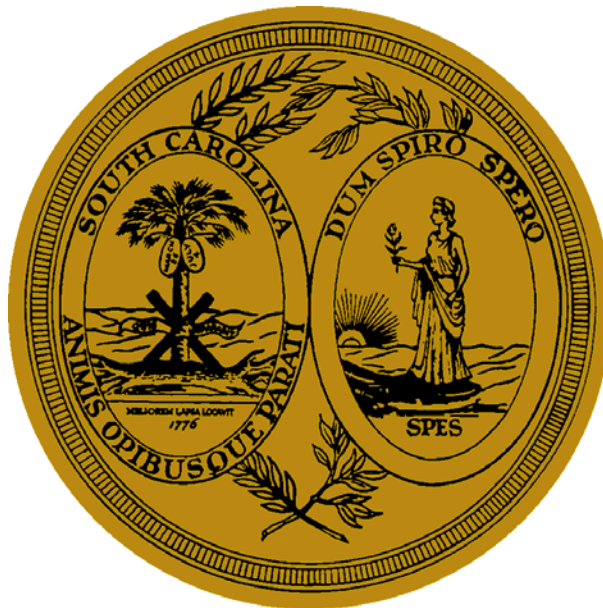


**STATE OF SOUTH CAROLINA  
OFFICE OF THE COMPTROLLER GENERAL**



**ANNUAL ACCOUNTABILITY REPORT  
Fiscal Year 2000-2001**

## LETTER OF TRANSMITTAL

Ms. Karen Amos  
Office of State Budget  
1122 Lady Street, 12<sup>th</sup> Floor  
Columbia, South Carolina 29201

Dear Ms. Amos:

I am pleased to submit the Comptroller General's Office Annual Accountability Report for Fiscal Year 2000-2001.

The Comptroller General is one of five members of the Budget and Control Board. The Office of the Comptroller General was established by the Constitution in 1890 as "Paymaster" for the purpose of supervising and accounting for the expenditure of all state funds. This office is responsible for statewide financial reporting including audited statewide financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for publication in the State's Comprehensive Annual Financial Report (CAFR). The CAFR is the primary document used by bond rating services in determining the State's bond rating.

A pre-audit of all disbursements is conducted by the Comptroller General's Office to ensure compliance with the Annual Appropriation Act as passed by the General Assembly. The Comptroller General's Office has custody of all documents of record relating to financial transactions and maintains accounting controls on all state government funds. In this regard, the agency issues accounting policy directives to state agencies. This office is also responsible for supervising the collection of all property taxes; assisting all county auditors, treasurers and tax collectors to reimburse counties for the Homestead Exemption, Merchants' Inventory Exemption, Manufacturers' Depreciation, and State Residential Property Tax Programs.

Management and staff meet on a continuing basis to provide total quality management sessions for employees. These sessions provide ongoing training and promote a valuable exchange of ideas so that optimum service can be rendered.

The Office of the Comptroller General is dedicated to providing fiscal accountability and informational assistance to the Governor, members of the General Assembly, other state and local government officials and the general public. If additional information regarding this report is needed, please contact Donald Thomas at 734-2609.

Respectfully Submitted,

JAMES A. LANDER

# TABLE OF CONTENTS

<a href="#">Executive Summary</a> .....	1
<a href="#">Mission</a> .....	3
<a href="#">Vision</a> .....	3
<a href="#">Organizational Chart</a> .....	4
<a href="#">Leadership System</a> .....	5
<a href="#">Information and Analysis</a> .....	7
<a href="#">Strategic Planning</a> .....	9
<a href="#">Customer Focus</a> .....	12
<a href="#">Human Resource Focus</a> .....	16
<a href="#">Process Management</a> .....	21
<a href="#">Key Business Results:</a>	
<a href="#">Customer Focus Results</a> .....	24
<a href="#">Human Resource Focus Results</a> .....	26
<a href="#">Central State Audit Division</a> .....	28
<a href="#">Central State Finance Division</a> .....	31
<a href="#">Administration/Local Government Division</a> .....	34
<a href="#">Data Processing Division</a> .....	37

## EXECUTIVE SUMMARY

The Comptroller General's Office provides for centralized accounting and reporting of financial data in accordance with the statewide program budget structure mandated by the General Assembly and in accordance with Generally Accepted Accounting Principles (GAAP). This office also supervises the collection of all property taxes; assists county auditors, treasurers, and tax collectors; and reimburses counties for homestead exemption, merchants' inventory, property tax relief and manufacturing reimbursement programs. The agency fosters an environment that values integrity, teamwork, excellence, and innovation.

Fiscal year 2000-2001 marked the agency's second year of implementing the Malcolm Baldrige Criteria for Performance Excellence. We believe that we made significant strides this year in implementing Baldrige criteria. We recognize that there is room for improvement and we will continue implementing Baldrige criteria as a means of measuring performance. We strive to be a standard bearer in excellence for other state agencies.

Some key business results for the fiscal year were:

- Conducted customer satisfaction surveys for the first time and compared to the American Customer Satisfaction Index, a nationally recognized index that provides industry specific measures of customer satisfaction. Our customer satisfaction levels compare favorably to the American Customer Satisfaction Index-Public Administration/Government.
- Appointed a Statewide Oversight Committee with the long-range goal of implementing a Statewide Enterprise Resource Planning System. This system will provide a comprehensive statewide platform for managing the state's finances.
- Met all payroll requirements. The statewide payroll was paid on the dates mandated by state law 100% of the time. Also, payroll withholdings were deposited within required time frames and accurate financial information was submitted on time to the Internal Revenue Service and other agencies 100% of the time. By meeting these requirements the agency avoided a minimum of \$8.4 million in federal tax deposit penalties.
- Issued a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001 that complies with the standards of the Government Finance Officers Association of the United States and Canada's Certificate of Achievement program.
- Continued to enhance service delivery and efficiency through technology. For example, we implemented an enterprise report writer as part of the on going GASB-34 project. We also added to our web site forms that agencies submit to us. In certain instances, we avoided costs by making the forms available on the Internet in lieu of providing paper versions.

Some key on-going and future strategic goals are to:

- Issue a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001 that complies with the standards of the Government Finance Officers Association of the United States and Canada Certificate of Achievement program.
- Implement GASB Statement Nos. 34 and 35, a new financial reporting model that all governments must adopt if they wish to maintain clean audit opinions.
- Implement a pilot Document Management System. This system, which takes advantage of digital imaging technology, is essential to improve both agency and statewide efficiencies.

The agency has continued to meet its service delivery requirements with minimal FTE's. However, we are concerned that service delivery quality will decline if current trends continue. From fiscal year 1995 to fiscal year 2001, our filled FTE's decreased by 15 percent. During this same period, average financial transactions (e.g. Statewide Accounting and Reporting System, payroll, local government) processed per FTE increased by 133%. Also, the increasing complexity of accounting issues dictate that more time be spent on processes such as researching issues and providing technical assistance. Furthermore, the agency is experiencing problems recruiting and retaining skilled accountants. Private CPA firms aggressively recruit, and hire at higher salaries, accountants with the skills we need. Budgetary constraints significantly limit our ability to compete in the market place.

If we are to continue providing quality service and meet stakeholder needs, it is essential that our human resources be better aligned with customer demands.

## **MISSION STATEMENT**

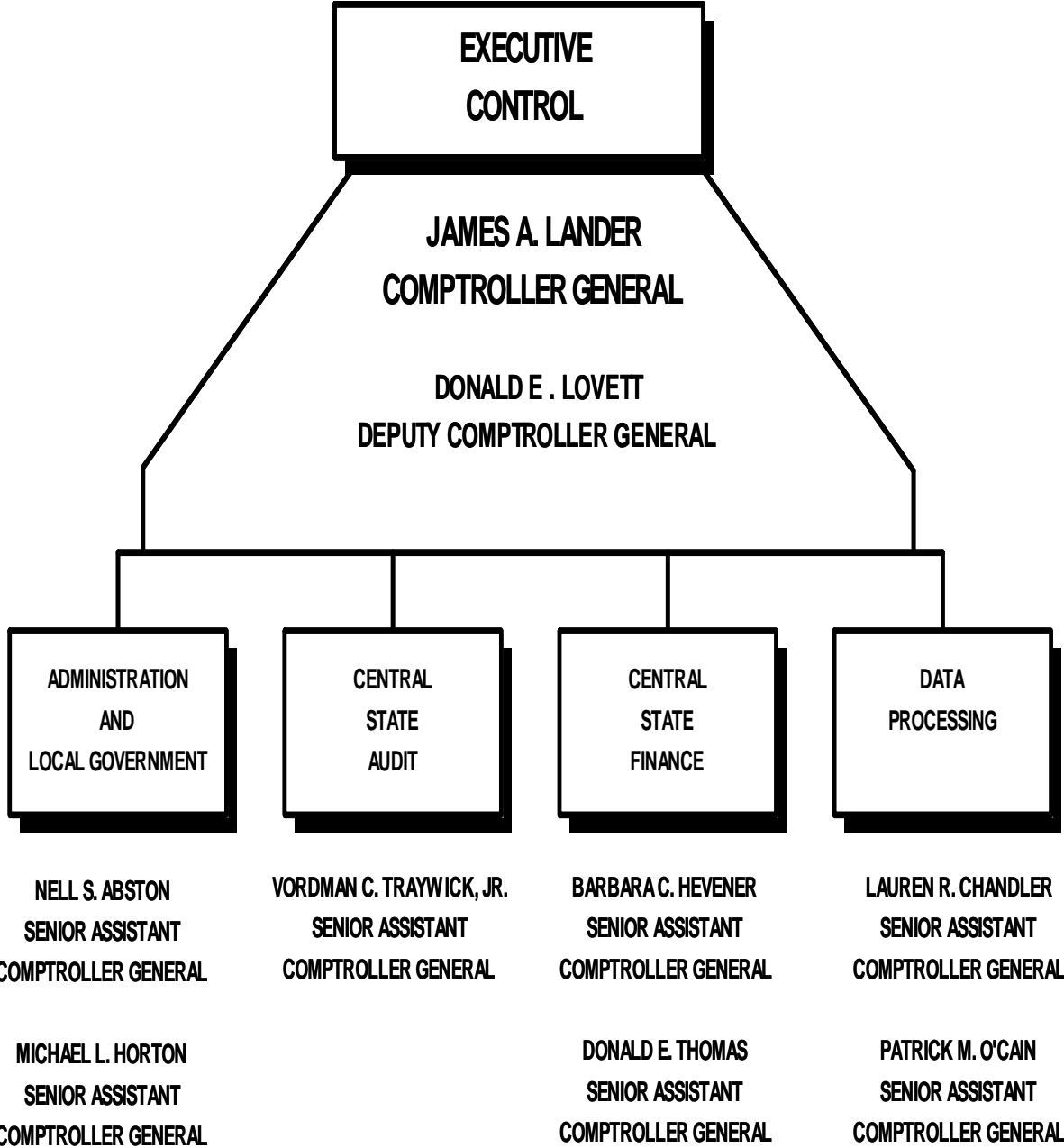
The Comptroller General's Office mission is to:

- Provide centralized payroll, accounting and reporting of financial data for the State of South Carolina in accordance with the statewide program budget structure mandated by the General Assembly and Generally Accepted Accounting Principles (GAAP).
- Supervise the collection of all property taxes; assist county auditors, treasurers, and tax collectors; and reimburse counties for homestead exemption, merchants' inventory, property tax relief and manufacturing reimbursement programs.

## **VISION**

The Comptroller General's Office vision is to provide superior financial stewardship to the State of South Carolina and other stakeholders through a state of the art delivery system; courteous, well-trained professional staff; supported by sound fiscal policies and procedures.

**COMPTROLLER GENERAL'S OFFICE  
ORGANIZATIONAL CHART**



## **LEADERSHIP SYSTEM**

The comptroller general is a statewide elected position. On January 13, 1999, James Albert Lander became South Carolina's 40th comptroller general. The comptroller general, deputy comptroller general, and division directors comprise the agency's senior management team. Senior management fosters an environment where the following values are a way of life:

### **Integrity**

The Comptroller General expects each employee to: maintain the highest standards of ethical conduct; treat all persons fairly with dignity and respect; and perform his or her assignments in a manner that will preserve the trust of our stakeholders.

### **Teamwork**

The Comptroller General encourages each employee to work with others for the good of the whole.

### **Excellence**

The Comptroller General expects the quality of services performed by this office to be exceptional. Employees are encouraged to take pride in their work and to "strive for excellence".

### **Innovation**

The Comptroller General encourages each employee to continuously seek ways to improve our service processes. Emphasis is placed on using technology to enhance efficiency, increase quality, and minimize costs.

Senior management develops the strategic plan and sets the agency's vision. Senior managers routinely review requirements by customers and stakeholders such as the General Assembly, bond rating services, Government Finance Officer's Association of the United States and Canada, and the Internal Revenue Service to determine the performance expectations. These expectations significantly influence the agency's short and long-term direction.

Senior management communicates direction, performance expectations, and organizational values in various ways. Examples are the strategic plan, Employee Performance Management System, correspondence, and staff meetings. Expected ethical behavior is communicated to employees through training sessions, employee evaluations, and staff meetings. Furthermore, senior management emphasizes service delivery and customer focus. Senior managers meet weekly to measure the progress on meeting service requirements. Our customer focus methods are detailed in the Customer Focus section.

The agency conducted an *Employee Satisfaction Survey* for the first time during this fiscal year. Senior management reviewed the survey results and held a brainstorming session to identify ways to strengthen the areas we scored lowest. During the next fiscal year we will strive to develop ways to use the employee satisfaction survey results to enhance management effectiveness.



The agency supports senior managers participation in professional organizations whose activities are closely aligned with our mission and goals. Our senior managers routinely participate in forums, conduct workshops, and serve on advisory committees. This involvement provides learning opportunities for senior management and enables us to receive feedback from our customers and stakeholders. The agency also encourages involvement in community activities. Senior managers as well as staff members participate in community activities such as the United Way, Good Health Appeal, and the Salvation Army Red Kettle Program.

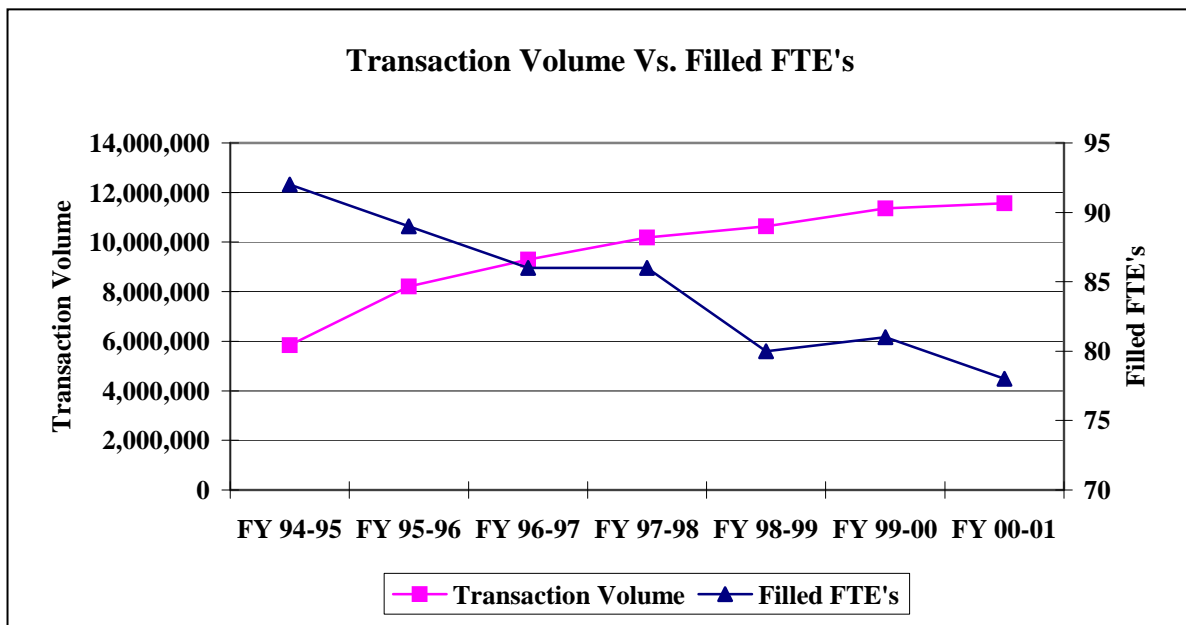
## INFORMATION AND ANALYSIS

The Comptroller General's Office is in the second year of implementing the Malcolm Baldrige National Quality Award criteria as a means of measuring the agency's performance. For the first time, the agency conducted an *Employee Satisfaction Survey* and a *Customer Satisfaction Survey*. We will conduct these surveys annually and track the results. We also contacted state agencies in other states and counties, in-state and out-of-state, to identify what they measure and to develop ways to benchmark our performance. Unfortunately, we have not been successful in identifying comparable entities with similar functions. However, we will continue to seek ways to benchmark our performance.

Most of the agency's service delivery requirements are mandated by the South Carolina General Assembly, Governmental Accounting Standards Board, and Federal Government. Accordingly, our measures are driven by the expectations of our customers and stakeholders. Some of these measures include: cycle time for pre-auditing disbursement requests submitted by state agencies and issuing a Comprehensive Annual Financial Report in accordance with generally accepted accounting principles within the prescribed time frame. Other measures such as customer satisfaction level, cost savings through the procurement card program, cost savings or cost avoidance by making information available on the Internet in lieu of publishing depict internal management performance.

We continue our efforts to develop a comprehensive measurement system. When fully implemented, the measurement system will provide trends that will enable management, customers, stakeholders, and other interested parties to assess the agency's effectiveness and efficiency in utilizing its resources and meeting goals and objectives.

We are concerned, however, that the agency's service delivery quality will decline if current trends continue. As illustrated in the chart below, over the years our service delivery requirements have increased while our filled FTE's have decreased.



While transaction volume is a significant measurement indicator, all of the agency's work processes cannot be measured in this manner. For example, the increasing complexity of accounting issues dictate that more time be spent on processes such as researching issues and providing technical assistance. These processes are essential to ensure accuracy and compliance with all requirements.

During fiscal year 1999-2000, we determined that the agency is at a critical point where mandated customer demands exceed available human resources. The problem increased during the fiscal year and will continue to get worse because of the state's current financial dilemma.

If we are to provide quality service and meet stakeholder needs it is essential that our human resources be better aligned with customer demands.

## STRATEGIC PLANNING

The Comptroller General and senior management are responsible for formulating the agency's strategic direction. The strategic plan, updated annually, is aligned with the agency's mission, vision, and values. Each year, senior management reviews accounting and financial reporting requirements mandated by such stakeholders as the General Assembly, the Governor, the Government Finance Officers Association of the United States and Canada, and the Governmental Accounting Standards Board (GASB). Senior management formulates strategies based on input from staff members, state agencies, and other customers. Senior management determines: what needs to be done, the expected completion time, and the estimated people hours required. Senior managers then prioritize tasks and establish work schedules. Senior management meets weekly to measure agency progress.

### **STRATEGIC DIRECTION:           Continue to implement quality processes**

- Strategy 1:**           Utilize the Malcolm Baldrige Criteria for Performance Excellence to enhance agency processes and efficiency.
- Strategy 2:**           Continue to improve the strategic planning process and enhance methods to measure our success in following the strategies specified in the plan.
- Strategy 3:**           Develop methods to quantify the level of customer satisfaction. This data will assist in ensuring that we continue to improve on satisfying our customers.
- Strategy 4:**           Develop performance measures that enable us to assess our progress in achieving goals and demonstrate to our stakeholders what is being accomplished with dollars invested in this agency.
- Strategy 5:**           Identify comparable benchmarks to use as measurement tools.

### **STRATEGIC DIRECTION:           Enhance service delivery through technology**

- Strategy 1:**           Utilize technology whenever possible to maximize agency efficiency and minimize operating costs. Emphasis will continue to be placed on keeping current on technological trends and seeking ways to automate work processes.
- Strategy 2:**           Install an electronic imaging system that, when fully implemented, will position the Comptroller General's Office to take advantage of the efficiencies available in a "paperless" environment and to provide an electronic portal for agencies possessing the same capability.

**Strategy 3:** Continue to increase the quality and quantity of services available to our customers via the Internet. The long-range plans in this area are to provide a platform for the customer to electronically transact their business with the Comptroller General's Office.

**Strategy 4:** Participate in and encourage development of a statewide enterprise resource planning system. The comptroller general views this as an opportunity to move toward a complete enterprise solution for managing the state's finances.

**Strategy 5:** Continue to monitor and identify processes within the Comptroller General's Office that can be expanded, changed or eliminated through the application of information technology to provide better service to our customers.

**STRATEGIC DIRECTION:      Implement the Governmental Accounting Standard Board's Statement Number 34 (GASB 34).**

**Strategy 1:** Continue the contractual arrangement with the international accounting/consulting firm of KPMG to assist in implementing GASB 34.

**Strategy 2:** Continue using the advisory group, composed of representatives from state agencies. Its primary purposes are to enhance communication with state agency stakeholders regarding GASB 34 matters and to provide feedback from such stakeholders.

**Strategy 3:** Conduct training programs for state agencies and institutions to help ensure their readiness for the new accounting and financial reporting requirements.

**Strategy 4:** Develop and implement procedures to monitor the progress of state agencies and the Comptroller General's Office in carrying out the implementation plan.

**Strategy 5:** Re-engineer the existing statewide financial reporting subsystem to accommodate the new requirements.

**STRATEGIC DIRECTION:      Enhance human resource development**

**Strategy 1:** Provide the type organizational structure that enhances our ability to attract and retain talented employees.

**Strategy 2:** Foster the type environment that encourages and allows employees to perform to the best of their abilities.

**Strategy 3:** Develop a plan for ongoing employee training and identify quality, inexpensive ways to increase the number of employees that receive training and the hours of job related training received by employees.

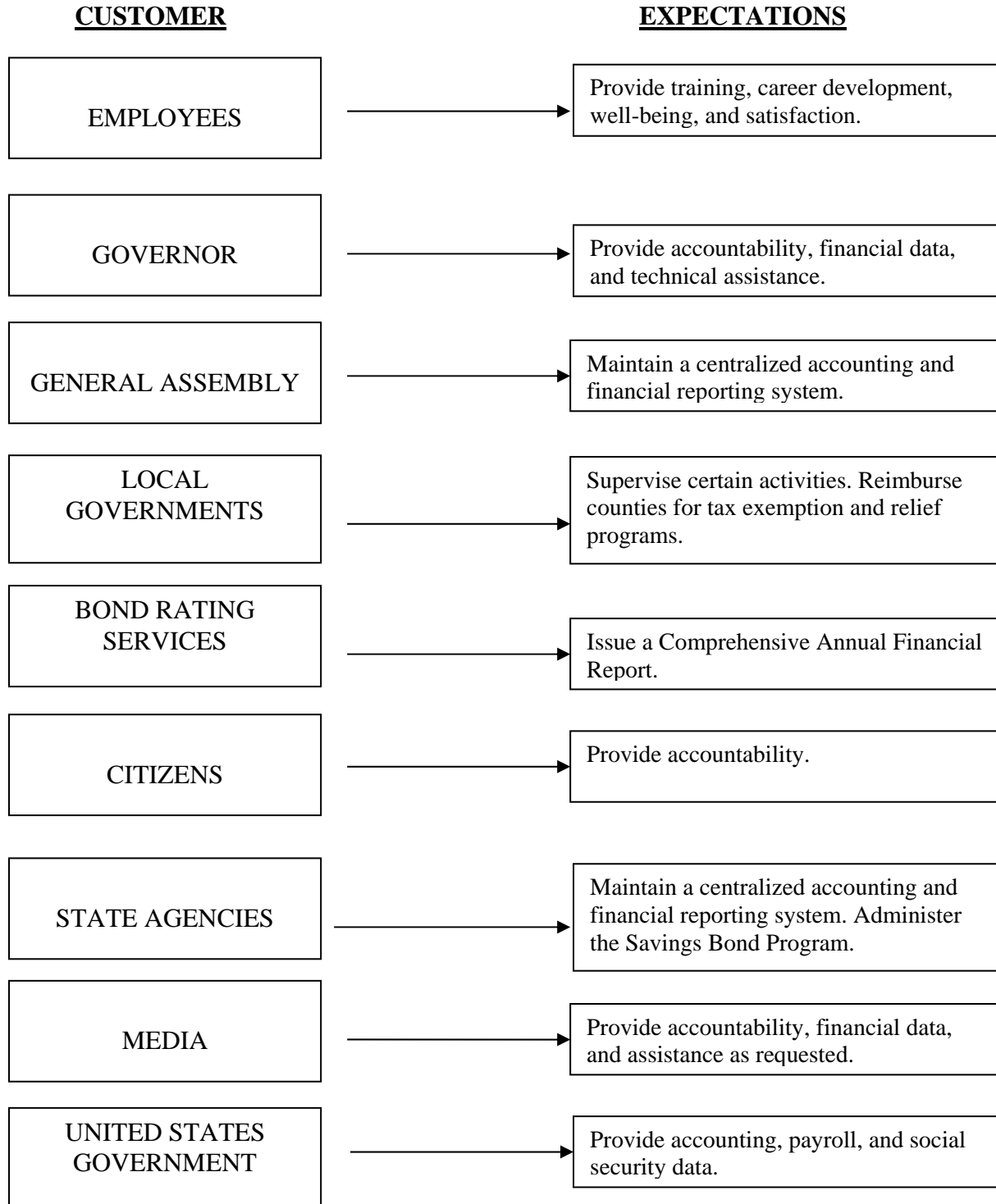
**Strategy 4:** Recognize employees for their achievements.

Senior management deploys the strategic plan to staff members. Senior managers of each division are responsible for insuring that agency resources are used efficiently and that the functions performed are aligned with the strategic direction. Performance measures emphasized include customer satisfaction, cycle time, cost savings/cost avoidance, and meeting goals.

We continue to seek performance measures and benchmarks that will enable us to assess our progress in achieving goals and demonstrate to our stakeholders what is being accomplished with dollars invested in this agency.

# CUSTOMER FOCUS

## OUR CUSTOMERS AND THEIR EXPECTATIONS



Customer focus and satisfaction is a core value of the Comptroller General's Office. The agency strives to continually improve the level of customer satisfaction primarily through exceptional service delivery. Customer focus is driven in part by state statues, legislative mandates, federal regulations, bond rating services, and authoritative accounting organizations. The agency's customers and stakeholders are identified as part of the strategic planning process. Internal and external customers are also identified as part of the planning process. Because of the agency's role as a state financial officer, the internal and external customers have a stake in the quality of our service delivery.

Internal customers are defined as agency employees and the State Comptroller General. Customer satisfaction is measured through formal and informal processes. In fiscal year 2000-2001, the agency began using surveys as a method to assess customer satisfaction. During the year, the agency conducted an *Employee Satisfaction Survey* and a *Customer Satisfaction Survey*. We plan to conduct these surveys annually as a means of identifying trends in the level of customer satisfaction.

The *Employee Satisfaction Survey* is designed to elicit qualitative and quantitative information. Employees were asked to respond to statements in the categories shown in the *Employee Satisfaction Model*.

### EMPLOYEE SATISFACTION MODEL

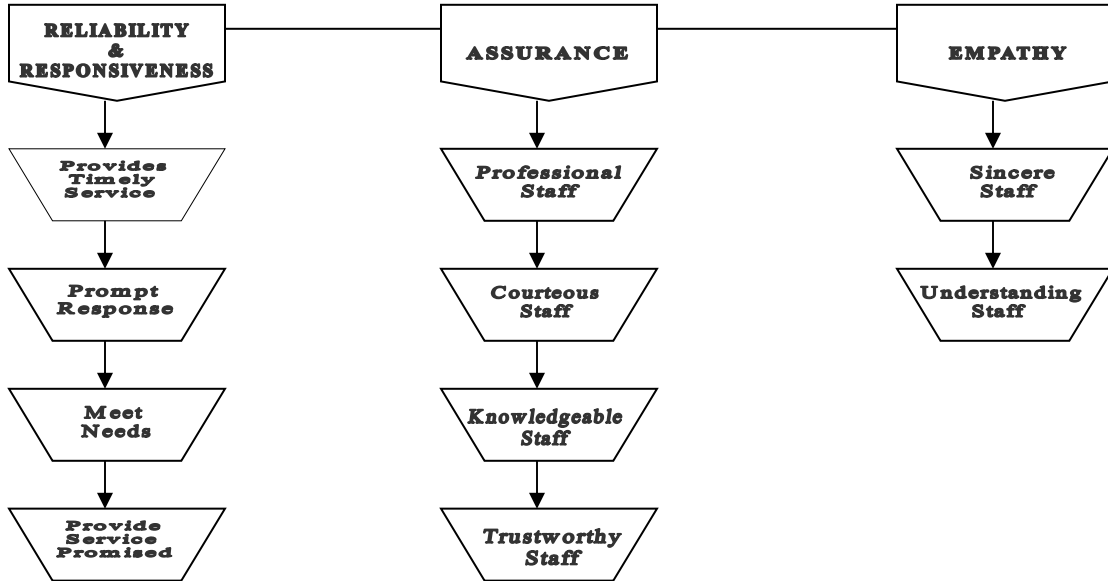


For each statement employees were asked to indicate the extent they agree or disagree. Employees were also asked to indicate their overall level of job satisfaction. Space was also provided for employee comments. The survey results were provided to each senior manager and distributed to employees. Senior managers met with employees to discuss the survey. The managers met to discuss the survey results and brainstorm on improvement methods. The survey results, written survey comments, and verbal comments will be used as a basis to increase the employee satisfaction level.



The *Customer Satisfaction Survey* is also designed to elicit qualitative and quantitative information. Customers were asked to respond to statements in the categories shown in the *External Customer Satisfaction Model*. For each statement customers were asked to indicate the extent they agree or disagree. Space was also provided for comments.

**EXTERNAL CUSTOMER SATISFACTION MODEL**



In addition to the surveys, we use various informal, non-measurable methods to assess customer satisfaction. For example, as a statewide elected official the Comptroller General is frequently called on to address many citizens groups. He also meets with members of the General Assembly, the media, and bond rating services. The Comptroller General uses these opportunities to communicate with our customers and stakeholders to receive feedback about the quality of services delivered by this office.

Also, members of senior management annually participate in forums held by professional accounting organizations. These forums allow us to inform agencies of current initiatives and to receive feedback from agencies. In addition, approximately eight times a year the agency conducts workshops for county auditors, treasurers and tax collectors. These workshops afford us the opportunity to communicate with our customers and receive feedback. Additionally, many of our employees have daily contact with our customers. Employees are encouraged to use this contact as a means of determining customer satisfaction. Feedback received from this communication is passed on to senior management. We evaluate the feedback received to assess the agency's effectiveness in service delivery and meeting customer expectations.

Additionally, in some instances we use advisory groups and/or professional advisors to ensure that service requirements and customer expectations are met. For example, the Comptroller General's Office is responsible for implementing the Governmental Accounting Standards Board

Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments (GASB 34). To insure the desired results are achieved, we established a GASB 34 Advisory Committee. The committee is comprised of persons from the Comptroller General's Office and various state agencies. The committee meets regularly and serves as a central forum for discussion of significant GASB Statement 34 issues. We also contracted with the KPMG accounting firm to serve as technical advisors during the project development and implementation phases.

The Non-Profit Funds Report is another example of our customer focus. Section 59.9 of the fiscal year 2001 Annual Appropriation Act directed this agency to compile a report on public or private funds provided through state agencies, departments, institutions and divisions, to non-profit organizations and their grantees and subgrantees. the information required by this report is not presently captured by state agencies nor is it readily available. To determine how we will meet this requirement, we formed a committee of persons from selected state agencies. The committee members researched ways to obtain the information needed and estimated the people hours required to prepare the report. the fiscal year 2002 Annual Appropriation Act suspended this reporting requirement. We anticipate that the requirement will resume for fiscal year 2003, if not earlier.

## **HUMAN RESOURCE FOCUS**

### **Employee Well Being**

The comptroller general promotes employee well being by maintaining an environment where there is open communication and mutual contribution toward achieving the goals of the office. Furthermore, the comptroller general encourages all employees to treat each other with respect and dignity. To emphasize that point, in May of this year senior management and all staff persons attended a seminar on sexual harassment. Also, the comptroller general conducts frequent "walk throughs" to have informal conversations with and receive feedback from employees. The comptroller general recognizes outstanding individual employee efforts with personal letters of appreciation and commendation. We continue to seek ways to recognize and reward employees for outstanding performance.

The agency promotes a safe environment. Senior managers are responsible for making certain that all safety requirements are met. Information on workplace safety is routinely distributed to employees and posted on the agency bulletin boards. Also, each division has a first-aid kit that is easily accessible to employees. In case of fire, we have established procedures to insure that employees with physical impairments get out of the building safely.

The agency uses a suggestion box, weekly staff meetings, surveys, and exit interviews to determine trends within the workforce and the general level of employee satisfaction. During the fiscal year, the agency established an Employee Innovation System Committee to encourage employees to make suggestions for improvement within the agency and state government. Health screenings are offered at minimal cost to employees. Variable work schedules enable employees to balance their personal and professional lives.

Social events such as periodic luncheons, a Christmas function, and picnics provide opportunities for agency employees to interact informally. Our employees are civic minded. They contribute to the Excess Leave Pool to help their colleagues, as well as support charities such as the United Way, Good Health Appeal, and Families Helping Families.

### **Employee Development**

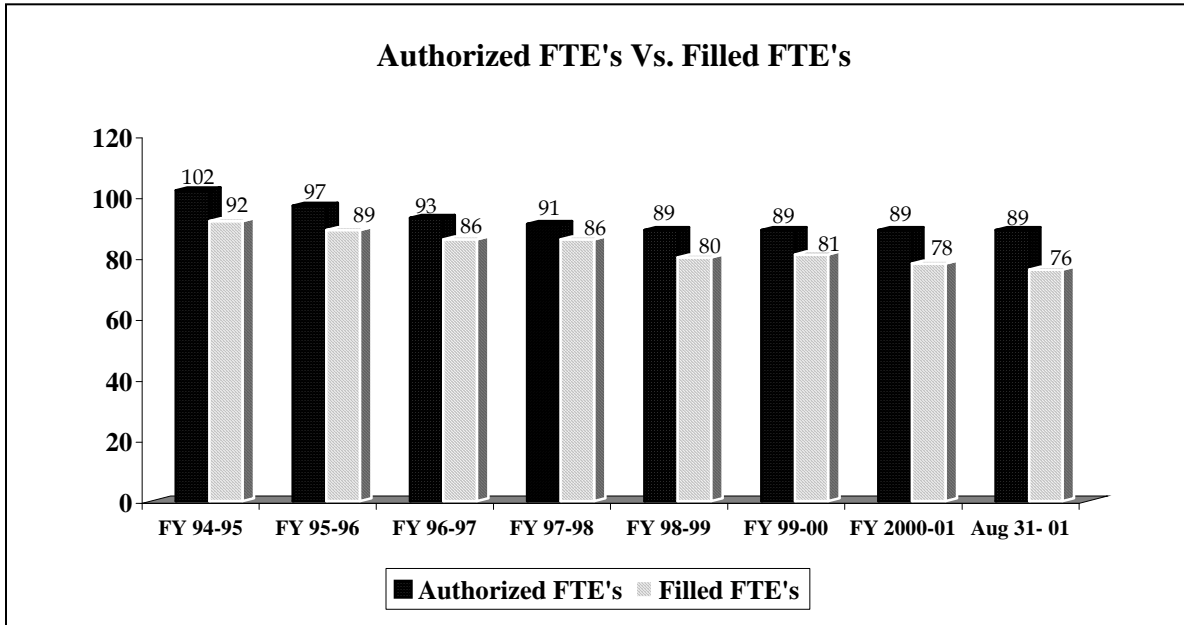
The Comptroller General recognizes that a well-trained, motivated workforce is essential to providing quality service. The Comptroller General's Office is a standard bearer for employee diversity. In fact, we are one of only twelve state agencies exempted from affirmative action reporting. Also, no employee grievances were filed during the fiscal year.

Employee development is accomplished through the Employment Performance Management System (EPMS), on-the-job training, in-house training sessions, and external training. Employees receive a formal performance review no less than annually. Employees in probationary status receive a review within six-months. During the performance review managers are expected to provide positive feedback, make constructive comments when applicable, and discuss future expectations. Also, managers are encouraged to have informal review sessions with staff members periodically.

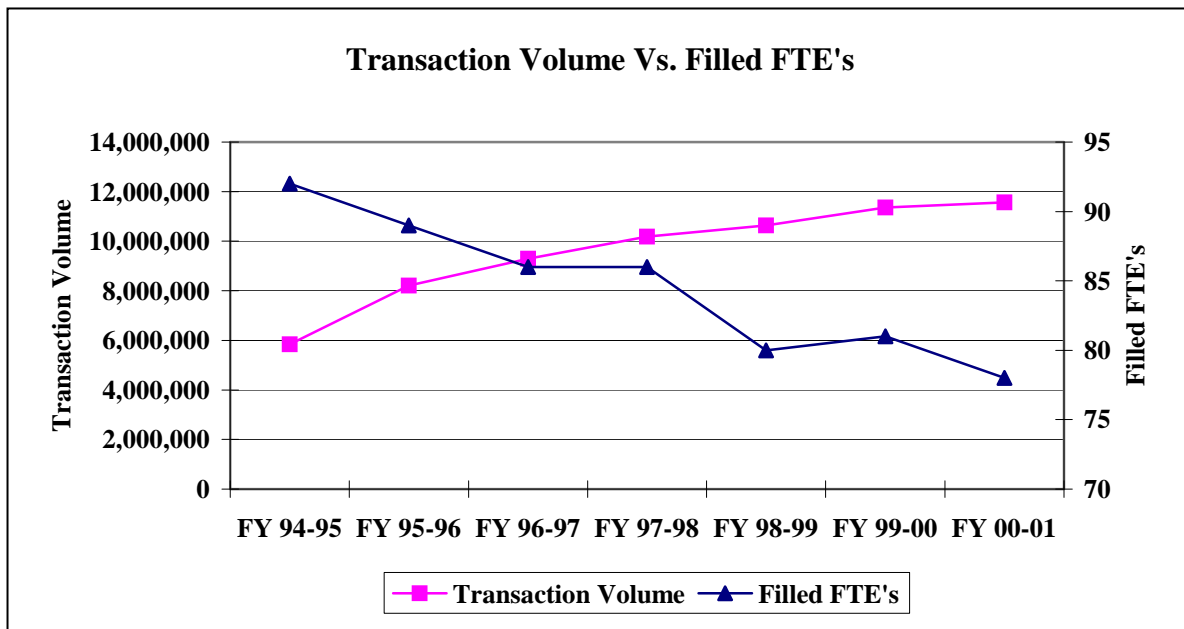
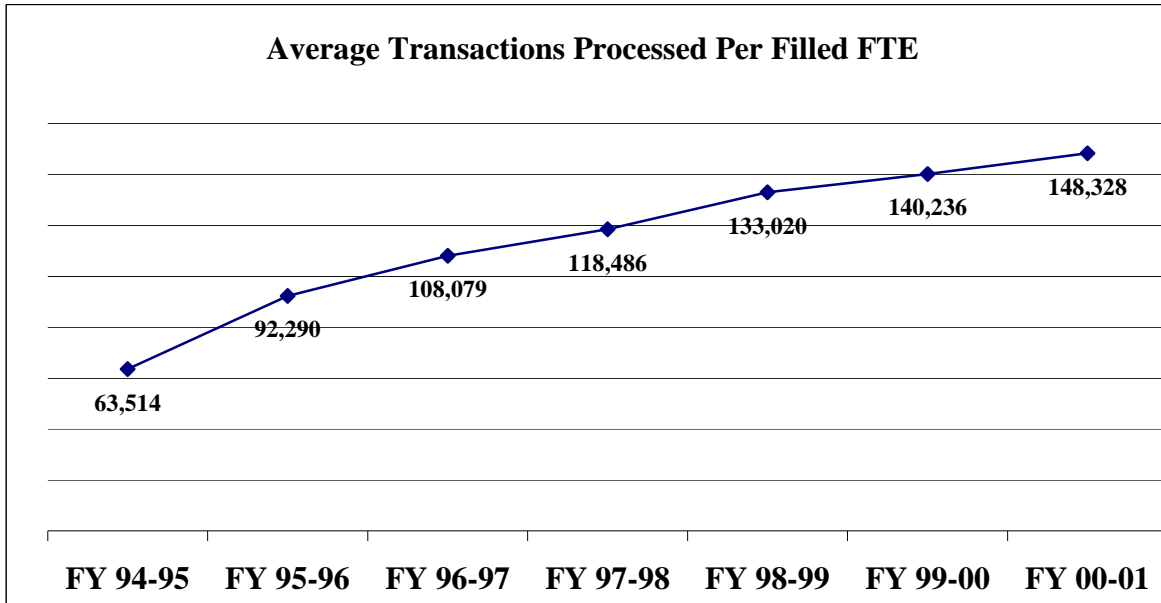
The training received by employees is aligned with our strategic plan and depends upon available resources. Emphasis is placed on insuring that persons performing the functions given top priority in our strategic plan receive the necessary training. For example, our training emphasis this year was on enhancing employee knowledge of: the Malcolm Baldrige National Quality Award concepts, new systems software, and GASB 34 requirements. The agency, however, continuously seeks ways to make certain that all employees receive the training that is essential to professional development and personal satisfaction. For example, agency employees are participating in the Smartforce e-Learning Program. Additionally, senior managers and all staff persons received sexual harassment training. The agency also seeks ways to develop internal career advancement opportunities. We recognize that challenging work, professional development, and career advancement are key factors in the retention of skilled professionals. We also recognize that satisfied employees are our best recruiters for other skilled persons.

The agency's strategic plan is a driving force in determining human resource needs. Senior management meets regularly to discuss agency strategy and assess agency performance. Senior management is responsible for insuring that human resources are aligned with service requirements and expectations. Each manager is responsible for aligning required job functions with employee skill levels. All employees are encouraged to seek ways to automate and streamline work processes wherever possible.

This philosophy has allowed the agency to function with a minimum number of FTE's. From fiscal year 1995 to fiscal year 2001, our authorized FTE's have reduced by 13 percent while our filled positions have decreased by 15 percent. As of August 31, 2001 we have 76 filled FTE's.

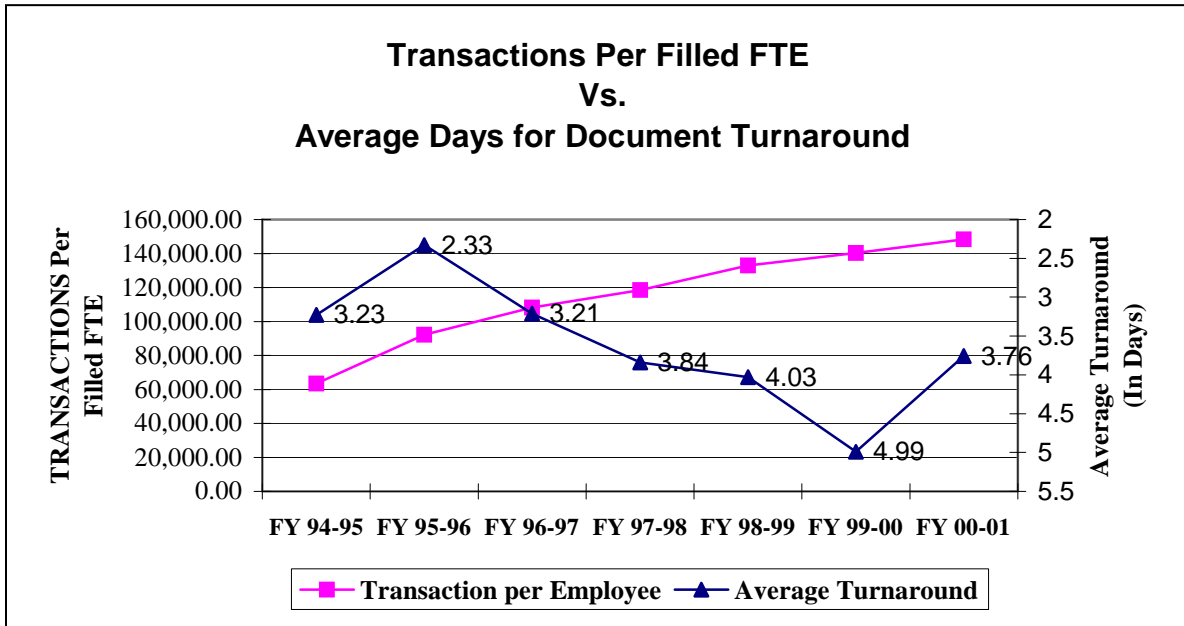


Conversely, during the same period average financial transactions (e.g. Statewide Accounting and Reporting System, payroll, local government) processed per filled FTE increased by 133%.



The increase in transaction volume per FTE has adversely impacted service delivery quality. For example, state agencies submit requests for disbursements to our Central State Audit Division. We pre-audit these requests to certify their validity, authenticity, and legality. For each request determined to be valid, we issue an electronic warrant to the state treasurer authorizing payment. In earlier years, when FTE's were more aligned with customer demand, our average time to pre-audit these transactions was 3.2 days. This was faster than our goal of four (4) business days. Over the years as FTE's decreased and volume increased our average

turnaround time slowed to an average of 4.99 days during fiscal year 1999-2000. This average improved to 3.76 days during fiscal year 2000-2001 only after temporarily modifying some quality control procedures.

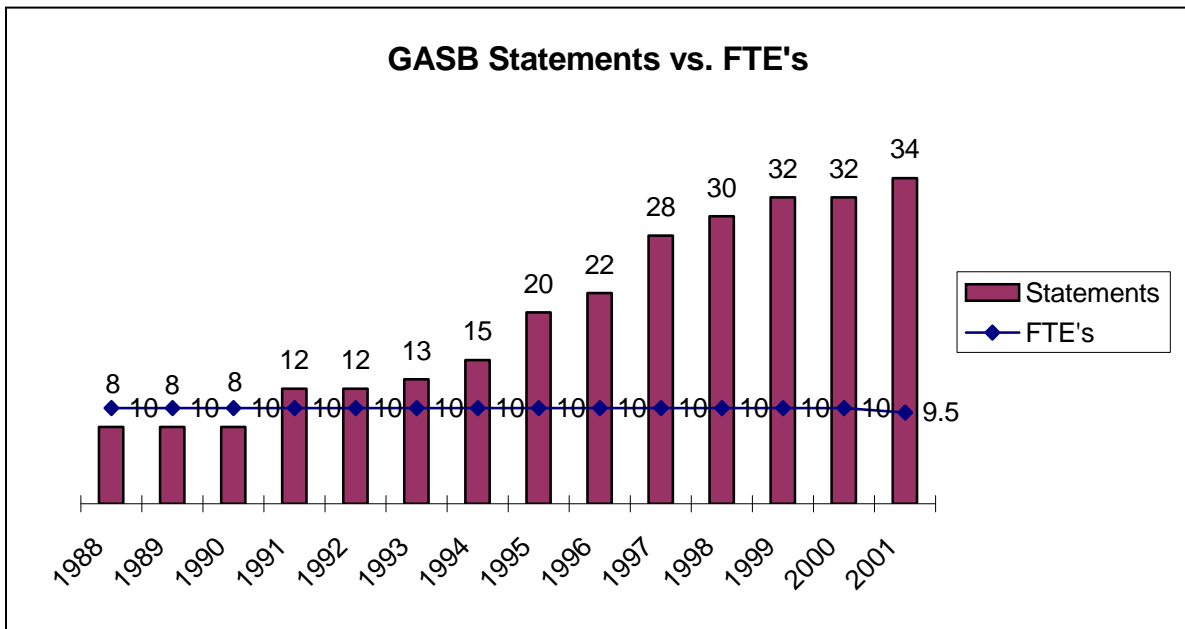


To assist in meeting service delivery requirements, the agency has increased the number of student interns employed. The interns are assigned functions commensurate with their skill level, allowing experienced employees to focus on more complex issues. Hopefully, the work experience will encourage the student to choose this agency, or state government, as a career choice in the future.

The use of student interns, however, does not fully solve the problem. Customer expectations, such as issuing a Comprehensive Annual Financial Report (CAFR), require the agency to have an experienced, well-trained accounting staff. Unfortunately, recruiting and retaining professionals in accounting and fiscal analyst positions is a difficult challenge for our agency. Candidates for these positions must possess a baccalaureate degree that includes 150 college credit hours, preferably with a concentration in accounting, and the candidate must meet the Board of Accountancy’s requirements to sit for the Certified Public Accountant’s exam. Private CPA firms aggressively recruit candidates with these credentials and accounting/auditing experience and offer a higher salary than state government. For example, the last vacancy for the Fiscal Analyst position was posted on the state’s job site for four months until a decision was made to withdraw the posting due to lack of qualified applications and budget considerations.

Furthermore, qualified applicants hired by our office and trained to prepare statewide financial statements are often recruited by other agencies in either management positions or by more lucrative college and university Foundation offices. This information was determined based on exit interviews conducted with three of the last four employees, who terminated employment in the Central State Financial Reporting Division. Budget reductions have severely restricted the agency’s ability to offer competitive salaries.

The problem of recruiting and retaining skilled accountants is compounded by the increasing requirements for successfully issuing a CAFR. For example, in fiscal year 1987-1988, governments were required to comply with GASB Statement Nos. 1 through 8. In fiscal year 2000-2001, South Carolina must comply with 34 GASB Statements. That number will grow to 36 in fiscal year 2002. Additional GASB Statements are expected to be issued within the next few years. While the requirements for earning the Certificate of Achievement for the CAFR have increased, the number of staff accountants assigned to this process has decreased. If continued, this trend will significantly impair the agency's ability to meet the requirements to successfully issue a CAFR. Bond rating services have not awarded AAA credit ratings to states that do not issue CAFR's.



## **PROCESS MANAGEMENT**

The Comptroller General's Office is in the second year of examining its processes in accordance with the Malcolm Baldrige National Quality Award criteria. During this fiscal year, we measured our customer satisfaction processes. Specifically, we conducted surveys to determine the level of internal customer satisfaction (employees) and external customer satisfaction. We quantified the results and compared to the American Customer Satisfaction Index, a national, uniform measure of customer satisfaction. Using information from the employee satisfaction survey, conversations with employees, and brainstorming sessions, we evaluated our human resources processes. We attempted to identify ways to maintain the type environment that enables us to retain a talented, diverse workforce and recruit skilled persons as needed. Emphasis was placed on retaining employees because the current conditions in state government are making it difficult for us to attract persons with the skills we need. Also, as part of providing a safe and pleasant work environment, senior managers and staff members participated in sexual harassment training.

The agency utilizes technology as much as possible to maximize efficiency and minimize operating costs. As part of our ongoing process, the Data Processing Division meets weekly with senior persons from each division. These meetings provide managers an opportunity to discuss ongoing projects, plan for future projects, and allocate and prioritize the agency's information technology resources. Emphasis is placed on staying current on technological trends and identifying ways to automate work processes. Some examples of technology related processes during fiscal year 2001 are:

- **Document Management System**

The Comptroller General's Office views automated document management and imaging as a key initiative to improve efficiency and productivity within the agency and statewide. To that end a project was initiated in fiscal year 2000 to procure and implement a system to manage the documents associated with the financial transactions of the state. As fiscal year 2000-2001 began the agency had completed the procurement process and had selected a vendor to install the system. Due to the state budget crisis, the Comptroller General worked throughout the year to scale the project to an affordable level. To that end, the Comptroller General has recently begun the implementation of a pilot project to image and manage the STARS documents associated with a group of selected agencies. The goal is to build a system to which capacity can be added as funds come available. It is anticipated that this pilot project will become operational during fiscal year 2001-2002.

- **Enterprise Report Writer Implementation**

As part of the on going GASB-34 project, the agency has implemented an enterprise report writer for use by its' financial reporting staff. This software runs in a client server environment based on Microsoft's SQL database server. Because of the familiar windows interface, the financial reporting staff has quickly become proficient in the use of this software and are depending upon it to help meet the tight GASB-34 deadlines. The agency intends to expand the use of this software to other areas of the office.



- **STARS Policies and Procedures Annual Updates**

Over the past few years, we strived to make the Statewide Accounting and Reporting System policies and procedures available in electronic medium in addition to the traditional paper version. This project was completed during fiscal year 2000 when we made the policies and procedures available on the Internet and CD-ROM. This year we began to see the benefits of these efforts. For example, during fiscal year 2000, our customers apparently started to become comfortable with the electronic versions of the policies and procedures. As a result, they ordered more CD-ROM's and fewer paper versions of the annual updates for this distribution cycle. The number of paper updates distributed in fiscal year 2001 was reduced by 25 percent compared to a 12 percent reduction in fiscal year 2000. We will continue to encourage our customers to opt for the electronic versions of the policies, thereby, reducing the number of paper versions distributed and reducing the costs of issuing the annual updates.

- **Electronic Vendor Payment System**

The Electronic Vendor Payment System (EVPS), performed in conjunction with the State Treasurer's Office, was completed during the fiscal year. The EVPS enables the state to make electronic payments to vendors, thereby, reducing operating costs and enhancing efficiency.

- **Internet Web Site**

During the fiscal year we added to our web site forms that state agencies submit to us. Many of the forms can be completed on-line, printed, and submitted. In certain instances, we avoided costs by making the forms available on-line in lieu of providing paper versions. We continue to use the Internet as a communication tool (e.g. messages from the comptroller general, key dates reminder, project status). We continue to seek ways to use the Internet to enhance our processes and to reduce costs.

- **Statewide Enterprise Resource Planning (ERP) System**

The Comptroller General's Office has been active in the effort to arrive at a "Multi-Agency Contract for Agency Level Accounting". The vendors for this contract are KPMG Consulting, SAP Inc. and Team IA. The Comptroller General views this as a strategic opportunity to move the state toward a complete enterprise solution for managing the state's finances. To that end, he has appointed a Statewide Oversight Committee to facilitate implementation first at the Department of Mental Health and several other selected agencies. Committee membership crosses agency lines and includes staff members from throughout the Comptroller General's Office, the Budget and Control Board, the State Auditor's Office and the Department of Mental Health. The membership will continue to evolve to include other areas of state government, as needed. It is anticipated that following this successful implementation; and as funding sources are identified, the state can move toward this state of the art financial management system.

The agency has numerous suppliers. All state agencies, including universities, and local governments provide financial data to this office. The accuracy and timeliness of financial data submitted by the suppliers are essential to our service delivery quality. We, therefore, work closely with our suppliers to insure their performance level is aligned with our requirements. For example, we provide formal training sessions, conduct informal one-on-one training as needed, provide technical assistance, conduct workshops, participate in focus groups, serve on advisory boards, participate in seminars, and solicit comments from suppliers. Also, for the second consecutive year, the Comptroller General's Office hosted a national satellite teleconference on GASB Statement 34. This was the only teleconference location in South Carolina and exposed our suppliers to insights from persons that wrote the GASB 34 requirements.

It will take some time to fully evaluate our processes and implement the Baldrige approach. However, the agency is committed to the challenge. We continuously evaluate our processes and seek ways to improve.

# KEY BUSINESS RESULTS

## CUSTOMER FOCUS RESULTS

### Goal:

To maintain the highest possible customer satisfaction level by meeting customer expectations and by providing quality service delivery.

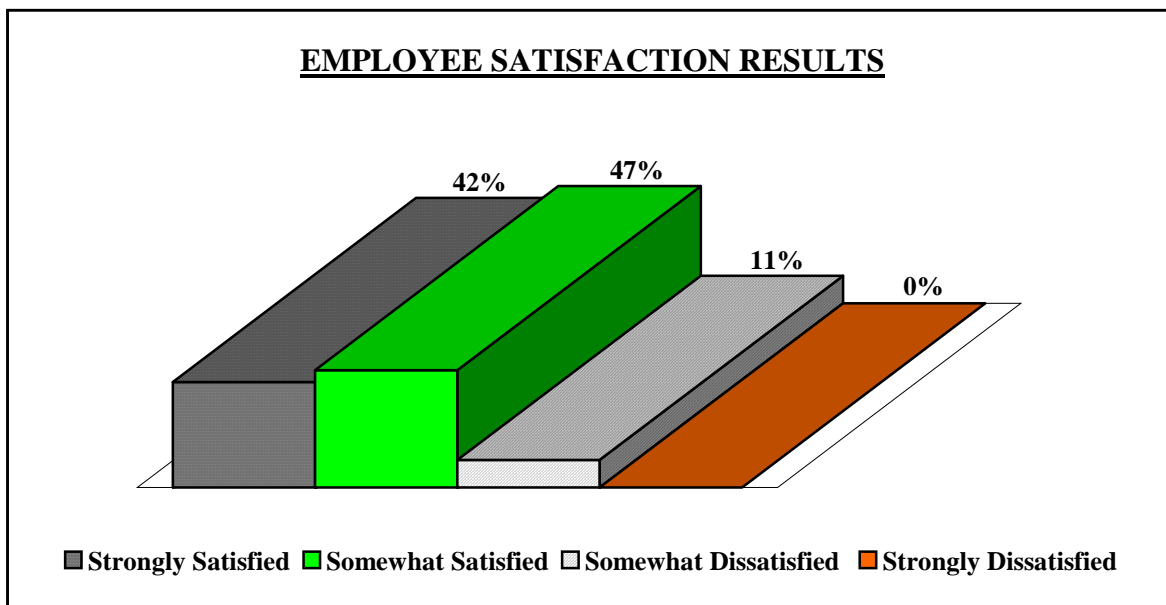
### Objectives:

- To maintain the highest possible employee overall satisfaction level.
- To maintain the highest possible external customer satisfaction level.

### Key Results:

- Obtained an 89% overall level of satisfaction rating. This was our first employee satisfaction survey and will serve as a baseline for future assessments.

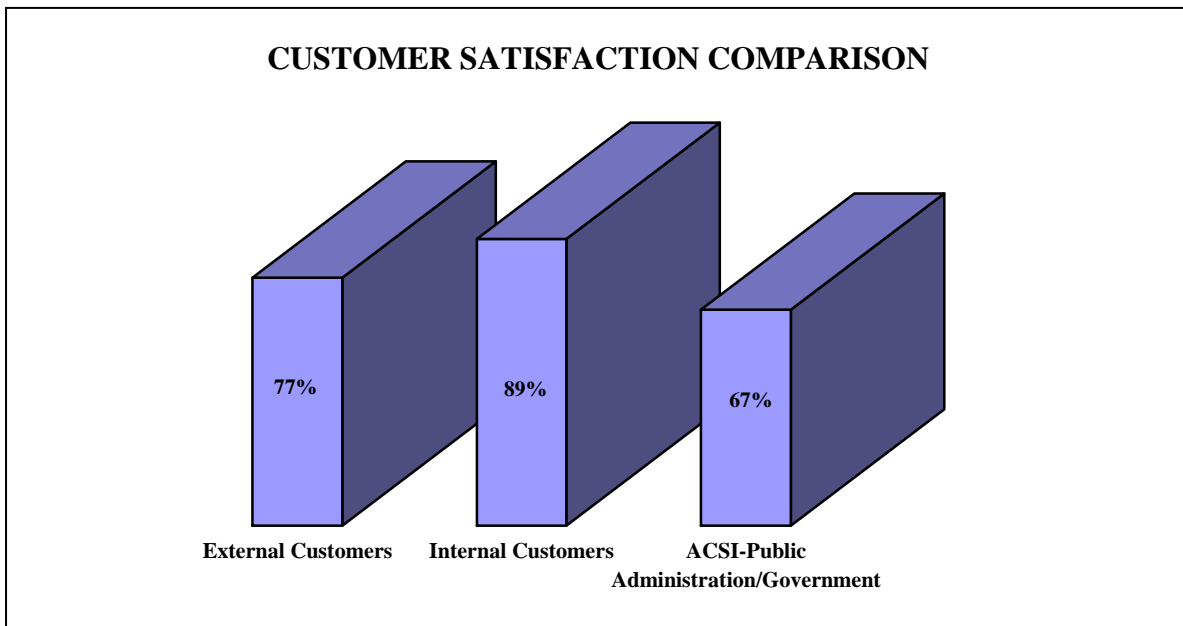
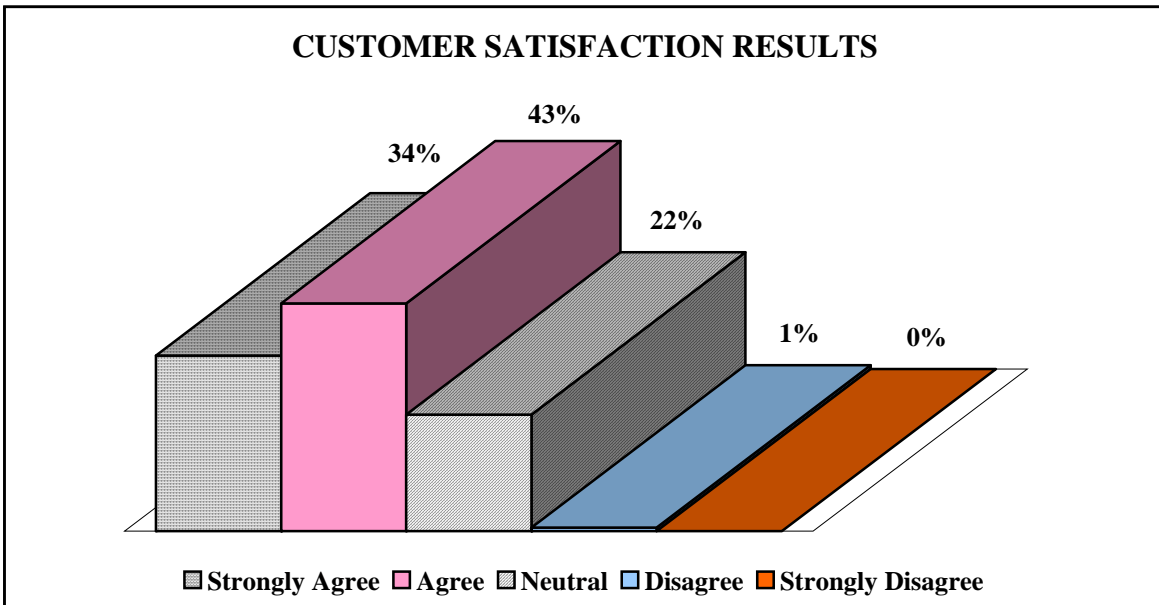
Goal: To maintain a 95% employee overall satisfaction level (employees indicate on survey that they are somewhat satisfied or strongly satisfied).



- Obtained a 77% external customer satisfaction level.

Goal: To maintain a 90% customer satisfaction level (customers that agree or strongly agree with the survey questions).

**Benchmark:** The American Customer Satisfaction Index which is produced annually by the American Society for Quality. The index is nationally recognized and provides industry specific measures of customer satisfaction.



Note: The ASCI customer satisfaction rating is for 2000. The 2001 score was not available at the time we prepared this report.

## HUMAN RESOURCE FOCUS RESULTS

### Goal:

- Maintain a knowledgeable, well-trained workforce whose educational level and skills level are aligned with the agency's service delivery requirements.
- Ensure that human resources available and service delivery requirements are aligned.

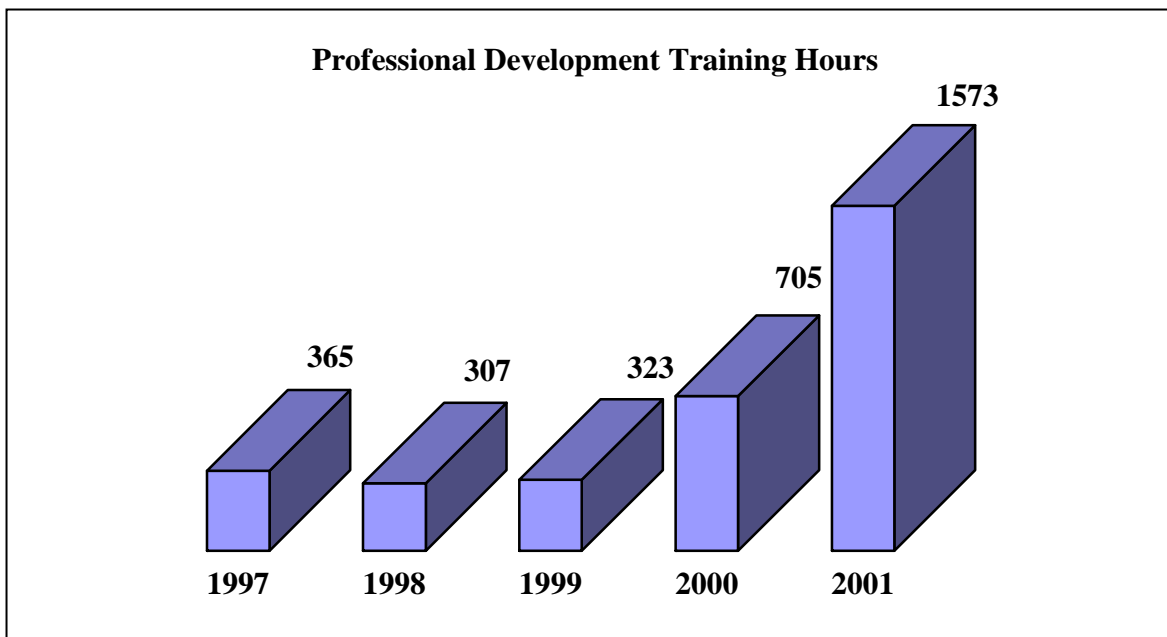
### Objectives:

- Provide 450 hours of job-related professional development training for employees.
- Ensure that available human resources are aligned with the resources necessary to provide quality service and to meet customer needs.

### Key Results:

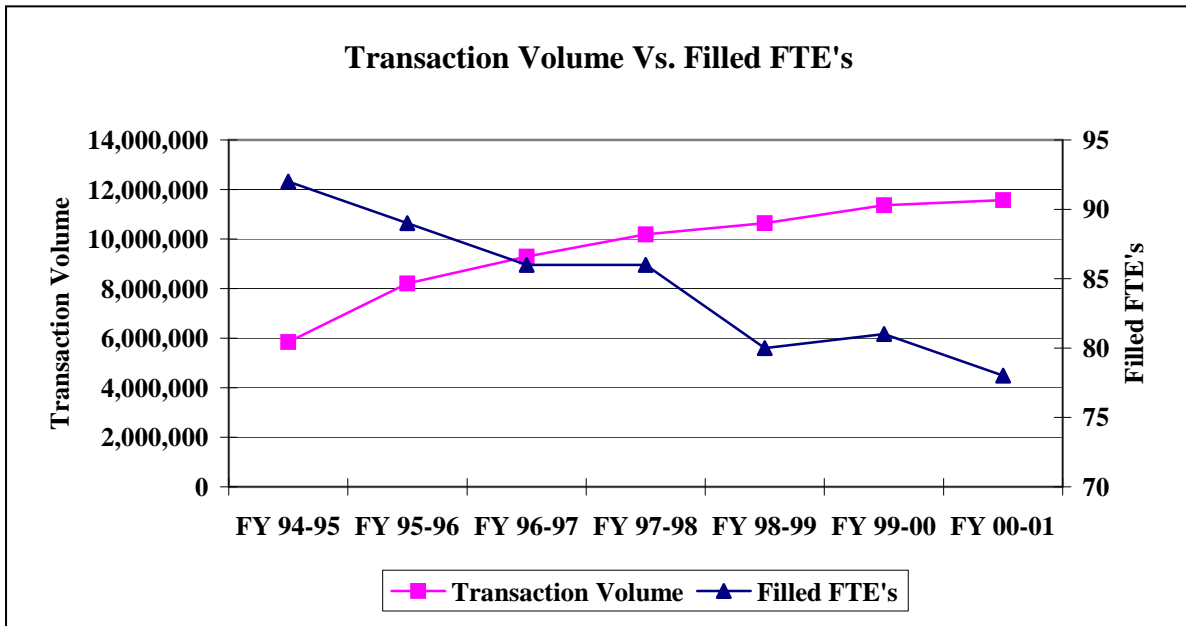
- Provided 1,573 hours of job-related professional development training for employees. The 123% increase in hours provided was a result of employees receiving training on new report writing software and participating in a sexual harassment seminar.

Goal: Provide 450 hours of training for employees during the fiscal year.



- Continued to meet minimal service delivery requirements even though our human resources are adversely aligned with service requirements.

Agency transaction volume increased by an additional 210,480 from fiscal year 1999-2000 to fiscal year 2000-2001 while FTE's decreased by an additional four percent. Transaction volume has increased by 98% from fiscal year 1994-1995 to fiscal year 2000-2001 while filled FTE's have decreased by 15% during the same period.



**PROGRAM:**

**Central State Audit Division**

**Goals:**

- Conduct a pre-audit of all disbursements of South Carolina State Government to ensure that agencies comply with the annual Appropriation Act.
- Certify the validity, authenticity, and legality of each payment.

**Objectives:**

- Process the statewide payroll accurately and on time 100% of the time.
- Provide accurate financial information and reports to the various income tax authorities and retirement systems within the time frames required by law.
- Pre-audit disbursement requests submitted by agencies accurately within an average of four (4) business days.
- Encourage agencies to continue using the Visa Procurement card for small purchases, thereby, reducing transaction volume.

**Key Results:**

- Processed the statewide payroll accurately and on time 100% of the time.

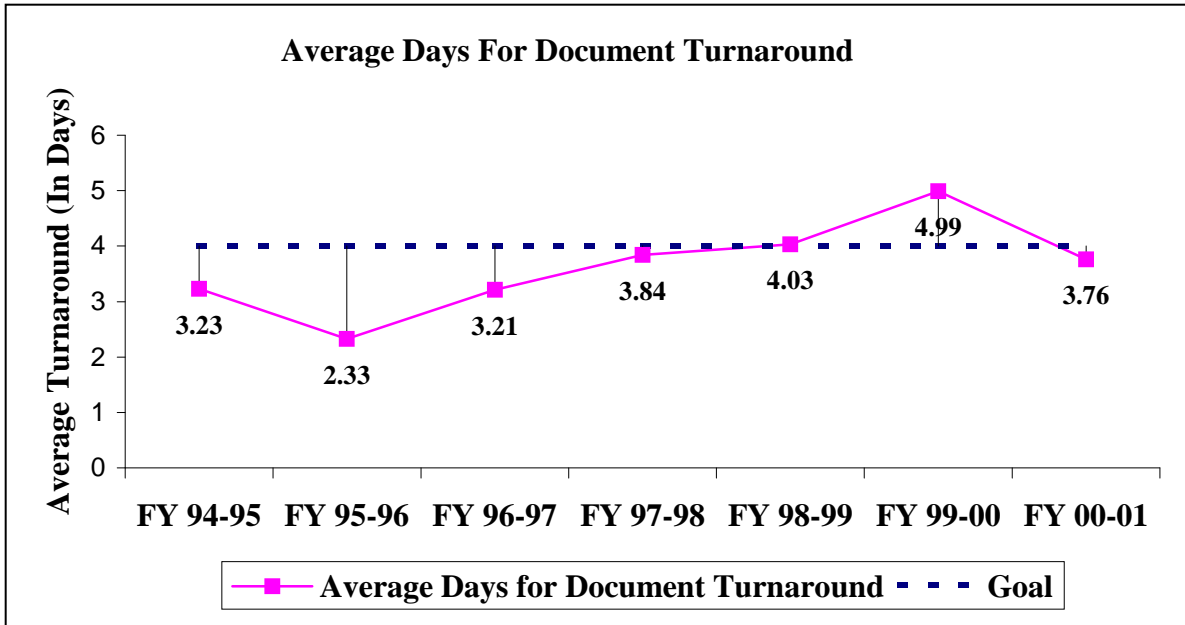
**Benchmark:** Section 72.24 of the fiscal year 2001 Annual Appropriation Act states in part: "...all appropriations for compensation of State Employees shall be paid in twice-monthly installments...The payroll period shall continue thereafter on a twice-monthly schedule as established by the Budget and Control Board..."

- Provided accurate financial information and reports as required on time 100% of the time. Failure to comply with applicable regulations would result in significant penalties assessed by the state.

**Benchmark:** Section 11 of Internal Revenue Service Circular E, Employer's Tax Guide for tax year 2001 requires employee payroll withholdings to be deposited within specified time frames. Penalties between two and fifteen (15) percent are assessed for deposits not made on time. By meeting the Internal Revenue Service's payroll deposit requirements, we avoided a minimum of \$8.4 million in federal tax deposit penalties.

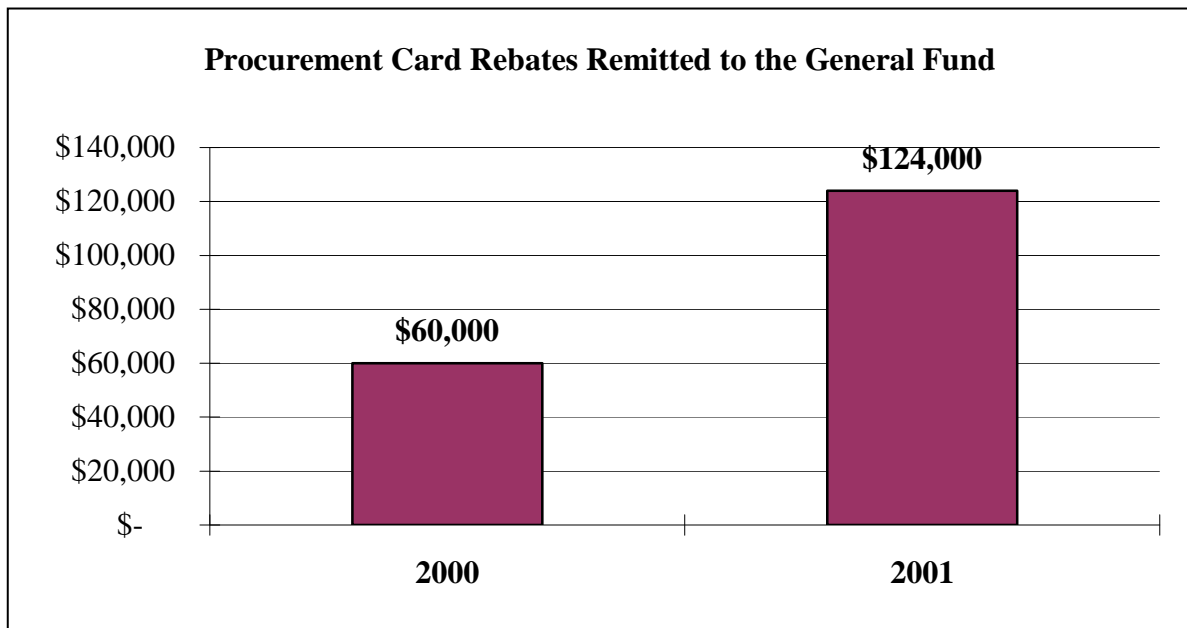
This is a new measure. We will continue to develop this measure and identify additional costs avoided by complying with all applicable requirements.

- Over 1.5 million Contingent Vouchers and Interdepartmental Transfers submitted by our customers were audited and accurately paid within an average of 3.76 business days.



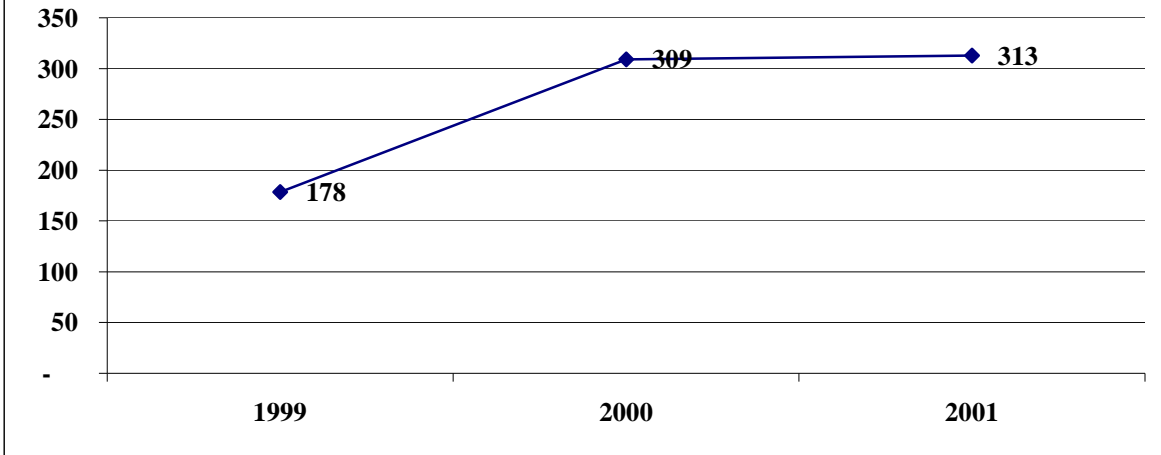
- Agencies use of the procurement card continues to streamline the procurement process. For example, 148,000 procurement card transactions required only 473 vouchers to be processed for monthly procurement card statements.

The contract for the Procurement Card, which also includes higher education and local government entities, provides for a rebate to the state based on transaction volume and the number of cards issued. The rebate to the General Fund for fiscal year 2001 increased by approximately 107%.





### Average Procurement Card Transactions Per Voucher Processed



**PROGRAM:****Central State Finance Division****Goals:**

- Provide centralized accounting and reporting of the state's financial activities in accordance with the program structure mandated by the South Carolina General Assembly.
- Provide timely, accurate statewide financial data needed by state government and by external parties such as national bond rating services, potential bond purchasers, other State creditors, citizen groups, and agencies of the Federal Government.

**Objectives:**

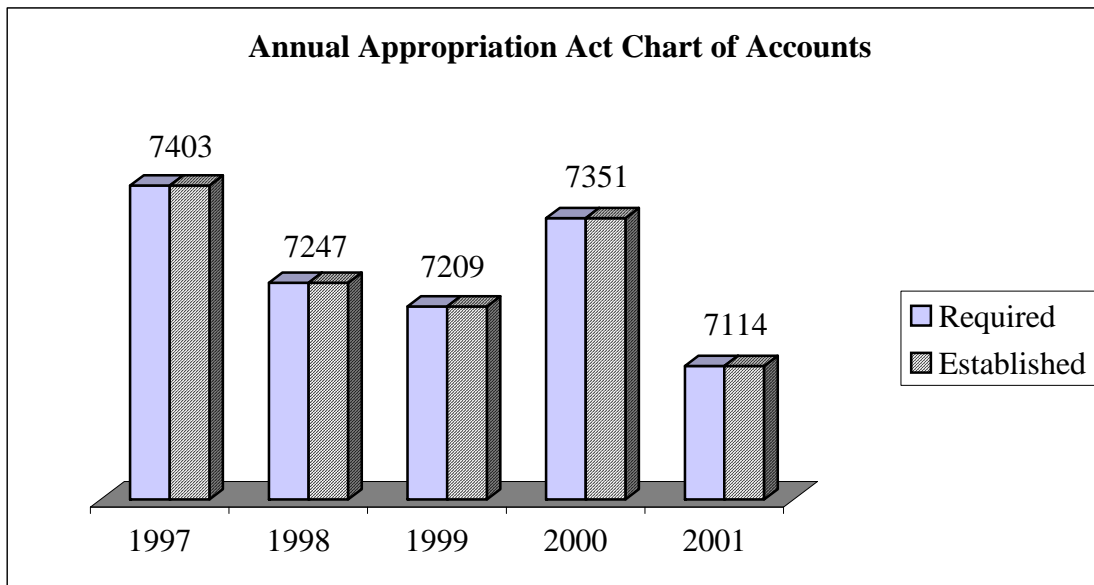
- Create a Chart of Accounts, prior to the beginning of the fiscal year, that includes all appropriated and supplemental appropriation accounts; estimated sources of revenue for general, earmarked, restricted and federal funds; and for agencies implementing a Capital Improvement Bond Program.
- Realize cost savings by reducing the number of Statewide Accounting and Reporting System (STARS) policies and procedures annual updates distributed by a minimum of 20%.
- Produce the State of South Carolina's Comprehensive Annual Financial Report (CAFR) in accordance with Generally Accepted Accounting Principles, implementing all new accounting standards required by the Governmental Accounting Standards Board (GASB).
- Receive the Certificate of Achievement for Excellence in Financial Reporting, earning grades of "Acceptable" in 100% of the financial reporting areas noted within Program's "Summary of Grading Results."

**Key Results:**

- Established a Chart of Accounts, prior to July 1, 2000, that included 100% of appropriated and supplemental appropriation accounts; estimated sources of revenue for general, earmarked, restricted and federal funds; and for agencies implementing a Capital Improvement Bond Program.

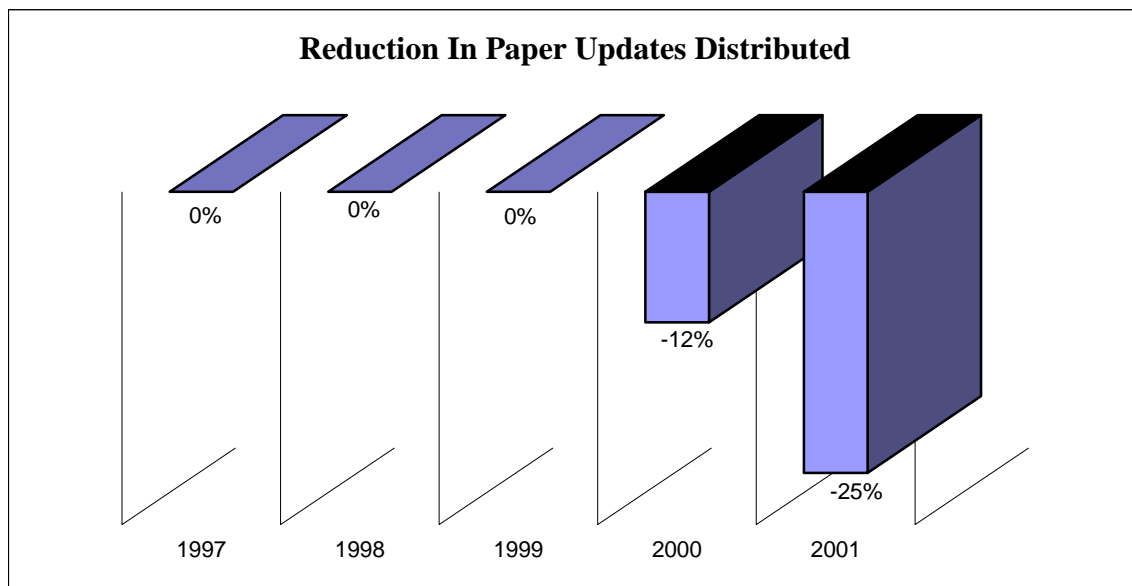
**Goal:** To establish 100% of the accounts required to account for the state's financial activities in accordance with the annual Appropriation Act passed by the South Carolina General Assembly.

**Benchmark:** The South Carolina Code of Laws, Title 11, Section 11-3-50 requires the Comptroller General's Office to account for all appropriations by the South Carolina General Assembly.



- Reduced the number of Statewide Accounting and Reporting System (STARS) policies and procedures updates distributed by 25%.

Goal: To reduce the number of paper updates distributed by 20%.



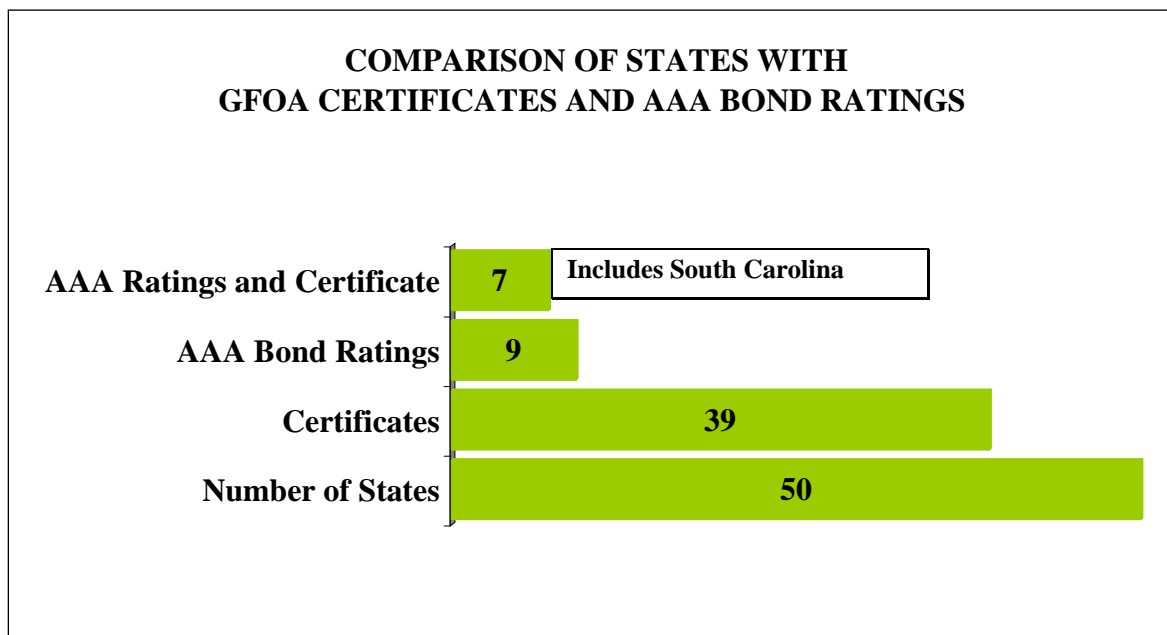
- Awarded an unqualified (“clean”) audit opinion to the State of South Carolina’s comprehensive annual financial report (CAFR) for the thirteenth consecutive year.

**Benchmark:** Under the American Institute of Certified Public Accountants’ *Code of Professional Ethics*, auditors may award an unqualified (“clean”) audit opinion to a government unit’s financial statements only if those statements, upon examination, are determined to be fairly presented in accordance with generally accepted accounting

principles (GAAP). GAAP for governments are nationwide standards that apply to all state and local governments in the United States. The Governmental Accounting Standards Board (GASB) and certain other national accounting standard-setting organizations define what constitutes GAAP.

- The Government Finance Officers Association awarded its Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina’s comprehensive annual financial report (CAFR) for the eleventh consecutive year.

**Benchmark:** The Government Finance Officers Association of the United States and Canada (GFOA) is the premier association of public-sector finance professionals. GFOA’s Certificate of Achievement for Excellence in Financial Reporting is awarded to a government unit for a one-year period if its comprehensive annual financial report (CAFR) meets the high standards of the GFOA’s Certificate of Achievement program.



\* States awarded AAA bond ratings by all three major rating services and the GFOA Certificate of Achievement. Data is based on fiscal years ended in 1999, the most recent available. Certificates awarded for fiscal years ended in 1999 were processed by GFOA in 2000. Fiscal Year 2001 certificates will be processed in 2002.

**PROGRAM: Administration/Local Government Division**

**Goals:**

- Provide administrative support functions in the areas of accounting, budgeting and finance, procurement, public and legislative relations, and employee benefits in compliance with all state and federal requirements.
- Maintain direct contact with the county auditors, treasurers and tax collectors and supervise the property tax collection process and reimbursement programs as mandated by the General Assembly.

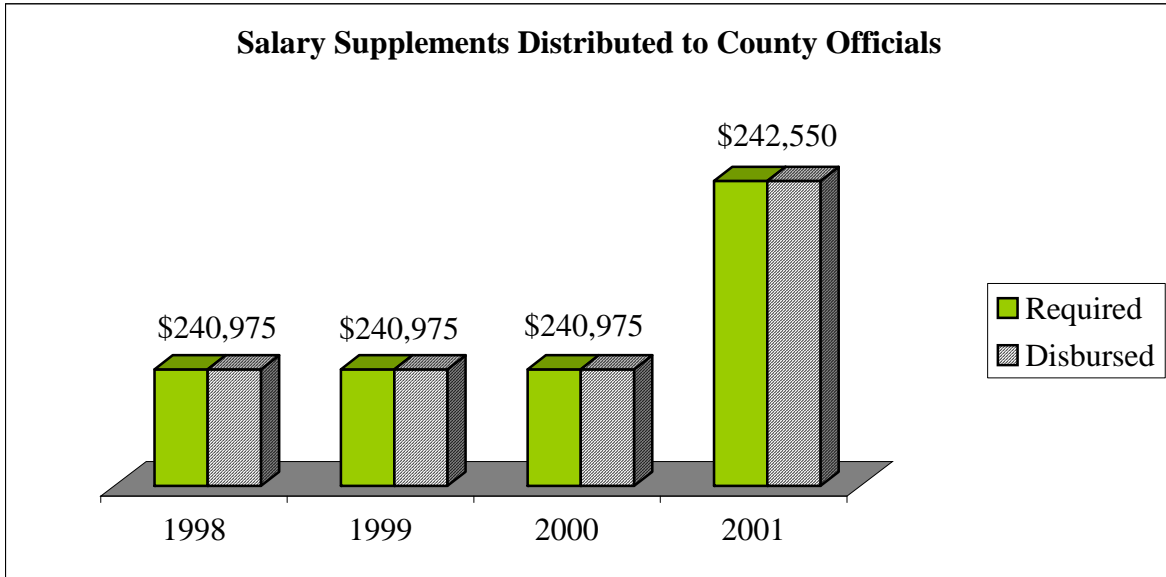
**Objectives:**

- Provide 78 office employees and 92 county auditors and treasurers with an efficient, user-friendly payroll and employee benefits system. Coordinate staff development and training. In accordance with the Appropriation Act, disburse salary supplements to county officials.
- Receive a clean audit in the areas of insurance, procurement, personnel and finance.
- Administer the state's U. S. Savings Bond Program through a statewide-automated purchasing system.
- Audit requests and disburse funds to counties in accordance with the General Appropriation Act for the Homestead Exemption, Merchants' Inventory Exemption, Manufacturers' Depreciation, State Residential Property Tax, and Motor Vehicle Tax Reduction Programs.

**Key Results:**

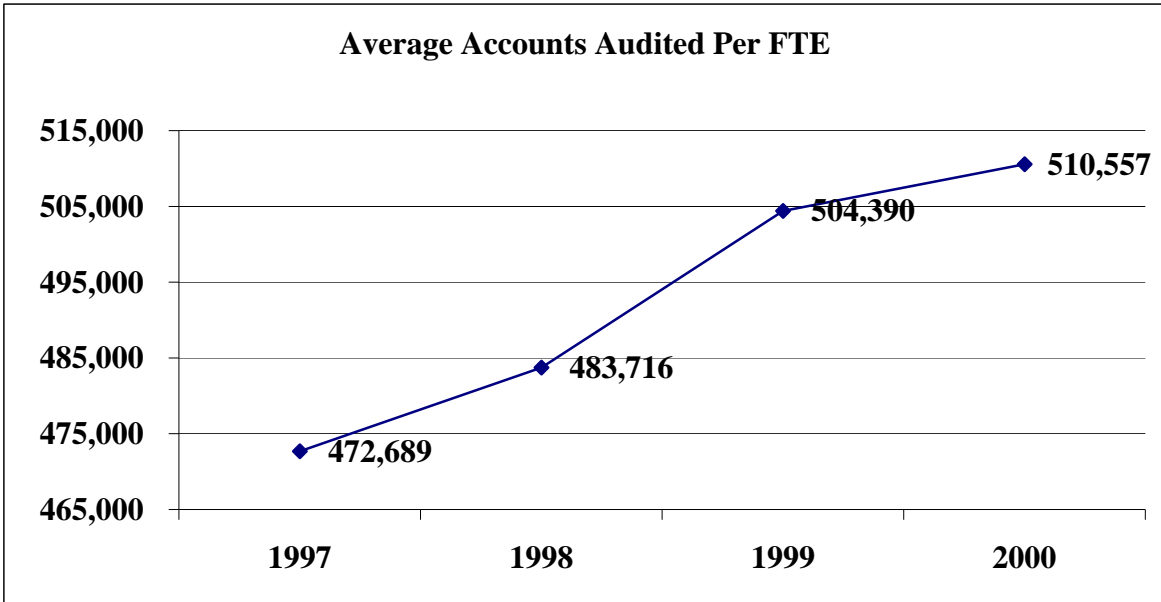
- Maintained and provided payroll and insurance benefits records for 78 employees and 92 county auditors and treasurers (100% of requirements). Provided information for all EPMS reviews, reclassifications and performance increases for covered positions.
- Received clean audits in the areas of insurance, procurement and personnel for the twelfth consecutive year. Received unqualified opinions on the financial audits for eleven of the past twelve years.
- Disbursed 100% of the required salary supplements to county officials.

**Benchmark:** Part 1A, Section 69A.1 of the FY 2001 Annual Appropriation Act requires the Comptroller General to distribute salary supplements to county officials.

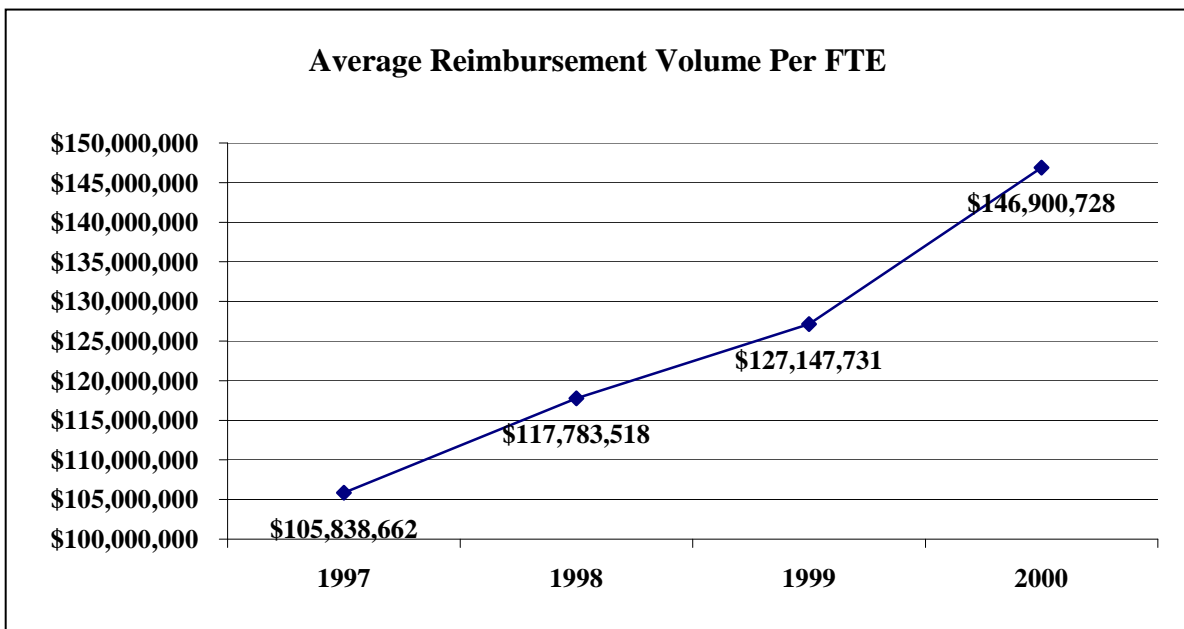


- Maintained employee payroll deduction files and purchased 16,076 U. S. Savings Bonds totaling \$978,300 from the Federal Reserve Bank. 100% of the bonds were purchased on time.
- Audited 100% of requests received from counties and disbursed funds to counties for the Homestead Exemption, Merchants' Inventory Exemption, Manufacturers Depreciation, State Residential Property Tax and Motor Vehicle Tax Reduction Programs.

**Benchmarks:** Disbursements are made in accordance with the requirements of The South Carolina Code of Laws - Sections 12-37-251, Homestead exemption from property taxes; 12-37-450, Business Inventory tax Exemption; reimbursement of counties and municipalities; 12-37-270, Reimbursement for tax loss in counties allowing homestead exemptions; and 12-37-935, Maximum percentage depreciation; trust fund for tax relief.



Note: Years represent tax years. Calendar year 2000 is the most recently completed tax year.



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**PROGRAM:           Data Processing Division**

**Goals:**

- To cost effectively provide quality information technology application development, maintenance and production control services for the Comptroller General's Office. Including all statewide accounting and payroll functions, local government functions and internal administrative functions of the agency.
- To cost effectively administer the agency's local area network and personal computer assets. This includes all the maintenance and installation of new servers, workstations and peripherals.

**Objectives:**

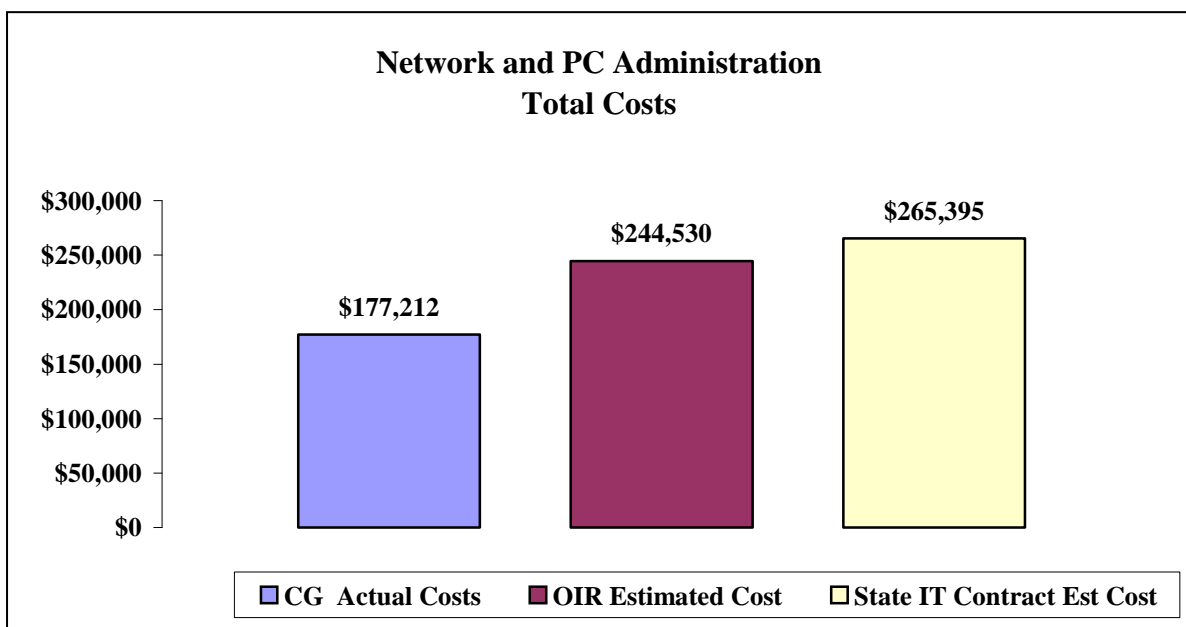
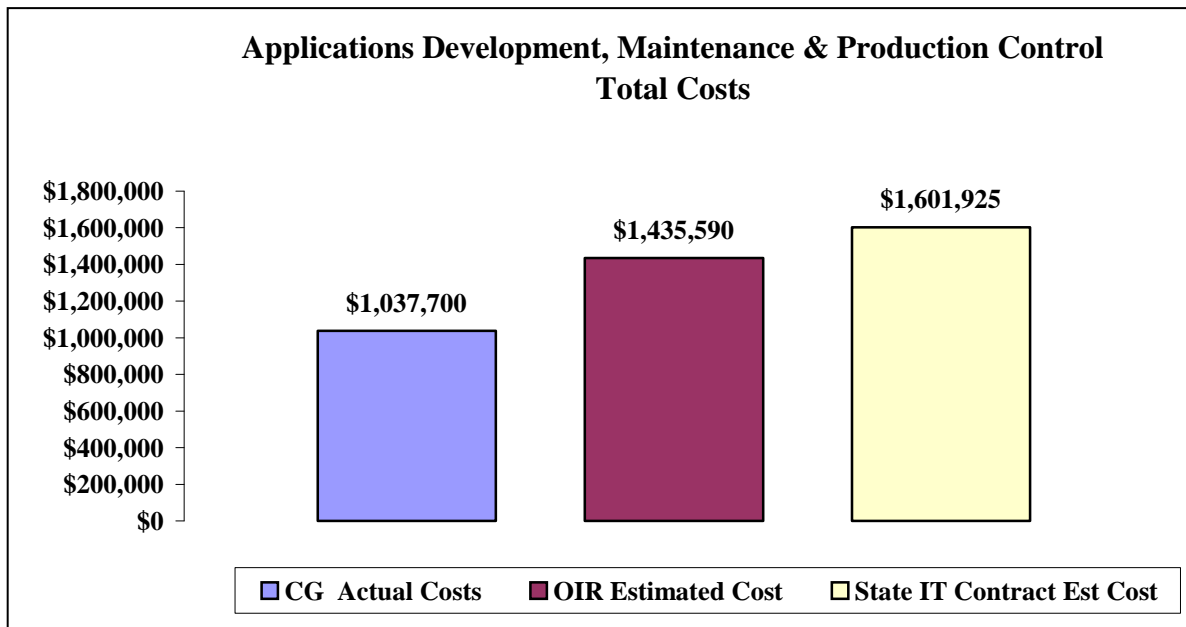
- Ensure that all agency program needs for information technology services are met to management's satisfaction.
- Complete the development of new applications and or modification of existing applications that are identified as necessary to meet the requirements of the agency's programs. Complete and distribute all production processing for the Comptroller Generals Office as scheduled.
- Administer the agency's LAN and PC infrastructure in a cost effective manner with minimal down time. Maintain accurate records of all LAN and PC assets and infrastructure. Review, recommend and implement enhancements and upgrades to these assets.
- Receive a clean audit (no comments) as a result of the EDP audit performed as part of the statewide audit.
- All activities are to be done at a cost that compares favorably with the estimated cost of contracting with private industry or other state agencies.

**Key Results:**

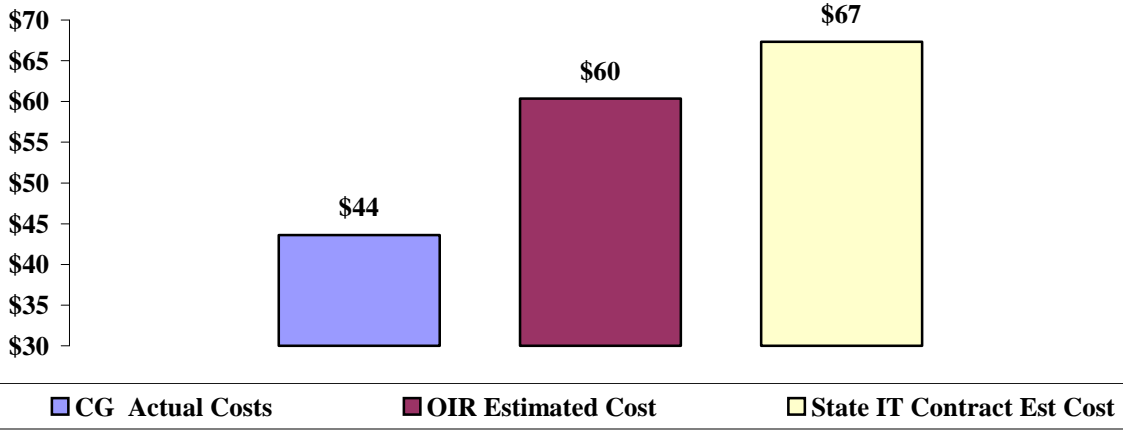
- Met with management of each program area within the agency on a weekly basis to discuss on going and potential new information technology needs. These meetings allow for feed back from each program concerning technology issues. They provide a forum for discussing and prioritizing any new development or maintenance projects.
- All requested development and maintenance was completed and met the needs of the divisions. 186 requests for DP services were completed. In addition a major project as a result of GASB 34 implementation is in process. Included in this project is an initiative to add imaging capability to the office.
- The agency's LAN and PC area has continued to expand to service all agency employees. Over 50% of the desktop workstations were upgraded with new hardware during the year. Also the agency has implemented a new LAN based enterprise report writer. The agency WEB site has also been enhanced and is being used extensively in the GASB 34 project.



- A clean audit (no comments) was received as a result of the annual EDP audit performed as part of the statewide audit.
- The costs for all activities compared favorably to the estimated cost of contracting for these services from both the Budget and Control Board - Office of Information Resources and through private services available on the state's contract for IT personnel. The Comptroller General costs include all Personnel Services and Operating expenses for the Comptroller General's Data Processing Division Program as well as the associated fringe benefit costs. The estimate of the OIR costs are based on the rates as published by OIR. The State IT Contract costs are based on the rates published for the Contract for Temporary IT Personnel Contract.



**Applications Development, Maintenance & Production Control  
Average Per Hour Rate**



**Network and PC Adminstration  
Average Per Hour Rate**

