IMPLEMENTATION PLAN

Implementation Plan

This performance audit identifies many recommendations to improve the efficiency and effectiveness of the state's management systems of procurement, personnel and benefits, and information technology. In some cases, these recommendations represent opportunities to streamline and standardize processes, thereby improving resource utilization; other recommendations represent opportunities to increase the effectiveness of existing management policies and procedures or improve the state's competitive position. A summary of the annual savings from our recommendations is presented in Exhibit 1-1 below. Based on our calculations, annual savings and cost avoidance ranges from $20.1 million to $31.7 million, if the recommendations are fully implemented. The state should also evaluate investments for a central contract administration unit, short-term disability coverage and increased life insurance coverage.

Exhibit 1 - 1
Summary of Fiscal Impacts

Recommendations	Annual Savings (Investment)
Implement the purchase card program in all state agencies within the next year.	$10 to $16.6 million
Establish a centralized quality assurance and contract administration unit.	($60,000 to $80,000)
Expand the managed prescription drug program to provide greater discounts.	$2.4 to $7.4 million
Consider reducing the number of sick days offered. *or* Potential Alternative: Evaluate a personal leave policy that combines sick days and annual leave days, reducing the total number available by five days; consider implementing short term disability coverage in conjunction with a personal leave policy.	$7 million[1] $35 million[2] and ($13.5 million) to provide short term disability coverage
Maintain current dental, vision, and long term disability benefits, and investigate increasing life insurance and offering a short-term disability plan.	($3.1 million) to increase life insurance coverage
Direct additional calls to the primary contracted long distance service in order to reduce costs.	$127,000
Perform a detailed audit of primary long distance vendor billing against OIR's contracted rates with this long distance carrier.	$104,000
Evaluate the appropriateness of converting month-to-month contracts to term contracts. Prepare to engage in a competitive bid process for those contracts expiring within the next six months.	$461,000
The state should pursue an aggressive and comprehensive program that will identify and manage the resources necessary to correct Year 2000 system problems across all agencies.	TBD

[1] Represents $7 million in manpower cost savings and reduction in accrued sick leave liability.
[2] Represents $35 million in manpower cost savings and reduction in accrued sick leave liability.

These recommendations are just the beginning of the process. Implementation will require joint effort on the part of the General Assembly, Budget and Control Board, state agencies, and in some cases, the private sector. The following pages present a summary of the recommendations in this report, along with timeframes for implementation and responsible parties.

The state has achieved a high degree of success and customer satisfaction in many of the management systems areas. By establishing an implementation plan for change, and following through on these recommendations, the state will be able to further increase the efficiency and effectiveness of its procurement, personnel and benefits, and information technology systems.

Exhibit 1 - 2
Implementation Summary

Rec. No.	Recommendations	Implementation Duration	Responsible Party
	Procurement		
1	Amend the legislation that provides for procurement preferences.	6 to 12 months	General Assembly
2	Modify the Procurement Code to encourage and strengthen cooperative purchasing.	6 to 12 months	General, Assembly
3	Implement the purchase card program in all state agencies within the next year.	6 to 12 months	Procurement card oversight committee, B&CB, state agencies
4	Develop a comprehensive statewide management information system through the use of advanced technology.	2 to 5 years	MMO, ITPM, IRC, agencies
5	Establish and encourage participation in a statewide procurement training program.	Ongoing	MMO, agency directors
6	Develop a consistent set of terms, definitions and forms.	6 to 12 months	MMO, state agencies
7	Establish a centralized quality assurance and contract administration unit.	6 to 12 months	MMO
	Personnel and Benefits		
8	Continue to conduct planning sessions that include representatives from the Division of Retirement Systems and the Office of Insurance Services.	Ongoing	OHR, DRS, OIS
9	Develop measurable objectives based on the written initiatives.	6 months	OHR
10	Establish an exchange program for Office of Human Resources consultants and agency human resources staff.	6 to 12 months	OHR, state agencies
11	Designate a primary information (contact) number that allows employees to direct human resources questions.	1 to 3 months	OHR
12	Continue to monitor the number of employees per job classification on a regular basis.	Ongoing	OHR
13	Develop a standard written list of basic skills and abilities to serves as a checksheet for the skill requirements.	1 month	OHR
14	Require agencies to submit a written compensation strategy that includes a definition of the competitive market and the components of the compensation program.	Ongoing	OHR, state agencies
15	Encourage agencies to discontinue the practice of assigning pay ranges within the same salary band.	1 year	OHR, state agencies
16	Include more extensive private sector job classifications when making salary comparisons.	Ongoing	OHR, state agencies
17	Undertake a training campaign on the new classification and compensation system.	6 months	OHR, state agencies

Rec. No.	Recommendations	Implementation Duration	Responsible Party
	Personnel and Benefits—continued		
18	Develop and implement strategic plans to recruit for hard-to-fill positions and to retain those employees already employed by the state in those positions.	3 to 12 months	OHR, state agencies
19	Implement a statewide formal employee referral program.	3 months	OHR
20	Develop and pilot test a performance-based incentive plan.	1 year	OHR, selected state agencies
21	Educate state agencies on the various incentive programs that are allowed by law and encourage agencies to use these programs.	1 year	OHR, state agencies
22	Require managers to demonstrate measurable improvement in an employee's job performance to award a performance-based salary increase.	Ongoing	OHR, state agencies
23	Agencies should ensure that there is appropriate documentation to demonstrate that the additional skills and/or knowledge are job related.	Ongoing	State agencies
24	Expand the Office of Human Resources information system to include all aspects of human resources management.	Ongoing	OHR, OIR
25	Modify existing human resources systems to create a central reporting point for all human resource management functions.	2 years	OHR, OIR, state agencies
26	Encourage agencies to use the Statewide Mediators Pool.	Ongoing	OHR, state agencies
27	Encourage greater implementation of universal review dates in the state agencies.	Ongoing	OHR, state agencies
28	Streamline the performance management system.	6 to 12 months	OHR
29	Establish consistency within an agency in the use of measurable goals in EPMS.	1 year	State agencies
30	Work with agencies to develop a best practices guidelines for recruitment and selection.	1 year	OHR, state agencies
31	Establish procedures to ensure that all agencies update job listings frequently.	1 to 3 months	OHR, state agencies
32	Agencies should identify career paths within each agency and communicate career path opportunities to employees.	Ongoing	State agencies
33	Develop a statewide records management system to track all training activities.	1 year	OHR, OIR
34	Require agencies to maintain training needs assessments and plans, and report training activity through the Human Resource Information System.	Ongoing	State agencies
35	Encourage agencies to establish a separate budget for training, based on training needs assessments and a plan, that is equal to at least one and one-half percent of the agency payroll budget.	Ongoing	OHR, state agencies
36	Encourage broader agency participation in the statewide tuition reimbursement program.	Ongoing	OHR, state agencies
37	Implement a central database of training programs and resources.	1 to 2 years	OHR, OIR, state agencies
38	Ensure CEQA has adequate staff to continue to provide a high level of customer satisfaction.	Ongoing	OHR
39	Continue to expand the mentor program statewide.	Ongoing	B&CB

Rec. No.	Recommendations	Implementation Duration	Responsible Party
	Personnel and Benefits—continued		
40	Encourage greater participation in the agency head training programs.	Ongoing	Agency governing authorities
41	OIS should continue its policy of overall plan management, while delegating to agencies most administrative functions.	Ongoing	OIS, state agencies
42	The state should continue to monitor accuracy by requiring agencies to maintain eligibility through random audits.	Ongoing	OIS, state agencies
43	The state should continue to offer multiple choices of plans to employees, moving further into managed care vehicles, such as a gatekeeper point-of-service or more extensive preferred-provider model to offer employees even greater flexibility.	Ongoing	OIS
44	The state should continue to require employee contributions for all coverages and monitor the relationship of contributions among different plan offerings.	Ongoing	OIS
45	Continue to effectively manage administrative costs, keeping the level at or below 3.7%.	Ongoing	OIS
46	Expand the managed prescription drug program to provide greater discounts.	1 year	OIS
47	Simplify communication materials and assess other strategies to increase participation in the MSAs.	6 months	OIS
48	Keep the length of service required for full vesting at 5 years.	Ongoing	General Assembly, DRS
49	The state should continue to monitor this level of [retirement] benefit with the offerings of other states to ensure that it remains comparable.	Ongoing	DRS
50	Maintain current policy of not integrating the pension plan with Social Security.	Ongoing	DRS
51	Maintain the current annual leave sliding scale for employees.	Ongoing	General Assembly
52	Consider reducing the number of sick days offered. *or* Potential Alternative: Evaluate a personal leave policy that combines sick days and annual leave days, reducing the total number available by five days; consider implementing short term disability coverage in conjunction with a personal leave policy.	1 year 1 year	General Assembly General Assembly
53	Maintain current dental, vision, and long term disability benefits, and investigate increasing life insurance and offering a short-term disability plan.	Ongoing/ 6 months	OIS
	Information Technology		
54	Evaluate the state's compensation policies and practices for IT technicians and technology managers to ensure they are competitive.	Ongoing	OHR, OIR
55	Technical IT training must become a funding priority.	6 to 12 months	State agencies

Rec. No.	Recommendations	Implementation Duration	Responsible Party
	Information Technology—continued		
56	Consider organizational changes to aid in the promotion, coordination and implementation of policies, standards and "best practices" deriving from the IRC.	1 year	B&CB
57	Consider the creation of a single entity in the B&CB responsible for support of the end user desktop computing infrastructure, particularly in geographically dispersed areas.	1 to 2 years	B&CB
58	Consider using innovative strategies to fund enterprise-wide and multi-year technology projects.	Ongoing	General Assembly, B&CB
59	Create an environment where IT unit priorities and resource allocations are aligned with agency strategic plans, goals, and objectives.	Ongoing	B&CB, IRC, state agencies
60	Institute a comprehensive IT planning process that presents a cohesive and concise vision for all centralized and decentralized technology organizations.	1 to 2 years	IRC, B&CB, state agencies
61	Establish statewide IT standards, policies and guidelines.	1 to 2 years	IRC
62	OIR should supplement the current technology infrastructure to establish improved customer access to information and services.	Ongoing 5 years	OIR
63	Provide increased access to information and technologies that can improve employee productivity and customer service.	Ongoing	OIR, state agencies
64	The state should pursue an aggressive and comprehensive program that will identify and manage the resources necessary to correct Year 2000 system problems across all agencies.	Ongoing	General Assembly, B&CB, state agencies
65	Agencies should invest in relational databases and related tools to understand information needs and provide access to data.	Ongoing	State agencies
66	Agencies should develop a five year plan and resource requirements to replace or reengineer outdated systems across all agencies.	6 to 12 months	State agencies
67	Utilization of off-the-shelf software packages should be considered for system replacements or as new development requirements arise.	Ongoing	IRC, ITPM, state agencies
68	The state should select standard financial, human resource and procurement systems and assist the agencies in their migration.	Ongoing - next 1 to 5 years	IRC, ITPM, state agencies
69	State agencies should implement measurements and a reporting system that measure their performance in a balanced approach.	1 year	State agencies
70	The IRC should recommend modern and improved systems development and project management tools and techniques throughout the state.	6 to 12 months	IRC
71	OIR should investigate and implement initiatives to achieve recommended efficiencies in the management and operation of the consolidated data center.	6 to 12 months	OIR
72	Minimize the number of bills to be paid to simplify the bill payment and accounting processes, reduce overhead, and contribute to the potential reduction of administrative staff.	Ongoing	OIR
73	Direct additional calls to the primary contracted long distance service in order to reduce costs.	Ongoing	OIR

Rec. No.	Recommendations	Implementation Duration	Responsible Party
	Information Technology—continued		
74	Perform a detailed audit of primary long distance vendor billing against OIR's contracted rates with this long distance carrier.	Completed	OIR
75	Evaluate the appropriateness of converting month-to-month contracts to term contracts. Prepare to engage in a competitive bid process for those contracts expiring within the next six months.	Ongoing	OIR
76	Consolidate the number of contracts with Vendors "A" and "C", thereby reducing contract management overhead.	Ongoing	OIR
77	Consolidate multiple data networks onto one highly reliable backbone and develop a more proactive conversion approach to migrate SNA to the TCP/IP platform.	Ongoing	OIR
78	OIR should develop a proactive method and approach to manage the state's network with tools capable of providing proactive monitoring and management of networked resources (i.e., hubs, routers, DSU/CSUs, etc.).	2 years	OIR

APPENDIX—MANAGEMENT RESPONSE

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

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LUTHER F. CARTER
EXECUTIVE DIRECTOR

October 30, 1997

Lieutenant Governor Robert L. Peeler, Chairman
South Carolina Performance Audit Steering Committee
Carolina Plaza
Columbia, South Carolina 29201

Dear Lieutenant Governor Peeler:

On behalf of the Budget and Control Board, I want to take this opportunity to commend KPMG Peat Marwick LLP for the professional approach that it has taken in conducting an in-depth, objective performance audit on the South Carolina management systems. The auditors have performed their task with integrity and thoroughness, producing a product which is both viable and practical.

In this initial response, we offer the following comments regarding three specific recommendations. Two require statutory changes. The first has to do with the elimination of the Consolidated Procurement Code requirement to give preference to South Carolina manufacturers. South Carolina business contributes substantially to the economic well-being of every region of this state in numerous ways. In essence, we believe that the state doing business with our own businesses is good business. The second recommendation concerns the computation of cost savings attributable to a change in the state's leave policy. The recommendation is based on an assumption that accumulated annual and sick leave is always taken in the maximum amount provided for employees. That is not the case. We do not object to change in the leave policy; we simply want to ensure that it would truly produce the anticipated cost savings. Consequently, we believe that any change in leave needs to be examined further with proper emphasis on correct data and realistic assumptions.

A third point, which does not require statutory change, has to do with expansion of the prescription drug program. The audit did not consider the viable role that South Carolina pharmacies play in the economic well-being of the state. Presently that program provides substantial savings and is being monitored prudently in cooperation with state pharmacists. We believe further analysis in this area is warranted also.

We feel that the audit recommendations are reasonable, and we offer these observations as constructive rather than critical comments. With the above noted exceptions, we will examine ways to effect their implementation. KPMG Peat Marwick LLP has provided South Carolina with a prescription for better government, and it is our intention to respond no less comprehensively. We appreciate the opportunity that is afforded us in this endeavor.

Respectfully,

Luther F. Carter

FAX (803) 734-2117

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