

PERSONNEL AND BENEFITS

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1. Background and Methodology

This section provides an introduction to the Personnel and Benefits portion of the Management Systems Performance Audit and describes the audit scope and approach used to conduct the review.

Introduction

As government reform continues, demands on public managers to do more with less increase, and state officials face the challenge of attracting, training, developing, retaining, and motivating a high quality workforce. A public personnel system can support the attainment of a motivated, high quality workforce or prevent the accomplishment of this goal. Nationwide, states and localities realize the increasing need for modernization and reformation of personnel systems to attract a high quality workforce. Recruiting a motivated, high quality workforce is the first step towards increasing government efficiency and productivity. Then, supporting employees through effective human resource management is the next step to ensuring a high quality workforce.

The essential process of providing central direction and policy for human resource management in the State of South Carolina is accomplished primarily through three offices within the Budget and Control Board:

- Office of Human Resources
- Division of Retirement Systems
- Office of Insurance Services

As of July 1, 1997, these offices support:

Pay System	Full Time Equivalents	Temporary Employees
Classified	60,532.66	Not Applicable
Unclassified	7,459.77	Not Applicable
Executive Compensation	233	Not Applicable
Agency Head	62	Not Applicable
TOTAL	68,287.43	11,747*

* Data as of June 30, 1997

Source: The Office of Human Resources.

The intent of the performance audit was to review the human resources management system in South Carolina and identify strengths and areas for potential improvement.

Personnel and Benefits Audit Objective and Scope

The Personnel and Benefits reviews were components of the Statewide Management Systems performance audit. The Management Systems audit is the second in a series of statewide audits requested by the State of South Carolina. The goal of the audit program is to improve the effectiveness and efficiency of state departments, programs, and service delivery.

The objective of the State of South Carolina human resources management system performance audit was to determine if state human resources management policies, procedures, and practices support the state agencies in delivering their services. Particular areas of focus included:

- Organization and structure
- Distribution of duties between the central human resources offices and the agencies
- Policies, practices, and procedures
- Level of resources devoted to human resource management
- Job classification and compensation management
- Employee relations programs
- Recruiting and staffing procedures
- Training and development programs
- Continuous improvement services
- Employee benefits programs, including retirement, health, and other benefits

In the review of the above areas, the goal was to identify:

- Strengths of the existing systems
- Opportunities for improvement
- Areas that may require more in-depth review

The performance audit team studied the personnel and benefits management system for several months. The team reviewed the existing system, investigated the delivery of services, policies, practices, and procedures from the perspectives of the Budget and

Control Board and the state agency level. Throughout the audit, KPMG routinely informed the Performance Audit Steering Committee of the audit's progress.

The audit relied on various internal and external sources to evaluate issues covered in this report. They include:

- Documentation
- Questionnaires
- Interviews
- Observation

Personnel and Benefits Audit Approach

A variety of techniques and data sources assisted in the evaluation of the state's policies, procedures, and practices used in human resources management. The performance audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Organization of the audit's work followed three major components of a Yellow Book performance audit, as prescribed by *Government Auditing Standards*. The three components were audit work plan, field work, and reporting. Specific steps and activities of the fieldwork included:

Reviewing data provided by the Office of Human Resources, the Division of Retirement Systems, and the Office of Insurance Services. The audit team reviewed information and data pertinent to the human resources management system to familiarize themselves with the various programs, divisions, initiatives, and functions of the three central offices. The objective of this task was to develop a better understanding of the issues facing each office and become familiar with the distribution of responsibilities between the human resources management central offices and the agencies. This included reviewing laws, regulations, policies, practices, procedures, strategic plans, and historical data concerning South Carolina human resources management.

Analyzing opinion survey results. KPMG issued 133 opinion surveys (and received 63 responses) to agency directors and human resources managers. The survey results, located in **Appendix A**, provided information about the operations of the human resource function.

Conducting interviews. The audit team conducted a series of interviews with the management and staff of the Office of Human Resources, the Division of Retirement Systems, and the Office of Insurance Services. To obtain an agency-level perspective on human resources management, KPMG conducted interviews with agency directors and human resources managers. In-depth interviews conducted at agencies included:

- Department of Health and Environmental Control
- Department of Archives and History
- Department of Education
- Vocational Rehabilitation Department
- Department of Disabilities and Special Needs
- Budget and Control Board
- University of South Carolina
- State Housing and Finance Development Authority

Obtaining and analyzing benchmark statistics. Using information obtained from the three central human resources management offices and information obtained through a data request directed to ten state agencies, KPMG had the ability to perform benchmark analyses. Those agencies providing specific data included:

- Department of Public Safety
- Department of Disabilities and Special Needs
- Department of Transportation
- Vocational Rehabilitation Department
- Department of Corrections
- Department of Mental Health
- Department of Juvenile Justice
- Department of Social Services

- Department of Health and Environmental Control
- Department of Education

KPMG used various information from state governments to compare aspects of South Carolina's human resources management system with its peers. The team also used a database of knowledge and experience developed from previous KPMG projects involving similar organizations for comparative measures.

During the course of this performance audit, KPMG collected and reviewed a variety of information, some of which was compiled by agency staff. Although KPMG reviewed this information for reasonableness and accuracy, KPMG did not audit the information provided by agency staff.

All data pertaining to South Carolina's human resources management system, unless noted otherwise, is as of June 30, 1997.

2. Human Resources in South Carolina

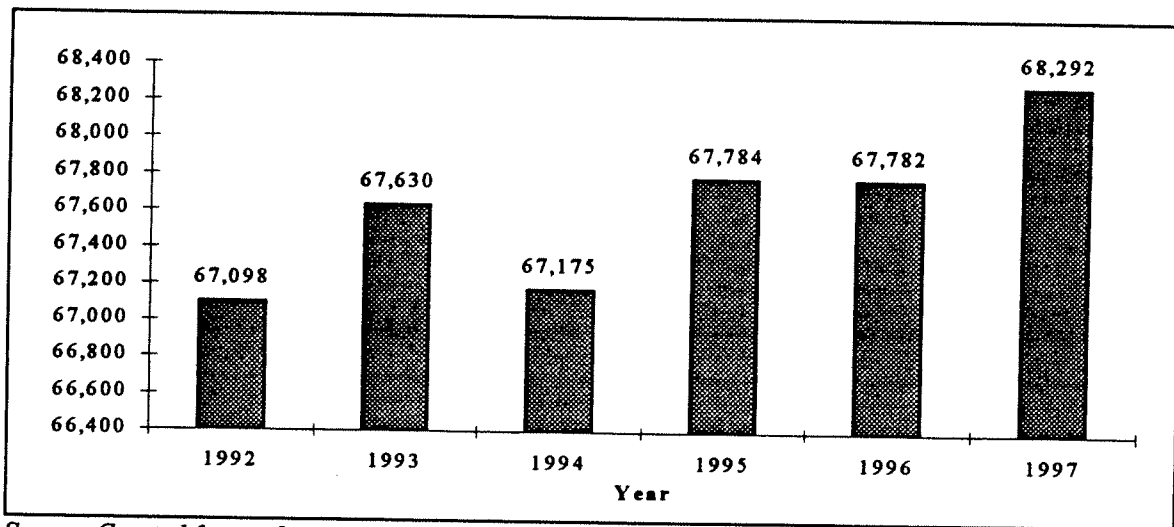
This section of our report summarizes the current structure of human resources management in South Carolina including organization, distribution of responsibilities, and staffing at the central office levels.

Human Resources Organization

Authority for human resources management in South Carolina rests in the Budget and Control Board's Office of Human Resources, Division of Retirement Systems, and Office of Insurance Services, and with other state agencies.

The number of full-time staff in South Carolina state government has remained relatively constant over the past several years, increasing less than 2 percent from 1992 to 1997.

Exhibit 2-1
Total Statewide Full-Time Employees



Source: Created from information provided by the National Association of State Personnel Executives' report, *State Personnel Offices: Roles and Functions*, 1996.

The number of temporary employees also remained relatively constant during the period from 1992 to 1997. The range was from a low of approximately 11,000 (1995) to a high of approximately 15,000 (1996), with an average number of temporary employees equal to 12,267.

The state's workforce is not organized into unions.

Office of Human Resources

The Office of Human Resources (OHR) is responsible for the administration of a comprehensive human resource program for state employees.

The Office of Human Resources was established in 1968 as the State Personnel Division and charged with the mission of developing and administering a statewide classification and compensation system. Since its formation, the role of OHR has expanded. OHR's responsibilities now include:

- Managing the state's classification and compensation plan
- Providing support for the Agency Head Salary Commission
- Developing statewide employee relations programs, policies, and guidelines mandated by the Personnel Act and related state and federal legislation
- Providing administrative support to the State Employee Grievance Committee
- Administering and operating the Cooperative Interagency Merit System of Personnel Administration
- Providing information to the public concerning available classified state job vacancies
- Providing human resource and organization development programs for state employees
- Providing education on the principles of quality management in state government practices and processes

Currently, OHR's three roles are:

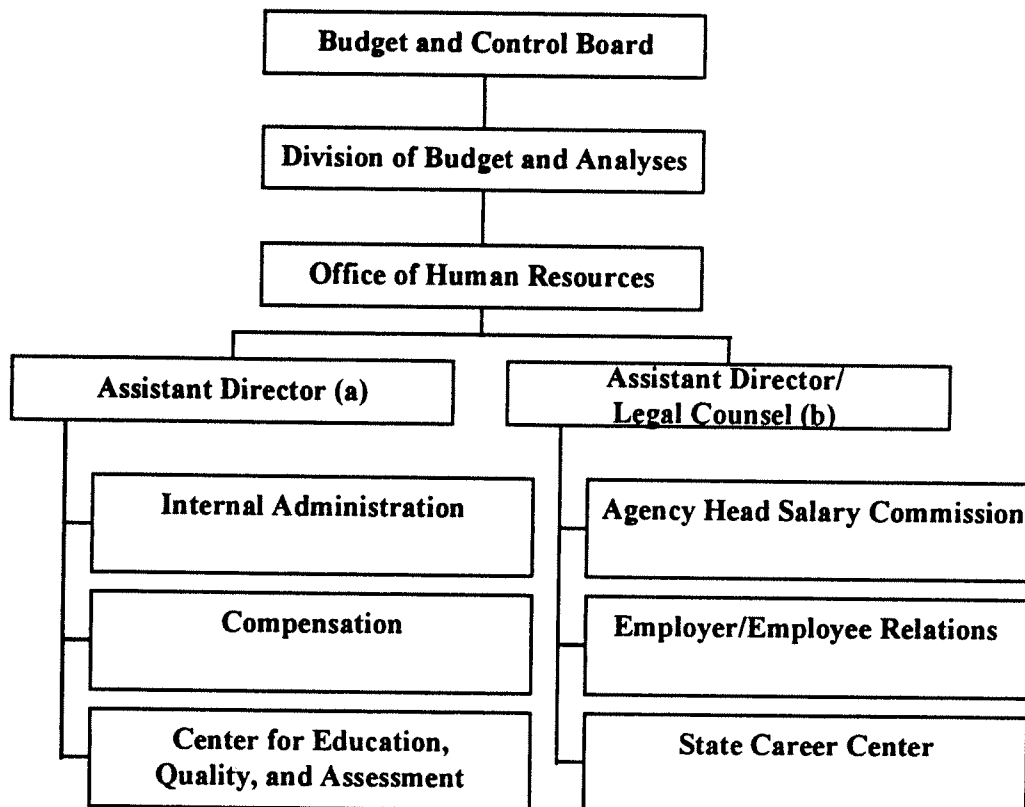
1. **Consultant:** to provide advice, counsel, and support to each of the agencies
2. **Partner:** to work with each agency to assist in the achievement of objectives with respect to meeting the needs of statewide employees
3. **Regulatory:** to monitor the regulatory environment and ensure each agency is informed of regulatory changes pertaining to the human resource function

South Carolina Statute 8-11-250 mandates the establishment of an Advisory Council. The Council's members are to meet with the State Personnel Director to review and comment on proposed human resource policies, procedures, and regulations.

The Advisory Council current membership consists of representation from eight different agencies. The *Practitioner's Guide to Excellence in Human Resource Management*, April 2, 1997, distributed by OHR and the Human Resources Advisory Committee provides agencies with a comprehensive list of "best practices" for all human resources management functions.

The organization of the of South Carolina's Office of Human Resources is as follows:

**Exhibit 2-2
OHR Organizational Structure**



Source: Based on information provided by the Office of Human Resources, as of June 30, 1997 and September 1, 1997.

The above organization of approximately 63 individuals (excluding vacancies) is staffed as follows¹:

- An Office Director and an Administrative Assistant
- An Assistant Director (a):
 - Internal Administration: 1 Administrative Coordinator and 5 support staff

¹ Based on information provided by the Budget and Control Board, as of June 30, 1997 and September 1, 1997.

- Compensation: 1 Program Manager and 13 support staff
- Center for Education, Quality, and Assessment (CEQA): 2 Program Managers and 12 support staff
- An Assistant Director/Legal Counsel (b):
 - An Administrative Assistant
 - Agency Salary Head Commission: Employer/Employee Relation staff provides assistance to the Commission
 - Employer/Employee Relations: 1 Program Manager and 5 support staff
 - Grievance/Mediation: 1 Program Manager and 3 support staff
 - State Career Center: 1 Program Manager and 13 support staff

Distribution of Responsibilities

The following chart summarizes the distribution of key human resources management functions in South Carolina between the Office of Human Resources and state agencies.

**Exhibit 2-3
Distribution of Responsibilities between OHR and Agencies**

FUNCTION	OHR	AGENCIES*
Classification and Compensation	<p>Develops job specifications for all positions</p> <p>Sets classification policy and maintains control of system and classification structure</p> <p>Needs to approve requests to establish new classes or revise existing classes</p> <p>Reviews and updates classification system</p> <p>Manages employee and position information system (HRIS)</p> <p>Conducts post-audits of agency classification actions</p> <p>Maintains position descriptions for all non-delegated positions</p> <p>Maintains all organizational charts</p> <p>Provides training on classification</p>	<p>Develops any special job requirements</p> <p>Uses delegation contracts to classify positions</p> <p>Initiates request and obtains concurrence from other agencies if necessary for reallocating a classification</p> <p>Participates in reviews of the classification system</p> <p>Enters data regarding employees and positions on the HRIS</p> <p>Develops position descriptions and maintains position descriptions for delegated positions</p> <p>Maintains agency organizational charts</p> <p>Participates in training on classification</p>
Compensation and Salary Plan	<p>Supports General Assembly in development of a pay plan for state employees</p> <p>Supports General Assembly by providing information on state employees</p>	<p>Implements approved pay plan</p> <p>Provides required information to OHR on agency employees</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Classification and Compensation, Continued</p> <p><i>Compensation and Salary Plan</i></p>	<p>Assigns salary ranges to classifications</p> <p>Needs to approve salary increases over 10% for:</p> <ul style="list-style-type: none"> • In-band increases for additional skills/knowledge • In-band increases for additional job duties and/or responsibilities increases • Promotion • Reclassification <p>Needs to approve salary decreases in instances of voluntary assignments of lower level responsibilities, demotions, and downward reclassifications</p> <p>Collects salary data and reviews compensation plan</p> <p>Manages hire above the minimum programs</p> <p>Develops policies for incentive compensation</p> <p>Maintains statewide performance bonus results</p> <p>Provides training to agencies on the compensation system</p>	<p>Uses established salary ranges to determine pay and administration of salary increases</p> <p>Makes in-band and promotional salary increase decisions</p> <p>Makes salary decrease decisions</p> <p>Conducts agency salary reviews and comparisons</p> <p>Makes hiring above the minimum decisions if agency has an established delegation agreement</p> <p>Implements incentive compensation programs</p> <p>Reports performance bonus program results to OHR</p> <p>Participates in training on the compensation system</p> <p>Communicates compensation policies to employees</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Classification and Compensation, Continued</p> <p><i>Human Resources Information Systems</i></p>	<p>Initiates and maintains a comprehensive system (HRIS) to administer human resources</p> <p>Trains agency officials on capacity of the comprehensive human resources system</p>	<p>Serves on committees regarding system development</p> <p>Provides required information to the HRIS and may maintain a separate human resources system</p> <p>Participates in training on the comprehensive human resources system</p>
<p>Employee Relations</p>	<p>Prepares and publishes the State Human Resources Regulations</p> <p>Monitors employment related court decisions, state and federal laws and notifies agencies of changes through training, the ER Review, and other forms of communication</p> <p>Consults and provides technical assistance to agencies on interpretation and administration of human resources policies, procedures, and practices</p> <p>Develops model policies. Reviews and approves agency policies in the areas of grievances, overtime, progressive discipline, the employee performance management system, and reductions in force</p>	<p>Uses the State Human Resources Regulations as a basis for agency policies, procedures, and practices</p> <p>Uses OHR as a resource for HR legal trends</p> <p>Uses OHR as a resource for HR technical matters</p> <p>Establishes employee relations policies, including grievance/appeals procedures and disciplinary actions</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Employee Relations, Continued</p>	<p>Trains agency officials in the areas of grievances, overtime, progressive discipline, the employee performance management system, and reductions in force</p> <p>Provides training and administrative support for the State Employee Grievance Committee and mediators/arbitrators</p> <p>Reviews appeals to the State Human Resources Director</p> <p>Assists agencies in developing internal alternative dispute programs</p> <p>Develops statewide leave policies</p>	<p>Participates in training for grievances, overtime, progressive discipline, the employee performance management system, and reductions in force and may offer own training sessions in addition to OHR's</p> <p>Trains agency supervisors in the administration of agency grievance/appeals policies and procedures</p> <p>Processes internal grievances</p> <p>Encourages and promotes alternative dispute resolution</p> <p>Administers leave policy implementation and communicates leave policies to all employees</p>
<p>Employee Performance Management System</p>	<p>Designs performance management system and approves agency policies</p> <p>Conducts performance management system post-audits</p> <p>Maintains statewide employee performance information</p>	<p>Establishes performance management policies within OHR's criteria, selecting the system's options to use</p> <p>Administers annual performance appraisals</p> <p>Maintains employee performance management data and inputs into OHR's HRIS</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Employee Relations, Continued</p> <p><i>Employee Performance Management System, Continued</i></p>	<p>Initiates and participates in periodic reviews of the system</p> <p>Provides training on the performance management system</p> <p>Designs performance management system for the Agency Head Salary Commission</p> <p>Provides staff support to the Agency Head Salary Commission, which makes agency head salary recommendations</p> <p>Provides training on agency head performance management</p>	<p>Communicates performance management system's policies and procedures to all employees</p> <p>Participates in periodic reviews of the system</p> <p>Utilizes training provided by OHR, while also developing own in-house training</p> <p>Provides planning and performance appraisal documents to the Agency Head Salary Commission</p> <p>Implements pay actions for agency heads</p> <p>Participates in training on agency head performance management</p>
<p>Recruitment and Selection</p>	<p>Provides consulting and training services to agencies regarding recruitment and hiring practices</p> <p>Administers the application process for Merit Agencies including, evaluating qualifications of candidates for Merit System positions to determine if they poses the required training and experience</p>	<p>Utilizes consulting and training services</p> <p>Administers recruitment, application, selection and hiring processes (Non-Merit Agencies)</p> <p>Administers selection and hiring processes (Merit Agencies)</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Recruitment and Selection, Continued</p>	<p>Determines eligibility for promotions, demotions, reclassifications, reassignments, and lateral transfers for merit covered positions</p> <p>Initiates and participates in periodic reviews of the statewide recruitment and selection system</p> <p>Participates in reviews of agency recruitment and selection systems</p> <p>Develops and administers written and performance examinations for those positions requiring testing (Merit System and other positions upon agreement with an agency)</p> <p>Provides a central location for all those interested in state government employment to review job vacancies and receive counseling regarding state employment opportunities</p> <p>Refers qualified candidates and applications to agencies</p> <p>Identifies shortage areas or hard-to-fill positions by conducting an agency personnel needs assessment survey annually</p>	<p>Processes promotions, demotions, reclassifications, reassignments, and lateral transfers for merit covered positions</p> <p>Participates in periodic reviews of the statewide recruitment and selection system</p> <p>Initiates reviews of agency recruitment and selection systems</p> <p>Distributes job vacancies to the State Career Center and the Employment Security Commission when recruiting outside the agency</p> <p>Responds to OHR survey identifying shortage and hard-to-fill positions</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Recruitment and Selection, Continued</p>	<p>Maintains a Career Line (telephone access) that includes posting hard-to-fill positions and Merit system vacancies</p> <p>Recruits on a statewide level at colleges and career fairs, and promotes state employment at secondary schools</p> <p>Provides search services for agency head and senior management positions in state government</p>	<p>Maintains an agency career line (telephone access)</p> <p>Recruits at colleges and career fairs</p> <p>Makes all hiring decisions for agency senior management positions</p> <p>Develops policy for affirmative action and equal opportunity (policy needs to be approved by Human Affairs Commission)</p> <p>Conducts employee orientations</p>
<p>Career Development and Training</p>	<p>Develops and delivers human resource, organization development, and continuous improvement programs and courses</p> <p>Assists agencies in developing training plans</p> <p>Conducts statewide training needs assessments and assists agencies in developing agency training plans</p> <p>Administers the Certified and Associate Public Manager programs</p>	<p>Develops an agency training program (including developing and administering courses and establishing contracts with vendors)</p> <p>Develops own training policy</p> <p>Conducts training needs assessment and develops training plan</p> <p>Selects employees for the Certified Public Manager and Associate Public Manager programs</p>

*Not all agencies will perform these functions or offer these programs

FUNCTION	OHR	AGENCIES*
<p>Career Development and Training, Continued</p>	<p>Offers management, organization development and continuous improvement consulting services</p>	<p>Obtains consultation services from OHR and other vendors</p>
	<p>Promotes use of and administers the statewide coordination of the State Employee Innovation System</p>	<p>Supports and administers agency's employee suggestion program</p>
	<p>Maintains CEQA training records</p>	<p>Maintains training records</p>
	<p>Coordinates and administers SC State Quality Network Association</p>	<p>Participates in SC State Quality Network Association</p>
	<p>Coordinates Training Consortium meetings</p>	<p>Participates in Training Consortium meetings</p>

*Not all agencies will perform these functions or offer these programs

Division of Retirement Systems

The Division of Retirement Systems (DRS) helps state government employees prepare for the challenges they face before and during retirement. The Division offers prospective retirees a pre-retirement program that focuses on long-term retirement and financial planning. Topics covered in the program include pension benefits, group life insurance, and medical and long-term disability benefits.