

South Carolina Department of Health and Environmental Control

Best Management Practices FY 2008 – 2009

September 2009



South Carolina Department of Health
and Environmental Control

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72.90 (GP: Best Management Practices) By September 1 of each year, agencies appropriated funds in this act must report on their website a self assessment of the agency's use of the following best practices during the prior fiscal year. For each of the best practices, the agency must publicly rate itself as **In Compliance, In Progress, or In Non-Compliance.**

The following is a self-assessment and examples of the South Carolina Department of Health and Environmental Control's (DHEC's) use of the 13 best management practices during fiscal year (FY) 2008-2009:

1. Integration of Planning and Budgeting: *The agency employs a multi-year strategic planning process that links the planning process with the annual budget review. [In Compliance]*

- The agency employs a multi-year strategic planning process. The Commissioner and the Executive Management Team work closely with the Bureau of Financial Management, the Office of Planning and deputy area staff to prepare the Annual Appropriations Request and other budget documents prescribed by the Office of State Budget or the Governor's Office.
- The DHEC Strategic Plan sets direction for the agency. Objectives are included to further align the planning and budgetary functions of the agency.
- The Executive Management Team sets priorities and manages fiscal reductions based on agency priorities. Long and short-range goals and objectives are analyzed and addressed during the preparation of the budget request and throughout the year.
- As budget reductions are mandated, DHEC continues to analyze its mission, goals, priorities, impacts, programs, efficiencies and critical state needs. This process has allowed agency staff to work together to identify other resources and methods of providing services that have helped reduce the negative impact on service delivery.

2. Internal Audit: *The agency utilizes an active internal audit process that includes: (a) programmatic reviews along with fiscal reviews; (b) consistent follow-up on audit findings; and (c) reporting of the internal audit function to the institutional head and/or to the governing board, if applicable. Agencies that cannot afford a separate internal audit staff should use internal reviews that serve the same as an internal auditor. [In Compliance]*

- DHEC has an active internal audit process functioning within the agency. The Office of Internal Audit's (OIA) mission is to conduct routine, special and

investigative audits to assist the DHEC Board and management in assessing and improving agency programs and operations. During FY09, OIA issued four audit reports, which identified areas where the agency could improve operations, strengthen internal controls and save or recoup costs. All internal audit recommendations from calendar years 1995 through 2007 are closed.

- Audits are conducted based on the Annual Internal Audit Plan. This plan is prepared at the beginning of each fiscal year based on input received from DHEC management and staff, assessments of agency needs and federal mandates. A risk-based approach is used to prepare the plan. The Office of Internal Audits also conducts special project investigations as requested.
- Over the past four fiscal years, the Office of Internal Audits (OIA) has made 212 recommendations to improve agency operations, internal controls and procedures. Of those 212 recommendations, 191 have been implemented with 21 outstanding, which will be implemented in this fiscal year. This shows a serious commitment by DHEC management to make positive changes in the agency. Internal Audits continues to follow-up on the open recommendations and reports the status to the Audit Committee of the DHEC Board, which helps to insure OIA's independence from the audited areas.
- The Office of Internal Audits requests follow up progress reports on audit recommendations 30 working days after the final audit report is issued. If all recommendations are not implemented at that time, the office follows-up with the audited areas at least quarterly to get a progress report until the recommendations have been adequately closed by management. Internal Audits presents the status of open internal audit recommendations to the Administrative/Audit Committee of the DHEC Board three times per year and to the Executive Management Team (EMT) twice per year. The Audit Committee and EMT emphasize the importance of implementing audit recommendations, which contributes to the success rate of implementation.
- A Fraud, Waste and Abuse Hotline, is available to employees, clients and contractors. An annual report is presented to the agency's Executive Management Team summarizing the calls and investigations resulting from calls to the hotline.

3. Collaboration and Partnerships: The agency demonstrates financially beneficial collaborative efforts with other public entities in the performance of business functions including, as applicable, but not limited to, financial management, energy management, printing and publications, mail service, procurement, warehousing, public safety, security, space utilization and parking. [In Compliance]

- The Bureau of Financial Management submits many of the grants' Financial Status Reports on-line. The Health Resources and Services Administration and the National Oceanic and Atmospheric Administration require all reports be done online. This eliminates the need for mailing out hard copies, which saves on both paper and postage.

- The Bureau of Financial Management compiled a list for the State Treasurer's Office of employees volunteering to receive one pay stub a month. DHEC had a remarkable response with 1,491 employees (37%) choosing to participate in the program. This initiative saved the Treasurer's Office printing costs and saved staff time in both the DHEC and the Treasurer's Office.
- The Bureau of Financial Management has participated in the S.C. Stimulus Oversight, Accountability and Coordination Task Force and the Audit and Verification Working Group of this task force. The information learned from these meetings has been passed on to areas of the agency that will be receiving stimulus dollars and will be required to follow the federal and state guidance related to these funds.
- DHEC's self-developed Fleet Management Information System (FMIS) has been made available to the governmental membership of the Southeast Governmental Fleet Managers Association. To date, several other state agencies, including the Department of Mental Health, Department of Transportation, Department of Corrections, Department of Disabilities and Special Needs, Criminal Justice, the Forestry Commission and several other county and city municipalities have implemented the agency's system and are benefiting greatly from this valuable, no cost resource. The new Microsoft SQL version is in production.
- DHEC has established strategic leadership and direction for improving public health emergency preparedness. Specific accomplishments include: updating hurricane response plans, including health care facility evacuation plans; updating and expanding pandemic influenza planning; improving interstate mutual assistance for health and medical services; continued integrated emergency planning efforts with state and local governments and the Catawba Indian nation; improved disease reporting, investigation and outbreak response; increased state public health laboratory testing capabilities; improved rapid communication network for disease reporting (Carolina Health Electronic Surveillance System) and health alerts (REACH-South Carolina Health Alert Network); expanded volunteer coordination efforts, including the South Carolina SERV registry for health professionals; and participation in state and regional Counter-Terrorism Coordinating Council initiatives.
- The agency, where possible, has established partnership arrangements with health and human service agencies at the local level. This arrangement provides opportunities for sharing staff, utilities, janitorial service, common supplies, fax and local telephone usage. The collaboration not only saves costs, but also centralizes and improves service delivery.
- DHEC continues to enhance intra-agency collaboration with the state Department of Health and Human Services and the Office of Research and Statistics through data exchanges and by automating eligibility inquiries, saving time and manpower resources and improving the accuracy of billing for both agencies.

- DHEC partners with many other organizations, community groups and stakeholders to improve the health of the public and protect the environment. For additional information, please refer to the agency's 2008-2009 Annual Accountability Report and the "Healthy People Living in Healthy Communities" report, which can be found at www.scdhec.gov.

4. Outsourcing and Privatization: *The agency examines opportunities for contracting out various business functions, has performed cost analyses, and has implemented, where economically feasible, cost saving contracts.* [In Compliance]

- Continuing the in-house competitive bidding procurement procedures through an exemption from the procurement code, the total savings in the Underground Storage Tank Management program is over \$2.68 million from the previous prices for calendar year 2008 for a total cost avoidance savings of over \$181.6 million since implementing this process. This includes pay for performance contracts, assessments, laboratory contracts, and other contracts for sampling, GAC filters and free product recovery. The lower costs for services obtained from this new competitive outsourcing process has led to a significant increase in the number of outside contracts, which resulted in significantly more sites cleaned up over the previous processes.
- DHEC is committed to reaching out to the small and minority business community in South Carolina. Bureau of Business Management's Minority Business Enterprise (MBE) Program expenditures were reported as the highest among the top five state agencies reporting MBE expenditures over a million dollars a year. During the last reporting period, DHEC reported expenditures of approximately \$4.2 million with certified small and minority firms in South Carolina.
- The Bureau of Business Management's Solicitation Management System (procurement Web pages) continues to provide self-serve access to solicitations and awards, which reduces administrative costs. Since inception in 2002, there are now more than 1,300 vendors registered as users, 895 solicitations and 2,188 documents have been made available. In calendar year 2008 alone, 95 solicitations and 280 documents were made available to vendors via this site. The use of the Web allows vendors to self-serve access to information regarding solicitations and awards. Although not tallied, this system has resulted in reducing administrative costs, distribution and postage fees, and other associated costs.
- The Bureau of Business Management's (BBM) identified several areas where the agency could further improve current processes, enhance accountability measures and realize greater costs savings. To further align with the agency's strategic goals and objectives, the Procurement Services team negotiated contract prices based on current economic conditions, used life-cycle costing to consider total cost of ownership, served as procurement consultants for our internal customers, and also researched and identified open contracts and

purchase orders with remaining funds. Also, through successful negotiations and the invoking of the 10% rule through price matching, BBM Procurement Services' personnel's efforts have resulted in decreased costs for agency wide procurements. An example would be the business card contract where DHEC employees now realize approximately 35% savings off the original contract price when ordering business cards.

- The Bureau of Business Management, through the assistance of the Office of the General Counsel, continues to collaborate on contractual issues to ensure that the governing terms and conditions are crafted in a way to ensure that liability and performance issues are properly addressed. The Underground Storage Tank Program worked with staff from Legal and Procurement Services to adjust the terms and conditions of its pay-for-performance contracts. The changes included a move to charge liquidated damages in the event of a contract breach in order to increase performance and to provide greater accountability of contractors.
- DHEC outsources recycling activities to the Department of Corrections, which continues to be the most cost efficient method of handling the agency's solid waste recyclable material. During FY08, the Department of Corrections collected approximately 190 tons of recyclable material (cardboard, paper, phone books, and plastics) from DHEC offices in the Columbia area including the Lexington County Health Department.

5. Process Analysis: *The agency makes a critical examination of its business processes in an effort to increase productivity, reduce waste and duplication, and improve the quality of services provided to its internal customers. [In Compliance]*

- The volume purchase of personal computers and other information technology products creates financial savings for the agency, reduces administrative activities and utilizes procurement planning across program lines. For FY09, the agency realized a cost avoidance savings utilizing this process of \$255,539 from the state contract price. This allows programs to maximize their purchasing dollars.
- The Bureau of Business Management procured two high volume printing duplicators at a cost of approximately \$20,000 for both machines. The procurement of these two machines allows workloads (approximately 800,000 copies per month) to be shifted from other higher cost per copy machines at \$.0040 vs. \$.00105 for the duplicators. On average the Copy Center should save more than \$2,000 per month with the workload shift allowing the duplicators to pay for themselves in the first year.
- As of May 31, 2009, the agency's annual facilities lease obligation decreased from \$9,240,842 to \$9,114,040, resulting in a decrease of \$126,802, since the past fiscal year-end. A portion of the decrease is attributable to lease agreements that were not renewed and the associated reduction of the physical

space. Some cost avoidance was negotiated through lower rates and reduced terms over the contract period.

- The process to release payments on purchase orders for commercial leases was transferred to the Bureau of Business Management, allowing the Bureau of Financial Management to create a separation of duties in Accounts Payable. This shift in responsibility included setting up releases for payment, approval of the release, and submitting the appropriate invoices for payment on each commercial lease on a monthly, quarterly, semi-annual and/or annual basis.
- The agency continues to increase the usage of the State Purchasing Card instead of using purchasing orders. During FY09, 13,291 purchases were made with the card totaling more than \$3,502,612. The average cost to process a purchase order is \$83 and the average processing time is 54 minutes. The average purchasing card transaction cost is \$23 with an average processing time of 14 minutes. This represents a 72% reduction in costs and a 74% reduction in time. By using the purchasing card to acquire goods that would previously have been procured by purchase orders, the agency has realized a cost avoidance savings of \$797,460 this fiscal year. The agency also received a rebate in the amount of \$21,570 as part of the contract terms.
- Health Services Operations and the Bureau of Financial Management have continued to work together to conduct semi-annual budget reviews with the eight health regions. The Environmental Quality Control area also conducts at least semi-annual budget reviews with its program areas. More frequent reviews are conducted when there are issues that need to be resolved. Overall, this process has worked well to increase open communication and resolve budget issues more quickly.
- The Office of Project Management continues to identify, prioritize, monitor and report on large agency initiatives. Creating this accountability system has improved communication, ensured that limited resources are aligned with the strategic plan and utilized to the fullest potential.
- The Environmental Laboratory Certification Program received approval from the EPA to be exempted from a discharge monitoring quality assurance study. This study is typically required of facilities which operate under the Clean Water Act's National Pollutant Discharge Elimination (NPDES) permit. In May 2009, DHEC received official notification from the EPA granting the exemption, based on DHEC's proficiency testing program requirements. The elimination of this requirement will reduce duplication in government operations. It will increase efficiency in DHEC's Laboratory Certification program, while reducing the workload for the NPDES permittees and the laboratories performing the analyses.

6. Use of Automation and Technology: *The agency uses a long-range plan for improved use of technology to enhance business processes and takes deliberate efforts to implement this technology within budget constraints. [In Compliance]*

- The Bureau of Financial Management (BFM) Credit Card System for customers wishing to pay for DHEC fees and services by personal credit card was updated in FY07 to allow the processing of multiple invoices against a single credit card payment. Credit card transactions have continued to increase. In FY09, BFM processed \$2,985,458 in credit card transactions. This is a \$69,106 increase (3%) over last fiscal year. Customers have been pleased with this option and the availability of agency funds has improved.
- In FY08, with all sites online with Consolidated Billing Accounts Receivable System (CBARS), DHEC billed Medicaid approximately 15,000 claims per month with an approximate dollar value of \$985,000 per month. In FY09, DHEC billed Medicaid for approximately 15,500 claims per month in CBARS with a total dollar amount of approximately \$995,000 per month. The increased efficiency in processing has resulted in more timely access to the billing dollars owed.
- The Bureau of Financial Management Accounts Receivable worked with the Bureau of Information Systems to convert the Consolidated Accounts Receivable System from the mainframe to the Standard Invoice Processing System. This conversion project was a large-scale agency-wide project that was completed in May 2009.
- DHEC has developed a public health informatics approach to improve how the agency's business is conducted by leveraging data and information that are gathered, organized, managed and shared. The agency's Public Health Informatics Committee continues to provide guidance on DHEC's future data systems and information services initiatives. The committee has previewed all existing major public health systems and data sources and has developed an overall public health informatics infrastructure including data systems, integration, standards, confidentiality and security around the agency. Future initiatives involving data systems and information services will be reviewed by this team prior to development and implementation resulting in: improved efficiency, oversight and guidance; reduced cost and duplication of efforts; and improved compatibility with the agency's infrastructure and needs.
- With the development and use of a common data model for internal agency systems (where data is shared and stored only once for use by any system), the agency has expanded the management use of the data through the use of Decision Cube technology. This feature allows users of DHEC systems to query information, create customized reports, examine and plot trends and data mine across systems where data elements might be common to several program areas. This has led to better internal management with improved productivity tracking by staff, as well as improved customer service.
- The DHEC Environmental Laboratory Certification Program has improved efficiency and accountability by automating application review processes. Some new processes involve the renewal procedures for in-state and out-of-state laboratories certified by the program. The renewal applications and their documentation are now being tracked by DHEC's Environmental Facility Information System (EFIS). The evaluation reports and correspondence are

generated and stored in the system for later retrieval or review. The automation of this renewal process has also improved staff productivity.

- The Environmental Facilities Information System (EFIS) in the Environmental Quality Control deputy area interfaces to commercial address-validation software. Addresses are validated at the time of data-entry against current U.S. Postal Service data, ensuring that no undeliverable “bad addresses” are entered into EFIS. Existing Annual Fee Billing programs have been modified to also use the address-validation software as part of the prelist generation process. Addresses on the prelist are flagged as valid/invalid. Invalid addresses are resolved by program area staff prior to final invoice generation and mailing, thereby eliminating mail returned due to un-mailable addresses.
- The Environmental Facilities Information System interfaces with DHEC’s Accounts Receivable system of record, known as the Simple Invoice Processing System, several times a day. Invoices are uploaded and payments are downloaded. This provides Environmental Quality Control staff with accurate and up-to-date account information relating to permit applicants.

7. Energy and Other Resource Conservation and Management: *The agency uses a plan to conserve energy and other resources and has demonstrated positive results.* [In Compliance]

- This past year, the agency created the Green Team to identify areas where DHEC can conserve resources, reduce energy consumption and improve agency operations. Such measures as making two-sided copies, recycling printer cartridges, and turning out lights in unoccupied offices and common areas during and after work hours are just a few of the practices initiated by staff. By encouraging environmentally-friendly practices and reducing operational costs, the Green Team helps DHEC lead by example and demonstrate accountability to the state’s citizens.
- Teleconferencing and telecommuting are encouraged in appropriate situations, which reduce travel costs and the need for office space.
- The agency recycles office paper, cardboard, ink cartridges, plastic bottles and aluminum cans.
- DHEC currently has 364 (64 percent) alternative fuel vehicles of a total of 573 vehicles in its fleet. Of these, 325 are regular/ethanol vehicles, 15 are regular/electric vehicles, and 24 are regular/natural gas vehicles. To service these vehicles, the agency has E-85 (ethanol) fuel available at its pumps at the Bull Street location. This pump also serves other agencies in the vicinity, which have E-85 vehicles.
- The agency provides fuel at the DHEC Fueling Facility to DHEC vehicles, as well as to 12 external agency customers on an ongoing basis. They average purchasing approximately \$46,500 in unleaded and E-85 (ethanol) fuel per month. This is a saving of approximately \$0.15 per gallon over commercial pricing. The DHEC Fueling Facility has been designated as an emergency

refueling site for emergency and governmental vehicles in the event of a natural disaster.

- Annually, the agency submits the "Energy Consumption Report" for each facility on the State Park campus in the central office area (approximately 13 separate facilities) to School Dude, Energy Direct where it is downloaded to the State Budget & Control Board.
- High efficiency, T-8 fluorescent bulbs and electronic ballast have been installed in the Sims/Aycock, Hayne Lab and Mills/Jarrett Buildings, three of the larger agency buildings, as well as in the State Park facilities.
- This past year the agency again participated in the Environmental Protection Agency's "National Energy Star Change a Light, Change the World" campaign.
- The agency purchases energy saving Energy Star compliant equipment and utilizes it to the greatest extent possible.

8. Preventive and Deferred Maintenance: *The agency uses a regular program of preventive maintenance to preserve its physical assets and has developed a plan to address overdue maintenance needs for its facilities. [In Progress]*

- As of June 30, 2009, the State Park Maintenance staff has saved the agency \$53,695 in renovation costs when compared to using outside vendors. Likewise, the DHEC Vehicle Garage saved the agency \$141,797 when compared to outside vendors and the state's Commercial Vendor Repair Program (CVRP). Additionally, the Garage completed a cost comparison for replacing front and rear brakes and rotors and doing a complete brake job. They obtained costs from Chevrolet, Chrysler and Ford dealerships and Goodyear and Firestone stores and compared those results with their in-house costs. The savings were substantial. Ranging from a high of \$1,406 at the Chevrolet dealership to a low of \$304 at the Firestone store.
- The Bureau of Business Management coordinates with the Budget and Control Board's Office of General Services' Facility Maintenance Section to ensure preventive maintenance within agency state owned or leased facilities. To minimize major maintenance failures, overdue preventive maintenance issues are moved up to a priority "one" or "two" status from the normal priority "three" status in scheduling repairs.

9. Alternate Revenue Sources: *The agency makes substantial efforts to identify and secure alternate revenue sources (excluding categorical grants for specific functions) to supplement funds available from state appropriations. [In Compliance]*

- With the support of stakeholders, DHEC has attempted to promote user fees to cover the cost of many services provided, such as specific fees to review pool and spa construction and maintenance and fees to cover the processing of water facility construction permits. The agency works with stakeholders to get their support for the fees.

- The agency pursues third party reimbursement, establishes fee schedules for services provided, and pursues partnership agreements with private organizations for the provision of health services.
- DHEC actively seeks and applies for grant funds and works with community partners to leverage resources (dollars and person-power) that will further the agency's mission to promote and protect the public's health and the environment.
- The agency makes substantial efforts to involve the business community in the identification of revenue sources for programs and projects that are beneficial to the business community. DHEC partners with other state agencies, other organizations and the private sector to develop new business relationships and revenue streams. For additional information, please refer to the agency's 2008-2009 Annual Accountability Report and the "Healthy People Living in Healthy Communities" report which can be found at www.scdhec.gov.

10. External Annual Financial Audit Findings: *The agency minimizes or avoids all management letter and single audit findings in the annual audit performed or supervised by the State Auditor, especially violations of state law, material weaknesses, single audit findings and questioned cost. [In Compliance]*

- During 2008, in the Bureau of Business Management's Procurement Services Division, the State Materials Management Office of Audit and Certification completed its three year audit of the DHEC purchasing functions. The auditors found very few discrepancies. In fact, they indicated that this was the best audit ever for DHEC, as well as the best among large state agencies. They were especially complimentary of the agency's training program, quality assurance program, certification program, procedures manual and oversight processes. As a result of their investigation, the Budget and Control Board approved DHEC for the highest overall certification of all the state agencies. The new certification limits for DHEC are \$7.5 million in contracts for pharmaceuticals, \$2 million in goods and services, \$225,000 in information technology, and \$250,000 for consultant services.
- DHEC addresses all findings identified by the state auditors. The state auditors or their contractor(s) audit DHEC each year for compliance with state policies and procedures, which results in the Agreed upon Procedures Audit, and compliance with federal programs, which results in the Statewide Single Audit, of which DHEC is a part. A copy of these audit reports can be found on the state auditor's Website at www.osa.state.sc.us.
- The Agreed Upon Procedures audit for FY08 had no findings. This is the seventh straight AUP audit report that contained no audit findings (Note: AUP audits were not done for FY01 & FY04). FY99 was the last time DHEC had any audit findings in the AUP audit. Also, the Statewide Single Audit for FY08 had no reportable findings, considering DHEC has such a large number of federal grants, this is a big accomplishment.

11. External Review Findings: The agency minimizes or avoids all non-compliance findings related to its business practices in external reviews and audits. [In Compliance]

- Because of an active Office of Internal Audits and many programs performing internal compliance reviews, DHEC attempts to identify and resolve any issues prior to having external reviews of the programs. [See #2 - Internal Audits.] As a result, the agency usually does well in external reviews.
- Any issues that are identified by external auditors are monitored internally to ensure timely correction, and implementation is reported back to the auditors.
- The Office of Internal Audits (OIA) also receives and reviews the sub-recipient audit reports from those contractors who receive federal funds from DHEC and meet the requirements of OMB Circular A-133. The deputy areas and the Commissioner's Office report to OIA quarterly on the status of sub-recipient contractors.

12. Long Range Capital: The institution uses a long range (minimum three to five years) capital improvement plan for major capital requirements for its buildings and has, subject to fund availability, begun implementation of the plan. [In Compliance]

- Annually, the agency provides the Budget & Control Board (B&CB) with an update to its current and five-year projected capital expenditure plan (over \$100K) and forwards that information to the B&CB using their "Comprehensive Permanent Improvement Plan" forms.

13. Risk Management: The agency has an active risk management program in place to minimize its losses. [In Compliance]

- The agency has a Risk Management Program that: (a) collates the information collected by various DHEC committees or units for analysis and provides recommendations to upper management for policy or procedures changes; (b) provides a forum to discuss risk issues that cross deputy areas, such as specialized training that may apply to several areas within the agency; (c) promotes efforts to reduce risk factors designed to minimize insurance costs; (d) facilitates design and configuration of data collection systems related to risk management that includes quality indicators; and (e) raises employee awareness and education level in order to reduce risk.
- As the public health agency for the state, DHEC must conduct assurance and surveillance activities to protect the health of the public and the environment. Risks are assessed and mitigated through the agency's efforts to achieve its goals and related objectives. Staff help identify the key strategies and objectives that must be tracked to assess agency effectiveness in accomplishing the DHEC mission.
- Maintaining essential public health functions during natural disasters, man-made calamities, and large-scale disease outbreaks is a particular planning focus of the

agency. Continuity of Operations Planning (COOP) is now required by the DHEC Emergency Operations Plan policy, as well as by the federal emergency planning grants. The agency continues to develop and refine its COOP capabilities both at the central and local levels. These plans include assessments of essential and deferrable functions, enhancing communications and facilities, and collecting comprehensive personnel contact, capabilities and capacity information for staffing purposes in response to any emergency. COOP is a frequent theme in planning and exercising with community partners including counties and healthcare facilities. DHEC is providing COOP technical assistance to those partners, while continuing to refine and improve its own COOP efforts.

- DHEC is developing a Disaster Recovery Plan to put the agency in a position to recover network and system capabilities should the main campus be destroyed.

For additional information about the S. C. Department of Health and Environmental Control, please visit the agency's Web site at www.scdhec.gov.