Accountability Report Transmittal Form

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SC BUDGET AND CONTROL BOARD

2012-13 Annual Accountability Report

Section I – Executive Summary

I.1. Organization stated purpose, mission, vision and values

Purpose:
The primary purpose of the South Carolina Budget and Control Board is to provide state and local entities with services and products to better serve the citizens of South Carolina. Through leadership, policy development, data analysis and value-added services, the Board improves the efficiency and effectiveness of government. Although the Board does not necessarily deliver direct services to the public, we maximize the effectiveness of other state agencies, partners and stakeholders.

The agency is led by the five members of the Budget and Control Board; chaired by the Governor, the other members include the Treasurer, Comptroller General, Chairman of the Senate Finance Committee and Chairman of the House Ways and Means Committee. The Board sets policy under the authority granted by the General Assembly. The Executive Director manages the duties and responsibilities of the various Board programs, which are established and governed by state law and regulations.

Mission:
The Budget and Control Board's mission is to provide cost effective, responsive services and innovative solutions to enable government to meet the needs of the citizens of South Carolina.

Vision:
The Budget and Control Board's vision is to deliver a diverse array of exceptional services to a wide variety of customers while maintaining our identity as one agency working together collaboratively. We will be a trusted partner providing innovative services and solutions in a reliable and responsive manner.

Values:

- ✓ We commit to consistently provide outstanding products and excellent customer services, as defined by our customers, as we strive for continuous improvement.
- ✓ We commit to listen to and be responsive to our customers, stakeholders, employees and partners.
- ✓ We value open, reliable and timely communication with our customers, employees and stakeholders.
- ✓ We will be receptive to and flexible with the changing environment. We welcome challenges, embrace innovation and encourage creativity.
- ✓ We will strive to lead government through strategic visionary approaches that are proactive, fair and ethical.
- ✓ We will always perform our work with honesty, integrity and loyalty. We are committed to performance that is credible, thorough, competent and worthy of customer confidence.
- ✓ We will respect the individual contributions of each employee and endeavor to empower them with the needed resources for teamwork, shared pride and continuous learning.

I.2. Major Achievements from the Past Year

The following list briefly describes major achievements from the past year:

Cyber Security Program Development: Through a competitive procurement awarded in January 2013, Deloitte & Touche (Deloitte) was selected to provide an assessment of the state's most serious cyber security vulnerabilities and to assist with the development and implementation of a statewide information security program (INFOSEC). As part of the assessment, Deloitte was tasked with not only evaluating current vulnerabilities, but also recommending an appropriate structure and governance to manage the INFOSEC program. Deloitte provided its initial report to the SC Budget and Control Board and the General Assembly on May 1, 2013. The report included detailed recommendations for the overall structure of the INFOSEC program and also provided guidance and estimates for the fiscal year 2014 budget. Through the budget process, the General Assembly appropriated $10.6 million to establish the Division of Information Security (DIS) and the Enterprise Privacy Office (EPO) and provided 24 new full time equivalent positions – 21 new positions for DIS and three new positions for EPO. The Board will continue to work with Deloitte over the next year to continue the development and implementation of the INFOSEC program.

Enterprise IT Architecture Online Application: The Division of State Information Technology (DSIT) deployed to cabinet agencies as well as Board-wide the Mandiant Intelligent Response security software, designed to look for evidence of malicious activities across computer systems.

Budget Module Implemented: The Statewide Appropriations Budget Module, commonly referred to as the Public Sector Budget Formulation Module (PBF), was blueprinted, designed, built and opened for production. This system replaces the legacy mainframe system used to produce the State's annual operation budget through the passage of the Annual Appropriation Act.

Increased Human Resources Services: Human Resources Division plans to redirect funds from completing the sunset of TempO to offer improved statewide services in the next fiscal year. These services include improving the organizational chart software, providing an Employee Performance Management System (EPMS) for all state agencies and purchasing a learning management system which will increase remote training opportunities via an easy to use electronic format. These new services will be available to agencies.

Centralization Savings Realized: The Office of Internal Operations realized a savings of $400,000 through the centralization of accounts payable, accounts receivable and procurement services sections.

Capitol Complex Security System Implemented: The Division of General Services successfully activated the State House Capitol Complex security system. As part of this project, new identification credentials were issued to personnel accessing the facilities located on the State House grounds.

Loan Policies Revised: The Office of Local Government revised several aspects of its water and sewer loan policies in response to stakeholder concerns. Changes included modifying prepayment procedures – including no penalties and the re-amortization of principal upon partial repayment – to allow for the maximum benefit to the borrower; the expansion of the hardship rate to include water and sewer systems with populations up to 20,000; the potential refinancing of existing debt in conjunction with a new State Revolving Fund (SRF) loan when needed for affordability; extended term financing in the Clean Water SRF for disadvantaged community systems; and the offering of a streamlined loan application for repeat borrowers and higher credits.

Museum Exhibits Opened: The SC Confederate Relic Room and Military Museum unveiled two new outstanding exhibits, *Gettysburg: South Carolina in the Fight* and the *Sgt. Steve Flaherty Vietnam War Letter Collection*, detailing the wartime contributions of South Carolinians from two distinct periods of American history.

Commercial Lease Template Updated: The Division of General Services updated its commercial lease template for agencies as tenants to more clearly define allowable and unallowable charges for operating expenses. By implementing a new process to audit year-end operating expense billings for commercial leases, State agencies have been able to save $61,087.98 since October 2012.

Office Lease Savings: The Division of General Services negotiated the renewal of the lease for the Department of Health and Human Services' (HHS) 1801 Main Street location. By cancelling several smaller leases and securing a favorable lease rate, HHS is expected to experience a savings of more than $9.4 million over the course of the 10-year lease.

Contracts Awarded: The Procurement Services Division awarded 626 contracts – including agency term contracts, cooperative contracts, multi-agency contracts and statewide term contracts – totaling $698,503,795, while realizing $37,846,160 in total cost savings.

HR System Development: State Human Resources participated in the development, and began the initial implementation, of the South Carolina Higher Education Efficiency and Administrative Policies Act (HEEAPA) to create a separate human resources system for universities and colleges.

Driver Safety Training: The Insurance Reserve Fund (IRF) provided driver safety training to employees of state and local governmental agencies insured by the IRF. These classes resulted in the training of over 3,800 governmental drivers, certification of 29 instructors and the recertification of 38 instructors.

Statewide Seminars Hosted: The Insurance Reserve Fund (IRF) hosted several statewide seminars, including four "Insurance and You" seminars – designed to explain insurance policies, coverage, claims reporting and to introduce enhancements to the IRF website – and the annual Law Enforcement Defense Counsel Seminar.

IRF Department Reorganization: The Insurance Reserve Fund (IRF) reorganized its Tort Claims Department, adding a District Claims Manager, and realigned the Department so examiners with a range of experience and authority are located in each District Claims Unit to provide greater management and oversight. The IRF also reorganized its Underwriting Department, created geographic territories, and converted from the specialist approach to a generalist approach to better utilize resources, enhance management oversight and provide greater consistency and uniformity in underwriting decision making.

STARS Reconciled to SCEIS: The Office of Internal Operations, in conjunction with South Carolina Enterprise Information System (SCEIS) staff, provided a timely reconciliation of the Statewide Accounting and Reporting System (STARS) to SCEIS for 76 state agencies in support of fiscal year-end closings.

Energy Mini-Grants Offered: The South Carolina Energy Office offered mini-grants (grants between $3,000 and $5,000) to public entities, non-profit organizations and utilities. A total of 30 applications were received for a maximum of six grants. Funded projects ranged from school retrofits and engaging students in post-installation evaluations to the installation of the "Big Belly" solar trash compactors at the new USC Darla Moore School of Business, which is expected to receive the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Platinum certification.

SC.gov Redesign: The Division of State IT, in conjunction with a private partner, South Carolina Interactive, completed a total redesign of the State's official website, SC.gov. The new site features a number of innovations as well as an open layout designed to provide the best possible user experience for the state's citizens, businesses and government entities. SC.gov garnered three separate awards following the unveiling of the redesign, including the Center for Digital Government's Best Fit Integrator Award, a historic fourth-place national ranking in the Center for Digital Government's prestigious Best of the Web competition and the South Carolina Chapter of Government Management Information Sciences' (SC.GMIS) Elite Achiever Award.

State IT Online Planning System Launched: The Division of State IT created, tested and launched the State IT Planning System website, a radically improved online application designed to allow state agency IT personnel to navigate and pull information from the revised Enterprise IT Architecture to facilitate IT systems planning, procurement and implementation.

New Rate Model Established: Staff members from the Division of State IT and the Office of Internal Operations, along with an independent third party vendor, successfully completed the steps necessary to establish a new rate model methodology. In developing the process, the rate model team streamlined the internal financial reporting data and reduced the number of existing rates. As a result of this effort, the Division of State IT's internal and external customers will be provided with a less complex rate structure that will aid them in making strategic business decisions.

SCEIS Change Advisory Board Established: The South Carolina Enterprise Information System (SCEIS) Change Advisory Board (CAB) was formed to review, approve and prioritize requests for enhancement and modifications to the SCEIS system within existing resources and for new SCEIS proposals, while ensuring decisions related to SCEIS are made from the perspective of, and in the best interest of, the state of South Carolina. Members of the CAB consist of key stakeholders including representatives from legislative and regulatory agencies as well as representatives elected by the SCEIS user community.

Fiber Optic Connectivity Provided to K-12 Public Schools: The Division of State Information Technology (DSIT) continued to provide fiber optic connectivity between public schools in districts located throughout the state in an effort to help participants meet their increasing technological needs and bandwidth requirements. This effort, offered in conjunction with the South Carolina K-12 School Technology Initiative, has assisted in reducing overall network costs by decreasing the number of connections for participating districts. In FY 2012-13, fiber optic connectivity was provided to 44 schools in six school districts throughout the state.

Increased Available Bandwidth to K-12 Public Schools and Libraries: The Division of State Information Technology (DSIT) increased the available bandwidth connectivity to K-12 public schools and libraries by negotiating current state term contract rates. DSIT, in conjunction with the South Carolina K-12 Schools Technology Initiative, reinvested this expense reduction in providing additional connectivity to the statewide K-12 schools and libraries network participants.

I.3. Key Strategic Goals:

Since the Board is such a diverse agency, we have dozens of measures that are specific to individual program areas. The Board's overall strategic plan focuses on the following three goals:

Employee Well-Being – To foster a sense of teamwork within the Board where offices and leaders offer support to each other and work together to provide quality services to state and local entities and to the citizens of South Carolina.

Customer Satisfaction – To provide excellent levels of customer service. By embracing customer service as one of our core values, we will instill a culture that focuses on our customers. We will implement best practice processes and tools to facilitate the goal of increasing our customer satisfaction.

Efficient and Effective Operations – To operate as a unified agency and deliver services cooperatively to implement our mission. We will enhance accountability and promote exceptional services to our customers in an efficient and effective work environment.

I.4. Key Strategic Challenges:

State and Federal Budget Cuts: Funding reductions, State and Federal, affect services and products delivered to our customers. The agency's General Fund Appropriations from FY 2008 through FY 2013 decreased from $36.9 million to $31.5 million. The number of permanent FTE positions changed from approximately 786 to 664 during the same period of time. To provide a valid comparison between 2009 and 2013, Retirement Systems and Employee Insurance Program FTE's are excluded from 2009's count. Board travel spending has also been reduced significantly. Despite funding reductions, the Board continues to focus on assisting government entities by delivering key services for the citizens of South Carolina.

***Continuity among Divisions*:** Within the Board, several challenges are changing into opportunities. Because we are such a diverse agency, the Board's divisions and offices are prone to work independently to achieve their mission and deliver services. Teamwork is encouraged by promoting two-way communication. Divisions and offices are encouraged to work together and share information and ideas to support continuity among the divisions.

Meeting Expectations of Customers: Meeting the ever-increasing expectations of customers and stakeholders is challenging. In the past year, the Board continued to ensure the alignment of its strategic goals and mission to work towards achieving excellence in the products and services we provide to our customers. The Board must be receptive and flexible with the changing environment and the evolving world of technology. Leadership and management must continue to welcome challenges, embrace innovation and encourage creativity.

Staffing Needs: The number of permanent FTE positions has been reduced significantly in recent years. The Board will need to assure the availability and sustainability of a competent work force. The Board's ability to understand and anticipate staffing needs is a core objective of the agency. Board Human Resources will need to continue offering assistance in determining staffing levels and completing assessments for workforce planning efforts when employees are scheduled to leave through retirement.

Rapid Change of Technological Advances: Keeping up with the rapidly changing information technology systems and infrastructure is a challenge for the agency. In many cases, to upgrade outdated IT systems and improve interoperability requires significant funding and specific staffing needs. IT planning must focus on ensuring that Board staff identifies the requirements of key customers and stakeholders to develop processes and deliver the expected results.

Information Security Needs: With the announcement of the unprecedented cyber-attack of the Department of Revenue's IT systems, the Board began to review its own policies and procedures to ensure safeguards are in place to mitigate the risk of future attacks. The Division of Information Technology (DSIT) worked with Deloitte & Touche, a private contractor, to identify and address serious information security vulnerabilities as well as to develop and implement a statewide information security (INFOSEC) program. INFOSEC is expected to play a key role in helping to improve the state of South Carolina's cyber security posture.

I.5. How is the Accountability Report used to improve organizational performance?

The Accountability Report is used as a tool to highlight agency performance and achievements. The report helps senior leadership monitor and evaluate progress towards the Board's overall mission. By comparing our actual results with our projected results, the Board can continue to improve our planning and implementation activities.

The report is also used both internally and externally as a resource. Internally, the report is used for staff orientation and allows management to assess performance to determine improvement activities. Externally, the report is useful in communicating agency performance to state and local governments as well as external stakeholders.

Section II - Organizational Profile

II.1. Organization's Main Products and Services by Division

Division of General Services

Facilities Management – Provides operational maintenance services for state-owned buildings.
State Fleet – Coordinates purchases, maintenance, leases and rental of state vehicles.
Agency Mail Services – Operates statewide overnight mail delivery services for state and local agencies for a savings to state government.
Surplus Property – Sells surplus state and federal property to recoup funds for state agencies and provides useful federal property at significantly less cost.
Real Property Services – Assists agencies in obtaining state and private sector office space and negotiating lease rates.

Division of State Information Technology

Data Services – Provides customers with the data solutions and service options necessary to meet agency requirements while maximizing savings and benefits.
Print and Mail Services – Provides customers with state-of-the-art "host to post" print options, address cleansing and maximum United States Postal Service (USPS) mail savings.
Security Services – Assists in safeguarding critical information infrastructure through the detection, prevention and handling of computer-related breaches and virus attacks.
Communication/Voice Services – Provides customers with the communications/voice solutions and service options necessary to meet agency requirements while maximizing savings and benefits.

Procurement Services Division

State Procurement – Conducts and manages procurements, above individual agency certification levels, for the acquisition of supplies or services, other than construction or information technology.
Office of State Engineer – Oversees construction procurements conducted by state agencies, approving building codes (life-safety codes) for building construction and reviews all building designs and construction for compliance with adopted building codes.
Audit and Certification – Ensures transparency and integrity in the expenditure of public money by auditing the internal procurement processes and expenditures of state agencies.
Information Technology Management Office – Conducts and manages procurements, above individual agency certification levels, for information technology to include data processing, telecommunications and office systems technologies and services.

State Budget Division

Budget Development Unit – Prepares the Detail Budget which is the database used to develop the Appropriation Bill at each stage of the budget process.
Analysis and Reports Unit – Provides resources dedicated to budget research and policy development. The unit develops and sustains a variety of reports which support budgetary decision-making by the Governor's Office and General Assembly.
Grant Services – Serves as the state clearinghouse for the intergovernmental review process and is responsible for the review and authorization of unanticipated Federal and other funds received by state agencies and annually prepares the Statewide Cost Allocation Plan.
Capital Budgeting Unit – Responsible for the State's permanent improvement projects program. The Unit takes all permanent improvement project requests through the approval process with the Joint Bond Review Committee and the Budget and Control Board and tracks project budgets and expenditures.

Performance Assessment and Accountability Team – Maintains state-wide oversight and management responsibility for state government accountability reports including the annual development of agency reporting guidelines.

State Human Resources Division

The State Human Resources Division provides central human resources for state government in the areas of recruitment, executive searches, classification and compensation, employee relations consulting, policy development, employee development, organizational development, employee grievance appeals (which includes mediation and arbitration) and maintenance of human resources records and reports through the South Carolina Enterprise Information System (SCEIS) and Human Resources Information System (HRIS).

Research and Statistics Division

Digital Cartography and Precinct Demographics – Provides graphic information system (GIS) mapping services to state and local agencies, E-911 officials, the private sector and the legislature.
E-911 – Responsible for E-911 programs as defined in enabling legislation. E-911administers a program of financial support for a statewide wireless 911 emergency call system.
Economic Research – Analyzes economic and revenue data, monitors state and local government revenue trends, estimates inflation rates and evaluates the effect of state and national policies and activities on revenues and the state's economy.
Geodetic Survey – Establishes horizontal and vertical geodetic control throughout the state to allow land and land-related items to be referenced to the national horizontal and vertical coordinate system, to ensure the integrity of new geodetic data and to maintain geodetic files.
Health and Demographics – Receives, processes, distributes and interprets health, demographic and census data in South Carolina.
Board of Economic Advisors – Forecasts state revenues.

Insurance Reserve Fund

The Insurance Reserve Fund (IRF) provides insurance to governmental entities at the lowest possible cost. All state agencies must purchase their insurance through the fund. Participation is optional for local governments. IRF uses no agents, brokers or advertising and does not actively solicit accounts. This lack of a profit requirement and related expenses, along with the use of the investment income in rate determination, allows the IRF to maintain the lowest possible rate structure.

Other Board Units

Governmental Affairs:

> **Office of Local Government –** Provides low interest, long-term loans for local water and sewer projects.
> **South Carolina Energy Office –** Creates partnerships to improve energy efficiency and renewable energy through educational and financial programs.

Internal Operations –Provides financial, accounting, procurement and human resource services to Board offices.
Internal Audit – Conducts financial audits of Board Programs.
Confederate Relic Room and Military Museum – Operates South Carolina's military history museum.

II.2. – II.4. Key Customer Groups, Stakeholders and Partners

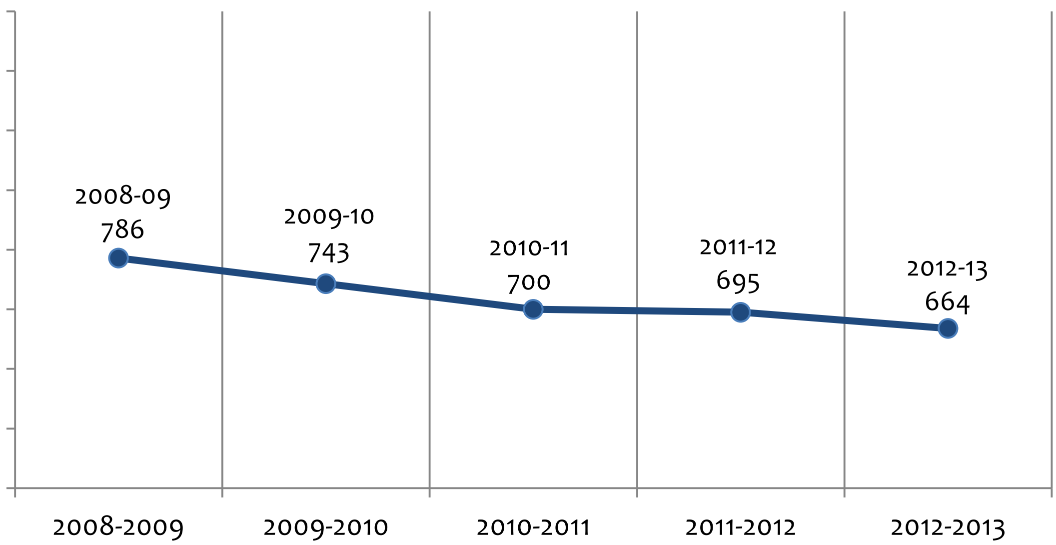
Key External Customers	State Agencies	Governor's Office	General Assembly	Local Gov't/Schools	Higher Education	State/Local Employees	Judicial Branch
General Services	☑	☑	☑	☑	☑		☑
Human Resources	☑	☑	☑		☑	☑	
State IT	☑	☑		☑	☑	☑	☑
Research and Statistics	☑	☑	☑	☑			
Internal Operations	☑	☑	☑				
Budget Office	☑	☑	☑	☑			
General Counsel				☑	☑		
Procurement	☑	☑	☑	☑	☑		☑
Insurance Reserve Fund	☑	☑	☑	☑	☑	☑	☑
Governmental Affairs	☑	☑	☑	☑	☑		

II.5. Operating Locations

The Budget and Control Board's divisions and offices are primarily located in the Columbia area.

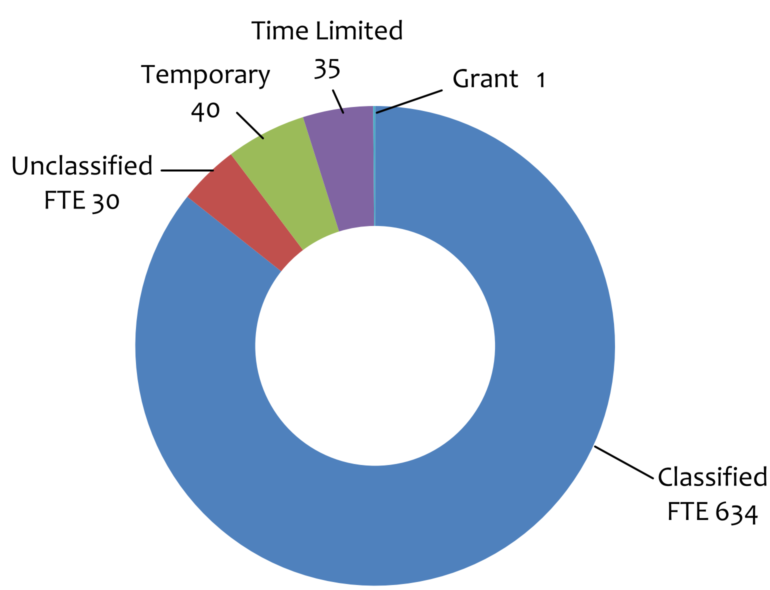
II.6. Number of Employees

Number of Permanent BCB Employees



*As a result of the creation of the Public Employee Benefit Authority (PEBA) and to provide a valid comparison year-over-year, Retirement Systems and Employee Insurance Program (EIP) FTE's have been removed from all fiscal years

Employees - All Categories



II.7. Regulatory Environment

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 analysis and value-added services, the Board improves the efficiency of government. Although the Board does not necessarily deliver direct service to the public, we maximize the effectiveness of other state agencies, partners and stakeholders.

The Board was created in 1950 as the result of work by the State Reorganization Commission, which conducted a comprehensive study of the state's administrative functions. The new Budget and Control Board consolidated numerous existing entities and single-purpose boards and was designed to maximize efficiency and eliminate duplication. The first meeting of the Board was held July 24, 1950, in the office of Gov. Strom Thurmond.

The agency is led by the five members of the Budget and Control Board. Chaired by Governor Nikki Haley, the Board sets policy under the authority granted to it by the General Assembly. This includes regulatory oversight, policy development, monitoring of state finances, purchasing, personnel and real property transactions. This provides open public access to key financial decisions that affect thousands of state, local and school district employees.

The authority of the Board includes approving the annual benefits and premiums of the State Health Plan, approving the sale, purchase or leasing of state property and reducing state expenditures when economic conditions warrant. The Board also directly appoints the State Auditor and has the authority to take actions to ensure agencies stay within their authorized budgets. The Board, which meets about 10 times annually, also serves as trustee 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.

Governor Nikki R. Haley
Chair

State Treasurer
Curtis M. Loftis, Jr.

Comptroller General
Richard Eckstrom, CPA

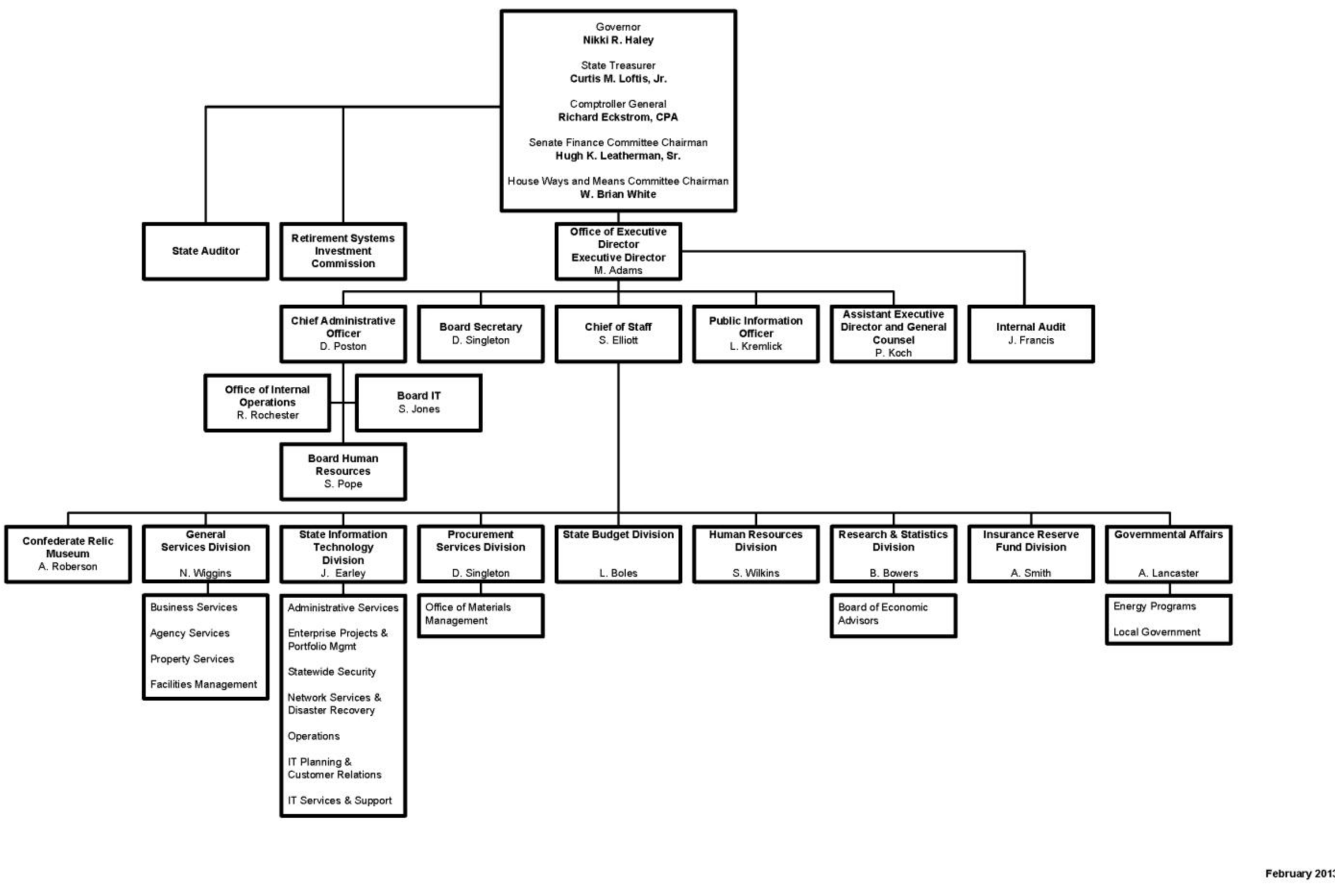
Senate Finance
Committee Chairman
Hugh K. Leatherman, Sr.

House Ways and Means
Committee Chairman
W. Brian White

II.8. Performance Improvement Systems

The Executive Director evaluates each division's performance during regularly scheduled meetings. Senior leadership sets and monitors specific strategic goals and objectives for the Board. Division and office directors, as well as program managers, also meet regularly to improve performance at every level. In addition, the Board monitors performance through several databases that track the services and products provided to our customers.

II.9. Organizational Structure for FY13



II.10. Base Budget Expenditures and Appropriations

	11-12 Actual Expenditures		12-13 Actual Expenditures		13-14 Appropriations Act	
Major Budget Categories	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**
Personal Services	51,193,725	9,716,469	39,050,105	10,963,381	45,531,048	14,224,513
Other Operating	80,087,209	8,031,360	70,321,201	11,055,870	91,938,385	12,041,235
Special Items	19,779,555	2,725,680	21,776,505	3,328,438	28,325,156	6,365,156
Permanent Improvements	2,282,554		2,207,844		3,000,000	
Debt Services	2,661,211		2,254,302		15,959	
Distributions to Subdivisions	21,362,591	1,213,697	4,699,228	878,385	1,583,385	878,385
Fringe Benefits	15,800,998	2,820,427	12,478,581	3,381,909	14,308,949	4,603,660
Non-recurring	15,996,529	694,459	18,098,420	3,774,910		
Total	**$209,164,372**	**$25,202,092**	**$170,886,186**	**$33,382,893**	**$184,702,882**	**$38,112,949**

*Expenditures reduction from FY12 to FY13 is due, in part, to the result of the transfer of Retirement Systems and Employee Insurance Program to PEBA
*Expenditures increase from FY13 to FY14 includes new funding to establish the Information Security Program (INFOSEC)

Other Expenditures

Sources of Funds	11-12 Actual Expenditures	12-13 Actual Expenditures
Supplemental Bills	$451	$2,959,327
Capital Reserve Funds	$0	$0
Bonds	$77,219	$0

II.11. Major Program Areas

Program Number and Title	Major Program Area Purpose	FY 2011-2012 Budget Expenditures	FY 2012-2013 Budget Expenditures
VIII.B - DSIT 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 service and network connectivity.	State: 959,253	State: 1,088,913
		Federal: 1,317,943	Federal: 910,268
		Other: 35,417,818	Other: 32,517,919
		Total: 37,695,014	Total: 34,517,100
		% of Total Budget: 18%	% of Total Budget: 20%
V.B. - Facilities Management	To provide centralized mechanical, maintenance, custodial, energy/ environmental and horticulture services for state owned buildings and grounds.	State: 1,143,590	State: 1,863,972
		Federal: -	Federal: -
		Other: 20,446,464	Other: 20,571,558
		Total: 21,590,054	Total: 22,435,530
		% of Total Budget: 10%	% of Total Budget: 13%
V.E. - State Fleet Management	To provide motor vehicles through short-term motor pool and long-term leases for state agencies' use in performing official business.	State: -	State: -
		Federal: -	Federal: -
		Other: 16,708,105	Other: 19,568,246
		Total: 16,708,105	Total: 19,568,246
		% of Total Budget: 8%	% of Total Budget: 11%
VIII.B - DSIT Operations: Data Processing	To provide data processing services for state agencies to include applications development, security, disaster recovery, help desk and output management services.	State: -	State: -
		Federal: -	Federal: -
		Other: 19,492,857	Other: 17,296,393
		Total: 19,492,857	Total: 17,296,393
		% of Total Budget: 9%	% of Total Budget: 10%
VIII.C - SC Enterprise Information System	As part of the SCEIS project, to promote cost efficiencies, enable data sharing and promote interoperability among state agencies.	State: 9,949,388	State: 14,149,425
		Federal: -	Federal: -
		Other: 6,690,777	Other: 139,734
		Total: 16,640,165	Total: 14,289,159
		% of Total Budget: 8%	% of Total Budget: 8%
IV.B. - Division 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: 2,393,405	State: 2,358,276
		Federal: 1,575,174	Federal: 1,446,399
		Other: 3,032,925	Other: 3,341,786
		Total: 7,001,504	Total: 7,146,461
		% of Total Budget: 3%	% of Total Budget: 4%
VII.D - Energy Office	To promote energy efficiency and cost savings through financial assistance, energy audits, technical assistance, workshops, training, publications and other activities.	State: -	State: -
		Federal: 22,308,328	Federal: 4,688,240
		Other: 384,149	Other: 485,109
		Total: 22,692,477	Total: 5,173,349
		% of Total Budget: 11%	% of Total Budget: 3%

Program Number and Title	Major Program Area Purpose	FY 2011-2012 Budget Expenditures	FY 2012-2013 Budget Expenditures
VII.A – Division of Insurance Reserve Fund	To provide property and liability insurance to qualified governmental entities in the state of SC, to include the underwriting of policies, reinsurance, rate development and settlement and defense of claims.	State: - Federal: - Other: 5,801,836 Total: 5,801,836 % of Total Budget: 3%	State: - Federal: - Other: 4,782,607 Total: 4,782,607 % of Total Budget: 3%
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: 1,477,123 Federal: - Other: 2,839,140 Total: 4,316,263 % of Total Budget: 2%	State: 1,525,316 Federal: - Other: 2,984,788 Total: 4,510,104 % of Total Budget: 3%
IV.D. - State Budget Division	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: 2,117,749 Federal: - Other: - Total: 2,117,749 % of Total Budget: 1%	State: 4,322,683 Federal: - Other: - Total: 4,322,683 % of Total Budget: 3%
IV.D. - Division 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: 2,371,201 Federal: - Other: 1,370,750 Total: 3,741,951 % of Total Budget: 2%	State: 2,285,689 Federal: - Other: 1,334,550 Total: 3,620,239 % of Total Budget: 2%
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: 1,213,696 Federal: 1,074,747 Other: 423,679 Total: 2,712,122 % of Total Budget: 1%	State: 878,385 Federal: 881,047 Other: 358,408 Total: 2,117,840 % of Total Budget: 1%
Executive Director, Internal Operations, ETV Coverage, Comptroller General/State Treasurer Data Processing Pass Through, Base Closure, Southern Maritime Collection, Agency Support, Confederate Relic Room and Military Museum, Board of Economic Advisors, Internal Audit, General Counsel, Intra-Agency Mail, Surplus Property, Parking, Business Services, Adoption Assistance, Leasing and Property Services, IT Support Services, IT Security, IT Planning & Project Management, and Non-Bonds SPIRS Projects.		State: 3,576,687 Federal: 1,034,799 Other: 18,811,109 Total: 23,422,595 % of Total Budget: 12%	State: 4,910,234 Federal: 178,538 Other: 26,017,703 Total: 31,106,475 % of Total Budget: 19%

Section III – Elements of Malcolm Baldrige Criteria

Category 1 – Senior Leadership, Governance and Social Responsibility

III.1.1. How do senior leaders set, deploy and ensure two-way communication throughout the organization and with customers and stakeholders, as appropriate for: a) short and long term organizational direction and priorities, b) performance expectations, c) organizational values, and d) ethical behavior?

The Executive Director devotes considerable time to strategic planning and performance analysis. Throughout the year, the Executive Director conducts strategic planning sessions with executive management to determine the priorities for the upcoming and future years. The strategic planning sessions allow executive management to provide input for their program direction and to align program missions with the overall mission of the Board. The Executive Director holds biweekly meetings with division heads and key HR, IT, communications and budget staff to share information and discuss upcoming operational matters. The Executive Director is also in regular contact with liaisons for each of the five Board members to keep them informed about key issues.

Executive management meets regularly to address agency performance, critical issues and strategic direction. High-level organizational goals set through the strategic plan are evaluated in the scheduled meetings with executive management. Each program director is responsible for communicating performance expectations to program managers. The Board utilizes the state's Employee Performance Management System (EPMS) to set individual employee expectations during the planning stage of the EPMS cycle. In FY13, the agency successfully completed 98.92 percent of the performance review appraisals within the scheduled due date.

Agency personnel are expected to abide by the organizational values. Executive management holds employees accountable to these agency values. Positive reinforcement and recognition is provided to employees who routinely follow the agency's values and, where warranted, disciplinary action is taken for not following agency values.

Ethical standards for the agency are modeled by executive management and program-level managers. HR policies are communicated to employees based upon state human resources guidelines and Board policies. The Board utilizes disciplinary and performance system tools to address and take action on unethical behavior.

III.1.2. How do senior leaders establish and promote a focus on customers and other stakeholders?

The needs of customers are the agency's first priority and are the consistent focus of most written and verbal messages from the Executive Director to managers and employees. One of the three key strategic goals of the agency is measuring and improving customer satisfaction. The Executive Director and senior leaders talk frequently with agency heads and other key customers to learn about their needs and specific concerns about Board-provided services.

III.1.3. How does the organization address the current and potential impact on the public of its programs, services, facilities and operations, including associated risks?

Customer service is a top priority and core agency value. All decisions guiding the Board are influenced by the products and services that affect our customers. As part of the Board's strategic planning process, we review the current and potential impact of our services. This process allows us to develop organization objectives and goals and to allocate resources appropriately.

III.1.4. How do senior leaders maintain fiscal, legal and regulatory accountability?

The Board takes seriously all laws and regulations that it operates under and fully cooperates with any outside inquiries. The Board maintains an independent internal auditing function to conduct impartial analysis of internal controls of key fiscal issues. Management ensures compliance with federal and state laws and regulations by establishing reporting mechanisms for monitoring activities. Fiscal controls are also in place to prevent the misuse of agency financial resources. Leadership ensures that the agency follows the Freedom of Information Act (FOIA) and the Ethics Act. In FY13, the Communications Office responded to 62 FOIA requests within 15 business days, and in most cases, the office responded in less than 15 days.

III.1.5.What performance measures do senior leaders regularly review to inform them on needed actions? (Actual results are to be reported in Category 7.)

Customer satisfaction, employee well-being and operating as an efficient and effective agency are the performance measures regularly reviewed by senior leaders across the agency. Financial reports are reviewed to analyze central agency functions on a program-by-program basis. All program areas are expected to benchmark their results against the best practices in a given business area.

III.1.6. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness, the effectiveness of management throughout the organization including the head of the organization, and the governance board/policy making body? How do their personal actions reflect a commitment to organizational values?

Each program of the Board is required to use a data-driven, systematic approach to continuously review and improve operations. The Executive Director and Chief of Staff regularly review division and office key performance initiatives and receive reports on initiatives to improve the agency's three key focus areas. The Executive Director devotes considerable time to direct leadership of major initiatives such as an improved state information technology planning process and the creation of the Division of Information Security and Enterprise Privacy Office.

III.1.7. How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

The Board utilizes diverse panels of employees to interview and select new staff. Managers are trained to ask job-specific and behavior-based questions in order to select the best candidate. Internal promotions are encouraged whenever possible. This practice supports and encourages employees to develop their skills in preparation for opportunities within the organization. The Executive Director, Chief of Staff and Human Resources Director identify potential retirees and begin developing potential candidates for promotion.

This preparation minimizes the loss of institutional knowledge. Leadership also stresses the importance of cross-training and mentoring efforts.

III.1.8. How do senior leaders create an environment for performance improvement and the accomplishment of strategic objectives?

The Executive Director meets regularly with senior management in groups and individually to discuss performance issues of concern and changing conditions related to a particular division that may affect the accomplishment of agency goals and objectives. In the group environment, senior management is encouraged to provide ideas for improvement to other team members. In concert with senior leadership, the Executive Director develops a comprehensive strategic plan to provide direction to employees in achieving the Board's goals and regularly communicates the plan to employees. Executive Management also routinely meets to discuss steps taken to accomplish the strategic goals, and when necessary, re-evaluate the means by which programs are meeting those goals.

In addition to internal performance improvements, the Audit and Certification section of the Procurement Services Division audits agencies and contractors for compliance with procurement laws and regulations.

III.1.9. How do senior leaders create an environment for organizational and workforce learning?

The Executive Director recognizes that the overall success of the Board relies on the knowledge and abilities of employees. The Executive Director visits all divisions and offices of the Board and meets with employees to foster an environment of two-way communication between management and staff at all levels. When funding is available, training and leadership courses are offered to Board employees to further encourage professional development. Employees identified as having leadership potential are selected for participation in the Certified Public Manager program each year. In order to develop managers and leaders, senior staff is encouraged to invite middle managers to senior staff meetings, involve high-potential employees in critical projects and encourage a culture of evaluating and analyzing current processes.

III.1.10. How do senior leaders engage, empower and motivate the entire workforce throughout the organization? How do senior leaders take an active role in reward and recognition processes to reinforce high performance throughout the organization?

The Executive Director takes employee morale very seriously and has communicated her commitment to listen to employees' suggestions for methods to increase efficiencies and become more effective in the day-to-day operations. Through training and guidance, management supports and encourages employees to grow and expand within the organization. Executive management is encouraged to participate in activities during Employee Appreciation Week to show appreciation to employees for the work they do. Each program area developed and implemented no-cost methods for recognizing and motivating employees.

III.1.11. How do senior leaders actively support and strengthen the communities in which your organization operates? Include how senior leaders determine areas of emphasis for organizational involvement and support, and how senior leaders, the workforce and the organization contribute to improving these communities.

Executive management is involved in activities which support and strengthen the community. Senior managers routinely serve as guest speakers at state and national trade organizations and serve on intra-agency committees and task forces. They are also active in organizations, communities and schools and encourage staff to do the same.

Category 2 – Strategic Planning

III.2.1. What is your Strategic Planning process, including key participants, and how does it address: a) your organizations' strengths, weaknesses, opportunities and threats; b) financial, regulatory, societal and other potential risks; c) shifts in technology and customer preferences; d) workforce capabilities and needs; e) organizational continuity in emergencies; and f) your ability to execute the strategic plan.

Executive staff gathers routinely to review key challenges faced by the agency and sets priorities for the coming year. All operational priorities are built around the Board's strategic goals. Priorities are influenced by estimated legislative funding, pending laws, regulations and policy directives from the state's elected leadership. Employees and customers are engaged in dialogue to help provide direction and address the organizations strengths, weaknesses, opportunities and threats. Progress is monitored throughout the year both informally and formally by the senior leadership team and adjustments are made as warranted.

III.2.2. How do your strategic objectives address the strategic challenges you identified in your Executive Summary?

The Executive Director and senior leadership continue to communicate to all employees the agency's strategic plan as well as ensure the awareness of the agency's priorities and emphasize the importance of customer service. The Board's current strategic objectives – efficient and effective operations, customer satisfaction and employee well-being – encompass the elements needed to address the specific challenges we face each year. The challenges are considered mission-critical and are agency priorities in the annual budget request.

Progress is tracked through the measures reported in Section 7 and also through employee and customer feedback efforts described elsewhere in this report. Individuals are measured on their success in helping to carry out action plans through their EPMS ratings.

III.2.3. How do you develop and track action plans that address your key strategic objectives, and how do you allocate resources to ensure the accomplishment of your action plans?

Executive leadership meets annually to develop and review prior strategic objectives. Each program area is also responsible for developing objectives and measures that address their specific operational issues. This process is evaluated throughout the year by senior management and during meetings to assess the overall progress in meeting strategic goals.

The development of an agency-wide strategic plan is led by the Executive Director. Division directors are tasked with developing operational plans for each division, aligning resources to accomplish goals and providing guidance to employees on how their jobs fit into the overall plan. Each division provides updates to the Executive Office on their goal progress, impediments to success and key results in each area. The plan focuses on ensuring that Board staff identifies the requirements of key customers and stakeholders to develop processes and deliver the expected results.

III.2.4. How do you communicate and deploy your strategic objectives, action plans and related performance measures?

Division directors are expected to align their program plans and measures with the agency's key objectives. Action plans are assigned to specific employees or areas and become a part of individual employee's goals and objectives on the Employee Performance Management System (EPMS). The strategic plan is an ongoing effort and as part of our strategic initiatives, we will continue to strive to improve internal communications of our strategic plan and its associated action plans to all of our employees.

III.2.5. How do you measure progress on your action plans?

Progress is measured through the data reported in Section 7. All staff progress is measured on their success in helping to carry out action plans through their EPMS ratings. Employee and customer feedback efforts described elsewhere in this report are also used to measure progress.

III.2.6. How do you evaluate and improve your strategic planning process?

The process is evaluated annually by senior management and during meetings throughout the year to assess the progress in meeting strategic goals. Feedback from employees and customers provides valuable input for the evaluation and improvement of our strategic planning process.

III.2.7. List key strategic objectives (goals) and your key action plans/initiatives and timelines in the Strategic Planning Chart.

As shown in the Strategic Planning Chart below and on the following page, our plan includes three key results areas: efficient and effective operations, customer satisfaction and employee well-being.

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 11-12 and Beyond Key Agency Action Plan/Initiative(s) and Timeline for Accomplishing the Plan(s)	Key Cross References for Performance Measures
V.C.I. – Surplus Property	Customer satisfaction. Efficient & effective operations.	Continued to return proceeds to agencies from the sale of surplus properties. Utilized alternative means to sell property through Internet services. Provided cost-savings to agencies by providing property at a lower rate than buying new.	36
V.E. - State Fleet Management	Customer satisfaction. Efficient & effective operations.	Maintained fleet daily motor pool rates below private sector benchmarks. Ensured that vehicles are operated in a safe and reliable manner.	37-38
V.B. - Facilities Management	Customer satisfaction. Employee well being. Efficient & effective operations.	Maintained state building rental rates below private sector market rates. Ensured that buildings are clean, functional and healthy work sites for citizens and employees.	39
VIII.B. - DSIT Operations: Data Processing	Customer satisfaction. Efficient & effective operations.	Reduced total server costs (including both hardware and power expenses) required by the Data Center due to virtualization efforts compared to the costs that would have been incurred without virtualization.	40
VIII.B. - DSIT Operations: Connectivity	Customer satisfaction. Efficient & effective operations.	Reduced rates for Internet connectivity significantly. Increased customer satisfaction for IT Service Desk and phone repair services.	41-42
VIII.B. - DSIT Operations: Connectivity	Customer satisfaction. Efficient & effective operations.	Continued further development of the state's website, SC.gov, by implementing a wide variety of new services for South Carolina's state, county and local governments.	43
VIII.C. - IT Planning and Management Services: Cyber Security Efforts	Customer satisfaction. Efficient & effective operations	Implemented a number of key steps to help safeguard the State's cyberspace and mitigate the risks associated with cyber-attacks.	44

VII.A. - Division of Insurance Reserve Fund	Customer satisfaction. Efficient & effective operations.	Continued to provide insurance to governmental entities at the lowest possible cost. Worked with policy holders to enhance their loss control efforts.	45-47
IV.D. - Human Resources Division	Customer satisfaction. Efficient & effective operations.	Worked with agencies on HR cost savings approaches, such as furloughs, buy-outs and RIFs. HRD was integrally involved in the implementation of the SCEIS HR/Payroll modules, including training employees and revising regulations and policies for the new system.	48
VI. - Procurement Services Division	Customer satisfaction. Efficient & effective operations.	Continued negotiating state term contracts to offer the best prices for a good or service to all state government for a fixed period of time. In conjunction with State Fleet, issued more than 40 vehicle contracts that state and local agencies may use to purchase cars, trucks and other vehicles at substantial discounts.	49-50
IV.D. - State Budget Division	Customer satisfaction. Efficient & effective operations.	Produced budget act in accordance with executive and legislative requirements. Provided guidance on federal stipulations regarding stimulus funds.	51
VII.D. - Energy Office	Customer satisfaction. Efficient & effective operations.	Saved significant dollars for South Carolina public entities, businesses, industry and non-profits through grants, loans, training and tax credits with lifecycle savings estimates and other impacts.	52

Category 3 – Customer Focus

III.3.1. How do you determine who your customers are and what their key requirements are?

As a public agency, our customers are largely mandated by statute and regulation. Each program is responsible for implementing customer feedback methods to meet changing customer needs.

III.3.2. How do you keep your listening and learning methods current with changing customer/business needs and expectations?

Division and office directors are responsible for ensuring that service delivery employees are responsive to customer input. Customer needs are gathered through both formal and informal listening and learning techniques. Programs are also required to develop systematic stakeholder feedback instruments. Staff participation on interagency boards, membership in professional organizations and monitoring legislative activity yields valuable information about customers and their expectations. Monitoring activity among constituent groups also provides meaningful information about customer needs.

This year, the Division of State Information Technology's customer service team conducted strategic outreach to inform their current and potential customers of existing and emerging DSIT products and services. This outreach included attending and presenting at the South Carolina Information Technology Directors Association, Technology Leaders Roundtable (K-12) and the South Carolina Finance and Technology Group meeting. In addition, DSIT conducted its first multi-agency and county customer campaign by bringing agencies, higher education and county government together to learn more about their information technology needs and to provide an update on DSIT and state vendor services.

III.3.3. What are your key customer access mechanisms, and how do these access mechanisms enable customers to seek information, conduct business, and make complaints?

Each Board division has a system for collecting actionable customer feedback which helps determine the delivery of services. For example, the state's official website, SC.gov, launched a "Live Chat" feature that allows users to connect with an operator for one-on-one, real-time assistance. "Live Chat" operators are typically available Monday through Friday during state office hours. These mechanisms allow the agency to assess current customer service levels and help management identify improvement areas for our customers.

The Office of Local Government revised several aspects of its loan policies in response to stakeholder concerns. Changes included modifying prepayment procedures – including no penalties and the re-amortization of principal upon partial repayment – to allow for the maximum benefit to the borrower; the expansion of the hardship rate to include populations up to 20,000; the potential refinancing of existing debt in conjunction with a new State Revolving Fund (SRF) loan when needed for affordability; extended term financing in the Clean Water SRF for disadvantaged community systems; and the offering of a streamlined loan application for repeat borrowers and higher credits.

III.3.4. How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

Customer satisfaction is measured through direct customer interaction, surveys, focus groups and visits by program managers to customer agencies. As mentioned in III.3.3., each division has a system for collecting customer feedback which enables leadership to improve products and services.

For example, after hosting their Performance Contract Summit, the South Carolina Energy Office (SCEO) sent surveys to the attendees to assess their experience and to better understand their needs. This was also done following the completion of the SCEO's Energy Technical Assistance Program (ETAP) which provided energy assessments to program participants. The survey ascertained the usefulness of these assessments. The SCEO uses the results of these surveys to continuously improve the programs and services they offer.

III.3.5. How do you use information and feedback from customers/stakeholders to keep services and programs relevant and provide for continuous improvement?

When data from various sources indicates a clear desire from customers, program changes are made where possible. For example, the Division of State Information Technology (DSIT) implemented a comprehensive report for their help desk. This daily report provides team ticket and call performance information as well as individual statistics. The daily call efficiency statistics are provided to all team members along with a detailed report about their individual performance. This allows for team members to understand their areas for improvement and to take immediate corrective action where needed.

The Insurance Reserve Fund (IRF) automated the claims department's First Notice of Loss forms to allow for electronic completion and submission to both the IRF and the automobile liability reinsurance carrier. The IRF also automated various forms for the underwriting department which allowed for electronic completion and submission. This automation provided greater accuracy and efficiency for both departments.

Staff members from both the Division of State Information Technology and the Office of Internal Operations, along with a third party vendor, successfully completed the steps necessary to establish a new rate model methodology. In developing the process, the rate model team streamlined the internal financial reporting data and reduced the number of rates. Going forward, DSIT's internal and external customers will be provided with a less complex rate structure that will aid them in making strategic business decisions.

III.3.6. How do you build positive relationships with customers and stakeholders to meet and exceed their expectations? Indicate any key distinctions between different customer and stakeholder groups.

Our customers are generally divided between two categories – those who receive mandated services from the Board and those who use certain services that are optional. Relationships are enhanced by demonstrating our consistent willingness to seriously consider concerns or suggestions and to take positive action whenever possible.

The Division of State Information Technology (DSIT) continued to provide fiber optic connectivity between public schools in districts located throughout the state. This effort, offered in conjunction with the South Carolina K-12 School Technology Initiative, has assisted in reducing overall network costs by decreasing the number of connections for participating districts. Technology needs and bandwidth requirements for the state educational system continue to grow exponentially. DSIT and its partners in the K-12 School Technology Initiative have continued to take advantage of new telecommunications technologies which deliver increased bandwidth to the schools and libraries of the Palmetto State without increased expense.

Category 4 – Measurement, Analysis, and Knowledge Management

III.4.1. 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?

Operations, processes and systems have been implemented to assist in attaining the Board's strategic objectives. 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 are tracked for internal purposes. The Executive Director encourages programs to use customer feedback to identify matters important to customers and that need improvement.

III.4.2. How do you select, collect, align and integrate data/information for analysis to provide effective support for decision making and innovation throughout your organization?

The diverse operations of the Board require the use of numerous processes and systems which collect, store and analyze data and information for varying programs. Areas in which data demonstrates opportunities for improvement become strategic priorities for the program. Stakeholders, including state and local governments, all identify the level of performance required for the services or information they receive from the Board.

III.4.3. What are your key measures, how do you review them, and how do you keep them current with organizational service needs and directions?

Our key measures include efficient and effective operations, customer satisfaction and employee well-being. These measures are reviewed as the annual accountability report is prepared. Because we are such a diverse agency, the Board has dozens of measures that are specific to program areas. Agency-wide financial measures are reviewed monthly by senior leadership. Program area measures are reviewed constantly by front-line managers and several times per year by agency senior leadership. Measures are studied and possibly changed during status reviews conducted as part of the annual accountability reporting process.

III.4.4. How do you select and use key comparative data and information to support operational and strategic decision making and innovation?

The Board focuses on measures that reflect value generated for customer agencies rather than mere measures of output or those that simply quantify the number of times a service or event took place. Programs are expected to identify the "best in the business" for their line of work and to use that as the benchmark. Comparisons that show less than top tier results are targeted for improvement.

State Fleet Management benchmarks their daily motor pool rates against the private sector's special fleet rates for daily rentals. The Board's Fleet and Procurement offices worked together to issue more than 40 vehicle contracts that state and local agencies can use to purchase cars, trucks and other vehicles at substantial discounts. By standardizing specifications and pooling the public sector's purchasing power, state contracts provide significant savings to agencies over the manufacturer's suggested retail price.

The Insurance Reserve Fund (IRF) 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.

III.4.5. How do you ensure data integrity, reliability, timeliness, accuracy, security and availability for decision making?

The Board continually looks for ways to engage all stakeholders of data and systems we maintain to ensure accurate and timely information is provided, while maximizing data integrity and security. The S.C. Enterprise Information System (SCEIS) is one the most significant changes in agency data management capability in decades. Prior to the SCEIS system, the state had over 100 disparate financial systems that were more than 20 years old. Since the implementation of SCEIS, the SCEIS Team continues to work in partnership with agencies to create specific enterprise reports. Refresher courses and training are also available to agencies. The Executive Director encourages users to become actively involved in peer groups specifically related to human resources, finance and other accounting functions. The peer groups meet regularly throughout the year to discuss possible enhancements to SCEIS.

Through a competitive procurement awarded in January 2013, the State of South Carolina selected Deloitte & Touche (Deloitte) to provide an assessment of the state's most serious cyber security vulnerabilities and to assist with the development and implementation of a statewide information security program (INFOSEC). As part of the assessment, Deloitte was tasked with not only evaluating the current vulnerabilities, but also recommending an appropriate structure and governance to manage the INFOSEC program. Deloitte provided its initial report to the SC Budget and Control Board and the General Assembly on May 1, 2013. The report included detailed recommendations for the overall structure of the INFOSEC program and also provided guidance and estimates for the fiscal year 2014 budget. Through the budget process, the General Assembly appropriated $10.6 million to establish the Division of Information Security (DIS) and the Enterprise Privacy Office (EPO) and provided 24 new full time equivalent positions – 21 new positions for DIS and three new positions for EPO. The Board will continue to work with Deloitte over the next year to continue the development and implementation of the INFOSEC program.

III.4.6. How do you translate organizational performance review findings into priorities for continuous improvement?

Organizational performance is monitored by executive management as well as program managers. Results are analyzed and compared to expected benchmarks. If key results are negative, then future actions may involve shifting resources, priorities or changing processes. If results are positive, executive management communicates this information to the appropriate staff to motivate and empower them to continue the trend.

III.4.7. How do you collect, transfer, and maintain organizational and workforce knowledge (knowledge assets)? How do you identify, share and implement best practices, as appropriate?

Budget and Control Board policy requires managers to develop a knowledge transfer plan for any TERI employee occupying a critical position and employees who are nearing retirement.
To address immediate knowledge transfer needs as those in critical positions approach retirement, the Board requires managers to develop a knowledge transfer plan prior to the employee leaving the agency. When possible, the replacement for a key position is hired prior to the retiring employee leaving to ensure that implicit and explicit knowledge is transferred to the new employee. This transition period has proven invaluable for staff, customers and the new employee. Diversity is encouraged as staff replacements are selected. Board HR provides information to the hiring manager about underutilized groups for each vacancy and assists with targeted recruiting efforts.

Category 5 – Workforce Focus

III.5. 1. How does management organize and measure work to enable your workforce to: 1) develop to their full potential, aligned with the organization's objectives, strategies and action plans; and 2) promote cooperation, initiative, empowerment, teamwork, innovation and your organizational culture?

Management uses the Employee Performance Management System (EPMS) to measure goal accomplishment. The EPMS evaluation process is used to align employees' performance and potential to the agency's goals, objectives and action plans. By emphasizing the importance of this tool, training all supervisors, and diligently monitoring the process, the agency has completed 98.92 percent of the performance appraisals within the scheduled due date.

We promote cooperation, initiative, empowerment, teamwork and innovation in our organization through a number of different avenues. We begin by ensuring that employees are educated about our values from the first day on the job. Cross-divisional work teams are appointed to work on the implementation of large scale projects. The teams learn to map, document and analyze processes and problems, encouraging and motivating employees to solve problems and make continuous improvements.

III.5.2. How do you achieve effective communication and knowledge/skill/best practice sharing across departments, jobs and locations?

As a diverse agency with offices physically dispersed around Columbia, the agency has taken an active approach to the communication challenge. Using the strategic plan as a common focus, communication and knowledge sharing is fostered by sharing goals and progress across divisions. Leadership meets regularly to share program knowledge, skills and best practices to increase productivity and efficiency. These meetings encourage communication across all divisions and offices. One of our strategic initiatives requires program managers to develop and implement formalized mechanisms to ensure that supervisors are sharing the information that employees need. Managers also hold regular meetings with their staff to encourage communication and feedback. Several divisions within the agency publish best practices reports and newsletters and encourage employees to stay abreast of the changes in their professional fields.

III.5.3. How does management recruit, hire, place and retain new employees? Describe any barriers that you may encounter.

The Board uses the www.jobs.sc.gov website, operated by the Board's Human Resources Division, as its main recruiting site. All hiring managers use diverse panels when interviewing candidates and we believe these panels make better decisions and result in a more diverse workforce. Board Human Resources (Board HR) also continues to provide training for supervisors on the hiring process. This training educates supervisors about the recruiting, interviewing and hiring process. Board HR also assists supervisors with developing structured interview questions and scoring criteria. In order to further improve hiring practices and select the best candidates for open positions, Board HR will begin to offer interview training in the upcoming fiscal year for employees in all divisions who serve on interview panels. The training will emphasize job-related selection processes and encourage consistency of practice across divisions.

One key concern for recruiting and hiring is the difficulty faced in attracting and retaining individuals for hard-to-fill jobs. The need to recruit highly qualified candidates must be balanced with a concern for budget constraints and internal equity issues created by higher starting salaries. During this fiscal year, the Board had a number of IT security positions to fill, which proved to be a challenge. Board HR worked closely with the hiring managers to identify and utilize on-line, local and industry-specific job posting sites in addition to the www.jobs.sc.gov platform to increase the visibility of the positions and reach a broader pool of applicants.

In an effort to ensure a successful transition for new employees, all new hires attend a one-on-one orientation session with a Board HR staff member. During the orientation process, new employees are made aware of agency policies and educated about the benefits offered to them through state government. In addition to the Board HR portion of orientation, each division uses a check-sheet to ensure that employees are effectively oriented to the workplace.

III.5.4. How do you assess your workforce capability and capacity needs, including skills, competencies and staffing levels?

Managers are responsible for assessing the capability and capacity needs of their employees. Board Human Resources offers assistance in determining staffing levels when needed. Assessments are often carried out in conjunction with workforce planning efforts when employees are scheduled to leave through retirement. Divisions are encouraged to incorporate cross-training whenever possible to enhance agency capacity.

III.5.5. How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance work and contribute to the achievement of your action plans?

The Board's performance appraisal document is combined with the employee position description (PD-EPMS) in order to evaluate employee performance relative to the expectations outlined within the position description. Our focus on developing well written, clear and concise position descriptions has ensured that critical knowledge and competencies are identified and aligned with the agency's strategic goals. This enables staff to be prepared to carry out the division operational plans and address strategic challenges. The alignment supports a comprehensive approach to performance improvement at the individual, division and organizational levels.

The Board also updated its performance appraisal policy during the fiscal year to incorporate process changes and help supervisors and employees better understand the process. After receiving feedback about the difficulty posed by the universal review date of January 1, Board HR moved the universal review date to February 1 and will implement that change next fiscal year. Board HR also worked with Board IT to develop an automated form in response to feedback from supervisors, which will streamline and expedite the submission process.

III.5.6. How does your development and learning system for leaders address the following: a) development of personal leadership attributes; b) development of organizational knowledge; c) ethical practices; d) your core competencies, strategic challenges, and accomplishment of action plans?

The agency's executive director meets regularly with senior level staff to ensure that they have a clear understanding of the agency's priorities and her expectations of leadership within the agency. There are monthly senior staff meetings that keep leadership informed of happenings across the organization. Each division director must report on strategic challenges and progress on action plans.
The Board continues to enroll high-potential staff in the Certified Public Manager program offered by the Division of Human Resources. This program helps participants develop essential leadership skills, and many of the participants have assumed leadership positions throughout the agency.

III.5.7. How do you identify and address key developmental training needs for your workforce, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

The Board identifies and addresses workforce developmental and training needs through periodic needs assessments and attention to training required by laws and regulations. Our trade workers continue to receive mandatory safety training through online and classroom formats.

During the last fiscal year, the Board reinstated the agency-wide training program after a brief hiatus due to budget constraints. Through a contract with Midlands Technical College, Board HR offered a series of courses throughout the year to provide job skills training and encourage professional development. Courses were available to all Board employees and allowed the agency to provide a variety of training in a cost-effective manner. A customer feedback survey completed by participants indicated a high level of satisfaction with courses provided by Midlands Technical College, with over three quarters of respondents indicating the training provided knowledge and skills that helped them carry out their daily job duties. The agency-wide training strategy for the next fiscal year includes the negotiation of a similar contract for job skills training with Midlands Technical College and a plan to provide computer skills training in software programs critical to employee productivity.

Board HR also provides in-house training on a variety of topics. In the past year, training courses addressing position description writing, the agency grievance process, ethics and more were coordinated and led by Board HR staff in order to provide development opportunities for Board employees. The Board would like to expand in-house training in the upcoming fiscal year by continuing to develop Board HR staff members' expertise in topics relevant to Board employees and allowing them to facilitate training sessions in those areas.

III.5.8. How do you encourage on-the-job use of new knowledge and skills?

Many employees have a development plan linked to their specific job duties and the knowledge and skills needed to perform the job. Supervisors are encouraged to identify training that is available locally and to promote peer training whenever possible.

Employees are also encouraged to utilize new job skills by becoming involved in process development and implementation. They are encouraged to offer input based on their knowledge and skills that will improve the overall efficiency and effectiveness of a program. By improving the knowledge and skills of our employees, we can improve the services and products offered to our customers.

III.5.9. How does employee training contribute to the achievement of your action plans?

The purpose of training is to equip employees with the knowledge and skills needed to perform their jobs. The Board's training request process is designed to ensure that all training approved by the Board is directly related to the employee's job and aligned with agency needs and strategic initiatives. The requestor and requestor's supervisor must provide justification for the requested training, which includes an explanation of how the training will enhance the employee's ability to carry out his/her duties and further the mission of the agency. All training requests are reviewed and approved by the Chief of Staff in order to ensure compliance with the Board's mission and goals.

In the past year, many of our employees have also developed new skills by participating in facilitated process documentation and mapping sessions. Through that participation, they have developed insights that allow them to evaluate and analyze their own processes and take ownership of improvement activities. This on-the-job learning has been very effective in helping the agency develop a continuous improvement mindset.

III.5.10. How do you evaluate the effectiveness of your workforce and leader training and development systems?

When training sessions are available, we conduct evaluations a few days after the class to gauge the participants' satisfaction through an on-line survey process. We also follow up at a later time with the supervisor to evaluate the long-term impact. Effectiveness of workforce development and training is also evaluated at the individual, division and organizational levels through performance management approaches including employee performance and development plans, competency assessments, business and customer impact and return on investment.

III.5.11. How do you motivate your workforce to develop and utilize their full potential?

The Executive Director encourages senior leadership to participate in Employee Recognition Week. 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. Our strategic plan also directs each division director to develop no-cost methods for recognizing employee achievements.

III.5.12. What formal and/or informal assessment methods and measures do you use to obtain information on workforce well-being, satisfaction and motivation? How do you use other measures such as employee retention and grievances?

The Board has utilized online surveys to gather information on training events and customer satisfaction levels with other HR initiatives. Survey responses have been helpful in determining offerings and improving processes.

Whenever an employee leaves the agency, Board HR conducts an exit interview. We have developed an on-line survey for our exit interview process, allowing the former employee to complete the survey at his or her leisure and maintain anonymity if desired. This allows for enhanced feedback to organizational units in a systematic and effective manner. If a problem is identified, Board HR staff shares the information with office managers. Options for handling the problem are generated and solutions are implemented and monitored for effectiveness.

III.5.13. How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?

When available, courses such as supervisory training, the Certified Public Manager Program and other professional development courses give employees and managers the knowledge and skills needed to improve job performance and make them candidates for advancement. We clearly communicate that time in a position is not the driver of promotions. We look for a diverse group of employees who demonstrate their knowledge and personal motivation in our goal of excellence.

The Board also uses performance evaluations and other measures to identify employees with a history of exceptional performance and provide opportunities for them to develop their skills and abilities in preparation to perform roles of increasing responsibility within the Board. This practice allows employees to grow professionally without leaving the organization, which preserves essential institutional knowledge and develops a workforce that is committed to the agency's mission and capable of providing excellent leadership.

III.5.14. How do you maintain a safe, secure and healthy work environment?

The Board continues to offer CPR/First Aid training to its employees. When accidents occur, supervisors determine the cause and make recommendations to prevent a similar accident. The Board Safety Team helps divisions analyze accidents and develops remedial plans when trends are noted.

Workplace inspections are conducted routinely by the Board safety staff to identify safety and health hazards and to ensure compliance with OSHA and international building and fire codes. Recognizing and correcting hazards through regular inspections is vital to the accident prevention process of our safety and maintenance programs.

The Division of General Services successfully implemented the activation of the State House Capitol Complex security system. As part of this project, new identification credentials were issued to personnel accessing the facilities located on the State House grounds.

Category 6 – Process Management

III.6.1. How do you determine and what are your organization's core competencies, and how do they relate to your mission, competitive environment and action plans?

We rely upon a number of tools to help identify and hone core competencies. The Board's position description document requires supervisors and hiring managers to list the knowledge, skills and abilities (KSAs) needed by employees for successful performance of job duties, and the position description informs all human resource decisions. It serves as the basis for the structured interview process, ensuring that we select candidates based on the KSAs or core competencies. It serves as the framework for the performance evaluation as well. In addition, we require that all outside training requests include specifics on how the training will help the employee in developing and improving the skills needed to carry out job duties and responsibilities.

Many of our positions require specific licenses, training or background in order to carry out the agency's mission. The Office of State Engineer requires a specific number of electrical, mechanical and civil engineers. Many of our financial positions require Certified Public Accountant credentials. In addition, we have a cadre of certified IT professionals.

III.6.2. How do you determine and what are your key work processes that produce, create or add value for your customers and your organization and how do they relate to your core competencies? How do you ensure these processes are used?

The Board is guided by statutory requirements when determining the development of key processes. 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, among many other processes. 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. Processes are constantly reviewed by agency

management and front-line staff. The implementation of the SCEIS system has substantially enhanced the ability of managers to evaluate financial and business trends.
The Board's strategic plan emphasizes analyzing and improving processes throughout the agency. To ensure that division directors and managers understand and carry out those priorities, a full-time position in Board HR was dedicated to facilitating process improvement activities. Using internal resources, the unit has worked with division directors to document and map processes for streamlining, consolidation and improvement of processes. Board HR also assists divisions in the implementation of new processes and procedures by providing necessary training and helping division staff identify any necessary adjustments to ensure that new processes are effective. Major improvement initiatives in the past fiscal year have included review and streamlining of processes in the following program areas: Division of State Information Technology, Insurance Reserve Fund, Facilities Management, Real Property Services, Office of State Engineer and the Office of Internal Operations.

III.6.3. How do you incorporate organizational knowledge, new technology, cost controls, and other efficiency and effectiveness factors, such as cycle time, into process design and delivery?

Each program area tracks a unique set of measures that relates to the nature of their business. This includes the expense ratio for the Insurance Reserve Fund, call performance at the Division of State Information Technology's help desk, State Fleet daily rental rates compared with the private sector and the competitive spread of procurements.

DSIT has implemented a comprehensive performance report for their help desk. This daily report provides team ticket and call performance information as well as individual performance statistics. The daily call efficiency statistics are provided to all team members along with a detailed report about their individual performance.

Negative trends in these areas would result in immediate management reviews and operational changes. Technology is used where appropriate and affordable. For example, service measures such as the number of minutes it takes to answer a customer call are also monitored and are used to drive staffing assignments.

III.6.4. How does your day-to-day operation of these processes ensure meeting key performance requirements?

Managers are expected to closely track key operational measures that ultimately link with the agency's three strategic objectives. Regular reviews of top-level measures by senior management ensure that front-line managers have incentives to make operational adjustments based on close monitoring of processes.

Managers track both the performance of agency staff and key metrics for contractors and other government entities for which we may have an oversight role. For example, State Fleet closely monitors the performance of private repair shops certified to work on state vehicles via electronic systems that log all repairs.

III.6.5. How do you systematically evaluate and improve your key product and service related work processes?

Senior management regularly reviews the cost and effectiveness of all Board programs and outside experts are used to evaluate programs on an as-needed basis. Throughout the agency, programs are expected to use new technology to replace paper-based systems so that overhead costs can be reduced. Such initiatives allow the Board to periodically reduce rates whenever possible. The Insurance Reserve Fund has

automated their claims forms to allow for electronic completion and submission which provides greater accuracy and efficiency.
The Real Property Services Unit of General Services successfully negotiated the renewal of the lease for the Department of Health and Human Services (DHHS) at 1801 Main Street in Columbia. The lease is for 148,231 rentable square feet of office and receiving space. By cancelling several smaller leases and securing a favorable lease rate, DHHS will experience a savings of more than $9.4 million over the course of the 10 year lease. The agency also was provided a tenant improvement allowance by the landlord of $250,000 to be used during the term of the lease.

The Facilities Management Unit of General Services completed a facility assessment survey for 61 buildings in August 2012, using a consultant for 10 buildings on the Capitol Complex and using in-house personnel for the other buildings. The survey allowed staff to update information regarding deferred maintenance while creating a baseline for the capital budgeting process. Facilities Management plans to update the survey periodically and to use the survey information to measure progress in maintaining or improving conditions in the buildings General Services is responsible for and to serve as an input into the capital budgeting process. The survey is based on a model developed by the Commission for Higher Education.

The Office of Local Government revised several aspects of its loan policies. Changes included modifying prepayment procedures – including no penalties and the re-amortization of principal upon partial repayment – to allow for the maximum benefit to the borrower; the expansion of the hardship rate to include populations up to 20,000; the potential refinancing of existing debt in conjunction with a new State Revolving Fund (SRF) loan when needed for affordability; extended term financing in the Clean Water SRF for disadvantaged community systems; and the offering of a streamlined loan application for repeat borrowers and higher credits.

III.6.6. What are your key support processes, and how do you evaluate, improve and update these processes to achieve better performance?

Administrative Services, the Board's internal Chief Information Officer, Internal Audit Services and Board Communications are the key support units for other Board programs. Administrative Services provides HR, finance, IT, training and related services to all Board programs. Each unit has developed key metrics that track both the quality and cost of service delivered to other Board units. The measures are evaluated by each support unit director and adjustments are made as the facts warrant. They also rely heavily on internal customer feedback and input to determine the level of service and areas needing improvement.

III.6.7. How does your organization determine the resources needed to meet current and projected budget and financial obligations?

At the beginning of each fiscal year, program budgets are reviewed to examine in detail prior, current and coming fiscal year expenditures and funding. During this review, budgetary, human resources, equipment, contractual and technology needs are discussed, issues identified, and plans developed. Customer and stakeholder requirements are considered and relevant external factors and trends analyzed. Whenever possible, internal adjustments are made to remain within existing resources without adversely impacting service. If required, the agency will make conservative funding requests.

In addition to the annual review of three fiscal years, reviews of expenditures, projected costs and funding are conducted continuously throughout the year.

Category 7 – Results

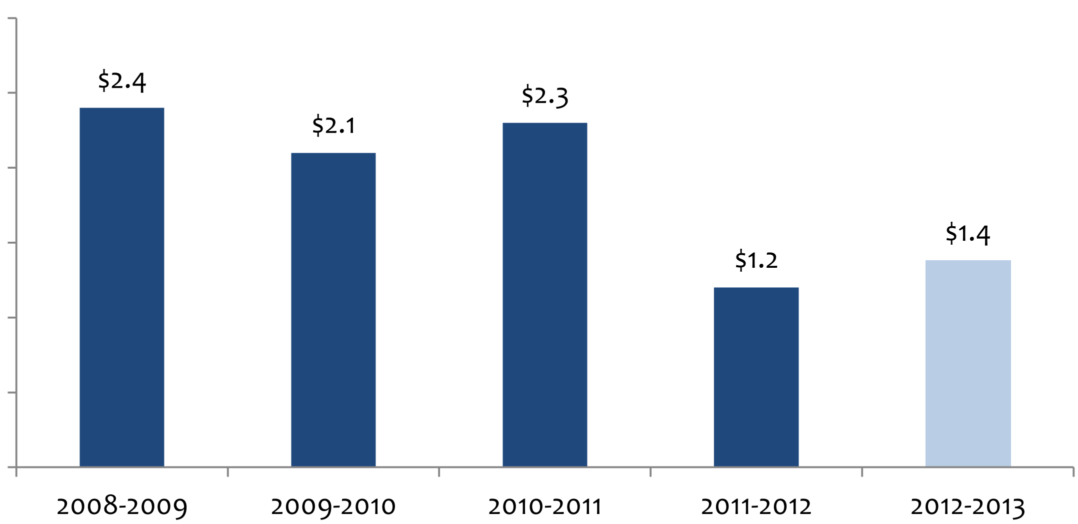
General Services Division

Surplus Property

The Surplus Property Program allows state agencies, political subdivisions and non-profit organizations to receive state and federal surplus property at lower rates than the cost of buying new. It also allows agencies to recoup some of the value of their surplus property and use it to partially offset the cost of replacing it.

Proceeds Returned to Agencies, in Millions of Dollars, by Surplus Property

Costs Avoided by Agencies, in Millions, through Surplus Property

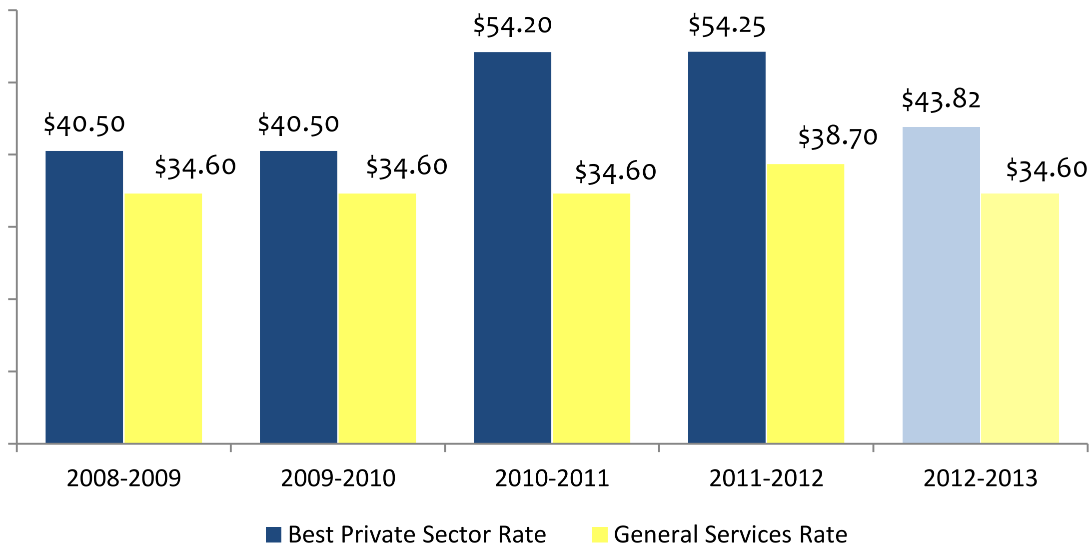


Even with agency budget restraints, Surplus Property was able to save state agencies $1.4 million over the cost of buying new property by providing them with used equipment.

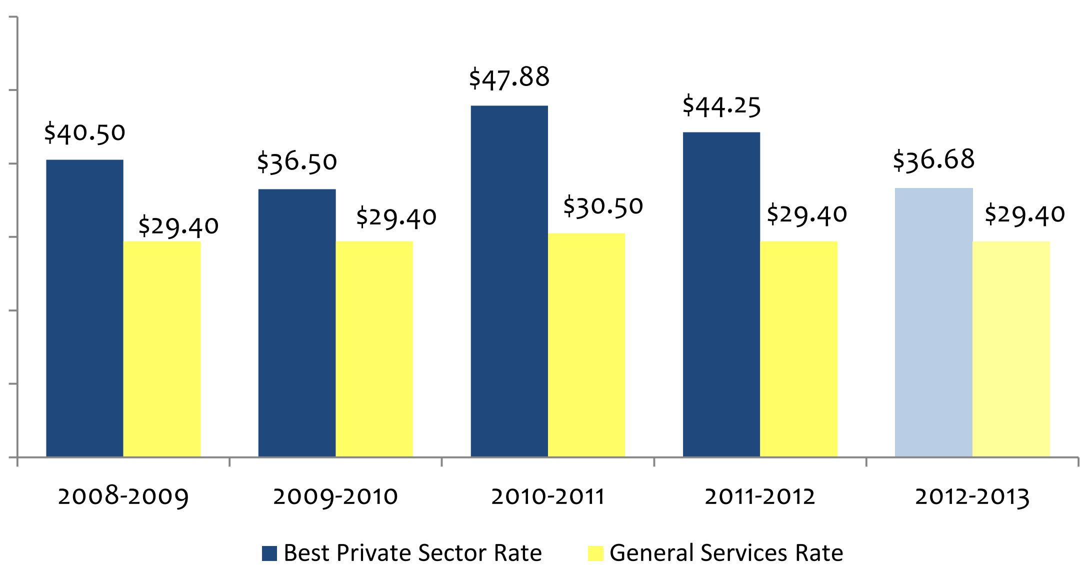
General Services Division
State Fleet Management

The Budget and Control Board's State Fleet Management section leases vehicles to agencies and operates a motor pool that provides daily vehicle rental. Approximately 24% of the state's fleet of vehicles is owned and operated by State Fleet.

Cost Comparison for 110-mile Trip: Full Size Sedan



Cost Comparison for 110-mile Trip: Compact Sedan



State Fleet Management benchmarks their daily motor pool rates against the private sector's special fleet rates for daily rentals. Commercial rates do not include fuel, insurance or taxes; however, these items are included in the State Fleet Management rental rates. Comparisons are based on the typical 110 mile motor pool trip.

General Services Division
State Fleet Management

State Vehicle Contracts Compared with Manufacturer's Suggested Retail Price (MSRP)

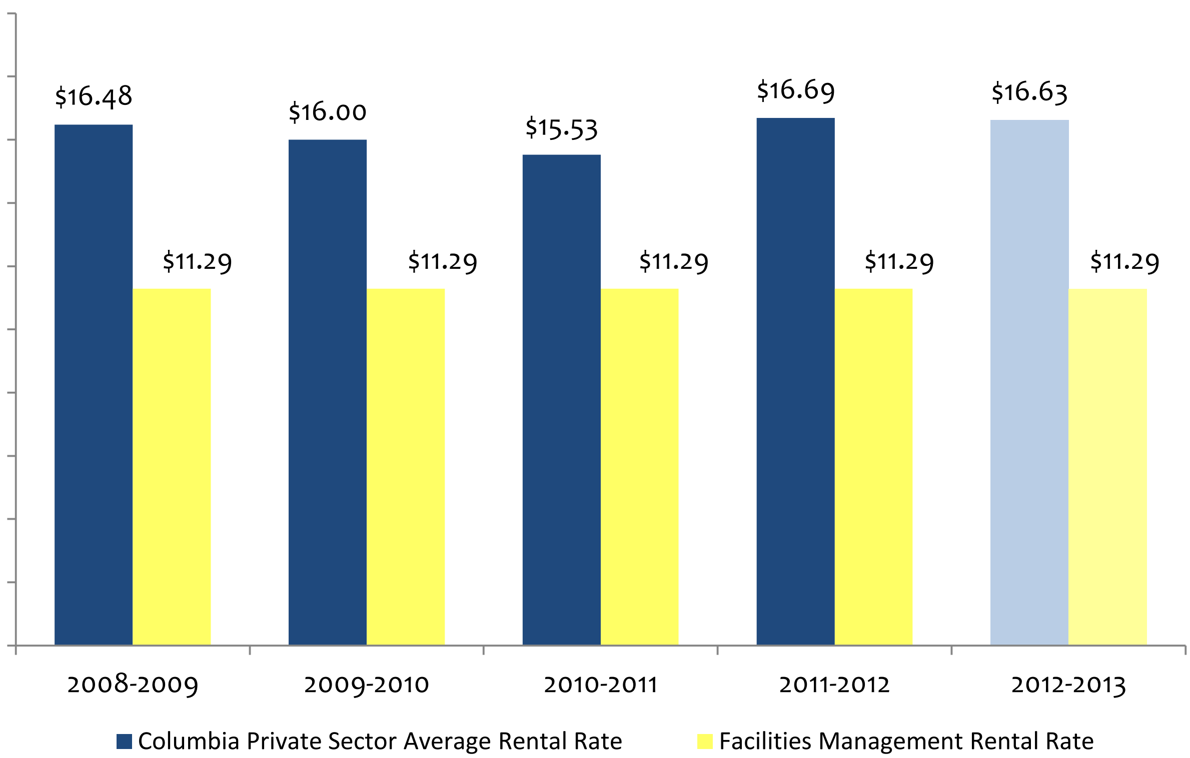
The Board's Fleet and Procurement offices work together to issue more than 40 vehicle contracts that state and local agencies can use to purchase cars, trucks and other vehicles at substantial discounts. By standardizing specifications and pooling the public sector's purchasing power, state contracts provide significant savings to agencies over the manufacturer's suggested retail price.

Vehicle	2013 Contract Price	MSRP	Percentage Below MSRP
Ford Focus, Compact 4 Door Sedan Flex Fuel	$ 15,762	$ 20,115	22%
Ford Interceptor, Pursuit Sedan Flex Fuel	$ 24,077	$ 30,060	20%
Ford Escape, Intermediate Utility Flex Fuel	$ 23,684	$ 29,135	19%
Ford Explorer, Intermediate Utility Flex Fuel	$ 24,261	$ 30,605	21%
Ford F-250, Reg. Cab, ¾ Ton Pickup	$ 18,697	$ 31,005	40%
Chevrolet Impala, Pursuit Sedan	$ 20,117	$ 25,515	21%
Chevrolet Silverado, Ext. Cab ½ Ton 4x4 Pickup Flex Fuel	$ 21,641	$ 31,838	32%
Chevy Tahoe, Full Size Utility Flex Fuel	$ 27,432	$ 40,290	32%
Chevrolet Silverado, Ext. Cab ¾ Ton 4x4 Pickup	$ 28,348	$ 41,320	31%
Dodge Ram CV, Mini Cargo Van Flex Fuel	$ 20,332	$ 22,465	9%
Dodge Grand Caravan, Mini Passenger Van Flex Fuel	$ 20,732	$ 26,695	22%
Toyota Prius, Compact Hybrid Sedan	$ 23,794	$ 24,200	2%

General Services Division
Facilities Management

Facilities Management maintains and operates 41 office buildings plus other facilities. These include the State House, the Governor's Mansion, legislative and judicial buildings, the Columbia Mills Building, the Department of Health and Environmental Control and the Department of Employment and Workforce.

General Services Lease Rates Compared with the Private Sector



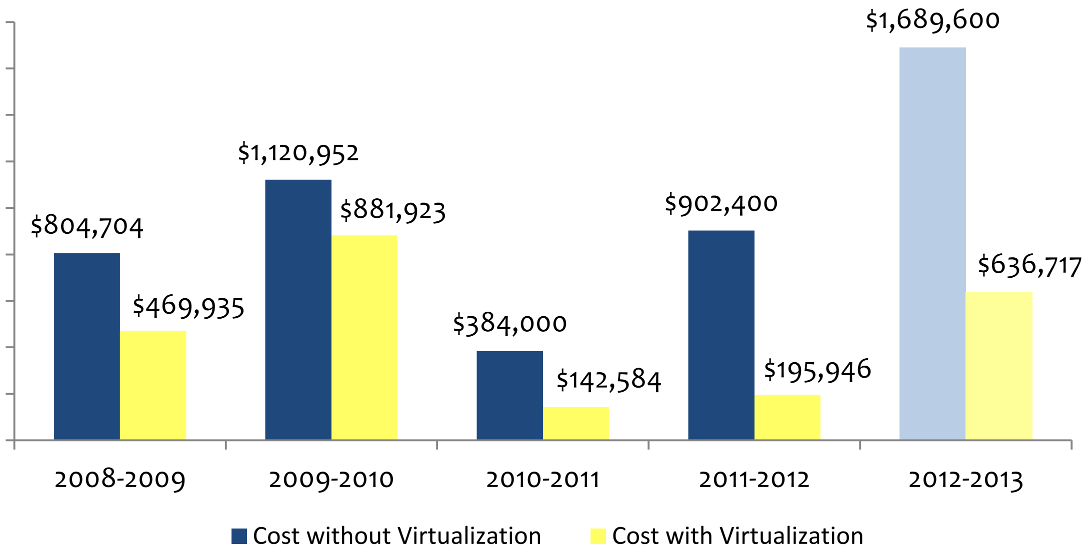
State agencies are charged a standard rent of $11.29 per square foot for office space in state buildings managed by the Board's Facilities Management section. This rate – which includes maintenance and most utilities – has not increased in 16 years. The state rate is compared here to the Columbia market average rental rate, $16.63, for the private sector. Maintaining these low rates creates a challenge in meeting maintenance requirements.

The Division of General Services Real Property Services section successfully negotiated the renewal of the lease for the Department of Health and Human Services' (DHHS) Main Street, Columbia, S.C., location. By cancelling several smaller leases and securing a favorable lease rate, DHHS is expected to experience a savings of more than $9.4 million over the course of the 10-year lease. The Board also continues to look for opportunities to utilize State owned buildings for State agencies. On July 1, 2012, a total of 12,584 rentable square feet was available for lease in State buildings. As of July 1, 2013, all space had been leased and occupancy of the final 11,620 rentable square feet will occur in September 2013.

Division of State Information Technology

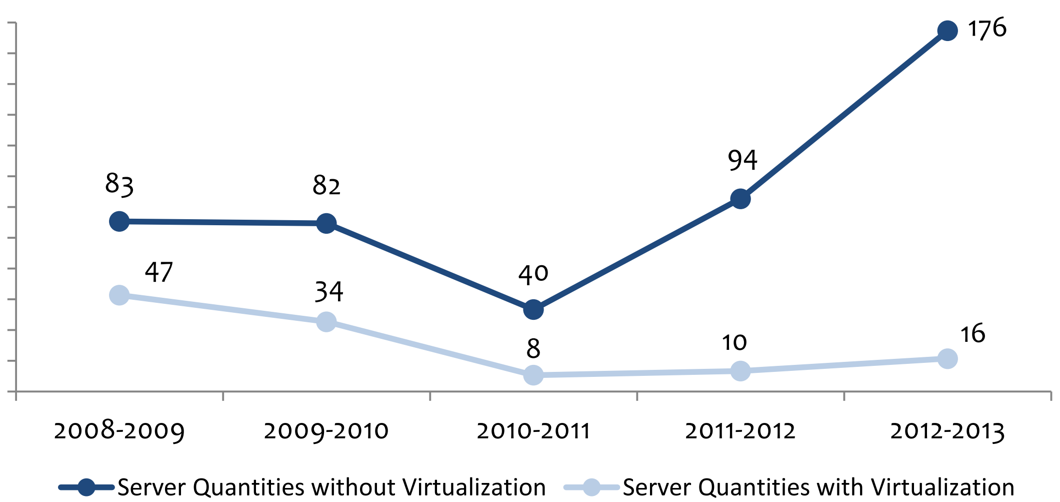
While mainframe usage is declining industry-wide, server usage is continuing to see exponential growth. With this growth comes a corresponding rise in both the amount of power consumed and cost of operation. However, through the use of server virtualization, the number of physical servers needed and the corresponding operation cost are reduced.

Data Center Cost Avoidance Resulting from Server Virtualization



This chart illustrates the reduced total server costs (including hardware, software and power expenses) required by the Data Center due to virtualization efforts compared to the costs that would have been incurred without virtualization.

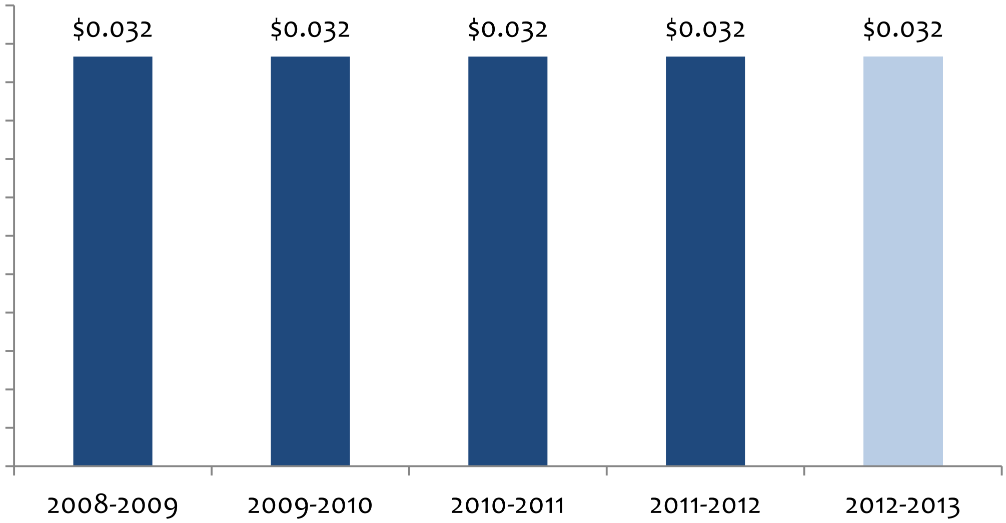
Data Center Server Quantities: With vs. Without Virtualization



This chart illustrates the reduced number of physical servers required by the Data Center due to its virtualization efforts compared to the number of servers that would have been required without virtualization.

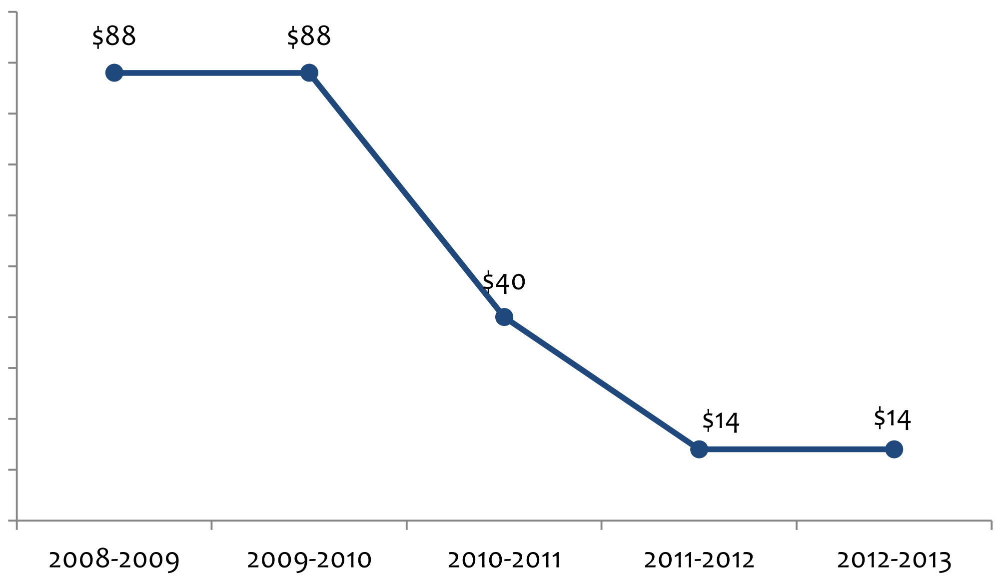
Division of State Information Technology

Average Cost per Minute for DSIT-Provided Long Distance Service



This chart reflects the average cost per minute for long distance service, a cost that has remained level in each of the five fiscal years represented.

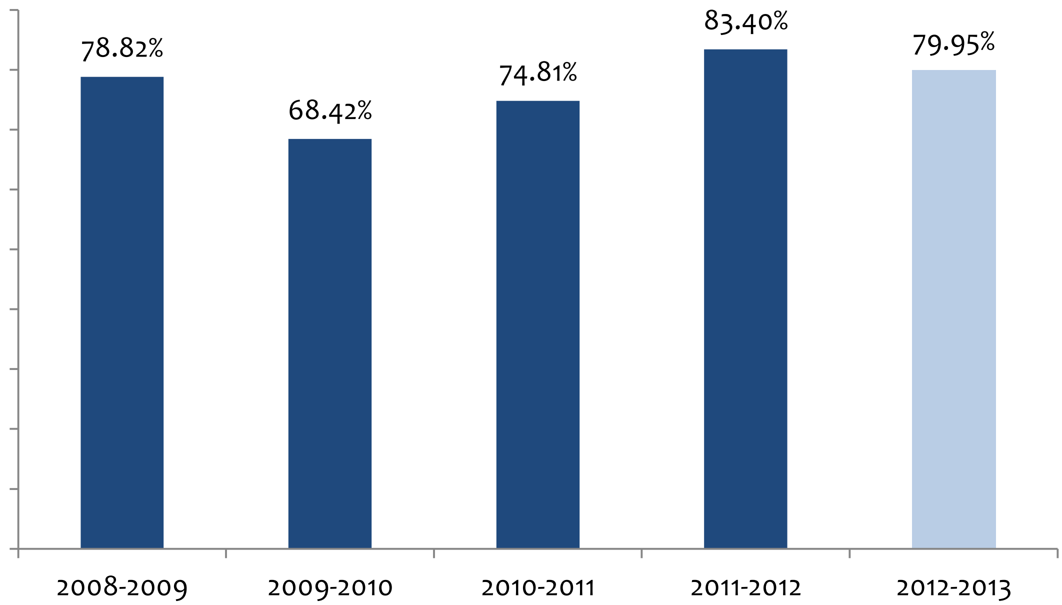
DSIT Provided Internet Rate Cost Per Megabyte (MB) for DSIT Provided Internet



This chart reflects the cost per Megabyte (MB) for DSIT-provided Internet, a cost that has remained level or declined in each of the five fiscal years represented.

Division of State Information Technology

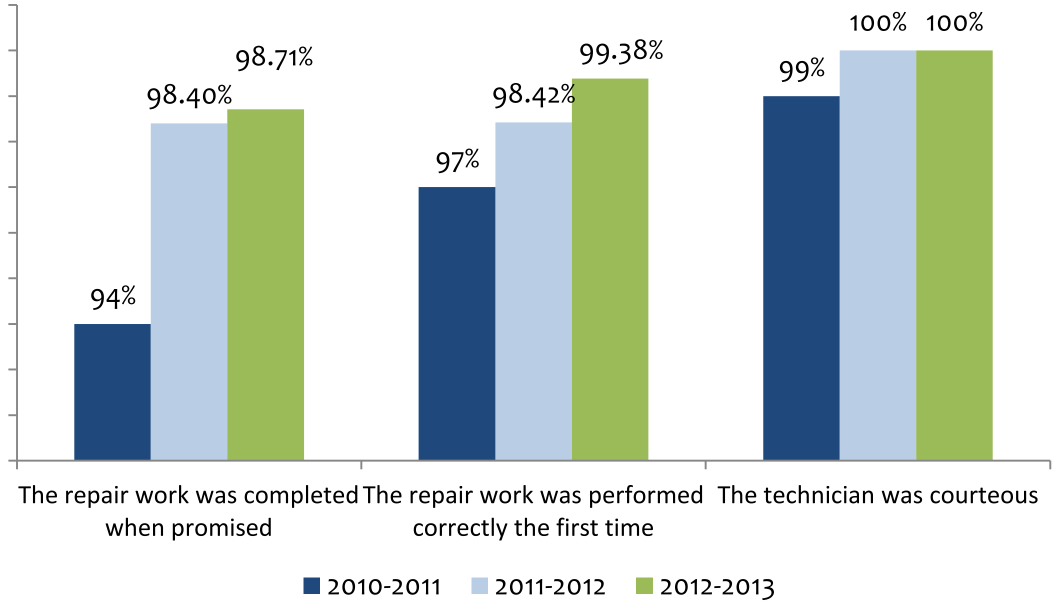
State IT Service Desk First Call Resolution



This chart reflects the percentage of incoming Service Center inquiries that are resolved at the first point of contact without delay or referral.

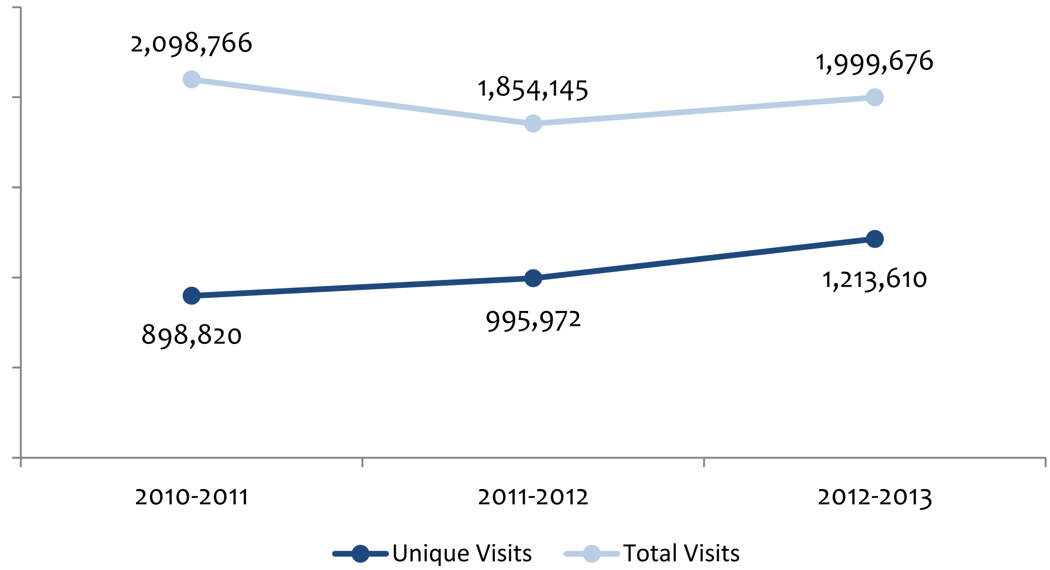
DSIT Phone Repair Service Customer Satisfaction

Respondents who "strongly agreed" or "agreed."



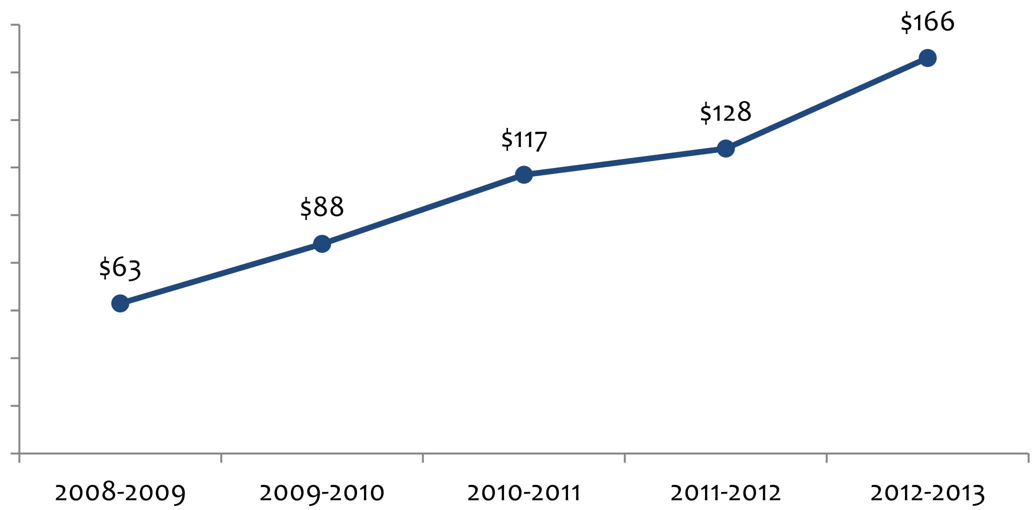
Division of State Information Technology

Visits to SC.gov



Unique visits refers to the number of one-time visits to a website during a defined time period while total visits represents all visits to a website during the same time period. The number of unique visits grew by almost 18% in FY 2013. This growth is due, in part, to the increased number of eGovernment services available to citizens.

SC.gov – Millions of State Funds Collected



This chart reflects the total amount of state funds collected (in millions) by the state's official website, SC.gov, since the portal's inception in 2007. During FY 2012-2013, SC.gov implemented 64 new payment processing services, launched seven new governmental websites, developed 10 new interactive applications and assisted state government with cost avoidance of more than $1.75 million. SC.gov is managed by a unique partnership between the SC Budget and Control Board's State IT and a private vendor, South Carolina Interactive, LLC.

Division of State Information Technology

Cyber Security Efforts

In October 2012, the SC Department of Revenue (DOR) announced that an unprecedented cyber-attack had exposed taxpayer information, including approximately 3.8 million Social Security numbers and over 350,000 credit and debit card numbers. In an effort to help safeguard the state's cyberspace and mitigate the risk of future attacks, a number of key steps were implemented.

In December of 2012, the SC Budget and Control Board authorized the issuance of an RFP to assist the State in identifying and addressing serious information security vulnerabilities as well as the development and implementation of a statewide information security (INFOSEC) program.

In January 2013, through a competitive procurement, the State selected Deloitte & Touche (Deloitte) to provide the prescribed services through a multitask approach consisting of the following steps.

- Task A — Immediately address security vulnerabilities (Completed on May 1, 2013)
  1 – Immediately Address Serious Security Vulnerabilities
  2 – Information Security (IS) Risk Assessments (3)
  3 – Strategy and Recommendations

- Task B — Develop and implement an INFOSEC program
  1 – Develop and Implement a Statewide INFOSEC Program
  2 – Information Security (IS) Risk Assessments (15)

On May 1, 2013, Deloitte delivered its initial report, which included detailed recommendations for the overall structure of the INFOSEC program and provided guidance and estimates for the FY 2014 budget.

In May 2013, the Division of State Information Technology (DSIT) deployed the Mandiant Intelligent Response security software, designed to look for evidence of malicious activities across computer systems, to cabinet agencies as well as Board-wide.

In June 2013, the General Assembly appropriated $10.6 million to establish a Division of Information Security (DIS) and an Enterprise Privacy Office (EPO) and provided 24 new full time equivalent positions including 21 new positions for DIS and three new positions for EPO.

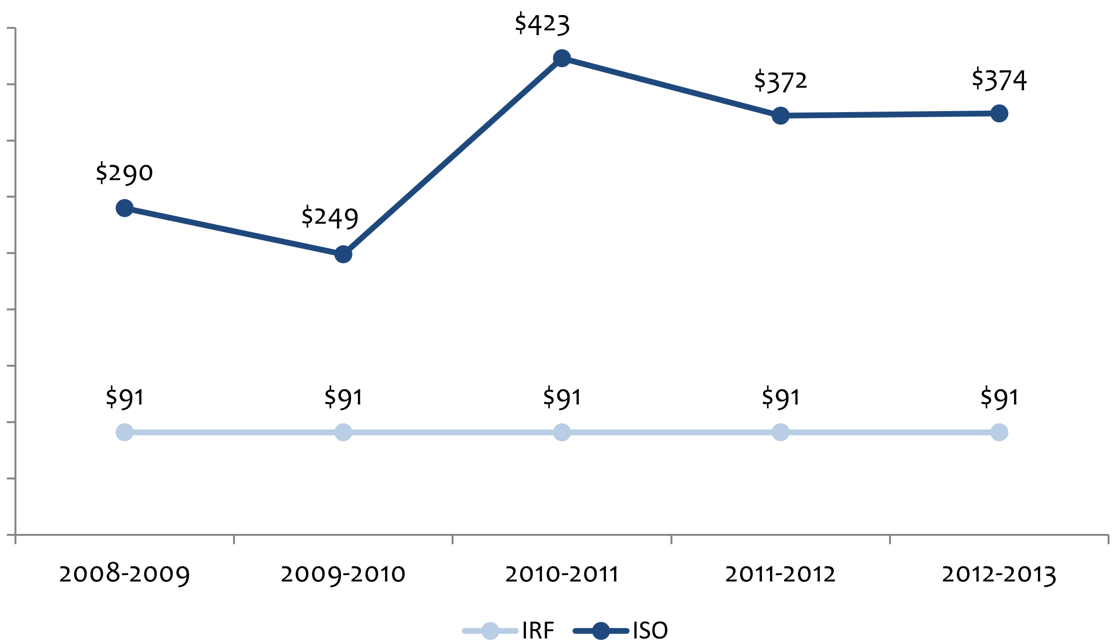
The Statewide INFOSEC program is expected to play a key role in helping to improve the state of South Carolina's cyber security posture. We will continue to work towards the completion of the necessary steps throughout FY 2013-2014.

A cyber-security monitoring program conducted by DSIT provides South Carolina's schools, libraries and governmental entities with the detection, prevention and handling of computer-related breaches and virus attacks. To date, 410 intrusion detection devices have been installed in 206 locations, including 67 state agencies, six higher education institutions, 40 counties, all 82 public school districts, two charter schools, 15 libraries, five public utility companies and 11 local government entities.

Insurance Reserve Fund

The Insurance Reserve Fund provides insurance to governmental entities at the lowest possible cost. All state agencies must purchase their insurance through the fund. Participation is optional for local governments. The fund uses no agents, brokers or advertising and does not actively solicit accounts. This lack of a profit requirement and related expenses, along with the use of the investment income in rate determination, allows the IRF to maintain the lowest possible cost structure.

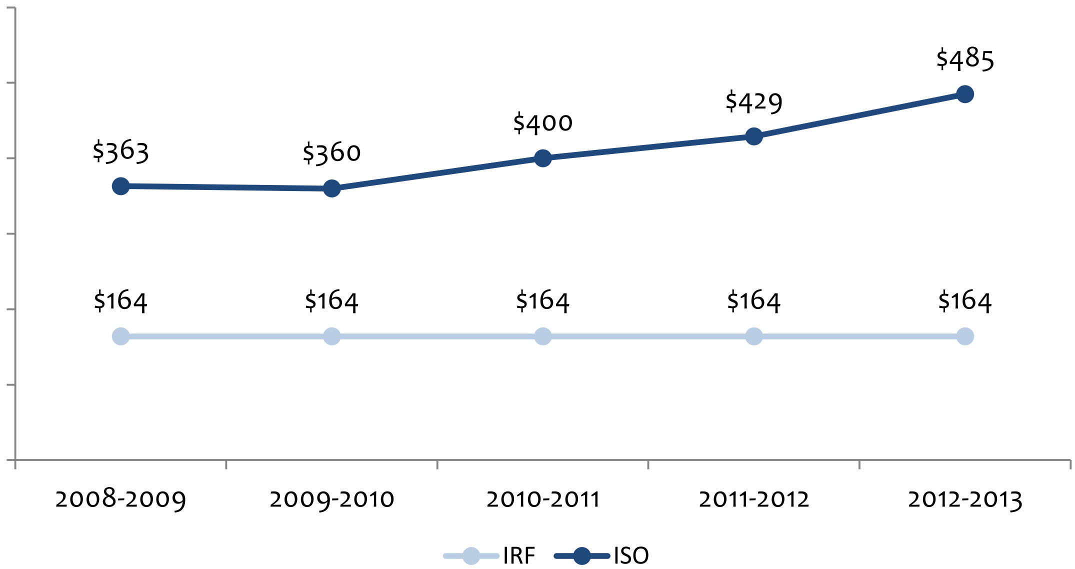
Property Insurance Five Year Rate Comparison to Insurance Service Organization (ISO)
(Rate per $100,000 of Value)



The Insurance Service Organization (ISO) is the property and casualty insurance industry's leading supplier of statistical, actuarial, underwriting and claims data.

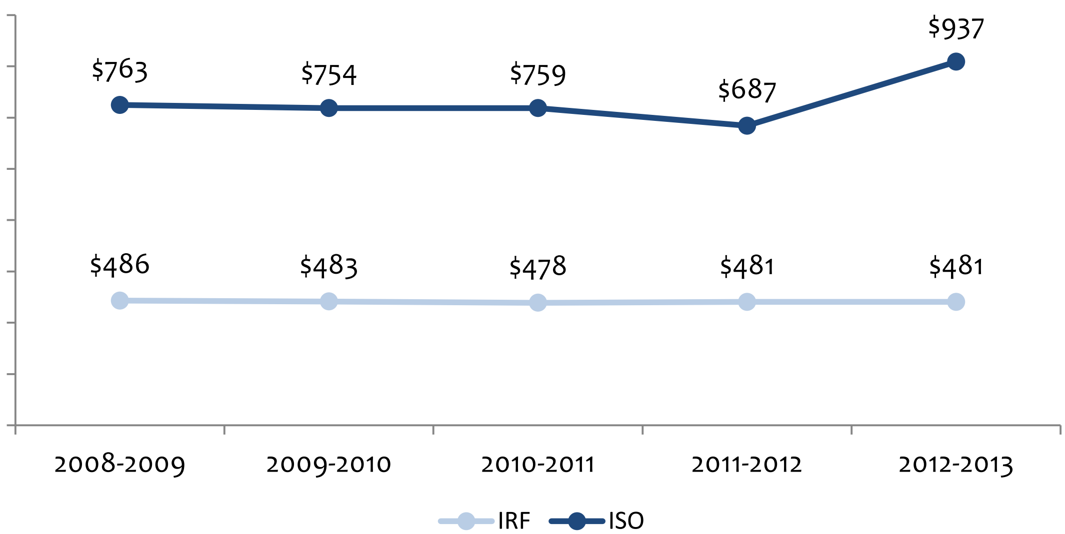
Insurance Reserve Fund

General Tort Liability Insurance Five Year Comparison to Insurance Service Organization (ISO)
(Average Rate per Person)



The Insurance Reserve Fund regularly compares its premiums to data collected by the Insurance Service Organization (ISO), 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.

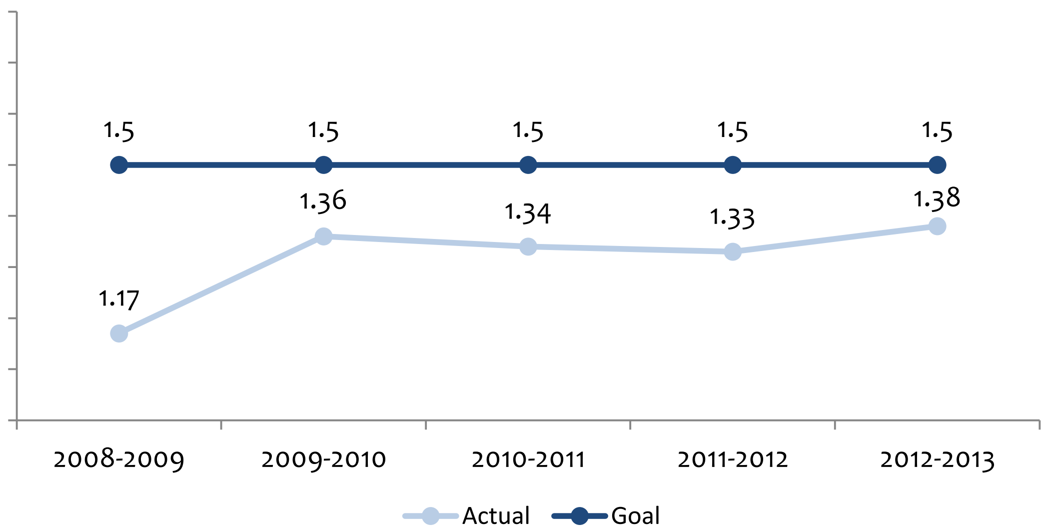
Automobile Liability Insurance Five Year Rate Comparison to Insurance Service Organization (ISO)
(Premium per Vehicle)



The IRF regularly compares its premiums to data collected by the Insurance Service Organization, the property and casualty insurance industry's leading supplier of statistical data. As shown by the chart above, the IRF's premiums continue to be well below industry averages.

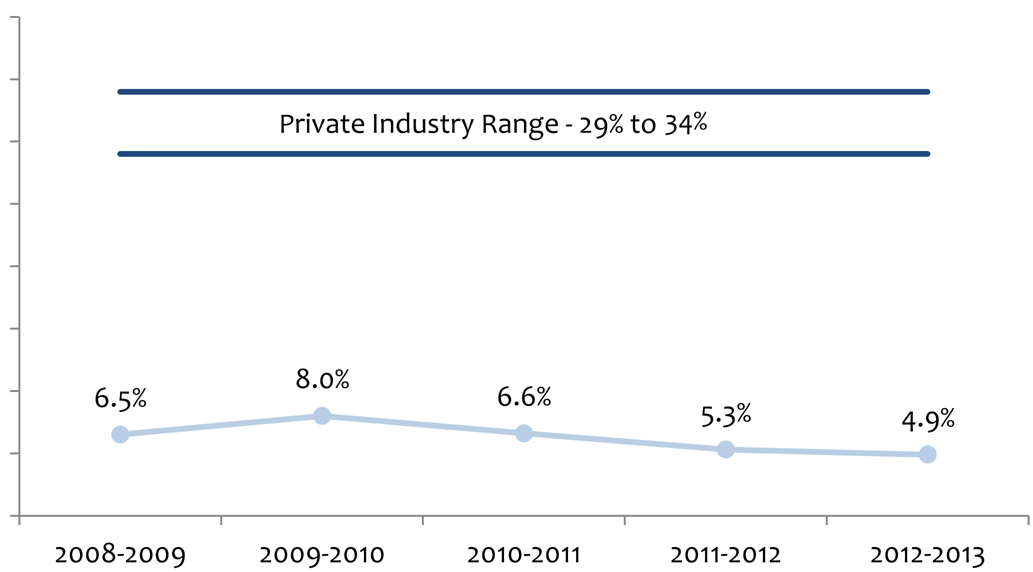
Insurance Reserve Fund

Losses and Loss Adjustment Expenses Reserves to Policyholder Equity
(Ratio)



This ratio is used as a primary measure of financial strength. According to industry standards, when the range is no higher than 1.5, assets are sufficient to pay all incurred and projected obligations. The actual ratio is determined by an independent actuary who considered the risk exposure specific to the IRF.

Operating Expenses as Percentage of Premium
(Expense Ratio)



The expense ratio for an insurance operation is calculated by dividing the entity'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.

Division of Human Resources

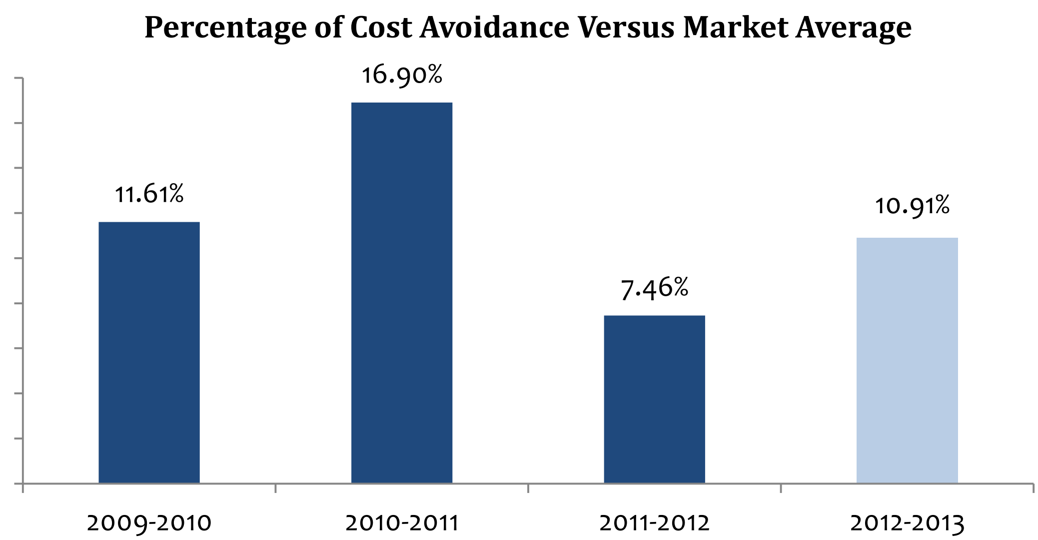
Cost Per Filled State FTE Employee

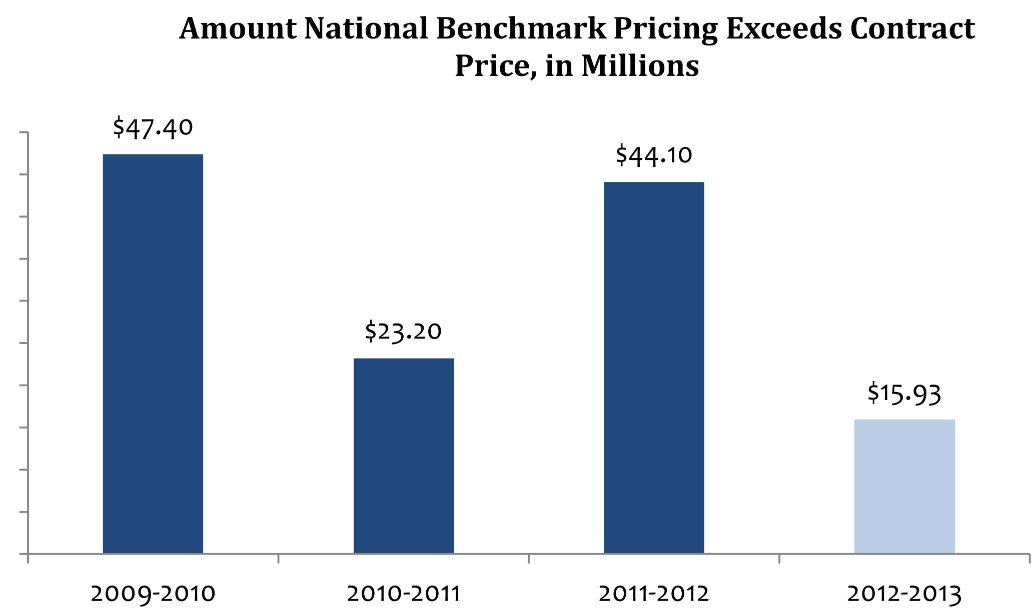
This measure demonstrates how much it costs the Division of Human Resources to serve all of state government by spreading its costs over all the filled FTEs in state agencies.

Procurement

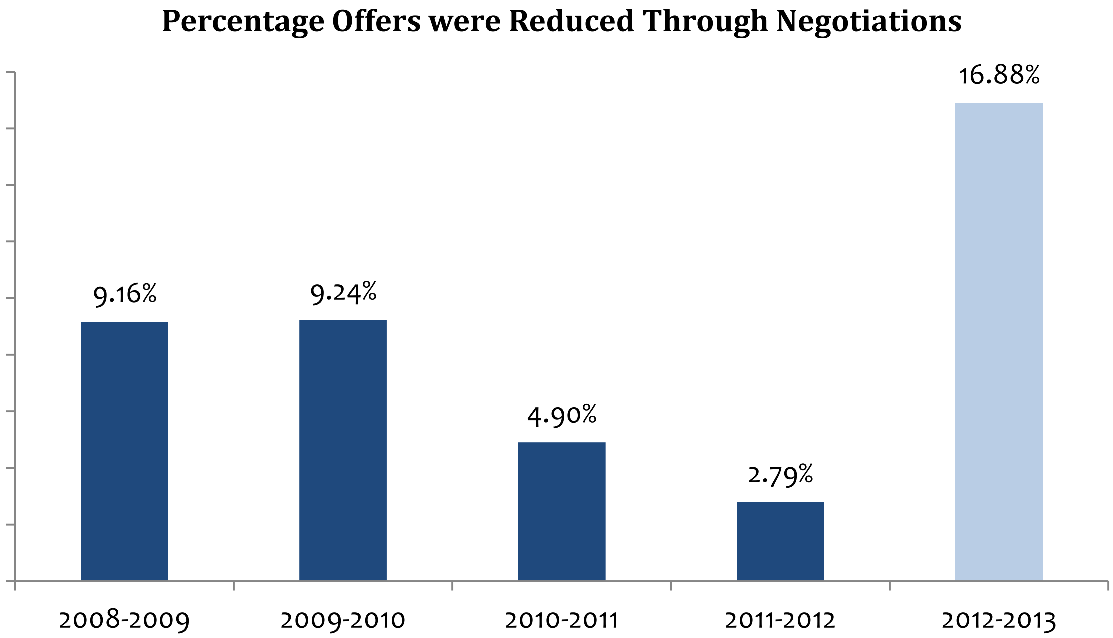
State term contracts allow businesses to offer their best prices for a good or service to all of state government for a fixed period of time. Agencies and local governments use these contracts on an as-needed basis.

Cost avoidance data is reported in accordance with the National Association of State Procurement Officials (NASPO) benchmarks. The cost avoidance is the difference between the average of bids received (market average) versus the awarded bid.



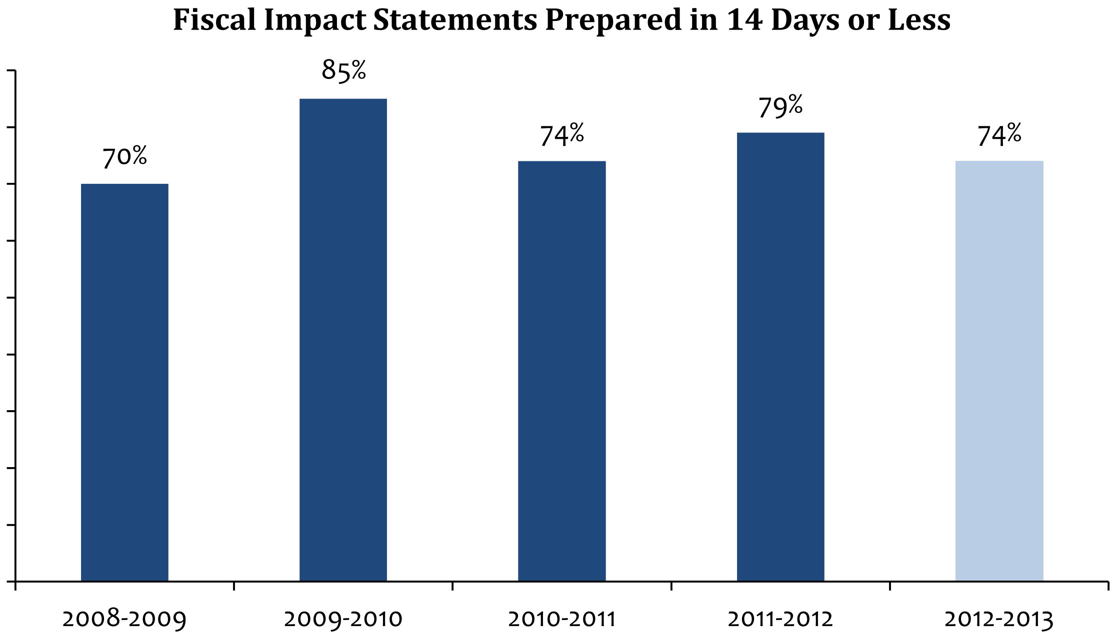


Procurement



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.

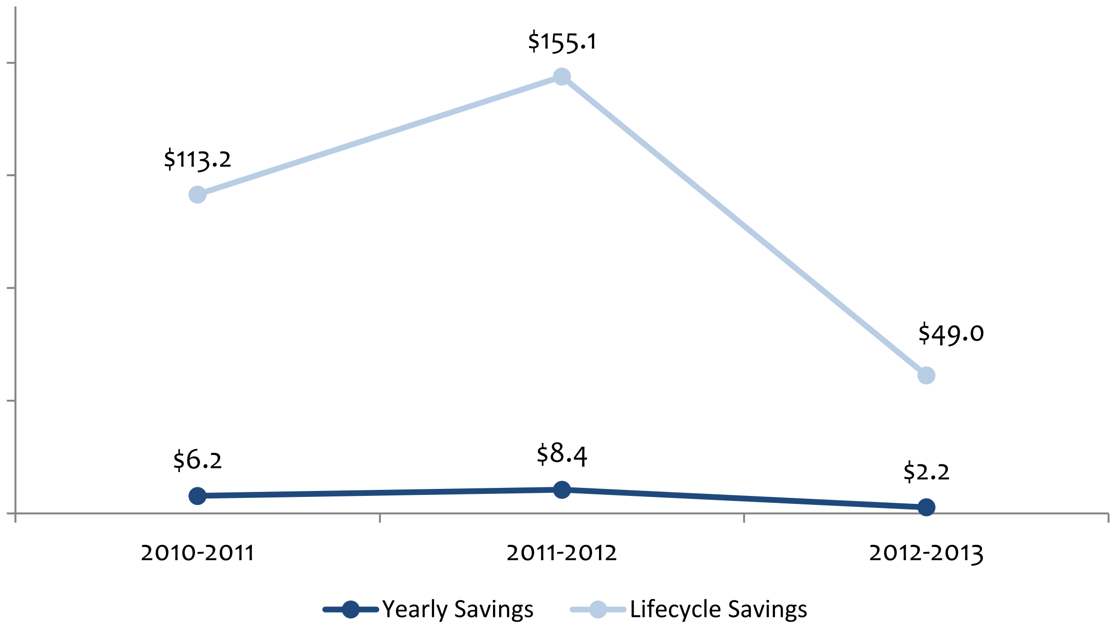
State Budget Division



Fiscal Impact Statements outline the costs of proposed legislation. Prompt completion of these reports ensures that lawmakers have the information they need to make public policy decisions.

State Energy Office

Savings in Millions from Implemented Energy Measures



The Energy Office saved significant dollars for SC public entities, businesses, industry and non-profits through grants, loans, training and tax credits with lifecycle savings estimates and other impacts. In total, the Energy Office projects completed in FY 2012-2013 will save South Carolina $2.2 million per year and $49.0 million over the useful life of the implemented energy measures.