leadership potential a greater understanding of the agency. They may also have the opportunity to participate in OHR's Certified Public Managers Program or the Executive Institute.

To encourage use of knowledge and skills acquired through training, supervisors are asked to evaluate the employee's level of performance after the training experience. The Board sometimes conducts surveys after the event to ascertain the value of the training for the participant and to inquire whether they have applied the learning.

4. How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?

The Board has a universal review date of January 1st which requires evaluations to be completed for all employees at the same time. This ensures that managers develop an overall picture of the individual performance in conjunction with the organization's performance. In addition, senior managers have performance information on all employees to use as a barometer to measure progress and to determine areas to address. This also facilitates planning employee developmental activities.

5. How do you motivate your employees to develop and utilize their full potential?

Personal learning should result in organizational cross functional learning, building the knowledge assets of the organization, an improved environment for innovation and a more satisfied, versatile staff. Each Board division conducts an in-house reward and recognition program for their employees. Each program holds a special recognition event during Public Service Recognition Week in May. During this time, employees achieving milestones of 20, 30, and 40 or more years of state service are honored. *Across the Board*, the Board's employee newsletter regularly features articles on employees and their accomplishments. The Board's new Internet blog provides an immediate means of distributing pertinent information to employees. The 2005-2006 Leadership Academy projects included recommendations for improving our reward and recognition programs, and we are currently working to implement many of those ideas.

6. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?

During this year, the Board has taken advantage of online surveys to gather information on training events, lunchtime wellness seminars, and customer satisfaction levels with other HR initiatives. Response to the surveys has been helpful in determining offerings and improving processes.

In the past, the Board conducted employee surveys periodically. By using comparable questions, the Board was able to compare changes in employee attitudes and determine what changes should be employed. In 2005-06, the Board tested the idea of conducting customized climate surveys in specific divisions or offices. By focusing on certain areas, we have been able to identify potential issues and make immediate improvements that impact directly on employee well-being.

The Board continues to conduct exit interviews for employees leaving the organization and to analyze data to determine the common trends and themes. When a concern is heard often or is disturbing, the Board's human resources staff informs division management. The division may conduct further review or may seek assistance from Human Resources. Options for handling the problem are then generated and a solution implemented.

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

The Board is conducting an overall assessment of the Board-wide safety issues. Each division will make recommendations for improvement. Currently, General Services has an active safety program consisting of a three-person team that provides training, assessment and consulting services to the various program areas.

The Board continues to offer CPR/First Aid training to its employees. The number of accidents in 2005-06 was 30, an increase from the previous year. When accidents occur, managers and supervisors are encouraged to determine the cause of the accident and make recommendations for any changes to prevent a reoccurrence. The General Services Safety Team has been used to consult with other divisions on ergonomic issues and other instances such as noise control.

The Board has an emergency preparedness coordinator. During this fiscal year, the emergency preparedness coordinator invited a DHEC official to talk to Board leadership about the possibility of the pandemic influenza. As a result, divisions are making preparations should this event occur.

The Disaster Recovery Program at the CIO is designed to benefit customer agencies who store large amounts of data on the division's large systems. The program encourages joint participation between the CIO disaster recovery teams and key disaster recovery personnel with 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 programs to include all other aspects of its operations.

The CIO, along with the Emergency Management Division and other state, county and city agencies, participated in South Carolina's full scale hurricane exercise in June. The objective was to validate the state's plans for evacuation, response and recovery operations, with specific emphasis on logistics, communications and lessons learned from Hurricane Katrina.

6.0 Process Management

1. What are your key processes that produce, create or add value for your customers and your organization? How do you ensure that these processes are used?

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 record 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 schedules.

- The South Carolina Retirement Systems tracks all customer requests for information, benefits estimates and other services on a centralized computer system. This system allows the SCRS 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.

- 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.

- 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 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?

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 response to process analysis
8) Follow-up

The South Carolina Retirement Systems has continued to develop its imaging capability into a model for organizations in both the public and private sectors. The SCRS Imaging Center has implemented a comprehensive process which will allow the staff to audit all imaged member files and ultimately eliminate the need for outside paper storage. In most cases, all incoming paper is imaged within two to three hours of receipt.

Every driver with General Services' Agency Mail program has been given a GPS-equipped cell phone that allows tracing of each vehicle as it travels the state. This allows management to monitor times at stops and between stops by location and average speed, allowing for routes to be optimized.

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

Board programs are constantly seeking new approaches for streamlining back-office functions. Board senior management is provided 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. Access is granted to management personnel via a password system on a shared network drive.

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 for other states. In the last year, the Client Information System has expanded to include selected Department of Mental Health centers and new features such as Chronic Kidney Disease Surveillance.

4. How do you systematically evaluate and improve your key product and service related processes?

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.

We use technology to improve processes. The Employee Insurance Program has begun paying a performance-based bonus to contracting hospitals. Based upon quality data published in the September 2005 federal Hospital Compare website, hospitals that achieved the top 10 percent nationwide on at least two of the original 10 measures received an additional .25 percent increase in inpatients rates. An additional .25 percent was granted for each additional measure in the top 10 percent nationally. Seven hospitals qualified for this bonus in 2006.

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. 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 the vehicle repair history. The mechanic then discusses the repairs they plan to undertake with the CVRP repair shop. 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 are systemized to ensure a more efficient work flow.

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 partners with 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.

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.

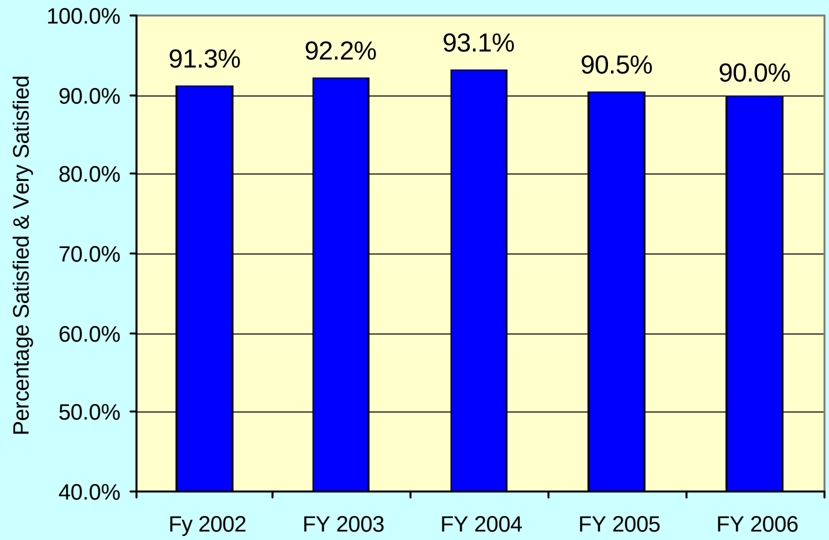
5. What are your key support processes, and how do you improve and update these processes to achieve better performance?

The Office of Internal Operations provides support services to all program areas of the Board, including procurement, accounting, human resources, 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.

Based upon customer feedback, the Office of Internal Operations implemented a new on-line job application system. Prospective employees can complete and submit their application at any time. They can also check on the status of their application or apply for another job with minimal effort. Through this system, applications and applicant logs are sent electronically to the hiring official who is able to view the applications on line and print the applications of applicants they wish to contact for an interview.

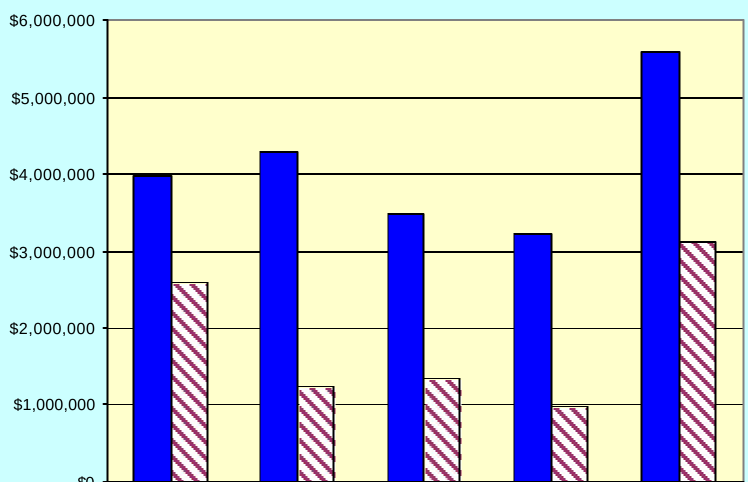
7.0 Business Results

General Services Division
Customer Satisfaction Survey FY 2006



The General Services Division continues to record customer satisfaction levels at or above 90 percent.

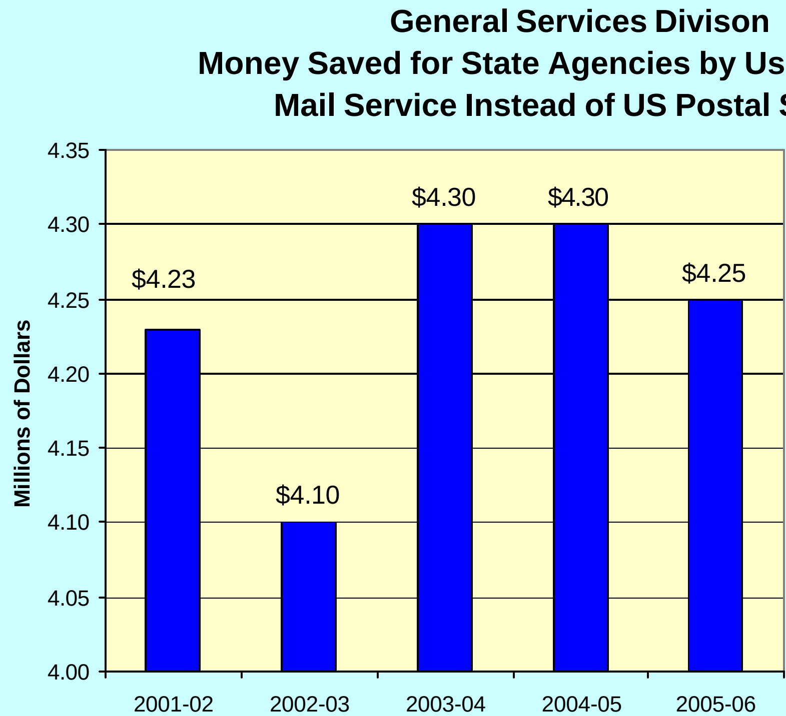
General Services Division
Proceeds Returned to State Agencies from Surplus Property Sales
and Costs Avoided by Agencies by Purchase
of Surplus Equipment in FY 2006



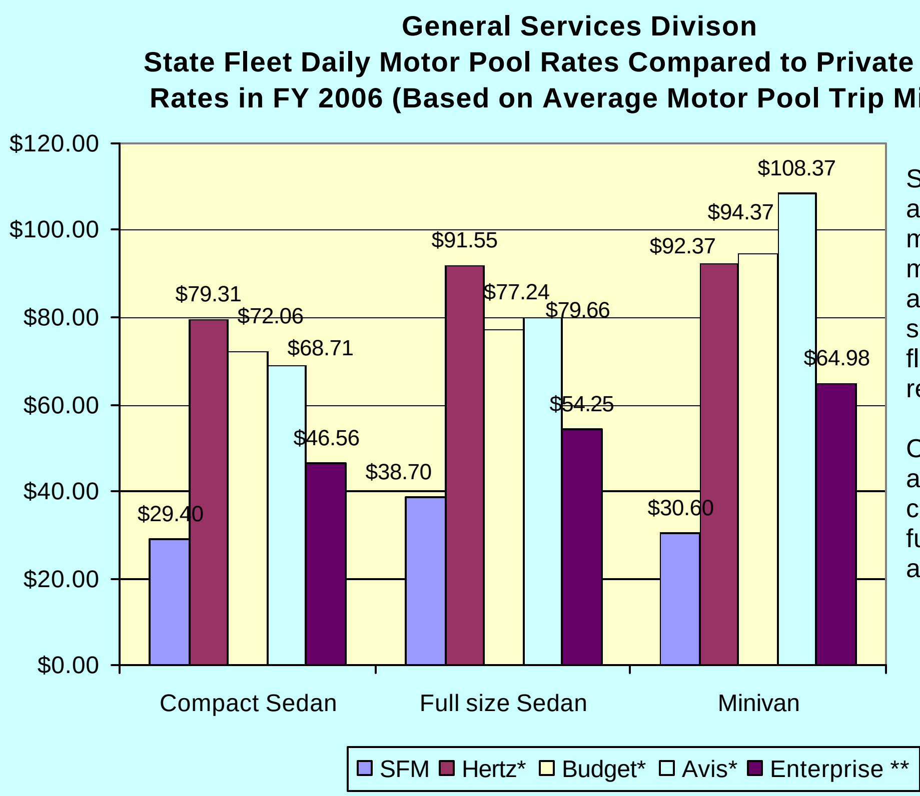
	2002	2003	2004	2005	2006
Proceeds Returned	$3,992,523	$4,298,892	$3,485,472	$3,234,329	$5,588,498
Cost Avoidance	$2,583,419	$1,240,892	$1,352,121	$975,454	$3,116,914

Fiscal Years

The Surplus Property Program disposes of state property. The program allows state agencies, political subdivisions and non-profit organizations to receive state and federally owned surplus property, such as office equipment and furniture, below the cost of buying new.



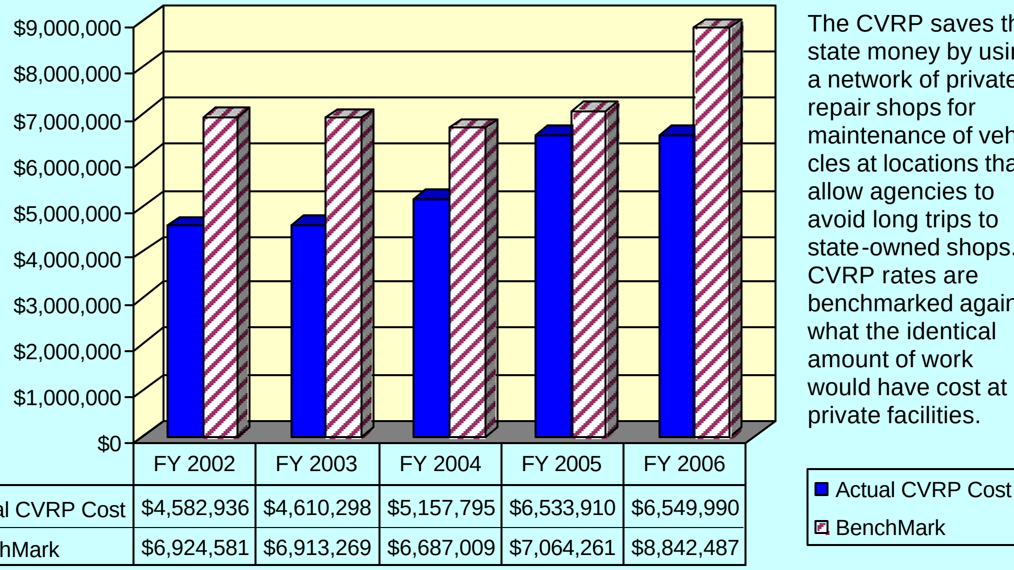
The Agency Mail program has maintained the amount of money it saves the state by finding new customers to offset the drop in mail volume caused by the growing use of electronic communications. Agency Mail charges $1.10 per pound for First Class mail compared with $4.05 for the U.S. Postal Service.



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.

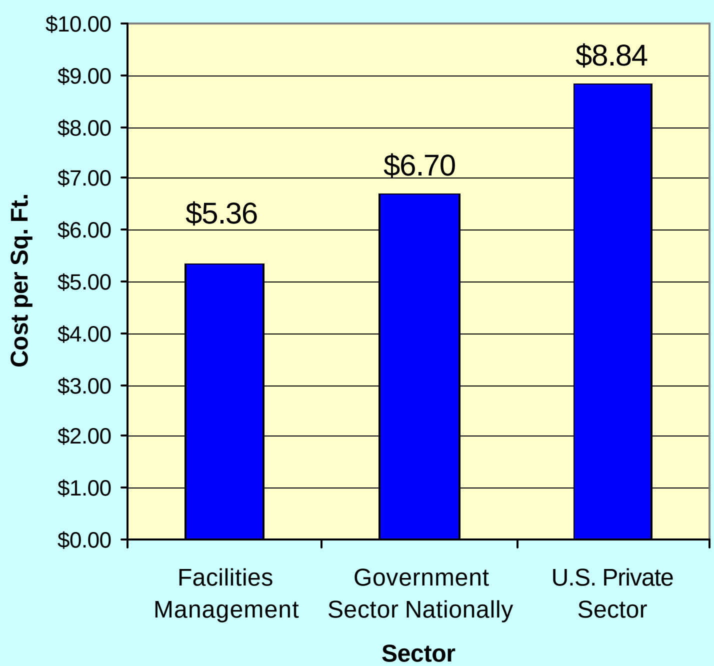
General Services Divison
Commercial Vendor Repair Program (CVRP) Costs Compared to Benchmark
(National Fleet Account Prices in SC for 75 vehicle repair & maintenance jobs)



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Actual CVRP Cost	$4,582,936	$4,610,298	$5,157,795	$6,533,910	$6,549,990
BenchMark	$6,924,581	$6,913,269	$6,687,009	$7,064,261	$8,842,487

The CVRP saves the state money by using a network of private repair shops for maintenance of vehicles at locations that allow agencies to avoid long trips to state-owned shops. CVRP rates are benchmarked against what the identical amount of work would have cost at private facilities.

Facilities Management Section Cost to Maintain State Buildings in FY 2005-06

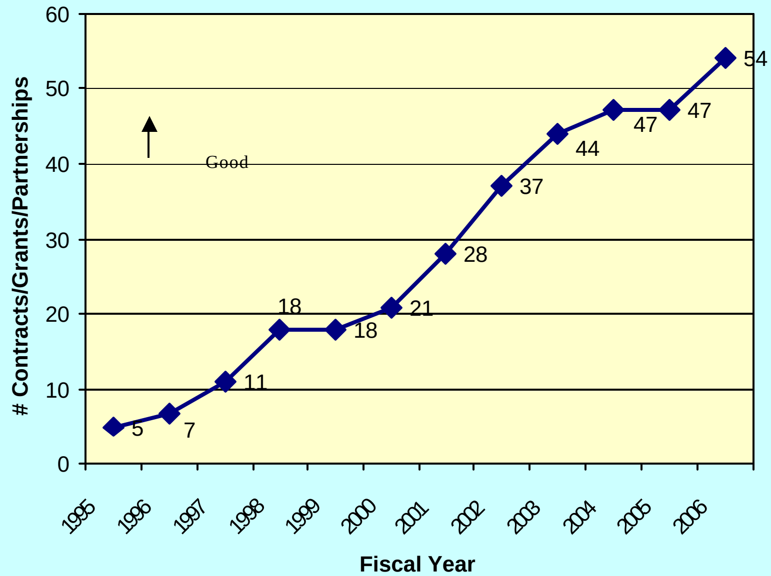


Using data from the Building Owners and Managers Association, the Facilities Management Section compares its costs to maintain state buildings to the public and private sector. FM costs about 75 percent of the cost for all government buildings in the US. This data includes maintenance, custodial, utilities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

Note: The private and government benchmark figures are adjusted downward to account for the low cost of living in the Columbia area compared to the national average.

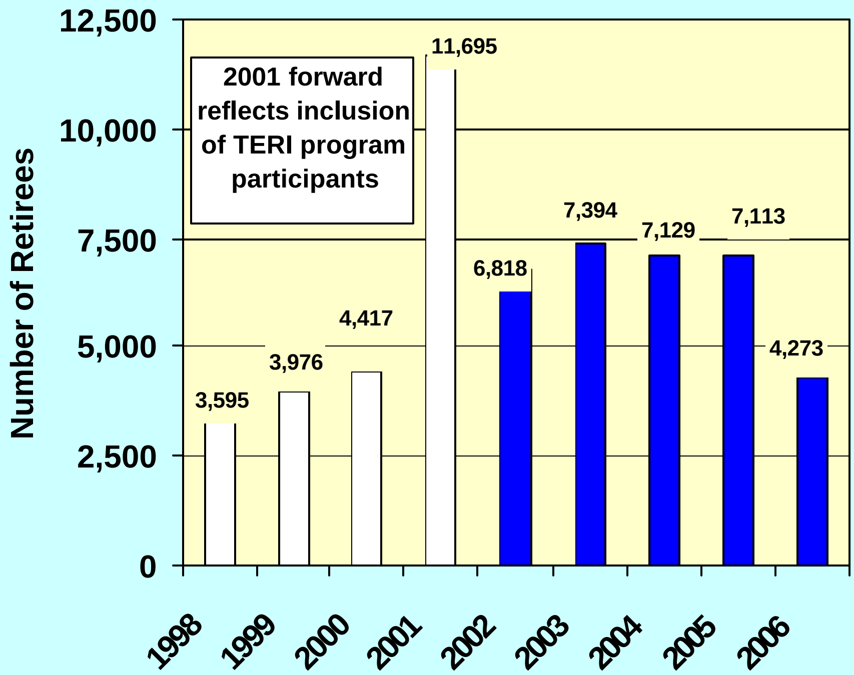
Figures do not include capital costs.

Health and Demographics Contracts, Grants and Partnerships as a Measure of Customer Loyalty



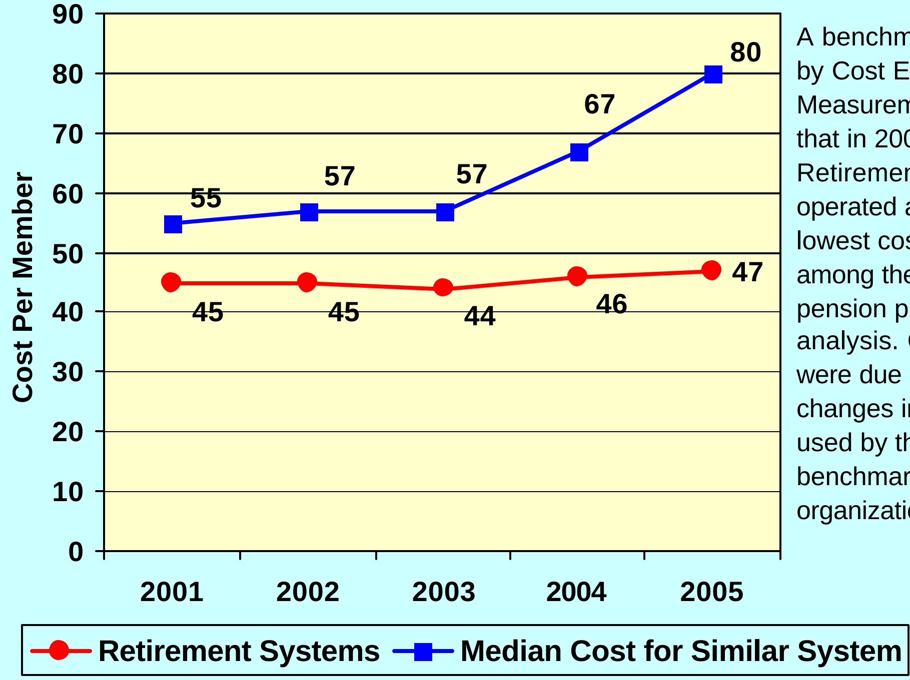
The Health and Demographics Section of the Office of Research and Statistics forges partnerships with agencies and non-profit organizations. The increase in partnerships reflects the growing use of information to improve service delivery and consistent customer loyalty. Most contracts are with agencies that have worked with the section previously.

Comparison of Service Retirement Claims Processed by South Carolina Retirement Systems



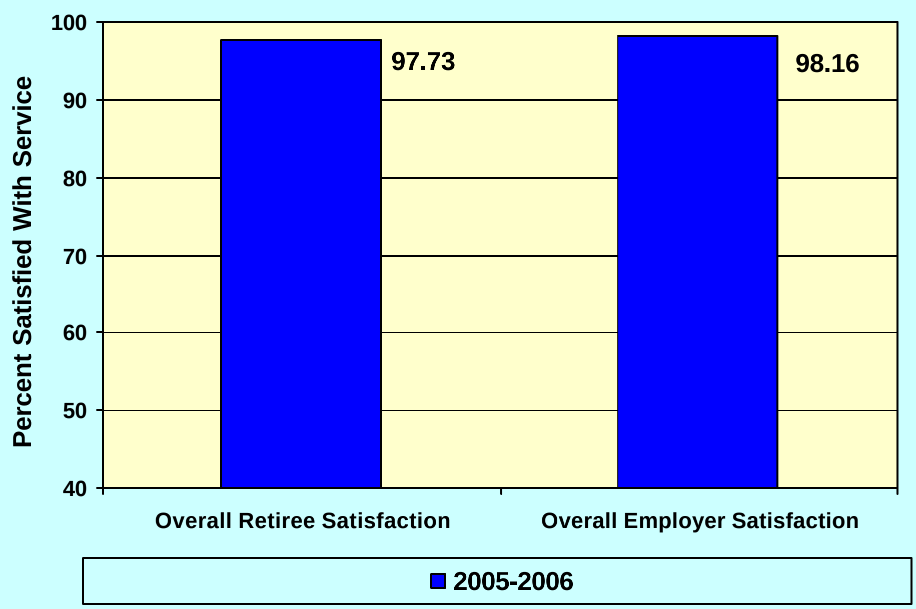
The number of non-TERI service retirements remained steady in 2006. The number of TERI service retirements dropped by nearly 72 percent from FY 2005. This decrease is possibly attributable to legislative changes made to the TERI program effective July 1, 2005.

South Carolina Retirement System Administrative Cost Per Member

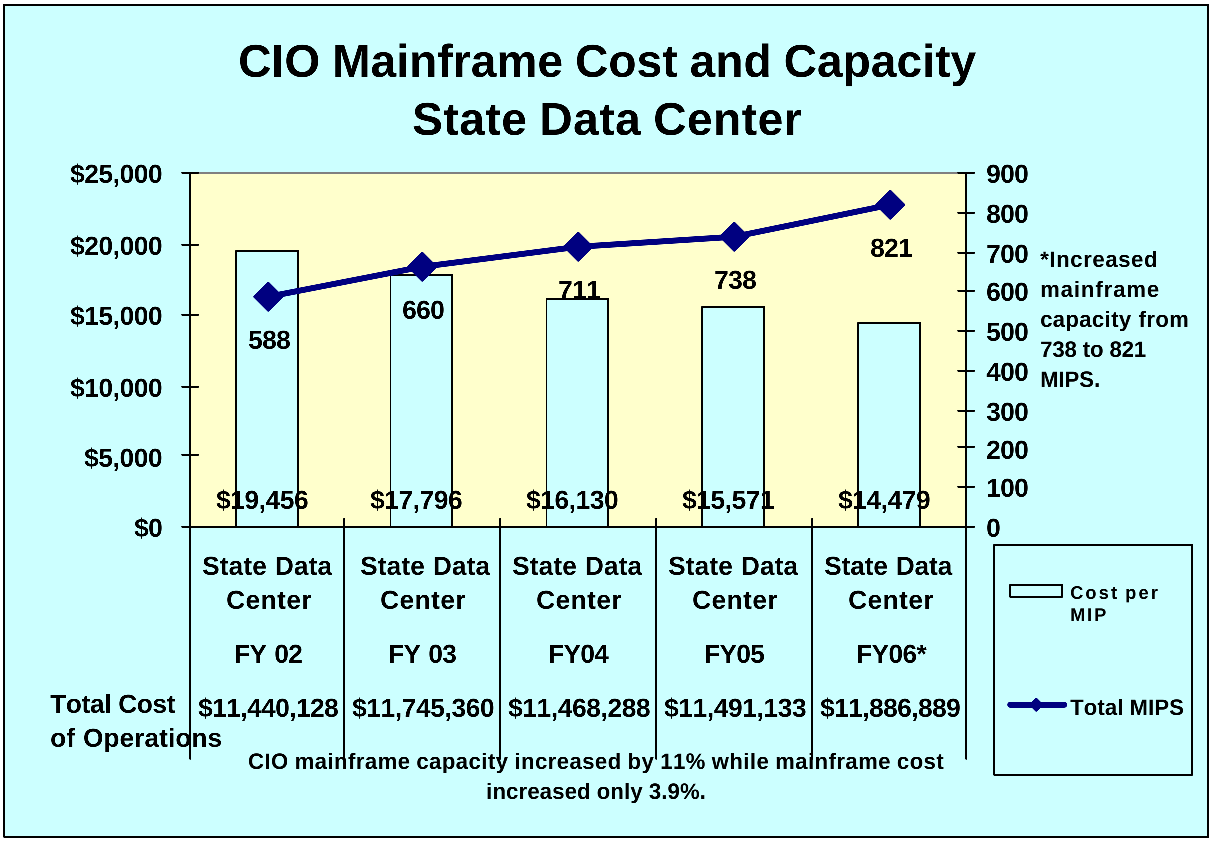


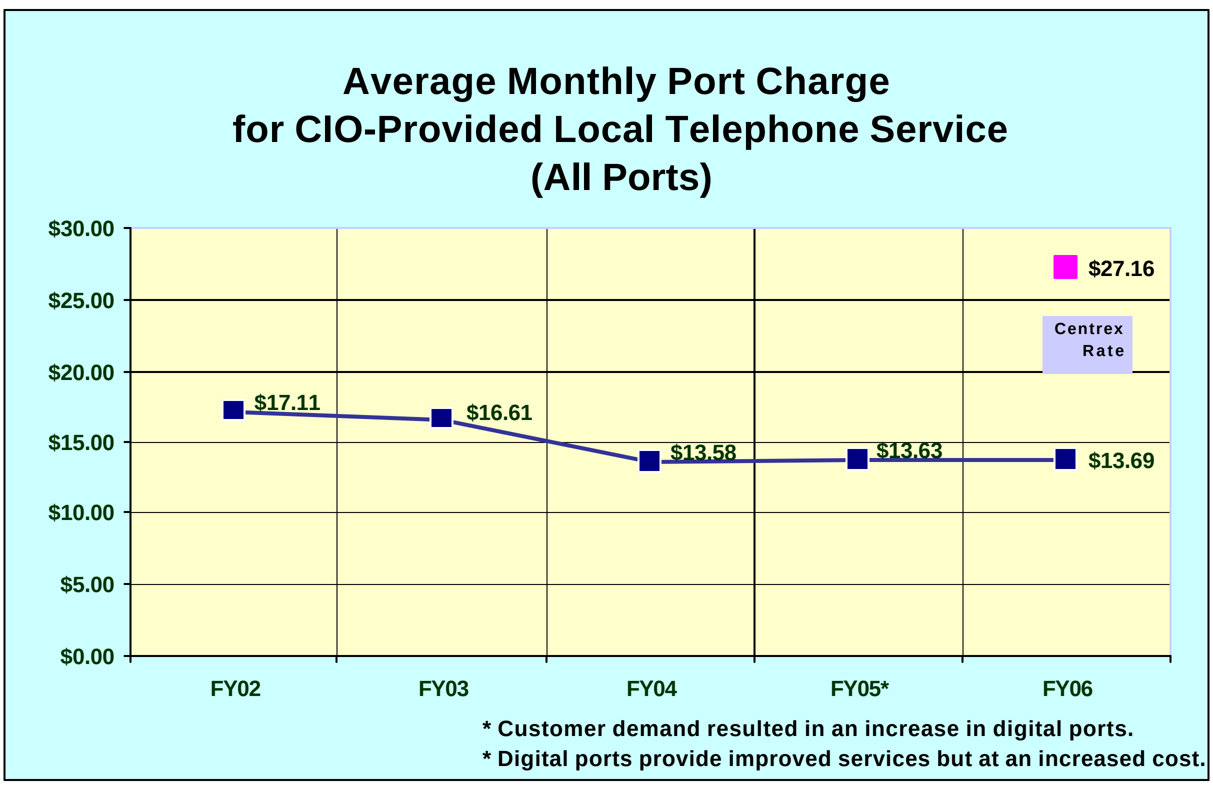
A benchmarking analysis by Cost Effectiveness Measurement, Inc., found that in 2005 the Retirement Systems operated at the fourth lowest cost per member among the 13 peer pension plans in the analysis. Cost increases were due in part to changes in the formula used by the benchmarking organization.

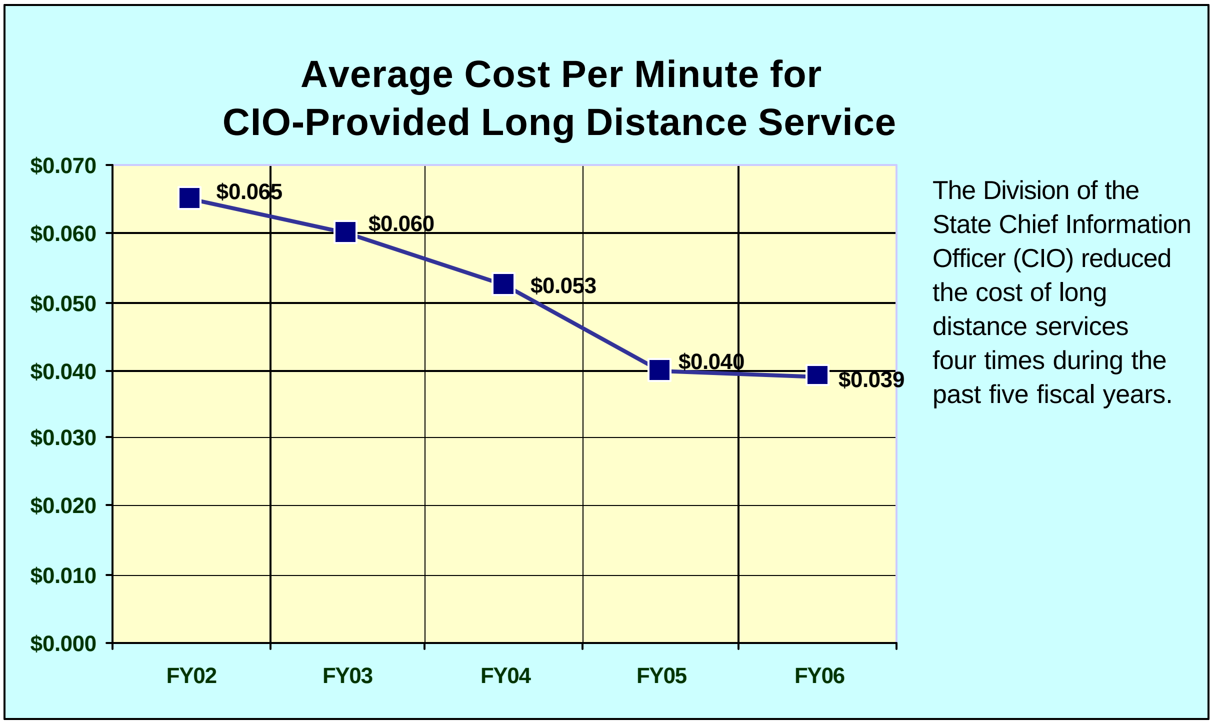
South Carolina Retirement Systems Customer Satisfaction

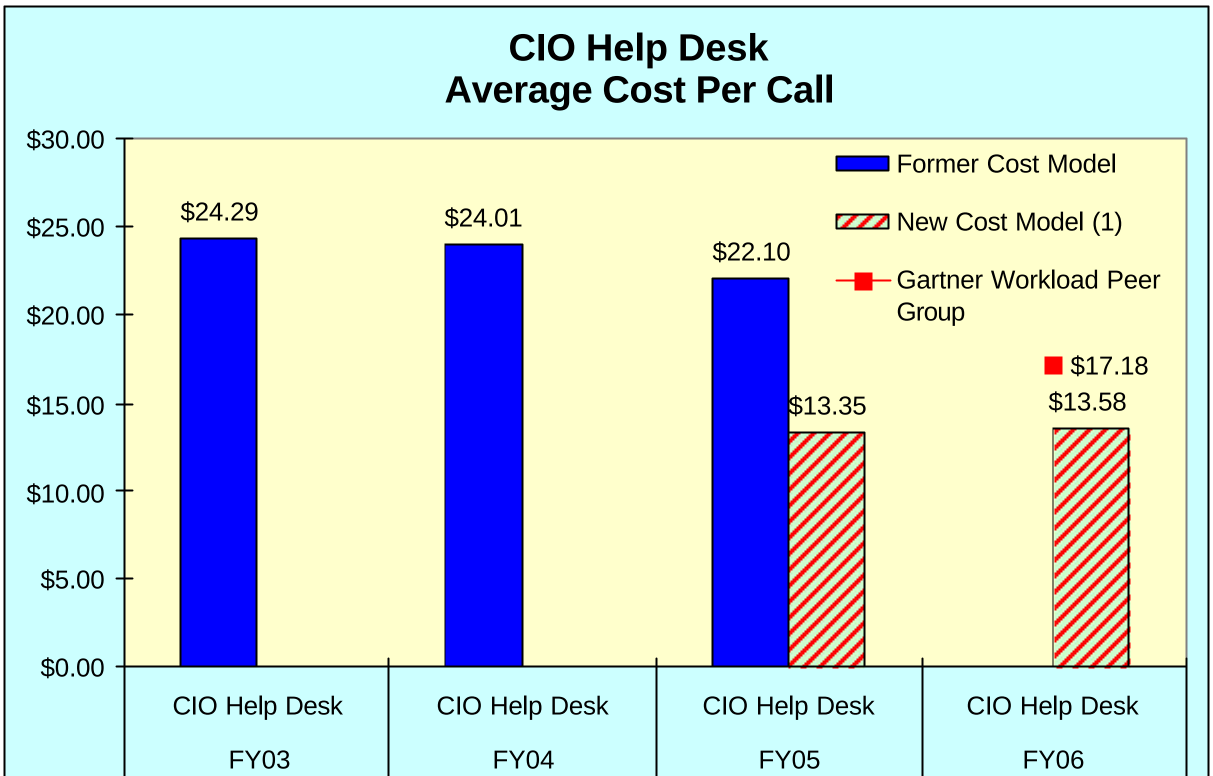


This data begins a new trend due to changes in survey composition and the formulae used to calculate satisfaction results.


CIO Mainframe Cost and Capacity
State Data Center
$25,000
$20,000
$15,000
$10,000
$5,000
$0
900
800
700
600
500
400
300
200
100
0
588
660
711
738
821
$19,456
$17,796
$16,130
$15,571
$14,479
*Increased mainframe capacity from 738 to 821 MIPS.
State Data Center FY 02
State Data Center FY 03
State Data Center FY04
State Data Center FY05
State Data Center FY06*
Total Cost of Operations
$11,440,128
$11,745,360
$11,468,288
$11,491,133
$11,886,889
Cost per MIP
Total MIPS
CIO mainframe capacity increased by 11% while mainframe cost increased only 3.9%.


Average Monthly Port Charge
for CIO-Provided Local Telephone Service
(All Ports)
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
$17.11
$16.61
$13.58
$13.63
$13.69
$27.16
Centrex Rate
FY02
FY03
FY04
FY05*
FY06
* Customer demand resulted in an increase in digital ports.
* Digital ports provide improved services but at an increased cost.

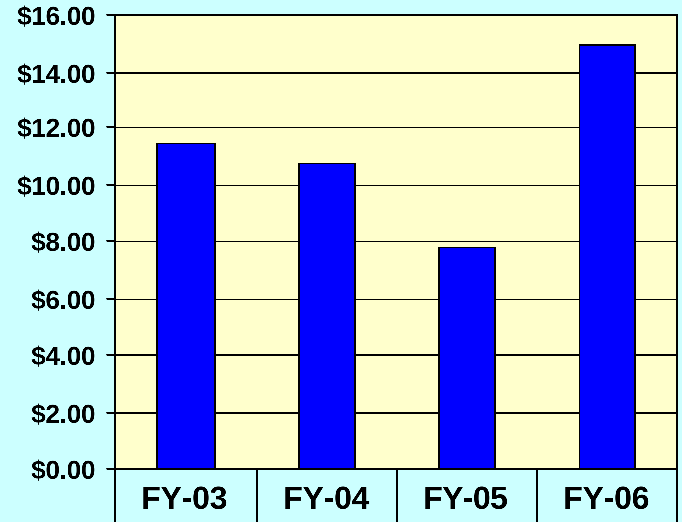




(1) This cost model has been modified to more accurately reflect industry standards as recommended by the Gartner Group.

Note: Call volume includes both voice and data customer calls to the CIO

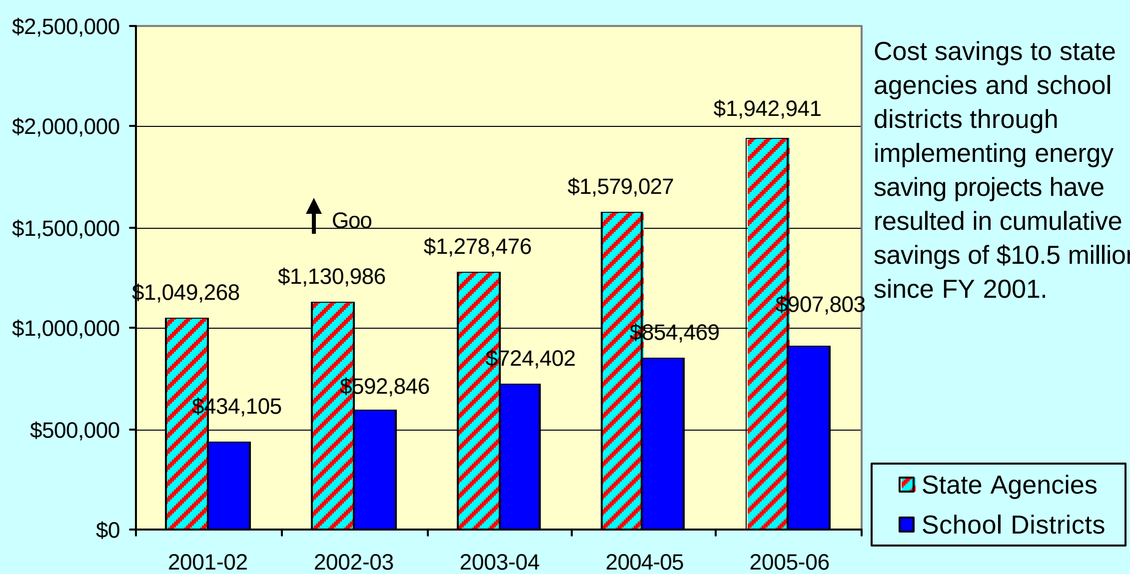
CIO IT Procurement Return On Investment



	FY-03	FY-04	FY-05	FY-06
Return On Investment (ROI)	$11.43	$10.71	$7.76	$14.97

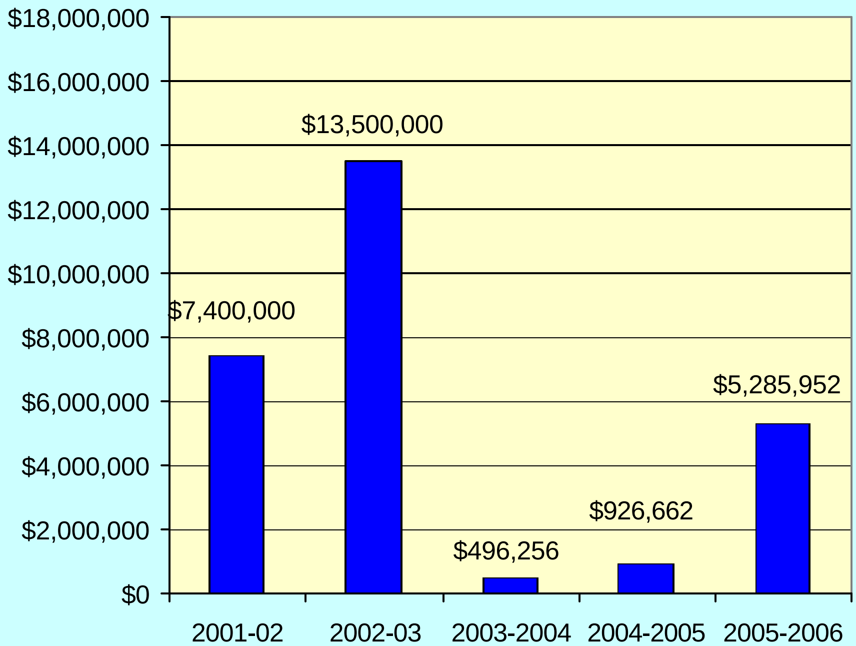
For every dollar it spent, the CIO's Information Technology Management Office returned $14.97 in negotiated savings.

State Agency and School District Savings from Energy Office Projects



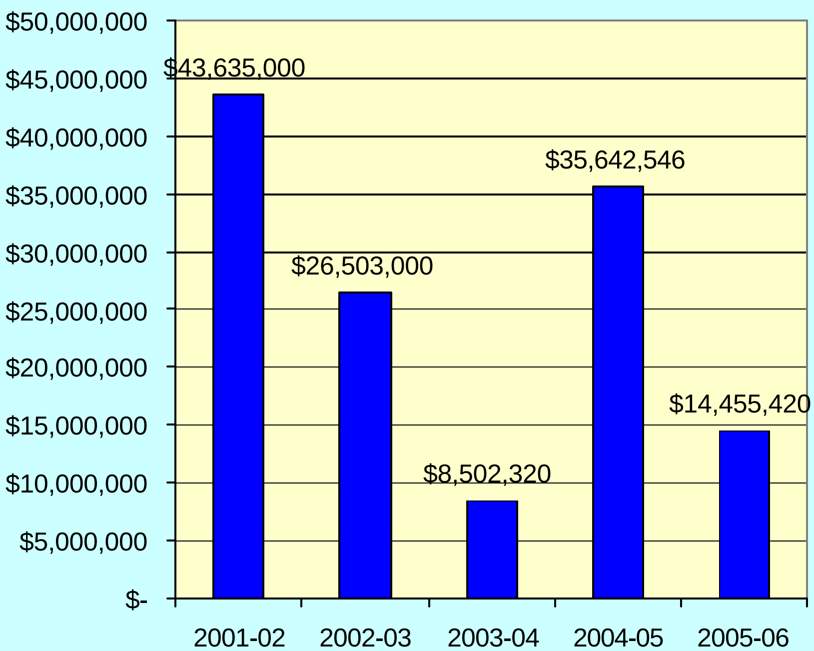
Cost savings to state agencies and school districts through implementing energy saving projects have resulted in cumulative savings of $10.5 million since FY 2001.

Negotiated Savings Reduction From Original Bid Achieved Via MMO Cost Negotiations



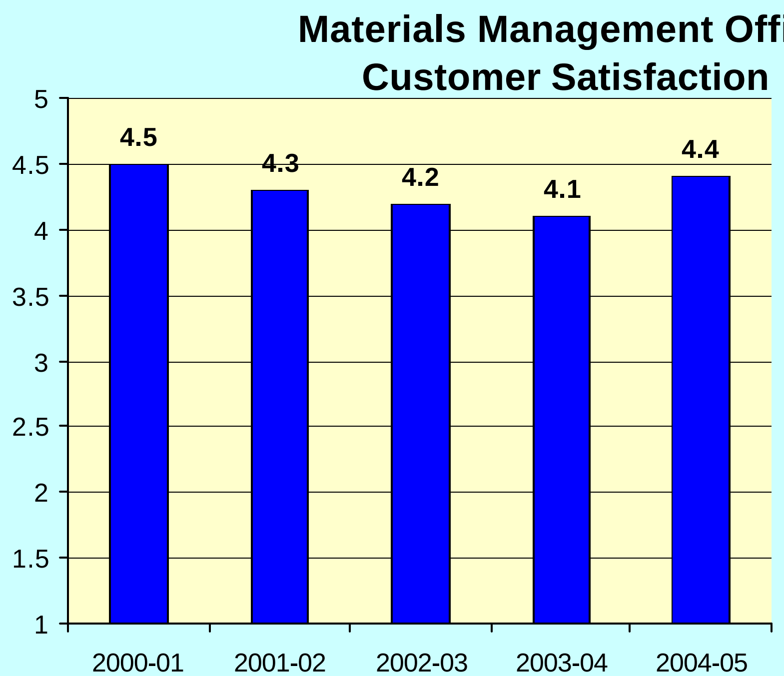
The Materials Management Office frequently enters into negotiations with firms that have been initially selected as the winning firm in a state procurement. These negotiations save procuring agencies millions of dollars each year. The amount saved fluctuates based on the size of individual contracts and overall state procurement activity.

Procurement Division Savings Via State Term Contract Process



State term contracts allow businesses to offer their best prices for a good or service to all of state government for a fixed period of time. Agencies use these contracts on an as-needed basis. By pooling the state's buying power, state term contracts save agencies millions of dollars annually.

These figures represent the total savings to agencies by pooling the state's buying power with statewide term contracts. Total savings vary annually depending upon when large contracts expire and are resolicited.



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."

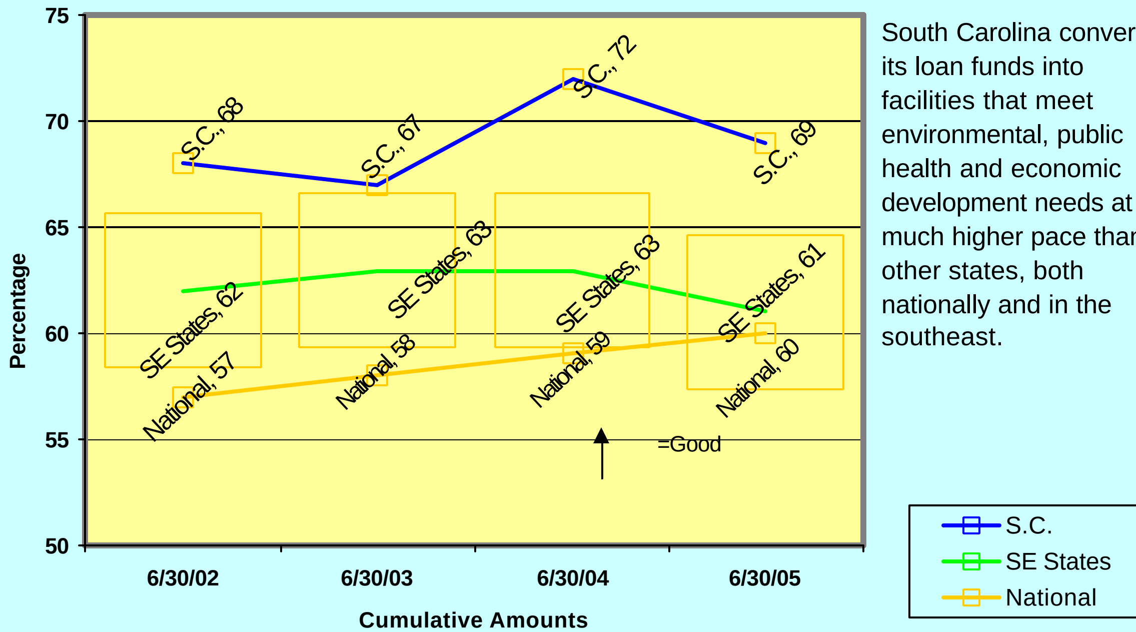
Other Materials Management Office Savings Measures

Savings to agencies from publishing of South Carolina Business Opportunities over use of daily newspapers: $2,282,280.

Rebates from the Procurement Card: $988,000.

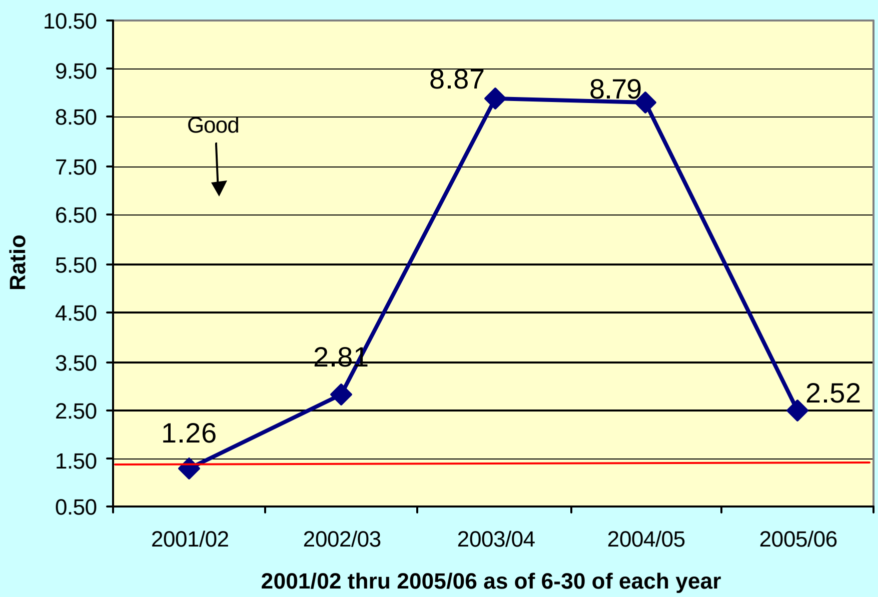
Note on new measures: During 2004-06, the Procurement Services Division revisited all performance measures. With the assistance of Sara Pope, Director of Employee Development, and David McClaskey, a certified Baldrige evaluator the management staff completed a process to determine our mission (purpose); SIPOC: Suppliers Inputs, Process, Outputs, Customers; key customer/stakeholders, outputs, processes, inputs, supplier requirements; and key measures for the process under SIPOC. As a result of this effort, we have updated our key performance measures and will employ 20 measures in the coming fiscal year.

Completed Projects as Percent of Total Cumulative Funds Available in SRF



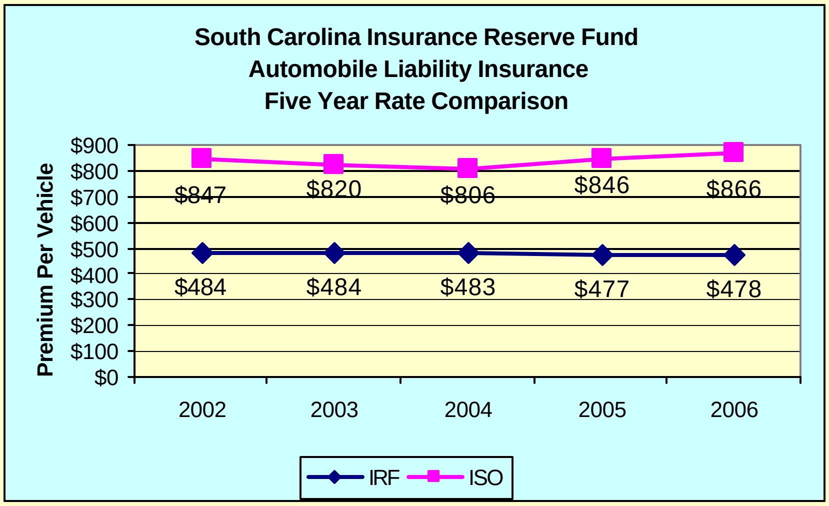
South Carolina converts its loan funds into facilities that meet environmental, public health and economic development needs at a much higher pace than other states, both nationally and in the southeast.

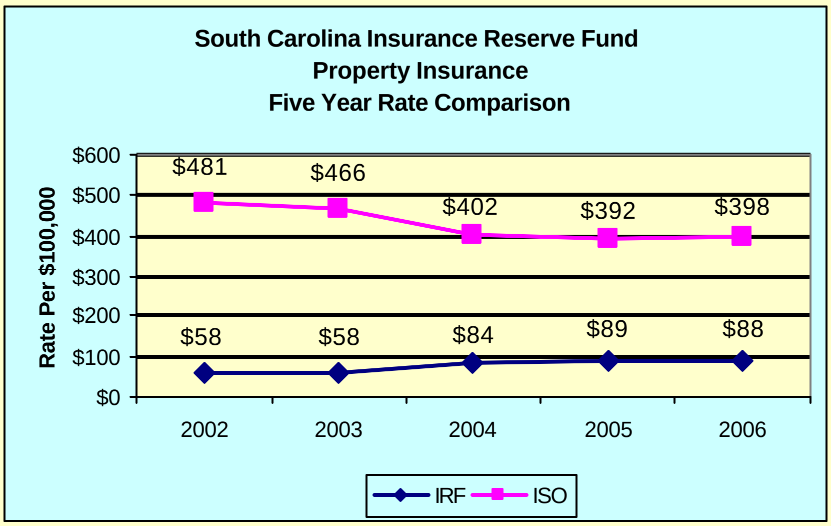
South Carolina Insurance Reserve Fund Losses and LAE Reserves to Policyholder Equity



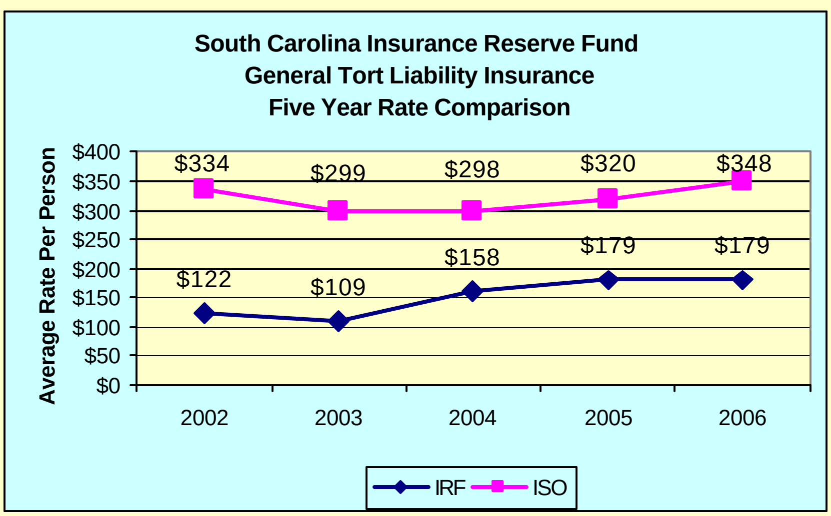
This ratio is used as a primary measure of financial strength. When the range is no higher than 1.5, assets are sufficient to pay all incurred and projected obligations. Recent improvements are due to premium increases and positive claims trends.

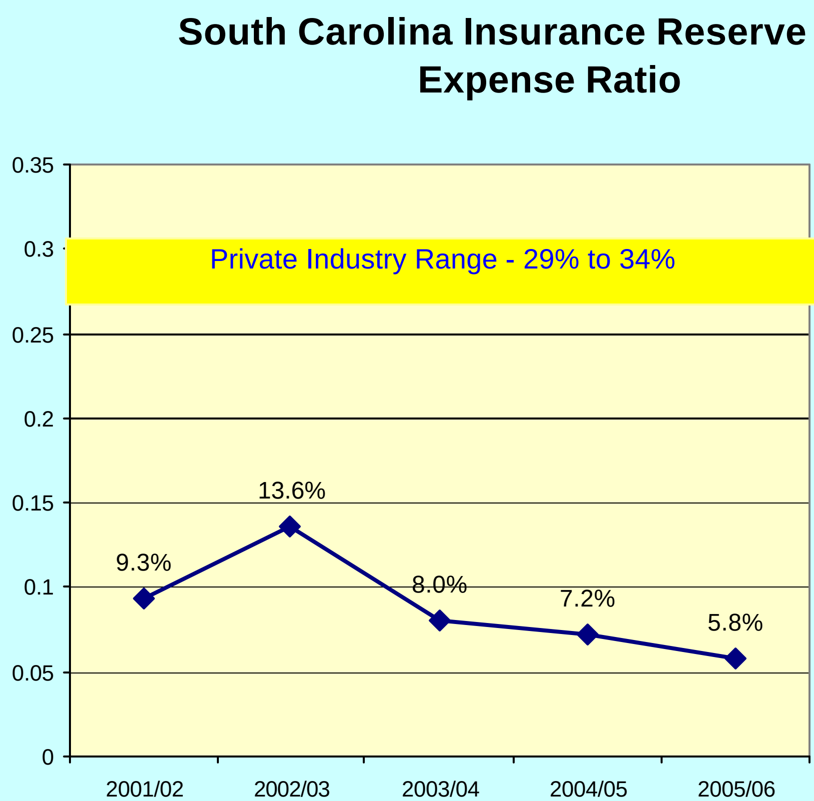
Insurance Reserve Fund Rates Compared to the Private Sector



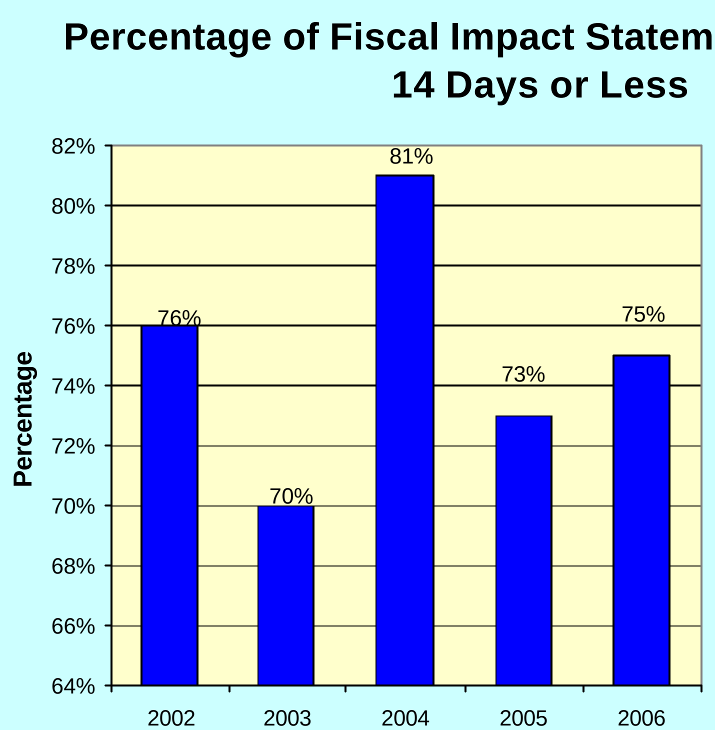


The Insurance Reserve Fund regularly compares its premiums to data collected by the Insurance Service Organization, the property and casualty insurance industry's leading supplier of statistical, actuarial, underwriting, and claims data. The IRF's premiums continue to be well below industry averages.





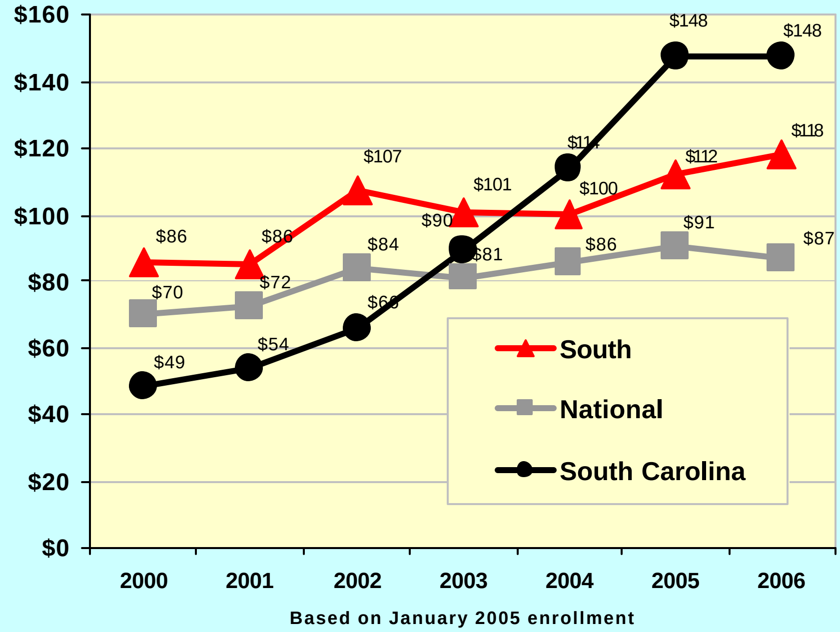
The expense ratio for an insurance operation is calculated by dividing the operation's "operating expenses" by written premium. The Insurance Reserve Fund consistently operates with much lower expense ratios than private property and casualty insurance companies because it does not have marketing or profit expenses.



The Office of State Budget's goal is to complete at least 70% of all impacts within 14 days of the request. For FY 2005-06 OSB completed 75% of all impacts within this established time frame.

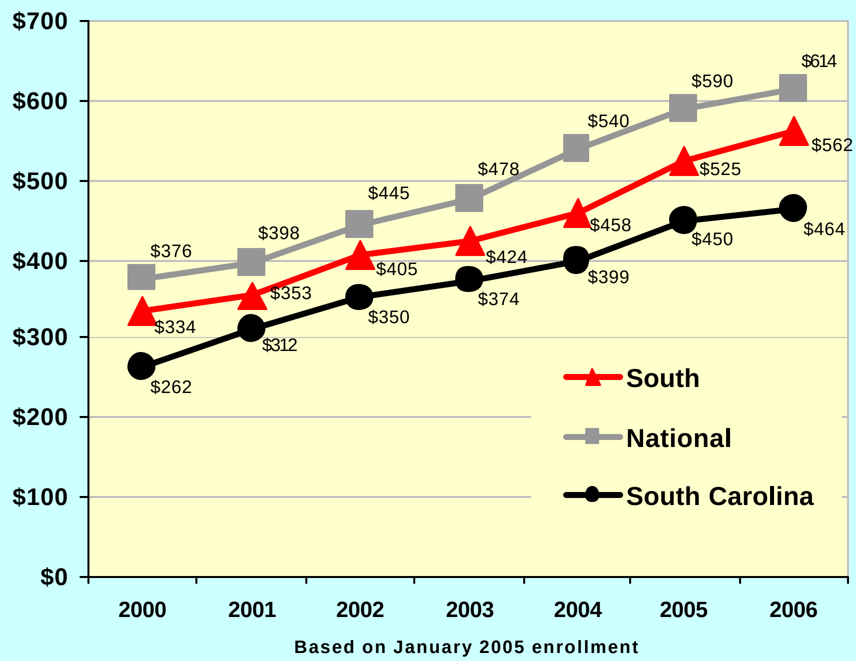
OSB processed 216 fiscal impacts including impacts on major pieces of legislation such as the Property Tax Reform Bill, the Sex Offender Accountability and Protection of Minors Act (i.e. Jessica's Law) and several bills concerning Early Childhood Education in response the court's decision in the K-12 equity funding lawsuit.

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



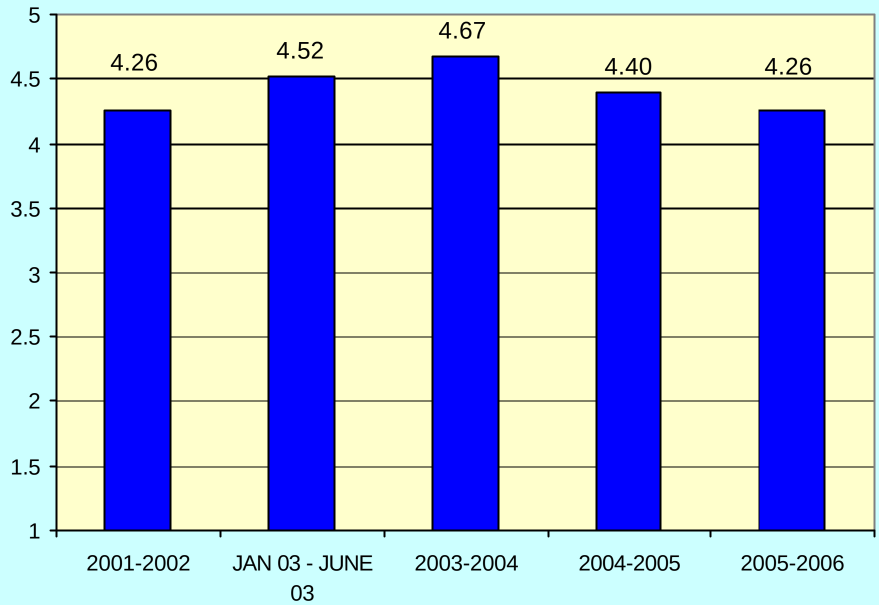
Rate increases pushed average employee health insurance premiums above the regional and national averages.

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



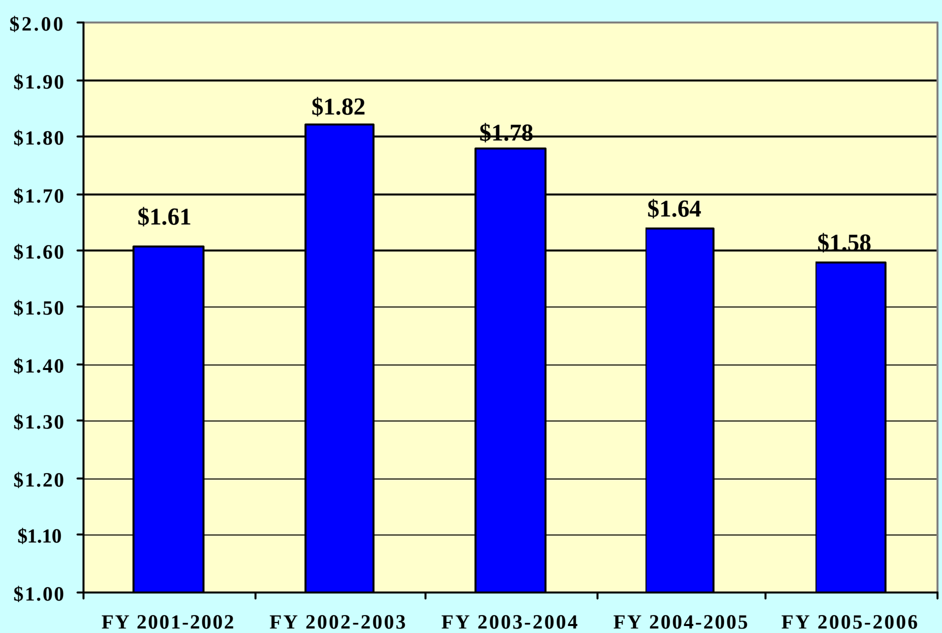
Together, the two charts on this page show that while overall insurance premiums are lower in South Carolina than nationally, plan members here pay a larger share of those costs than do public sector workers nationally.

Office of Human Resources Customer Satisfaction

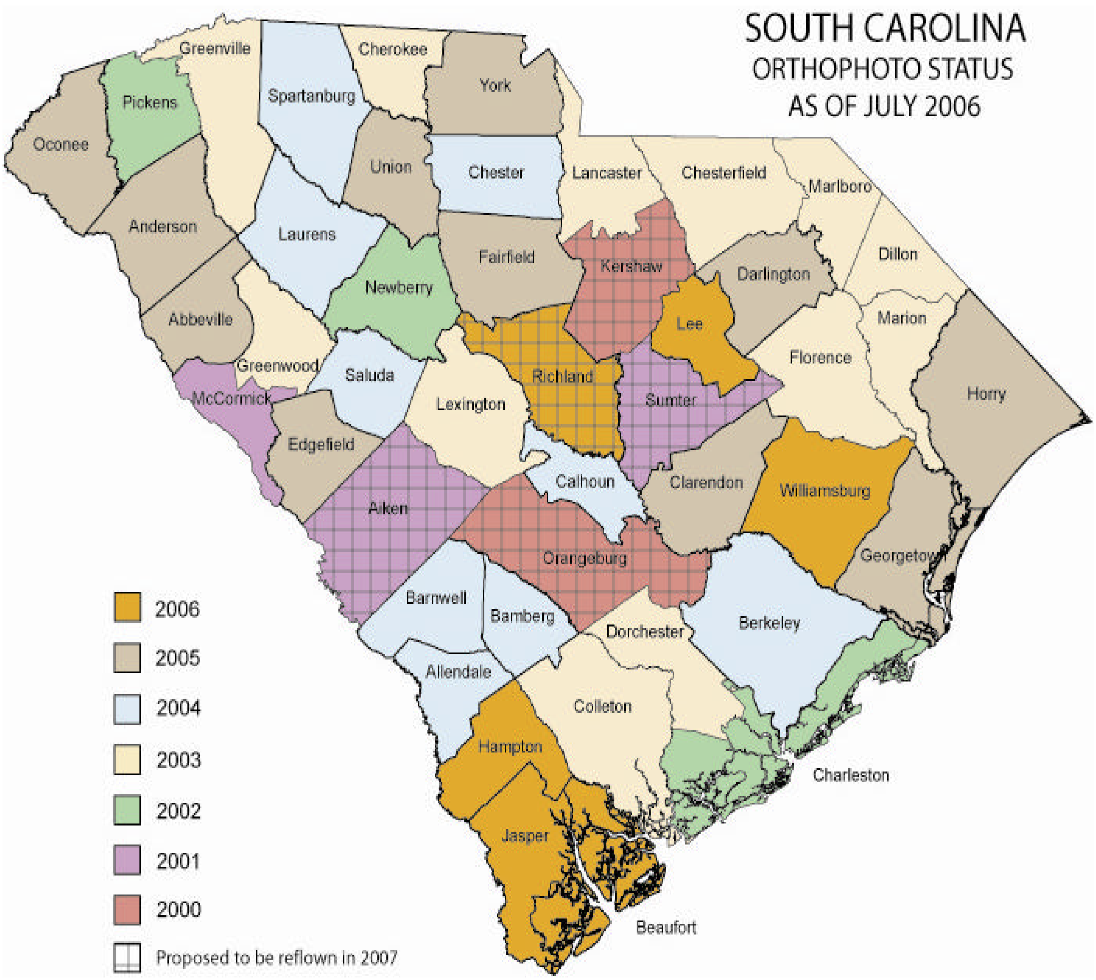


A new data collection process was implemented in January 2003 to collect more pertinent and timely information from OHR customers. A 5 indicates a strong positive response and a 1 indicates a strong negative response.

Office of Human Resources Return on Investment

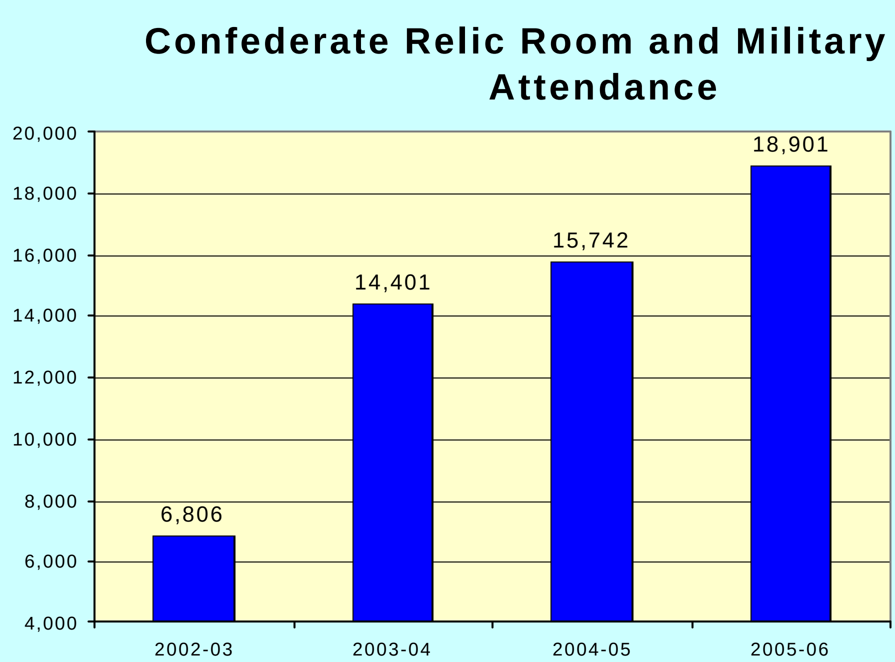


The Office of Human Resources continued to provide a very positive ROI in 2004-05. The rate dropped slightly due to a decrease in some revenues and additional expenditures to upfit and relocate offices.



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.

All South Carolina counties have now been reached via this effort. Better local maps enhance planning development and public safety.



Museum attendance has risen steadily since the move to a new location at 301 Gervais Street. Innovative outreach programs have increased awareness of the museum.