

**South Carolina  
Department of Revenue**

**Annual Accountability  
Report**

**Fiscal Year 2003-2004**

**Mark Sanford, Governor  
Burnet R. Maybank, III, Director**

## **Accountability Report Transmittal Form**

Agency Name - South Carolina Department of Revenue

Date of Submission – September 15, 2004

Agency Director – Burnet R. Maybank, III

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## **I. Executive Summary**

**Mission and Values:** The mission of the Department of Revenue (DOR) is to administer the revenue and regulatory laws of this state in a manner deserving the highest degree of public confidence in our integrity, effectiveness and fairness. To accomplish this mission, the South Carolina Department of Revenue will:

- Administer revenue and regulatory laws in a fair and impartial manner;
- Collect the revenue due the state;
- Recommend improvements to the laws administered;
- Ensure a professionally-trained staff of employees;
- Continually improve the quality of services and products; and
- Provide guidance to foster compliance with revenue and regulatory laws.

The values of our department are: Customer Focus; Equal Treatment; Integrity; Accountability; Continuous Improvement; Informed Decision Making; Knowledge; Teamwork; Open Communication; and Recognition.

In concert with our mission, the Department of Revenue contributes, through collection and enforcement activities, 94% of total revenue generated for the general fund of \$5.3 billion from 32 taxes we administer. (See Figure 7.2.1)

Approximately 94% of total collections are through voluntary compliance to our tax laws. The remaining (6%) is deemed to be enforced collections which account for nearly \$400 million to revenue collections. (See Figure 7.2.2)

The DOR plays a major role in the state budget process. The Director represents the DOR, in an ex-officio capacity, at meetings of the Board of Economic Advisors (BEA). The BEA is dependent on information provided by the Director in formulating budget estimates for purposes of developing guidelines for the General Assembly to establish the state budget.

The Department, by leadership through the Director is legislatively mandated, in §11-11-10, to be represented at all meetings of legislative committees related to budget activities. The legislation reads “It shall call upon the State Department of Revenue for any information desired, and the State Department of Revenue shall furnish such information and shall be present at all hearings before the committees having charge of the appropriations in the Senate and House.” The Director, is often called upon to address meetings of these legislative committees in order to explain and help formulate budget policies as it relates to revenue collections.

Further, the DOR and its Director are instrumental in bringing new businesses and encouraging existing businesses to expand within South Carolina. Along with the South Carolina Department of Commerce (DOC), the DOR is the other state agency that is primarily involved in enhancing economic development in this state. The DOR administers most of the tax credit programs in this state and therefore, is often required to be present at meetings and presentations when new businesses are considering locating in this state. The DOR is responsible for administering the jobs tax credit, the economic impact zone investment tax credit, the corporate moratorium, the special allocation and apportionment of income program, the fee-in-lieu of taxes program and the license tax credit for utilities, among other credits and incentives. The DOR, along with DOC, is

responsible for administering the job development credit program. In fact, because the DOR had administration over the majority of all tax incentives offered to businesses, many businesses require assurances from the DOR that they will be able to utilize and tap these incentives prior to making a decision to locate within the state. Over the past fiscal year, the DOR staff, along with the Director have reviewed or considered over 63 projects with job creation estimated in excess of 6,611 net new jobs and new capital investment estimated at over \$1.29 billion.

Staff at the DOR and its Director are considered among the most knowledgeable in the state about economic incentives and fee-in-lieu of tax transactions and are consistently contacted by tax attorneys, accountants and businesses about the ins and outs of the incentives. The DOR staff have also been involved in trade missions to other countries and state designed to encourage foreign business to invest in the state. Importantly, the Department also publishes the premier publication on incentives, *South Carolina Incentives for Economic Development* which is used in recruiting industry into the state. This publication has been consistently recognized as one of the best state publications addressing tax incentives.

The South Carolina Department of Revenue continues to be a leader in the percentage of returns received that are filed by electronic/non-paper methods. For the 2004 filing season, the agency received 963,885 returns via non-paper methods.

Electronic collection processes also have allowed the agency to collect 64.42% of tax dollars electronically, up from 59.4% in FY 02-03.

### **Major Achievements from Past Year:**

During FY 03 – 04, the Department of Revenue completed its fourth year of progress under its strategic plan. The strategic plan and annual business plan help us maintain focus on our major goals and objectives.

During this fiscal year, Director Maybank made a proposal to the General Assembly to collect an additional \$90 million in enforced collections if the Department of Revenue was appropriated an additional \$9 million to hire new collection, audit, and taxpayer assistance staff. With the acceptance of that proposal, DOR has been working on the hiring and training of these new employees. Beginning June 21, 2004, 25 new employees were on board and began their intensive two weeks of classroom training. This is an exciting time for the Department and we are thrilled to be given this opportunity.

The Department was recognized by the South Carolina Human Affairs Commission for achieving Top-Ten status and demonstrating Equal Opportunity Employment.

South Carolina is ranked as one of the top states in the nation in its “fair, efficient, and customer-focused” tax administration as cited by a national tax-watchdog group that ranks the states in these categories. South Carolina is tied with Arizona, Kansas and Missouri at the top of the national ranking among states that administer the most fair and equitable income tax program, said the Council on State Taxation (COST) in their 2004 ranking. In 2000, Cost ranked South Carolina 40<sup>th</sup> in the same listing.

A partnership between the Department of Revenue, Department of Transportation and some private sector businesses was created for the purpose of processing all motor fuel tax returns. The Motor Fuel Electronic Data Interchange (EDI) is saving the agencies, businesses and taxpayers time and money.

The Department was also nominated for the prestigious Secretary of Defense Employer Support Freedom Award. The annual award, which was created to publicly recognize exceptional employers of America's National Guard and Reserve, is presented in Washington, D.C. This year's award ceremony will be on September 21<sup>st</sup>.

Strategic objectives accomplishments (see section 2.4 for the list of objectives for numeric references):

**Nonfilers:** Fiscal year 03-04 collections of identified nonfilers totaled \$15,942,011, up from \$12 million last fiscal year. The Data Warehouse project vendor to identify uncollected revenues from individual income tax nonfilers, under reporters, and failure-to-file taxpayers has been selected. The vendor will start early in the 04-05 fiscal year, and potential nonfilers of individual income tax should be receiving notices the later part of next fiscal year.

We continue to exchange information with the other Southeastern Association of Tax Administrators (SEATA) states on a monthly basis. We collected \$28,778 with 50 assessments issued for fiscal year 03-04. We are also continuing to identify possible use tax nonfilers through the U.S. Customs project. In FY 03-04 we issued 395 assessments totaling \$620,309 and collected \$201,458. A pilot project was implemented to obtain furniture delivery information from transportation companies. Audit personnel visited two North Carolina transportation companies and obtained documentation (bills-of-lading) on deliveries into this state. As a result, we issued 508 notices and collected \$89,717.

The Nexus/Discovery unit registered 145 taxpayers and collected \$4,951,613 for this fiscal year. Projects worked include DOR database crosschecks, SEATA (Southeastern Association of Tax Administrators and MTC (Multi-state Tax Commission) information exchanges, internet research, and audit referrals. A special project focusing on medical companies selling into South Carolina resulted in 23 such companies being registered this fiscal year. Emphasis will continue to be placed on internet online sellers. Several major dot com companies were registered after months of negotiation, as well as two major furniture companies in North Carolina.

**Revolutionize Reporting and Payment:** The DOR processes thousands of transactions and payments annually. (See Figure 7.2.6 – 7.2.14) It has become a critical element of our business processes to develop more electronic means by which business and individual income taxpayers can file and pay taxes. We have experienced steady growth in our individual income tax non-paper filing (Figure 7.2.4) methods. Additional efforts in this arena are detailed below.

Sales tax EDI (Electronic Data Interchange) currently has over 1,200 taxpayers with 10,641 locations representing roughly \$1,092,069,073 in collections this fiscal year.

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The Sales Tax internet program was implemented in February. Over 20,000 returns were filed since February resulting in \$26.6 million dollars in credit card and bank draft transactions. Total internet payment transactions have reached over \$74.6 million for the fiscal year. Internet filing of corporate tentative returns and receipt of electronic payments has hovered around 67% of all money deposited.

Our withholding tax initiative resulted in 38,000 quarterly returns filed electronically this year. The sales tax electronic data interchange program grew 31% this fiscal year with over 1,200 taxpayers in over 6,800 locations filing over \$1 billion.

**Promote eGov and eBiz:** All Property Analysts are using the Computer Assisted Mass Appraisal (CAMA) program to appraise manufacturing properties throughout SC. The CAMA program is at a critical stage with regards to county participation in SC. While only Georgetown currently is using the system, all counties have been connected to the server in Columbia. The CAMA system is ready for use when the inactive counties decide to participate.

**Develop a systematic stakeholder feedback system:** Our goal this year is to increase the numbers of taxpayers we reach by developing relationships and partnering with various associations or organizations to assist with marketing. This resulted in development and delivery of industry specific tax workshops. We also offer free monthly Sales Tax Forms Workshops and Withholding Tax Forms Workshops. Response to these workshops continues to be very positive and our taxpayer assistance officers report they have been a very positive factor in improving taxpayer relations.

We continue to supply instructors for the Small Business Tax Workshops which are presented around the state in conjunction with the IRS and the Employment Security Commission on a monthly basis. Again this year we participated in the Clemson Tax Schools by providing instructors, taxpayer assistance and a manual. This year 960 people attended this school. We held a number of focus groups this year to get feedback on our sales tax forms and the My Taxes internet based taxpayer information system. Additionally, the Director continues to utilize advisory groups to receive feedback. These include the Legislative, Local Developers, Economic Development, Alcohol Beverage Licensing, Hospitality, Blue Ribbon Corporate Law, and the General DOR Advisory Committees. We also continue to utilize the University of South Carolina Institute for Public Service and Policy Research to conduct our annual customer satisfaction survey. Results can be found in Category 7.

**Upgrade our Technology Infrastructure:** A number of projects have been initiated this year to include:

South Carolina Business One Stop; Motor Fuel Electronic Data Interchange (EDI); Data Warehouse / Business Intelligence System; Vehicle Valuation Guide; Alcohol Beverage Licensing (ABL) renewals to the DORBOS system; Standard Industrial Code (SIC) to NAICS conversion; My Taxes & Web Portal; Annual Update to IRM Strategic Plan; Rollover of the DELL Personal Computer Lease; Technology Infrastructure Management's incident tracking system HEAT; IRM Project & Time Tracking System; and Disaster Recovery Plan:

**Governmental Enterprise Accounts Receivable Collections (GEAR):** During the FY 03-04 year, \$2,012,46.93 was collected for 35 participating entities by the GEAR program. This is up from \$1,047,043.27 for last fiscal year. Our debt set-off program continues to be an excellent collection tool for those entities who wish to participate in the program.

**Drive the state's one-stop registration project - South Carolina Business One Stop (SCBOS):** The design phase of the SCBOS project was initiated in June 2003 and completed in January 2004. Deliverables from the workshops for the five participating agencies have been delivered and the project has been completed. These include: 1) Business Process, 2) Data Attributes, 3) Project, 4) Application Security Business Rules, 5) Application Security Functional Requirements (Use Cases), 6) Business Application Business Rules, 7) Business Functional requirements (Use Cases), 8) Non-Functional requirements Attributes, 9) Maintenance and Utilities Functional Requirements (Use Cases), 10) Requirements Matrix, 11) Reports, 12) e-Payment, 13) Graphical User Interface Standards and SCBOS Executive Summary.

The Top Ten Committee is a sub work team of SCBOS Main Team and is charged with researching business types and compiling a business profile. This profile identifies the steps necessary to register and what local, state and federal agency to register with. These businesses are listed in the Featured Business section of the SCBOS website. The team has recently completed three new business types and currently working on another ten new businesses to add to the site. This process is also helpful in identifying the next agencies to be included in the next phases of SCBOS online registration.

The current SCBOS website is constantly monitored and has been updated to include a link to the IRS for obtaining a Federal Identification number, a link to the new 2004 Edition of the South Carolina Tax Incentives for Economic Development and updates to the featured business pages to reflect new e-services that DOR is now providing. See 7.4 for additional data.

**Workforce planning:** A number of initiatives are underway in the workforce planning arena which ultimately impact our workforce of today and to prepare us for the future. These initiatives are:

**Tax Law Training:** We continued our efforts in the development of e-learning Tax Law/Technical training.

**Using Advancing Technology in Training:**

We began developing tax type web pages for all major taxes which are designed to allow quick and easy access to all our tax information on the DOR website.

During this fiscal year e-learning modules were developed for Sales Tax Failure to File, Responsible Party/ARMS, and Basic Withholding Tax, Basics of the MetaStorm System, Instructions for Managers/Supervisors on the Electronic Time Card System, Instructions for Employees on the Electronic Time Card System and Instructions for Liaisons on the Electronic Time Card System.

**Leadership Development:** A new leadership development program called “Leadership for Results” was kicked off in July. A total of 41 participants from all over the agency participated in the program during FY 03-04 and attended classes monthly on a variety of leadership topics. The agency also had five participants complete the CPM program this year as well as 6 new candidates begin the program offered by the Office of Human Resources in FY 05.

**DOR Electronic Encyclopedia:** Existing resources are being utilized to continue with the development of DOREE. CMS (Content Management Software) is being used to create and maintain information on the DOR website and our intranet – DragNet.

**Employee Recognition and Satisfaction:** Director’s lunches continue to prove to be a popular recognition method. During the year 18 lunches were held recognizing 195 employees.

**Key Strategic Goals** – Our strategic plan focuses our efforts in four Key Result areas with associated strategies. These are:

**Key Result 1 - Maximized Compliance**

- Provide quality customer service
- Educate individuals, businesses, and tax professionals on regulatory, filing, and payment requirements.
- Reduce the stress, time, and cost of compliance by simplifying forms and instructions.
- Promote voluntary compliance with focused innovative enforcement.
- Work cooperatively with the Legislature to develop fair and simple tax laws.
- Use advancing technology to develop convenient alternatives for filing and payment.

**Key Result 2 - Strong Stakeholder Relationships**

- Partner with stakeholders to understand and meet their expectations.
- Provide employees the tools, systems, and information to effectively perform their duties.
- Provide stakeholders the right information at the right time.
- Provide a variety of customer-friendly options to communicate effectively with stakeholders.
- Make processes streamlined, proactive, and responsive.
- Effectively market and promote Department of Revenue services available to stakeholders.

**Key Result 3 - Effective and Efficient Agency and Enterprise Services**

- Identify, prioritize, plan, and implement flexible, long-term agency and enterprise services.
- Administer and continuously evaluate services to ensure stakeholder needs are met while adhering to rules, regulations, and statutes.
- Continuously evaluate and implement innovative technology to improve the quality and speed of service delivery while minimizing cost.
- Evaluate, provide, and manage agency resources to include equipment, facilities, employees, services, and tools.
- Market services and communicate procedures and policies to educate stakeholders.

**Key Result 4 - Capable, Satisfied, and Diverse Work Team**

- Provide forward-thinking leadership that is creative, clear, innovative, and demanding of excellence.
- Actively recruit and employ highly qualified, diverse individuals who are committed to providing public service.
- Provide competitive compensation and recognition systems which thank employees for their individual and team efforts and encourage innovation.
- Provide comprehensive, meaningful employee training and knowledge management systems that use up-to-date techniques and technology.
- Ensure a flexible organizational culture that promotes high performance, lifelong learning, and employee satisfaction in a safe work environment.

**Opportunities and Barriers:**

**Opportunities**

- Keeping customers satisfied despite fewer offices and personnel create opportunities to overhaul our service delivery strategies.
- Focus on measurement refinement allows for greater control of processes.
- Privatized collections continue to develop stronger supplier partnerships.
- Purchase and implementation of the statewide financial package with SAP will allow for greater streamlined processes and efficiencies.
- Continued incorporation of process improvement techniques allow for greater employee involvement, boost to morale, and more efficient processes.
- Improved financial management is being realized through activity based costing and zero based review.
- Greater voluntary compliance and more accurate reporting is expected as a result of more extensive taxpayer education opportunities.
- DORBOS and SCBOS will continue to provide more flexibility for taxpayers to manage their own businesses.
- Succession and workforce planning continue to be challenging.
- Telecommuting provides an avenue to keep expertise and provide for greater productivity.
- The new vehicle valuation system is providing more reliable data to our county customers.
- Motor Fuel Electronic Filing, Lottery Compliance, and the Business One Stop continue to provide partnering opportunities with other state agencies, counties, and other entities.
- We continue to support a greater focus on electronic audit and collection techniques, proper allocation of work to private collectors, and renewed focus on return-on-investment.
- NEXUS internet research and tape and data matching allow for greater discovery of areas of non-compliance.
- Data warehouse project will allow for storage and mining of internal and external data to identify nonfilers and under-reporters.
- Ability to accomplish high profile goals that will make a difference for the state and the agency, e.g.: SC Business One Stop, \$9m/\$90m, the data warehouse project, updated scan imaging, e-commerce efforts, and new remittance processing system.
- A compensation study to achieve an equitable pay structure is scheduled.

- An enhanced role and influence of a new internal auditor will provide more accountability
- Establishment of a blueprint for the future with an updated IT strategic plan for replacement of SCATS (South Carolina Automated Tax System), the incorporation of the data warehouse, SAP and SCBOS and continued collaboration of state resources.
- Partnering opportunities to accomplish high profile goals will occur such as our efforts with DMV as a newly created Cabinet agency
- New ideas with ability to hire new employees
- Ability to build fast-tracked training for new employees
- Our compliance efforts will be enhanced with the IRS' refocus on compliance
- Outside contract personnel's influence on current DOR employees can be positive
- We continue to share more information with counties
- Greater acceptance of electronic transactions by taxpayers, counties, etc. will assist in the utilization of our electronic processes
- Continued development within e-commerce offers both filing and payment options as well as the eventual ability for taxpayers and their representatives to manage their own accounts electronically in a secure environment.

### **Barriers**

- The loss of expertise/knowledge and future leaders as a result of RIF/TERI/retirement and separation incentives present critical management challenges.
- Approximately 40% of FTE's are eligible to leave between now and 5 years (16% TERI).
- The trend continues with a growing number of large "Class C" bingo games which pay no bingo taxes and do not guarantee a return to the charities.
- There is no reimbursement to the agency for its role in assessing and collecting property taxes for local governments.
- Adoption of the Streamlined Sales Tax Model Act would simplify filing requirements for taxpayers and would help insure that use taxes would be collected on internet sales, catalog sales and other sales originating out of state.
- The Controlled Substance Tax generated less than \$3,593 in FY 02-03. The tax generates additional work for the agency with minimal benefit for the general fund.
- The special 10% tax on "900" calls generated less than \$12,248 in FY 02-03. The tax generates additional work for the agency with minimal help to the general fund.
- Increased training to provide technical skills and grow leaders for the future is needed. -
- Highly technical jobs require multi-year training and development.
- Expanded responsibilities and changing work territories result in an increased learning curve.
- State procurement rules inhibit supplier partnering.
- Customer reluctance to participate in GEAR, SCBOS, and CAMA programs remains a challenge.
- Upgrades to technology are needed to improve revenue processing.
- Turnover of key personnel due to better job opportunities continues to be an issue.
- Inability to obtain cooperation of contractors and other agencies to timely complete projects.
- Waiting on the passage of our tax bill hinders progress to implement changes.
- Our current data architecture is in need of updating.

- Our current facilities create some employee and records logistics issues.
- Integrating new employees to the DOR culture is challenging.
- Training for new employees by limited current personnel lengthens turnaround time in some processes.
- Assimilating contract personnel to DOR's culture and values.
- Internet/Network security issues e.g. viruses, hackers, spyware all require resources to ensure DOR systems remain secure.
- Inability to work returned mail and not being able to find taxpayers hinders collection activities.
- A formidable workload with regard to technology enhancements and upgrades.
- It is a challenge to address the issues of the ever-growing non-English speaking population.
- Inability to share information with counties is hindered due to security issues.
- Undelivered mail and difficulty in locating business taxpayers hampers collection activities.
- Complex laws lead to complex forms and greater difficulty of taxpayers to voluntarily comply.

### **How the Accountability Report is Used to Improve Organizational Performance**

The Accountability Report has been used as a tool to capture the Department's strengths and opportunities for improvement. By identifying the opportunities and barriers, we are able to capture the most immediate needs of the agency. This coupled with the self assessment which is realized as a result of preparing the report allow us to focus on the vital few priorities for the coming year.

## **II. Business Overview**

As of the end of FY 03-04, the agency had a total of 721 authorized full-time permanent slots. Of those, 701 are state funded and 20 are other-funded. Only 567 positions were filled, leaving 167 positions vacant. These employees work in five offices throughout South Carolina and six major metropolitan areas across the United States. We also supplement our five main offices by staffing eighteen "satellite" offices periodically throughout the month. Our permanent workforce has been supplemented by approximately 61 non-seasonal temporaries and up to 95 seasonal temporary employees during peak months.

**Accountability Report Appropriations/Expenditures Chart  
Base Budget Expenditures and Appropriations**

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$22,309,206	\$21,341,043	\$21,492,219	\$20,376,458	\$28,334,621	\$27,013,899
Other Operating	\$11,124,813	\$4,522,175	\$10,960,723	\$3,152,265	\$10,095,586	\$4,132,528
Special Items	\$1,125,000	\$0	\$1,125,000	\$0	\$1,125,000	\$0
Permanent Improvements	\$3,000	\$3,000	\$92,000	\$0	\$0	\$0
Case Services	\$0	\$0	\$0	\$0	\$0	\$0
Distributions to Subdivisions	\$0	\$0	\$0	\$0	\$0	\$0
Fringe Benefits	\$6,402,185	\$6,194,975	\$6,052,785	\$5,810,266	\$7,638,837	\$7,411,617
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$40,964,204</b>	<b>\$32,061,193</b>	<b>\$39,722,727</b>	<b>\$29,338,989</b>	<b>\$47,194,044</b>	<b>\$38,558,044</b>

**Other Expenditures**

Sources of Funds	02-03 Actual Expenditures	03-04 Actual Expenditures
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

**Interim Budget Reductions**

Total 02-03 Interim Budget Reduction	Total 03-04 Interim Budget Reduction
\$2,996,876	\$298,566

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**Major Program Areas**

<b>Program Number and Title</b>	<b>Major Program Area Purpose (Brief)</b>	<b>FY 02-03 Budget Expenditures</b>	<b>FY 03-04 Budget Expenditures</b>	<b>Key Cross References for Financial Results*</b>
I.A Administrative & Program Support	Agency administration and Internal Audit functions	<b>State:</b> 665,307 <b>Federal:</b> 0 <b>Other:</b> 14,677 <b>Total:</b> \$679,984 <b>% of Total Budget:</b> 2%	<b>State:</b> 638,204 <b>Federal:</b> 0 <b>Other:</b> 2,677 <b>Total:</b> \$640,920 <b>% of Total Budget:</b> 2%	
II.A Programs & Services— Support Services	Personnel, Training and Development, Quality, Procurement & Facilities Mgmt., Budget & Finance, Information Resource & Technology Management and computerized systems management functions	<b>State:</b> 7,268,309 <b>Federal:</b> 0 <b>Other:</b> 5,131,277 <b>Total:</b> \$12,399,537 <b>% of Total Budget:</b> 30%	<b>State:</b> 6,156,905 <b>Federal:</b> 0 <b>Other:</b> 5,721,756 <b>Total:</b> \$11,878,661 <b>% of Total Budget:</b> 28%	7.3.3
II.B Programs & Services – Revenue & Regulatory Operations	Audit & Collection functions, Property Tax Administration and appraisal, and Regulatory (Alcoholic Beverage Licensing and Bingo) Administration	<b>State:</b> 16,166,034 <b>Federal:</b> 0 <b>Other:</b> 2,906,426 <b>Total:</b> \$19,072,460 <b>% of Total Budget:</b> 45%	<b>State:</b> 15,642,151 <b>Federal:</b> 0 <b>Other:</b> 4,174,888 <b>Total:</b> \$19,817,039 <b>% of Total Budget:</b> 47%	7.2.1, 7.2.2, 7.3.1, 7.3.2, 7.5.6
II.C Programs & Services – Legal Policy & Legislative Services	Agency General Counsel; sets tax policy, represents the agency in litigation, bankruptcy matters and the legislative process	<b>State:</b> 1,749,677 <b>Federal:</b> 0 <b>Other:</b> 643,472 <b>Total:</b> \$2,393,150 <b>% of Total Budget:</b> 6%	<b>State:</b> 1,091,463 <b>Federal:</b> 0 <b>Other:</b> 241,859 <b>Total:</b> \$1,333,322 <b>% of Total Budget:</b> 3%	
III.C Employee Benefits – State Employer Contribution	Employer share of fringe benefits paid on state employee salaries	<b>State:</b> 6,193,890 <b>Federal:</b> 0 <b>Other:</b> 207,209 <b>Total:</b> \$6,401,099 <b>% of Total Budget:</b> 15%	<b>State:</b> 5,810,266 <b>Federal:</b> 0 <b>Other:</b> 242,519 <b>Total:</b> \$6,052,785 <b>% of Total Budget:</b> 14%	

**Below: List any programs not included above and show the remainder of expenditures by source of funds.**

Agency incurred expenditures in the amount of \$17,966 during FY 03 related to the settlement of the Littlefield v. SC Forestry Commission class action lawsuit. Those expenditures were recorded in a separate program, not listed above.

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<b>Remainder of Expenditures:</b>	<b>State:</b> 17,966	<b>State:</b> 0
	<b>Federal:</b> 0	<b>Federal:</b> 0
	<b>Other:</b> 0	<b>Other:</b> 0
	<b>Total:</b> \$17,966	<b>Total:</b> \$0
	<b>% of Total Budget:</b> 0%	<b>% of Total Budget:</b> 0%

\* Key Cross-References are a link to the Category 7 – Business Results. These References provide a Chart number that is included in the 7<sup>th</sup> section of this document.

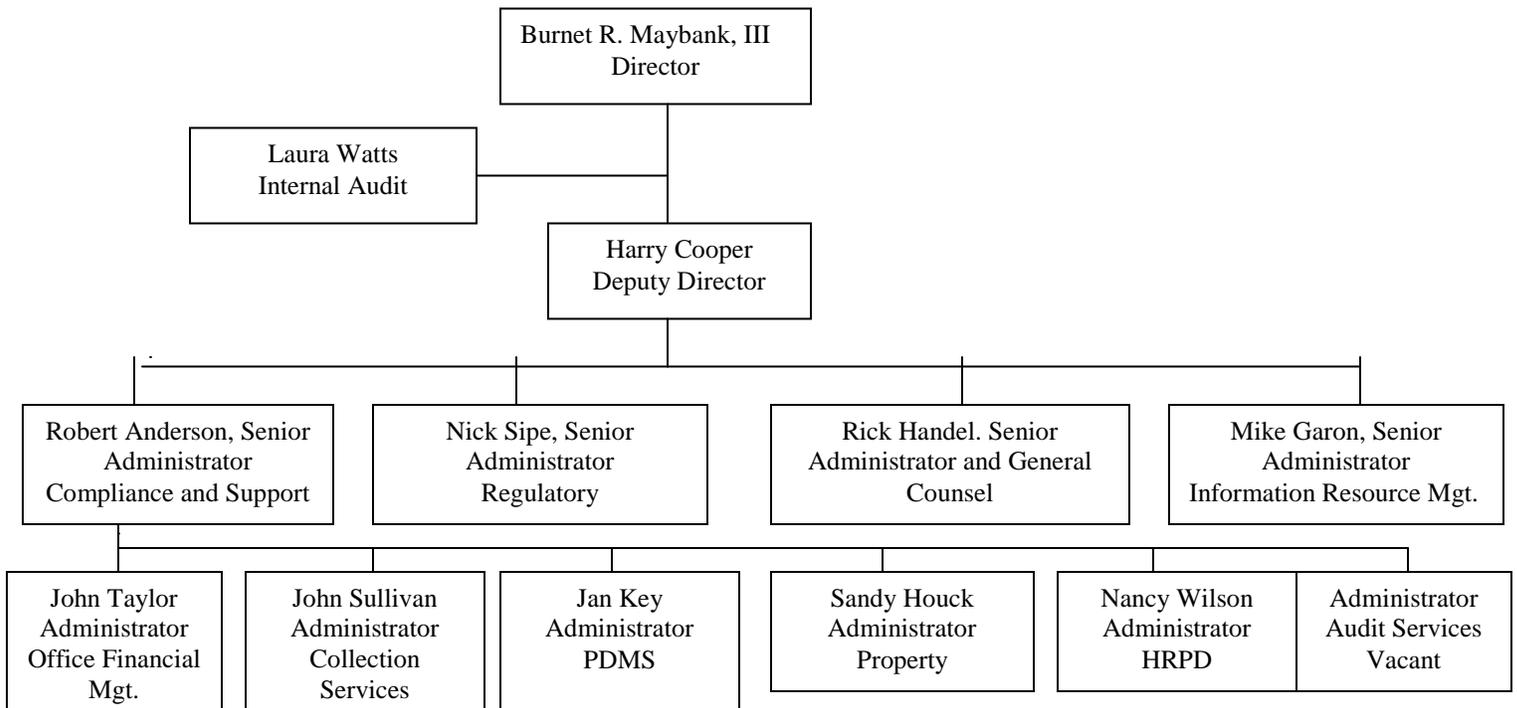
Our major customers are all those who file returns, pay and use the state revenues we collect and services we provide. A full listing of our customers and stakeholders linked to our key products and services is shown in Category 3.1. Our major products include: Processing; Enforcement; Taxpayer Assistance & Education; Property Appraisal & Local Government Support; Legal-Policy and Litigation; Administrative Support and Technology Support.

Our key suppliers are the citizens of South Carolina who supply us with tax revenues and information. We also rely on the Employment Security Commission and other state and local governmental entities to supply required information. The Budget and Control Board’s Office of Information Resources is a major supplier of technology infrastructure for the agency. Traditional suppliers include Dell Computers, forms manufacturers, and other suppliers of services and supplies.

The South Carolina Department of Revenue is also a regulatory agency. We administer 32 state taxes and numerous fee, credit, and exemption programs. We process over 6 million tax returns annually and collect over 90% of the state’s general funds of over \$6 billion. The agency also regulates and licenses retail establishments, bingo operations, and alcoholic beverage sellers. The agency is in direct contact with nearly every South Carolina resident and many non-resident taxpayers and corporations. We therefore manage our enterprise in a customer-focused, fair, and efficient manner.

**Organizational Structure:** Our organizational structure is shaped around core business competencies and support functions. The chart below shows that structure and leadership.

**South Carolina Department of Revenue  
Overview**



### **III. Malcolm Baldrige Performance Excellence Standards Leadership**

**1.1a - f** Senior leadership in the agency consists of the Director, Burnet R. Maybank, III, a Deputy Director, Senior Administrators, and Administrators of each of the major operating units. The agency's leadership sets, deploys, and communicates short and long term direction through the strategic planning process, the annual business planning component of that process, and the five-year business plans developed for agency level objectives. Each employee's EPMS is tied to the agency's four key result areas detailed in the Executive Summary. The strategic plan outlines our organizational values as described in the Executive Summary and include a focus on innovation, empowerment, knowledge, and ethical behavior.

**1.2** In FY 03-04, the leadership continued its focus on both internal and external customers by supporting activities for progress on our 12 major goals and the various underlying projects that are tracked at the agency level. These goals, objectives, and projects are tied numerically to the four key results of the strategic plan. Agency-level performance measures are likewise numerically tied to the key results. Management meets each Monday morning for reporting on these and other issues by our operating divisions.

Quarterly "dashboard" performance indicators are scheduled for review by the management team. Progress on each annual business plan objective is compiled and reported quarterly.

**1.3** The chief financial officer is responsible for the accuracy and timeliness of reporting. We just completed the sixth year of agency audits that resulted in no adverse findings. Both our chief counsel and administrator for our regulatory divisions have policies, procedures, and measures in place to ensure that the Department maintains accountability to requirements. Our internal audit staff periodically conducts audits of various processes within the agency to ensure no improprieties exist. Additionally, employees are required annually to certify that they have read and understand the confidentiality and disclosure requirements. Each time an employee's computer is turned on, a reminder of confidentiality appears and action is required to proceed. These safeguards are employed to ensure no unauthorized information is revealed.

**1.4** We continue to refine our set of high level measures (dashboard measures) that are reported on a quarterly basis. These measures, listed in 4.2, allow the leadership team to monitor the effectiveness and efficiency of the agency processes.

Additional measures are reviewed at the Deputy and division level. Performance measures track processes that show improvements and potential problems; track performance to specifications; and indicate processes needing change.

**1.5** Quarterly coaching sessions with employees are utilized not only to review progress on objectives that are tied to our four key result areas, but also to obtain their feedback on the effectiveness of management throughout the organization. Our Leadership Development process was enhanced this year by the addition of the Leadership for Results program that 41 employees participated in throughout this fiscal to improve leadership effectiveness. We also participate in and support the Certified Public Manager and Associate Public Manager programs, as well as the

Executive Institute.

Our values represent our guiding principles or the things about which we care most as we carry out our mission. Senior leadership not only models these beliefs, but also clearly and consistently articulates these values throughout the organization. Our intent is to demonstrate these beliefs in all our dealings with our external and internal customers.

Our senior leaders have been trained in quality management principles, team leadership, and performance excellence techniques. Leaders demonstrate their devotion to these principles by participating in training and teams and by using the quality tools and process.

**1.6** Current and potential impact on the public for our products, programs, services, facilities, and operations, to include associated risks, has been integrated into our strategic planning process. See Category 2.

**1.7** Priorities for improvement are determined by our strategic plan, performance measures, and subsequent annual objectives that tie to overarching five-year plans. See Category 2.

**1.8** The agency supports and strengthens the community as well as demonstrates its public responsibilities and practices good citizenship in many ways. Public trust is a vital component of maintaining high levels of voluntary compliance with the state's tax laws. We assure ethical business practices proactively through policy and training. Several teams work annually (1) to ensure compliance with implementation of new statutes; (2) to identify suggested improvements to the laws; and (3) to communicate advisory opinions and regulations to assist taxpayers. Direct e-mail, the Problems Resolution Office, monthly interviews, and the Taxpayer Advocate are avenues for citizens to resolve concerns. Our Contact Center is utilized not only to help the taxpayer, but to gain invaluable input to processes of the agency. We continue to train our Contact Center employees and see this as an integral part of the agency's listening and learning approach to gain input from the community at large.

The agency continues to be a leader in the government community. The GEAR (**G**overnment **E**nterprise **A**ccounts **R**eceivable) and SCBOS (**SC** **B**usiness **O**ne **S**top) processes are but a couple of examples in which we have taken the leadership role. These projects have a direct positive impact on reducing the burden of compliance with our tax laws. We have also maintained a leadership role in the development of the Integrated Financial System which we plan to implement in DOR as resources become available. On the state level, our employees lead or participate in multi-agency teams to improve the processes of government. We have trained not only our employees, but also many from other agencies on tax topics and quality improvement subjects to include how to prepare the Annual Accountability Report. We regularly facilitate teams in other agencies. We are actively involved with professional groups in leadership roles, such as the Federation of Tax Administrators (FTA) Best Practices and Benchmarking Team. Mr. Maybank serves on the Enterprise Zone Subcommittee; Coordinating Council for Economic Development; Member, South Carolina Board of Economic Advisors; South Carolina Agency Directors Organization; and on Governor Sanford's transition team. These collaboration efforts not only help us identify best practices, but also give us the opportunity to be a partner in continuously improving all governmental services for our citizens.

We partner with business groups, such as the State Chamber of Commerce, Municipal Association, Association of Counties, the Small Business Chamber, the Hospitality Association, the Manufacturers Association, the SC Hospital Association, and the SC Manufacturers Alliance, and others on joint projects and provide education to these groups. Our collaboration with state partners includes the Departments of Transportation, Health and Environmental Control, Commerce, Labor, Licensing and Regulation, and the South Carolina Education Lottery, to name but a few. We regularly serve as a pilot site with the Internal Revenue Service to bring taxpayer friendly programs to South Carolina citizens, such as issuing federal employer tax identification numbers. We frequently are called upon to make presentations to a wide variety of audiences about both taxation and our quality leadership approach.

Our agency actively supports many community groups and activities such as the United Way, the Good Health Appeal, and United Black Fund of the Midlands, Cooperative Ministries, the Red Cross, Harvest Hope Food Bank, the Ronald McDonald House project, National Multiple Sclerosis MS150 bike tour, and our community schools.

## **Strategic Planning**

**Strategic Planning**

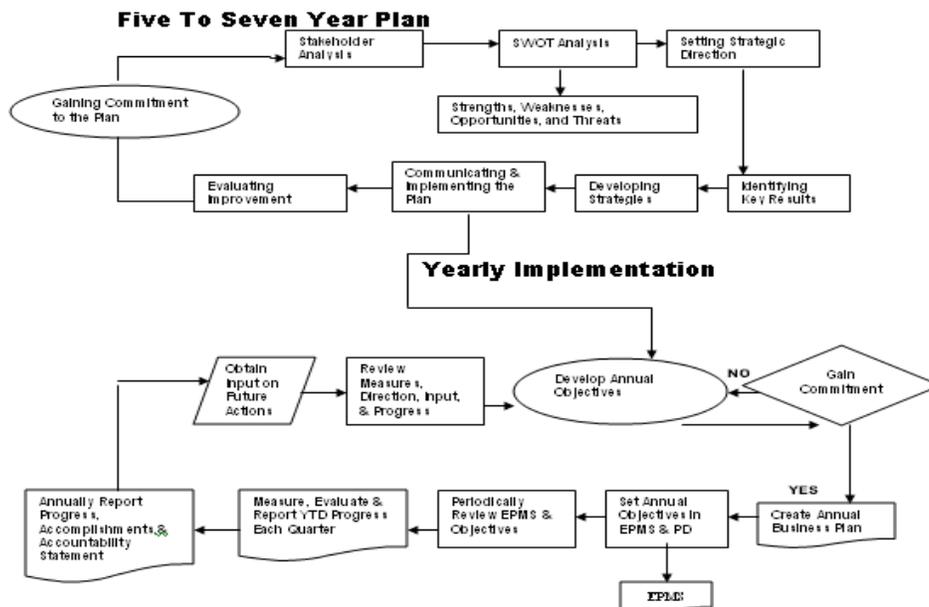
<b>Program Number and Title</b>	<b>Supported Agency Strategic Planning Goal/Objective</b>	<b>Related FY 03-04 Key Agency Action Plan/Initiative(s)</b>	<b>Key Cross References for Performance Measures*</b>
I.A Administrative & Program Support	Key Result 2 – Strong Stakeholder Relationships  Key Result 3 – Efficient and Effective Agency and Enterprise Services	2.3 Develop Seamless systems  3.3 Implement Enterprise Debt Collection	N/A  7.5 GEAR Information
II.A Programs & Services – Support Services	Key Result 1 – Maximize Compliance  Key Result 2 – Strong Stakeholder Relationships  Key Result 3 – Efficient and Effective Agency and Enterprise Services	1.2 Revolutionize Reporting  2.2 Stakeholder Education & Feedback  3.1 Performance Excellence for Efficient and Effective Processes 3.4 Obtain an Integrated Financial System 3.6 Drive One-Stop Business Registration	7.1.1, 7.1.4  All measures in category 7  N/A  7.5.3, 7.5.4
II.B Programs & Services – Revenue & Regulatory Operations	Key Result 1 – Maximize Compliance  Key Result 2 – Strong Stakeholder Relationships  Key Result 3 – Efficient and Effective Agency and Enterprise Services	1.1 Find Nonfilers  2.1 Promote eGov and eBiz 2.3 Develop Seamless systems  3.2 Upgrade our Technology Infrastructure 3.3 Implement Enterprise Debt Collection 3.5 Become Enterprise Processor	7.2.1, 7.2.2  7.5.6, 7.5.7 N/A  N/A  7.5 GEAR Information  7.2.6 – 7.2.14
II.C Programs & Services – Legal Policy & Legislative Svcs.			
III.C Employee Benefits – State Employer Contributions	Key Result 4 – Capable, Satisfied, and Diverse Work Teams	4.1 Workforce Planning	7.4.1 – 7.4.3

\*Key Cross-References are a link to the Category 7 – Business Results. These References provide a Chart number that is included in the 7<sup>th</sup> section of this document.

**2.1** The agency’s strategic plan is the basis for both our long- and short-term planning processes. We continued with year four of our five year plan. Our strategic planning process gives us a future-oriented basis for business decisions, resource allocation and management, and has helped us stay focused on those things that we determined are important priorities for the agency.

We continue to keep focused on our customer and stakeholders through the SWOT portion of this process. It helps us identify our Strengths, Weaknesses, Opportunities, and Threats or risks that could impact our actions. This research and analysis process gathers input from employees, business and non-business taxpayers, elected officials from both state and local government, tax practitioners, media, other state agencies, government entities within the state, suppliers/contractors/partners and professional associations. The graphic below shows our Strategic Planning process.

Having all employees’ position descriptions and subsequent evaluations tied to the strategic plan helps us address human resource and operational capability and needs.



**2.2** Our strategic plan includes four key results areas. These are: Maximized Compliance, Strong Stakeholder Relationships, Effective and Efficient Agency and Enterprise Services, and Capable, Satisfied, and Diverse Work Team. Each annual business plan objective is expressly tied to strategic objectives and key results under the strategic plan. They are tracked through: (a) periodic presentations of the 12 objectives at the Monday management meetings; (b) quarterly year-to-date progress reports; and (c) quarterly review of the dashboard measures which tie to our key results areas.

**2.3** Each year, all natural work teams and project teams set objectives and action plans that target one or more of the strategies tied to the Key Result areas. Our Annual Business Plan addresses improvement opportunities at the team, operating division, and agency level. Progress is reported quarterly. Planning is an annual process that we believe not only aligns employee efforts with the issues of most importance to our agency, but also helps us monitor progress and

use resources wisely. We have supplemented the annual business planning cycle with a five-year planning process that better ties the strategic key results with our annual business planning. Our five-year plans address 12 major initiatives we believe will focus our resources to better accomplish our key results for fiscal years 2001-2005.

The significance of aligning individual duties and accountability to the strategic plan is underlined through explicitly tying job duties to key results on each employee's position description and EPMS as mentioned in 2.1. In addition, quarterly coaching sessions occur for each employee during the EPMS process. Part of that coaching includes reinforcement of the key results and the employee's unique responsibilities that will help us better accomplish our mission.

**2.4** Below is a listing of our 12 key strategic objectives. Note that progress on these objectives is detailed in the significant achievements portion of the Executive Summary.

**Key Result 1 - Objectives for Maximizing Compliance:**

- 1.1** Find and collect from nonfilers
  - Individual Nonfilers
  - Use Tax Nonfilers
  - Nexus Discovery
- 1.2** Revolutionize reporting and payment
  - Sales and Motor Fuel EDI
  - Internet Filing and Payment
  - Simplified Tax and Wage Reporting System (STAWRSE-payments for Miscellaneous Fees
  - My Taxes
  - Miscellaneous E-file

**Key Result 2 - Objectives for Strengthening Relationships with Stakeholders:**

- 2.1** Promote e-government and e-biz
  - Computer Assisted Mass Appraisal (CAMA)
- 2.2** Develop a systematic stakeholder feedback system
  - Increase number and frequency of taxpayer education seminars
  - Expand educational opportunities for all major taxes, including on-line learning modules
  - Develop on-line registration and payment system for taxpayer education
  - Develop centralized mechanism for reporting all taxpayer education initiatives (e.g., forms and instructions, speaking engagements, Director's initiatives, VITA, taxpayer assistance walk-in's, tax seminars, and educational materials developed)
- 2.3** Develop seamless mainframe systems
  - Re-develop functions in ACS (Automated Collection System) to utilize table driven edits and other financial management system processes.
  - Develop a Global Memo Record access and update Function
  - Develop a Global Demographic Record System

- Develop and implement a process that would allow assessments and clearances to be issued to multiple parties for the same debt.

**Key Result 3 - Objectives for More Efficient and Effective Agency & Enterprise Services**

- 3.1** Align to Performance Excellence Standards
- Align annual accountability report to agency dashboard performance measures
- 3.2** Upgrade our technology infrastructure:
- Motor Fuel EDI
  - SC Business One Stop
  - Data Warehouse
  - Annual Update to IRM Strategic IT Plan
  - Vehicle Valuation Guide System Rewrite
  - “My Taxes” Web Portal – Universal Authentication
  - Global Memo
  - Common Incident Reporting System For All IRM
  - ABL Renewals to the DOR BOS system
  - Rollover of the DELL Personal Computer Lease
  - Catawba Tax to the Sales System
  - IRM Project & Time Tracking System
  - Disaster Recovery Plan
  - SIC to NAICS conversion
- 3.3** Implement statewide enterprise debt collection (GEAR – Governmental Enterprise Accounts Receivables)
- Levy Team—provide research and recommendations for enhancements to the collection processes through training, technology, and collection sources.
  - Expand marketing of collection abilities, creating awareness of services available to all qualified entities throughout the State.
- 3.4** Partner for a statewide integrated financial package capable to implement activity based costing and zero based budgeting methodologies.
- SABAR Requisition Module
  - SABAR Travel & Supplies Interfaces
  - Activity Based Costing Project
  - Zero Based Budgeting development
- 3.5** Become the state’s enterprise remittance and data capture processor.
- Bar-code technology
  - Remittance processing technology
  - Deposit process reengineering
  - Electronic document locator numbers
  - Scanning and imaging process
  - Data warehouse
- 3.6** SCBOS (South Carolina Business One Stop): Drive the state’s one-stop registration project.
- South Carolina Business One Stop - SCBOS

- Department of Revenue Business One Stop – DORBOS

**Key Result 4 - Objectives for maintaining a capable, satisfied and diverse work team**

**4.1** Workforce planning.

- Workforce planning projects
- Tax law training
- Advancing technology in training
- Leadership development
- DOR Electronic Encyclopedia
- Employee satisfaction and recognition
- Employee wellness initiative

**2.5** The strategic plan is communicated in large group meetings with all employees and reinforced by sectional meetings within each division. In addition, other types of communication include other media such as e-mail, brochures, posters, and through communicating Monday morning meeting minutes in our *This Week* publication. For new employees, an orientation session called “DOR-101” educates employees to the agency, the strategic plan, and the strategic planning process.

**2.6** A listing of our key results and objectives is located at <http://www.sctax.org> then click on the Strategic Plan button.

## Customer Focus

**3.1** Through our strategic planning process and implementation, the agency’s key customers and stakeholders have been identified as those who use state revenues; the agencies that rely upon state revenues; individual and business taxpayers of the state; tax practitioners acting on behalf of those taxpayers; regulated businesses; statewide property taxpayers; local governments; elected officials; and federal, state and local governments. We define our customer groups by the products and services they require. This allows us to determine and fulfill our customers’ key requirements by asking questions, defining terms, setting standards, and employing continuous improvement methodologies. Strategies are then built to address those requirements. Below is a complete listing of our major customer groups and the various methods we employ to address their requirements and build lasting positive relationships.

### All stakeholders

Publications and brochures  
Taxpayer Assistance Officers  
Taxpayer Advocate  
Taxpayer Education  
Problems Resolution Office  
Automated Tax Help Line  
FormsFax and Web Forms  
Email systems  
Five Regional Offices  
Satellite office hours at **18** locations in SC  
Award-winning web site  
Summary of current year’s new tax legislation  
Policy document listserve

MySCTaxes project 1.2  
Experts on TV  
Speakers Bureau/Public Speaking/Toastmasters  
Direct Check, epay projects  
Credit card payment options  
Contact – Customer Research Center project

### Elected Officials

Revenue collection and reporting  
Legislative liaisons  
Drafting assistance  
Courtesy calls  
Constituent services  
Proactive response to issues

### Other state agencies

## South Carolina Department of Revenue Annual Accountability Report 2003-2004

Revenue collection and reporting  
SCBOS  
JDC workshops with Commerce  
MySCGov.com coordinating payment modules and publications  
Dyed Fuel Program  
Use Tax compliance information  
Check stuffers at filing time  
Seats in our training sessions  
Statewide Training Coordinators Group  
GEAR  
Debt set-off program  
**Individual taxpayers**  
Forms drive through  
VITA volunteers  
Publications for new residents, military, college tuition credits  
SCNetFile, web extensions and declarations  
Outreach to high schools, vocational schools, prisoners re: filing taxes  
Fastfile outreach  
**Business taxpayers**  
Sales tax listserve  
Various workshops  
SCBOS/DORBOS  
JDC workshops  
Business development  
Economic Incentives book  
Corporate Income Tax summary published with the Bureau of National Affairs  
Special efforts related to sales tax holiday  
Special efforts related to the 1% exemption on food  
**Tax practitioners**  
Forms design teams  
Joint seminars with IRS/ERO  
White-collar crimes course  
Articles in the CPA newsletter  
Speakers at CPA seminars  
Fed/State filers' handbooks  
**Regulated Businesses (bingo, alcoholic beverages);**  
ABL tracking process  
Bingo processing system  
Bingo paper rules  
**Statewide property taxpayers (e.g., manufacturers, motor carriers, utilities, car lines)**  
Changes to FILOT (Fee In Lieu Of Taxes)  
Adding BPP (Business Personal Property) review  
Streamlining Motor Carrier Property Tax administration  
**Local Governments (property tax administration, local option taxes, index of taxpaying ability, exemptions);**  
Refund offset  
GEAR  
CAMA  
Motor Carrier Audits

FILOT  
Motor Vehicle Assessment Guides  
Visits to counties  
Seminars sponsored for county officials  
Focus groups on processes affecting counties  
Adding listserves for policy documents/comment  
**Federal Government**  
IRS refund offset  
IRS Fed/state liaison  
IRS classes  
Streamlined sales tax initiatives  
**Other state governments**  
SEATA  
FTA  
Exchange of use tax information  
Below the rack task force  
Supply motor fuel training instructors nationwide  
FTA listserves for internal audit, commissioners, training, and taxpayer education  
**Software developers**  
Product testing  
Links to their web sites

**3.2** We continuously search for and employ customer-friendly feedback vehicles to listen and learn from our customers. Our web site is an avenue for our customers to provide feedback and access services. DORBOS and SCBOS, both which are internet registration and filing methods, employ a feedback loop should a citizen wish to provide it. All notices that are sent by the agency contain a telephone number for customers to make inquiries and suggestions. Our annual Customer Satisfaction Survey conducted by the University of South Carolina is another vehicle for us to gain feedback from our customers. We also continue to utilize our Contact Center, coupled with our long-standing audit survey and regional manager survey processes that allow us to gain insight from callers, walk-ins, and survey respondents on problems, preferences, concerns, and trends. Annually, we are required to update our forms. Employee teams are formed each year to accomplish these updates, and focus groups are used to gain input for our Individual Income Tax, Sales and Use Tax, Corporate Tax, and Withholding Tax forms. This has proved invaluable in helping to build relationships and more importantly, gaining greater knowledge in the ever changing customer and business needs.

**3.3** We view every complaint or comment as a gift and an opportunity to improve our services. Strategies for agency level objective 2.2 included holding a number of focus groups to get feedback on our sales tax forms and the My Taxes internet based taxpayer information system. We conducted a number of sales and use and withholding tax workshops throughout the year, including workshops to educate customers on how to fill out the forms. We use participant evaluation/feedback forms to identify additional opportunities for improvement. Additionally, we continued our focus on developing methods for the Contact Center to obtain structured, systematic, stakeholder/customer feedback. The Contact Center and Taxpayer Assistance personnel use a software system (HEAT) to track their calls and visits, giving useful information for stakeholder feedback. We are also using HEAT to track the reasons for contacts so that our communications can be improved.

As mentioned in 3.2 above, including feedback from tax practitioners, tax accountants, CPA's, and taxpayers for our forms design teams has proved invaluable in simplifying content and format of information on our tax forms.

**3.4** The agency has employed several methods to collect customer satisfaction input and determine the strength of our relationships. These include:

- Monthly customer satisfaction interviews
- Postage prepaid customer comment cards
- The University of South Carolina's Institute of Public Service and Policy Research Biannual Survey of the South Carolina Public includes our annual satisfaction survey on overall service delivery, quality of information received, and the ease of the process. See Figure 7.1.1.
- Taxpayer education initiatives, such as our Sales and Use Tax Workshops, our Sales and Use and Withholding Forms Workshops, and our Clemson Workshops are used in part to measure customer satisfaction and gain valuable input to our forms and processes.
- Focus groups when developing forms and notices help us ascertain when we are doing things well or poorly.
- The Taxpayer Advocate's Report is a measure of the number of types of complaints, the

resolutions of those complaints, and the processes that have been changed as a result.

**3.5** We build positive relationships with customers and stakeholders in a number of ways as identified by the various groups and methods to address their particular needs detailed in 3.1. We understand that most taxpayers will voluntarily comply with the tax laws if the instructions are clear, understandable, and simple. With the expansion of the capabilities of our business registration web site, (DORBOS the DOR's Business One Stop Registration system) we have made it easier to start a business in South Carolina. Both DORBOS and SC Business One Stop are online systems that provide the information needed to get the right business licenses and set up tax accounts. We are partnering with multiple entities as members of the Executive Team for this project. These are Secretary of State's office, Employment Security Commission, Department of Health and Environmental Control, Department of Labor, Licensing, and Regulation, and Department of Revenue, Office of CIO (Budget and Control Board), Department of Commerce, S.C. Chamber of Commerce, S.C. Association of Counties, and the Municipal Association of S.C. The establishment of this joint electronic business registration has proved extremely successful. Virtually all of our customer comments related to the process have been extremely positive.

The agency holds workshops to update taxpayers on tax law changes and forms revisions (i.e., Clemson Individual Income Tax Workshops, Small Business Workshops, and Sales and Use Tax Workshops). Additionally, workshops are scheduled with local government officials, county auditors, treasurers, and assessors to address new tax legislation that affects these entities. Other regional workshops are conducted on a variety of tax matters. These workshops allow us to gain valuable input to our processes as well as help to build positive relationships with these customer groups.

The agency has structured ways in which to educate and be responsive to the various needs of our customers. In addition to recorded and personal telephone assistance, responding to mail and e-mail correspondence offered on our website, the Department provides:

- News releases for information of general interest to the public and information letters for information of general interest to tax professionals;
- Advisory opinions providing the formal policy statements of the Department;
- Brochures for taxpayers, including:
  - Moving to SC: A Tax Guide for New Residents*
  - Guide to College Tuition Tax Credit*
  - SC Sales and Use Tax*
  - Southeastern States Exchange Agreement for Sales and Use Tax Compliance*
  - Your Rights as a South Carolina Taxpayer*
  - A guide to SC Admissions Tax*
  - A Homeowner's Guide to Property Taxes*
  - Starting a Small Business in South Carolina*
- Publications for business tax professionals include:
  - S.C. EFT Program Guide*
  - Computer Assisted Audit System (CAAS)*
  - South Carolina Department of Revenue Legislative Update* (each year)
  - South Carolina Tax Incentives for Economic Development* (each year)

*South Carolina Corporate Income Tax* (also published as Tax Management Multistate Tax Portfolio #2280 by the Bureau of National Affairs)  
*The South Carolina Taxation of Limited Liability Companies* (also published as part of a book entitled *South Carolina Limited Liability Companies & Limited Liability Partnerships* by the South Carolina Bar)  
*South Carolina Property Taxes* (each year; also published as part of a book entitled *The Property Tax Deskbook* by the American Bar Association)  
*Deed Recording Fee — Reference Manual*

All written material is available on the Department's web site and all of the material for tax professionals is sent to them through a listserv.

We employ a tax helpline to offer recorded assistance to taxpayers on the vast array of questions received and our web site's frequently asked questions section also answers taxpayer questions. Each April, citizens greatly appreciate the agency's "forms drive-through" service at the Columbia office, which allows taxpayers the ability to pick up their state and federal tax forms without leaving their automobiles.

We offer a variety of methods for customers to file taxes, obtain forms, and register a business. Our web site allows for certain tax filings, business registration, answering questions, and both current and past year tax forms are available. Also available via the web site and our Refund Hotline is refund status information. Internet filing is available, as is the touchtone telefile program that utilizes touch-tone phones for business sales (\$0 owed), and withholding (\$0 owed). We accept credit card payments over the web and telephone for filings and for delinquent taxes via an Interactive Voice Response (IVR) system. "Individual Income Tax Fast Facts" on the web has proved to be a valuable tool for our customers.

The method of defining our customers by the various products and services we deliver has proved to be extremely helpful in differentiating between our numerous customer groups. Our industry specific sales and use tax workshops were developed to address a particular industry's concerns.

## **Information and Analysis**

**4.1** The agency leadership has long reviewed all types of data to ascertain the progress made in our operations, processes, and systems. Our key or "dashboard" measures are detailed in 4.2. These measures were synthesized from over 120 department measures, many of which continue to be reviewed at the operational versus executive leadership level. These measures were agreed upon by the leadership team as those that would provide an overall picture of the "health" of the agency. They are reviewed on an annual basis to ensure that they are still appropriate and adequate to manage the agency.

**4.2** The goal for FY 03–04 was to align the annual accountability report to agency dashboard performance measures and with the agency strategic plan.

The listing follows:

**Dashboard Measures**

<b>Key Result 1 Measures</b>	
Total Collections (% last year)	KR 1 – V
Total Enforced Collections (%last year : % projection)	KR 1 – U
Budget to Projections – BEA	KR 1 – T
<b>Key Result 2 Measures</b>	
Contact Center – Abandoned Call Rate	KR 2 – DB5
Contact Center – Response Time	KR 2 – DB6
Contact Center - # Calls by Tax Type	KR 2 – DB7
Customer Satisfaction Survey Results	KR2 – H
Achievement of Minority Business Goal	KR2 – DB36
Refund Cycle Time – IIT Paper	KR2 – E1
Refund Cycle Time – IIT Electronic	KR2 – DB16
Refund Cycle Time – Sales	KR2 – A
Refund Cycle Time – Withholding	KR2 – B
Refund Cycle Time – Corporate	KR2 – C
Refund Cycle Time – Motor Fuel	KR2 – D
<b>Key Result 3 Measures</b>	
Cost per Dollar Collected	KR3 – D
% of IIT Returns Received Electronically	KR3 – R1
% of Sales & Use Tax Returns Received Electronically	KR3 – R2
% Dollars Deposited Electronically	KR3 – B
Deposit Opportunity Cost	KR3 – T
Total Number of Transactions/Returns Processed	KR3 – N
Debt Collected by Setoff	KR3 – O
<b>Key Result 4 Measures</b>	
Voluntary Resignations	KR4 – F
Average Sick Leave Used Per Employee	KR4 – K
EEO Parity Rate	KR4 – DB35

The agency continues to utilize these measures in the senior leadership appraisal system as they are aligned with the strategic plan and the managers’ areas of responsibility.

**4.3** Measures are reported on by use of a standardized format that states the related key result, measure type (input, output, outcome); location of the data and charts; averages for the last five years, goals for this year; goals for five years hence; individual held accountable for the data; definitions; data sources; description of why the measure is important; factors that affect performance; analysis of current performance; and an image of the current performance chart. All dashboard measurement data is located in the “shared” directory of our Local Area Network

and is accessible to our employees.

**4.4** Many of our performance measures are geared to customer expectations. We realized early on that we would need to develop measures that allowed us to make sound business decisions. An example of such analysis of data to make decisions is illustrated in our refund cycle time process for the motor fuels area. These refunds can be quite large and we were issuing refunds in 26 days. The decision was made that the state could use that money to earn interest longer if we slowed that process down. Our current goal is to issue those refunds in 60 days. To date, there has been minimal negative feedback from customers on the change to this process.

We understand that issuance of an individual income tax refund is often the only contact that taxpayers have with the agency. A short refund cycle is a key indicator of customer satisfaction. The improvements in refund cycle time for our individual income tax and sales tax processes are attributable to electronic filing initiatives, process improvements, and resource allocations based on the analysis of data. Results of these improvements are detailed in the Business Results section, Figures 7.1.2, 7.1.3, 7.1.5 and 7.1.6. Despite this year's challenges, the individual income tax processing was completed in June, the earliest ever, thereby saving temporary staff salary expenses and better satisfying customers. Another measure is the timely deposit of revenue. Our external customers, including the Governor, the Treasurer, and General Assembly, expect the agency to deposit revenues timely to maximize earnings on investments. See Figure 7.3.3.

The agency continues to monitor electronic fund transactions and electronically filed returns; both allow us to reduce processing costs. We also continue to benchmark South Carolina's participation rates with those of other revenue agencies. We still are leaders in this effort, however, since South Carolina was one of the first states to begin electronic efforts, other states are now catching up with us. This year we are tied at third in the nation for percentage of electronically filed individual income tax. (See Figure 7.2.3) Our total electronic payments average over 63% per month of total deposits. As a statutory incentive to participate in our electronic payment process, the discount rate to retailers who file electronically was raised from \$3000 to \$3100.

**4.5** The agency continues to participate in the national movement by state revenue agencies to report performance measures that are common to all. While these measures serve as benchmarks, all revenue agencies around the country are experiencing similar budget concerns and the participants have agreed to pursue only a couple of measures that can give the agency an accurate reflection of its operating positions in comparison to other revenue agencies.

**4.6** As stated earlier, the use of a "shared" directory enables employees to keep abreast of the information and data that is compiled. Additionally, a succession planning manual and documents are available on our intranet, Dragnet. These documents are completed by employees to allow for the seamless transfer of knowledge.

## **Human Resources**

**5.1** The agency is organized in each division and section by natural work teams that have

specific responsibilities. These teams are empowered to cross team and division lines to communicate issues and collaborate. Cross-divisional work teams are appointed to work on substantive improvements and implementation that are projects identified through the annual business planning process and tie to one of the four key results of the strategic plan. The talents and initiative of our employees are the ultimate keys to our success. The use of teams from the process under study, encourages and motivates employees to solve problems and make continuous improvements.

All Position Descriptions are written to tie directly to the mission of the organization. All EPMS documents have been rewritten to tie directly to our strategic plan. In addition, more than 50% of our non-management workforce has a Career Development Plan that ensures progression in knowledge and skills and encourages employees to develop their potential. The majority of these plans reside on our intranet, Dragnet. Those plans that are not yet available on Dragnet include those for property analysts, taxpayer assistance officers, and criminal investigation officers. See below:



**DRAGNET**

Welcome: Rasts

- Announcements
- Around The Office
- CMS Training Areas
- Divisions
- DOR Website
- DOR Form Teams
- Dragnet Home
- E-Services
- Human Resources
  - Benefits
  - Job Development Plans**
  - Job Information
  - John T Weeks Scholarship
  - Miscellaneous Forms
  - Policy
  - New Employee Orientation
- PulseTakers
- Strategic Planning
- Revn U
- Search DragNet
- Sitemap
- Tax Resource Library
- Workforce Excellence

### Job Development Plans

Dragnet / Human Resources / Job Development Plans

- [ABL Registration Technician Career Development Plan](#)
- [Administrative Technicians](#)
- [Registration Technicians](#)
- [Records Technicians](#)
- [Processing Technicians](#)
- [Tax Technicians](#)
- [Non Resident Field Auditor Implementation Plan](#)
- [Non Resident Field Auditor Development Plan](#)
- [Domestic Field Auditor Implementation Plan](#)
- [Domestic Field Auditor Development Plan](#)
- [Revenue Officers Implementation Plan](#)
- [Revenue Officers Development Plan](#)

The agency has committed to provide state-of-the-art computer equipment by “bulldozing” every two years with leased equipment. This process took place early in FY 03-04. We also provide up-to-date software to our employees to give them the tools they need to best serve our customers.

Our weekly publication, *This Week*, keeps employees informed about happenings in the agency, as well as provides a summary of weekly executive staff meetings, relevant data, upcoming events, and employee news.

5.2. We continue to focus on e-learning available through Rev'n U to provide just-in-time training without travel costs. We have developed a wide array of general tax and tax specific "on-the job" course modules available for on-line users. See the catalog of courses below:

**OJT Materials for All Taxes**

<b>Topic</b>	<b>Developers</b>	<b>Contents</b>	<b>Designed For</b>
Windows Penalty and Interest Calculation	Don Dennis & Judy Hair	Instructions on how to calculate penalty, interest, and warrant cost	Audit and Collection Personnel
How to Answer Calls Received in Central Levy/GEAR/How to issue levies	Doris Mosley, Connie Walker	Frequently Asked Questions in Central Levy/GEAR and how to issue levies	Collection personnel
Creating Notes on SCATS	Mary Littlejohn and Keith Tennant (01/00)	How to put notes on various screens in SCATS	All authorized personnel

**Accommodations Tax**

<b>Topic</b>	<b>Developers</b>	<b>Contents</b>	<b>Designed For</b>
Accommodations Tax	Susan Tyndall	The law, exclusions, exemptions, reporting requirements	Collection personnel

**Corporate Tax**

<b>Topic</b>	<b>Developers</b>	<b>Contents</b>	<b>Designed For</b>
Corporate Tax	Judy Nichols	The law, filing requirements, forms, and frequently asked questions	Collection personnel
Verification of withholding tax claimed on Corporate tax return	Sharon Sherrill and Ruth Johnson	How to verify withholding tax claimed on a corporate tax return	Tax Examiners Tax Technicians

**Individual Income Tax**

<b>Topic</b>	<b>Developers</b>	<b>Contents</b>	<b>Designed For</b>
How to Review IIT Records to determine if a Taxpayer is in Compliance	Kim Williams, Sylvia Harris, Allen Brown	Procedures for determining tax compliance for IIT	PDMS personnel
Working errors on IIT Debt Match	Shirlene Frick and Joann Nathan (	How to correct/verify errors on IIT debt match	Tax Examiners
Pre-edit list for Individual Income Tax returns	Cindy Ackerman	How to work the pre-edit list for IIT returns	Tax Examiners

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Verification of Amended returns on IIT	Nena Macatangay	How to process amended IIT returns	Tax Examiners
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**Motor Fuel Tax**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Audit of Motor Fuel Exporters Monthly Report	Kathy Smith	How to audit exporters monthly report – calculate tax and fees to determine if a refund is due	Tax Examiners

**Property Tax**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Processing Business Personal Property Tax returns for the scanner	Richard Parkinson	How to prepare PT-100 documents for scanning	PDMS data capture and processing personnel

**Regulatory Taxes**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Coin Operated Device Tax	Teresa King	Three types of COD's, fees required, classes of owner/operator license, which license is needed when	Collection personnel

**Sales & Use Tax**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Registration of a taxpayer for Sales Tax	Larry Knight and Rick Hall	Step by step instructions for registering a sales taxpayer	Collection personnel
Data Entry of Sales/Use & Food tax returns	Paulette Bolen	How to key a Sales & Food tax return into REI system	Data Technician
Preparation of ST-236 A & B	Kermit Hines and Perry Mathis	Instructions on casual excise tax	Collection personnel
Sales & Use Tax Guide for the Motion Picture Industry	Jeff DeMille	Explanation of industry specific sales/use tax issues for motion picture industry	Audit/Collection personnel

**Auditors**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Processing and Safeguarding IRS Data	Deborah Bowles, Susan Cameron	Data available from the IRS, Instructions for processing IRS data received	Audit personnel
Interview process for IIT tax audit	Melanie Waddington, Steve Pierce, Terry Miller	Step by step procedure for conducting an interview with the taxpayer; common situations that the auditor may encounter	Audit personnel
Perform internal/external research of	Ike Johnson, John Riddle, Thomas	Instructions on conducting research to determine if individual	Audit personnel

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nonfiling/delinquent individual income taxpayers	McCrorey	income taxpayers are liable for filing in S. C. and determine whether an income tax examination is needed	
How to determine Manufacturing Machine Exemption from Sales/Use tax	Gary Heur, Tim Donovan, Rachael Graham		

**Collections**

<b>Topic</b>	<b>Developers</b>	<b>Content</b>	<b>Designed For</b>
Collection Reference Guide	Bruce Owens	A guide for new revenue officers to determine methods to use when confronting various types of taxpayers, e.g., chronic delinquents, unemployment, promises to pay, deceased, etc.	Collection personnel
Procedure for Serving Revocations	Mitch Campbell, Larry Mixon	Step by Step directions on the procedure to use for revocations of business licenses; revocation flowchart	Collection personnel

**Legal**

<b>Topic</b>	<b>Developer</b>	<b>Contents</b>	<b>Designed For</b>
Procedure for Obtaining Arrest Warrants	Tom Davis	Step by step procedure for obtaining arrest warrants	CID agents

We also utilize SmartForce e-learning which offers over 250 courses of primarily technical content. When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have both a technical training initiative and a quality and leadership initiative. Additionally, all of the methods and materials listed in 3.5 to education our customers are also available and used to train our employees.

Our formal Job Development Plans for the non-management workforce requires development of specific skills and duties. Teaching and training are required for certification and progression to the highest step of each plan. Each employee can reach the top of the individual plan with dedicated effort.

We provide full tuition reimbursement for our employees seeking a higher education. Our variable work week or work hour options assist those interested in completing accounting hours or degree requirements to qualify for entry into another job area in our agency.

The agency has long held a leadership role in the state for our quality improvement and leadership training. For the last 15 years we have introduced our employees and many from other agencies to the quality tools and process through our quality and leadership training plan. We recently graduated 41 employees from our new Leadership for Results program. Participants attended one session per month for 12 months with the training designed to help them build

leadership skills. While two sessions were offered each month, to allow participants flexibility in scheduling, an on-line version of each of the modules was purchased so that participants who could not attend a session had the opportunity to learn the concepts.

Additional training opportunities the agency endorses include: Regional and national tax administrator courses, Motor Fuel task force classes (as trainers and participants), CPE Training; Tax Law, Technical Skills, quality and leadership training; Certified Public Manager; Associate Public Manager; and the Executive Institute We also offer the Weeks Scholarship for employees' children and employee tuition reimbursement. When new employees are hired, we introduce them to the agency through our orientation course, DOR 101.

**5.3** The agency's approach to managing employee performance is through formal quarterly EPMS coaching sessions. All employees' planning stages include specific ties to the agency strategic plan; therefore these sessions allow for a free exchange of information to support continued high performance within the agency. Other successful components of our performance management system include: training development plans, universal review date for managers that ties to the timeline of the annual business plan, and formalized succession planning.

**5.4** Employee well-being and satisfaction is a significant indicator of return on our investment. Our measures include results of focus groups, exit interview feedback, turnover, absenteeism, and grievance statistics. We couple the diversified state benefits package with other initiatives that have proven successful, such as ongoing health screenings and stress reduction programs, exercise room, basketball equipment, and a reading group. Tuition reimbursement and variable work week or work hour options assist employees in balancing their lives and professional development needs. The availability of a laundry pickup and delivery service has been well received. The Employee Assistance Program is available to all employees. Formal appreciation events included a barbeque lunch held by management for all employees during Employee Appreciation week, our Lunch with the Director program, and our Director's Shining STAR reserved parking space. Many work groups organize their own recognition celebrations on an ongoing basis.

**5.5** Initiatives in this area include: ergonomics and air quality studies; health screenings, flu and pneumonia shots, an exercise room, walking club, weight loss club, CPR training, on-site mammography, and Weight Watchers on-site. We developed a Business Continuity Plan that is updated periodically to address workplace preparedness for emergencies and disasters.

**5.6** Community involvement initiatives include: United Way, Good Health Appeal, savings bonds, Lunch Buddies in public education, United Black Fund of the Midlands, blood drives, and Cooperative Ministry's Back-to-School Supply Drive. We regularly encourage and recognize individual community involvement and professional involvement.

## **Process Management**

**6.1 – 6.4** The agency is aligned to its identified core processes. Below is a table identifying these processes. (Figure 6.1.1) **Note:** Support processes are included in the Administration category.

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All products and services, which are either in place or to be designed, link to one of the core processes. The agency was introduced to a process whereby customers/stakeholders are defined by the products or services they receive, whether they are internal or external customers/stakeholders. This design and delivery model (Figures 6.1.2 and 6.1.3) forces us to look at how we can incorporate new technology along with changing customer and mission related requirements and has given new insight to help us develop and implement appropriate improvements to our process. This model is the way in which we review all of our current processes for improvement opportunities or design new processes. It shows how we ensure customer/stakeholder involvement.

<b>Core Processes</b>	<b>Sub-Processes</b>	<b>Stakeholders</b>
Revenue Processing & Allocation	Forms Design and Management Mail Processing Records EFT/EDI Electronic Filing/Payment Enforced collections deposits/cash management Payment Processing Return Processing Refund Processing Data Collection Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes Motor Fuel Taxes Dry cleaning \$9 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers	Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers Practitioners Citizens Comptroller General
Registration, Licensing, and Exemptions	Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering	Elected Officials Other agencies Governments Business Taxpayers Practitioners Citizens
Valuations	Manufacturing Property Utilities, carlines Business personal property FILOT Motor Vehicle guides Motor Carrier	Local Governments Department of Public Safety Department of Transportation
Compliance	Audits Data Reconciliations Collections Code Enforcement Process Regulatory Violations	Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers

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	Criminal Investigations/Prosecutions Assist Other Agencies/Governments	Practitioners
Guidance, Education, Marketing, and “Answers”	Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers Speakers Bureau Taxpayer Rights Advocate Training Rev’n U DOREE Publications New Legislation Guide Annual Report Teletopics Legislative Affairs Press Releases Forms Policy Documents Assist Other Agencies Local Government Liaison Provide Statistics/Data Education and Training	Elected Officials Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens
Dispute Resolution	Mediation Negotiations Error and Assessment Notices Error & problem resolution Taxpayer Advocate Appeals ALJ and court cases	Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners
Administration	Human Resources Planning and Development Information Technology Facility Management Financial Management	Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners DOR Staff

**Fig. 6.1.1**

**Diagnosis Worksheet Instructions**

Describe the system

1. Identify the product (and its producer) around which the symptoms/objectives seem to be centered.

Product – A deliverable created by work activity. Products are nouns, countable, and can be made plural with an “s”. Be as specific as possible. Examples include: PC repairs, purchase orders, financial audit reports, grant applications, strategic plans, etc.

2. Identify the end users of the product. End users are customers who actually use the product to achieve a desired outcome. They are the people we had in mind when we created the product.
3. Define the outcomes (results) expected of the product for the end user(s) and the producer.

4. List the key product attributes likely to be expected by the end user(s). Examples include easy to use, fast, simple, accurate, etc.
5. Describe the major steps of the process that produces the product.

Check Vital Signs

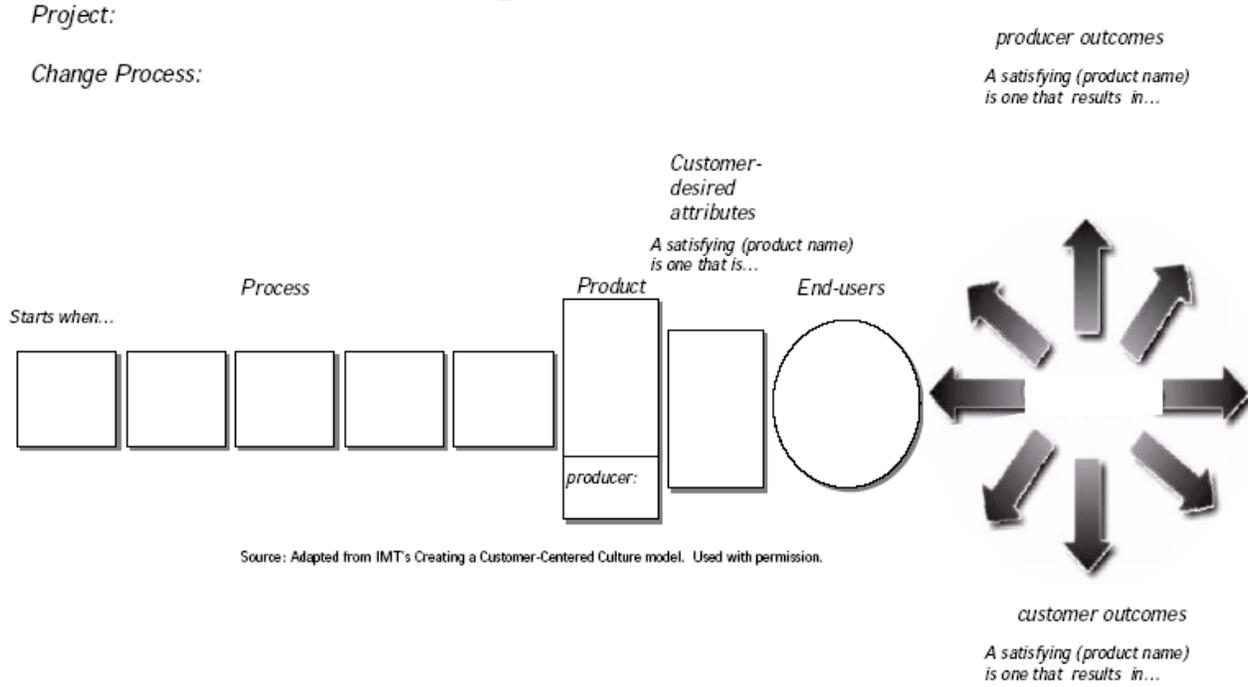
6. Does the product meet the end users expectations?
7. Is the product achieving the desired outcomes?
8. Is the process able to produce the product accurately?
9. Is the process able to produce the product in a timely manner?
10. Does the process take too long?
11. Does the process cost too much?
12. Is the process too complex?

Select Appropriate Change Process

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**Fig. 6.1.2**

## Diagnosis Worksheet



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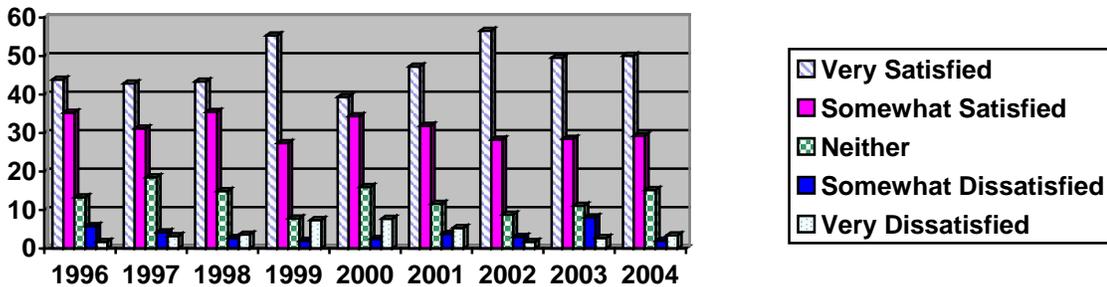
**Fig. 6.1.3**

### Business Results

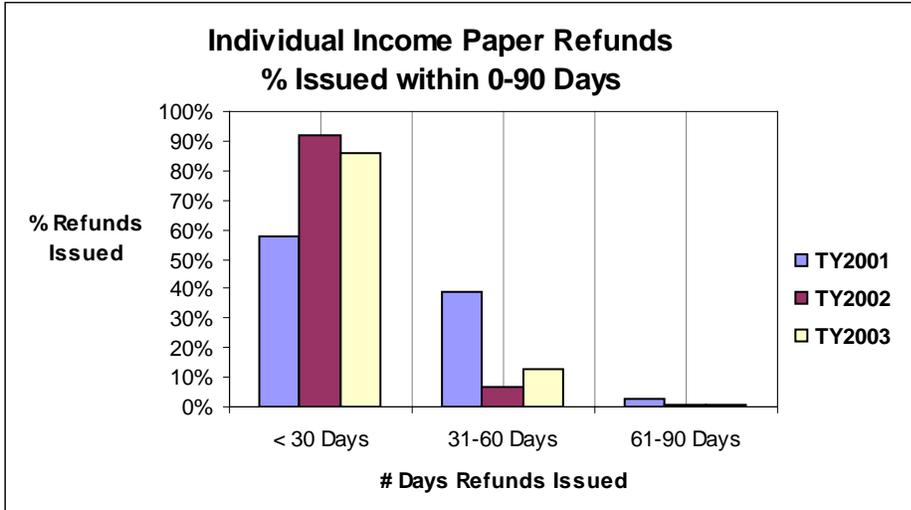
**7.1 Customer Satisfaction Results** The agency continues to use a market based survey conducted by the University of South Carolina to determine customer satisfaction with service delivery. The results of the survey (Figure 7.1.1) indicate that 94.6 percent of the time the agency met or exceeded the expectations with the service delivery. The trend over the past nine years continues to show positive results with our emphasis on customer service.

**Satisfaction with Services Received (Fig. 7.1.1)**

Asked only respondents who had contact with the department in the past year.



Individual Income Tax filers are our largest customer segment. Receiving their refund quickly is their expectation and the DOR delivers. Figure 7.1.2 indicated that 99% of the refunds from paper returns are issued within 60 days from the date of receipt in our Mail Center to date of refund mailing or direct deposit of the funds. In our electronic processing, Figure 7.1.3, we continue to issue refunds in a most timely fashion though this year, due to the married filing joint and married filing separate add-back review, the percentage of electronic refunds issued in less than 10 days is slightly lower for Tax Year (TY) 2003 to 97.67%. The USC survey asks how satisfied respondents were with the refund cycle time, Figure 7.1.4 shows that they are once again satisfied 95.2% of the time for the same period. **NOTE: Individual income tax data is reported for the Tax Year, all other data is for the fiscal year.**

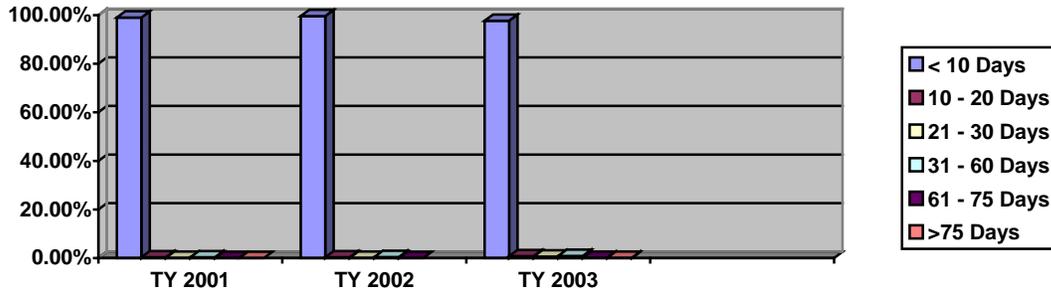


	TY2001	TY2002	TY2003
< 30 Days	58.00%	92.00%	86%
31-60 Days	39.00%	7.00%	13%
61-90 Days	3.00%	1.00%	1%
> 90 Days			

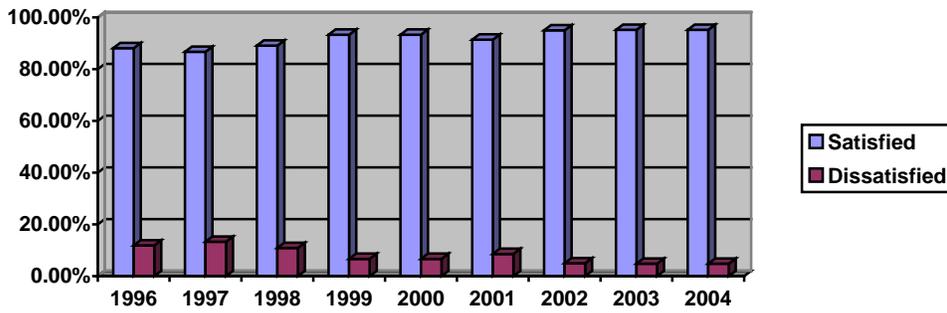
**Fig. 7.1.2**

Number of Days	TY2001	TY2002	TY 2003
<10 Days	99.00%	99.60%	97.67%
10-20 Days	0.30%	0.30%	0.76%
21-30 Days	0.10%	0.10%	0.60%
31-60 Days	0.30%	0.04%	0.85%
61-75 Days	0.03%	0.00%	0.05%
>75 Days	0.01%	0.00%	0.06%

**Refund Cycle  
Time – IIT  
Non-paper**



**Fig. 7.1.3**



**Fig. 7.1.4**

Sales tax filers are our next largest customer group and again, refund cycle time is important to them as well. Figures 7.1.5 and 7.1.6 indicate our FY 03-04 average to issue refunds was 78.16 days and 76.7 for the past two fiscal years.

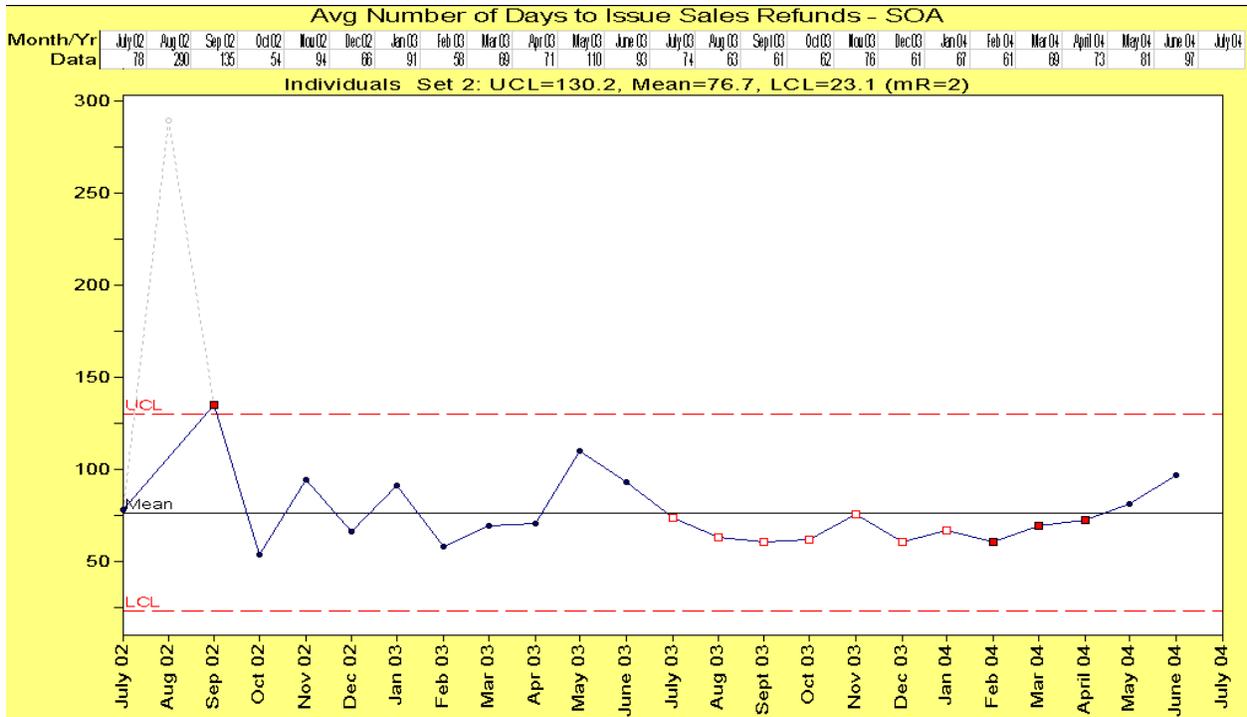


Fig. 7.1.5

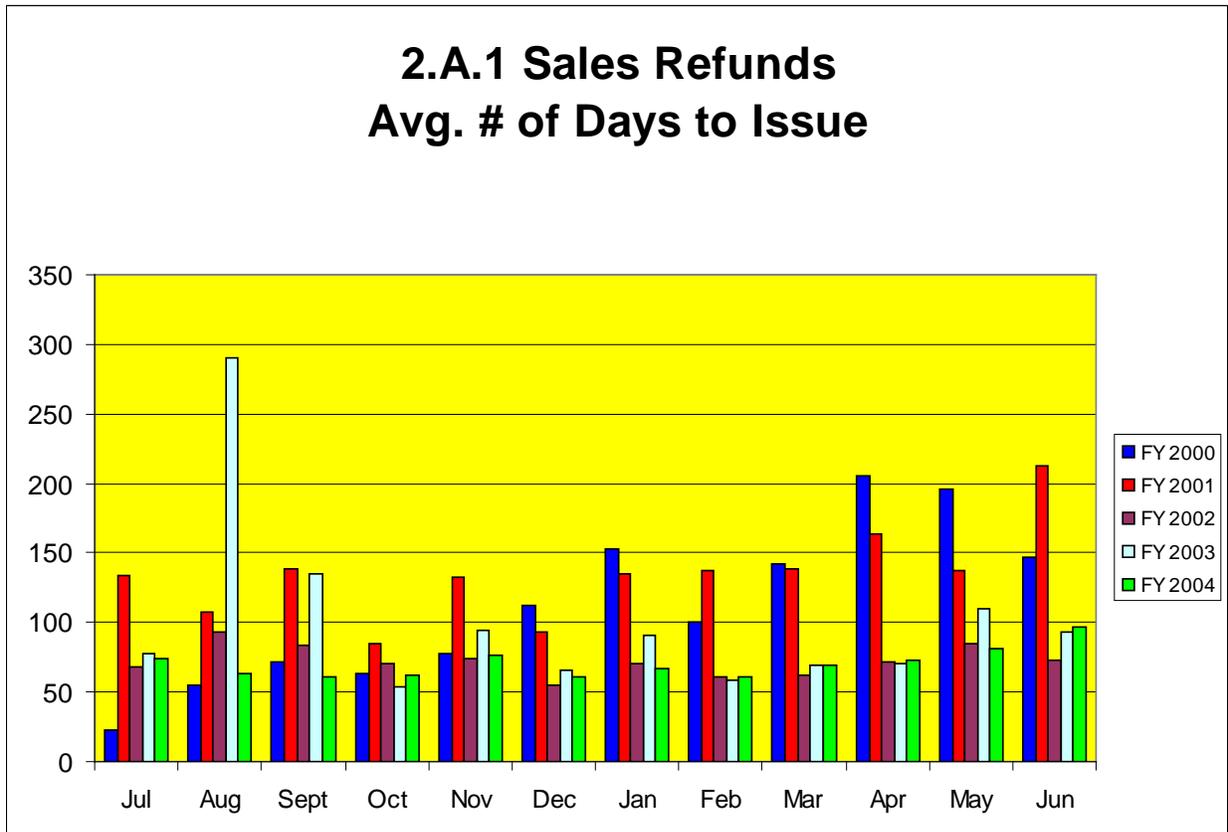


Fig. 7.1.6

Finally, measures of our Business Tax and General Contact Centers have a direct relationship to customer satisfaction. Figures 7.1.7 and 7.1.8 show how we have been able to improve our call wait time with the increasing number of calls received. This data is available “real time” to the managers to allow for immediate adjustments, when necessary.

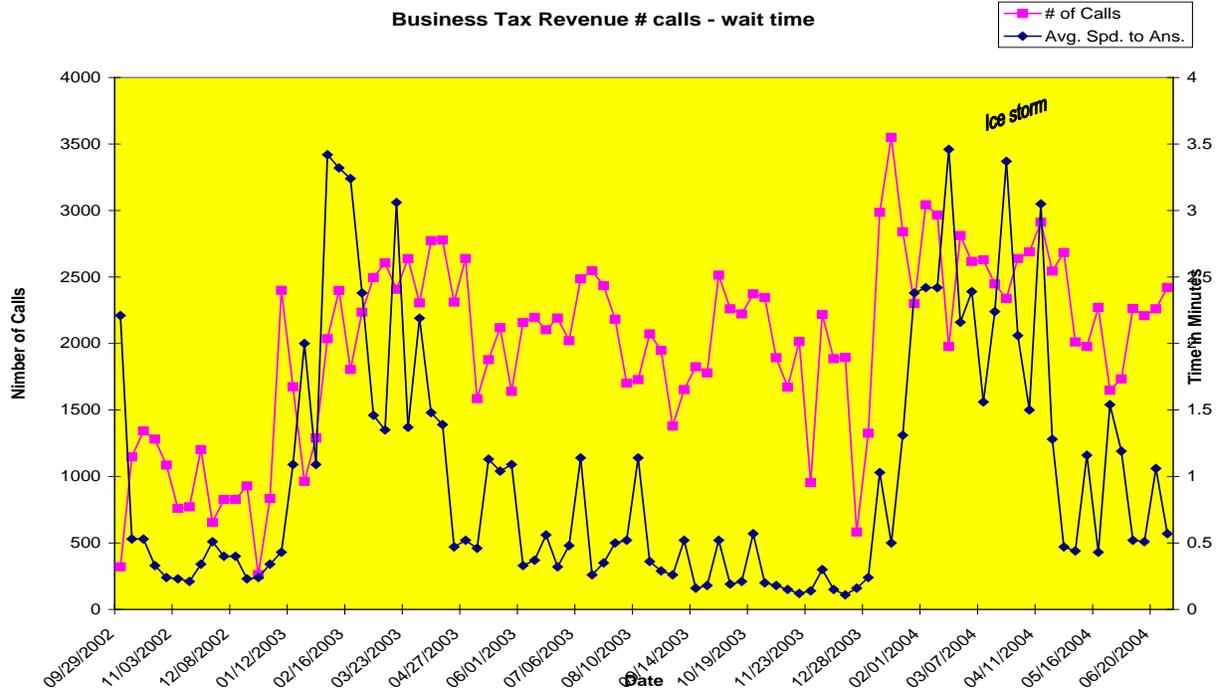


Fig. 7.1.7

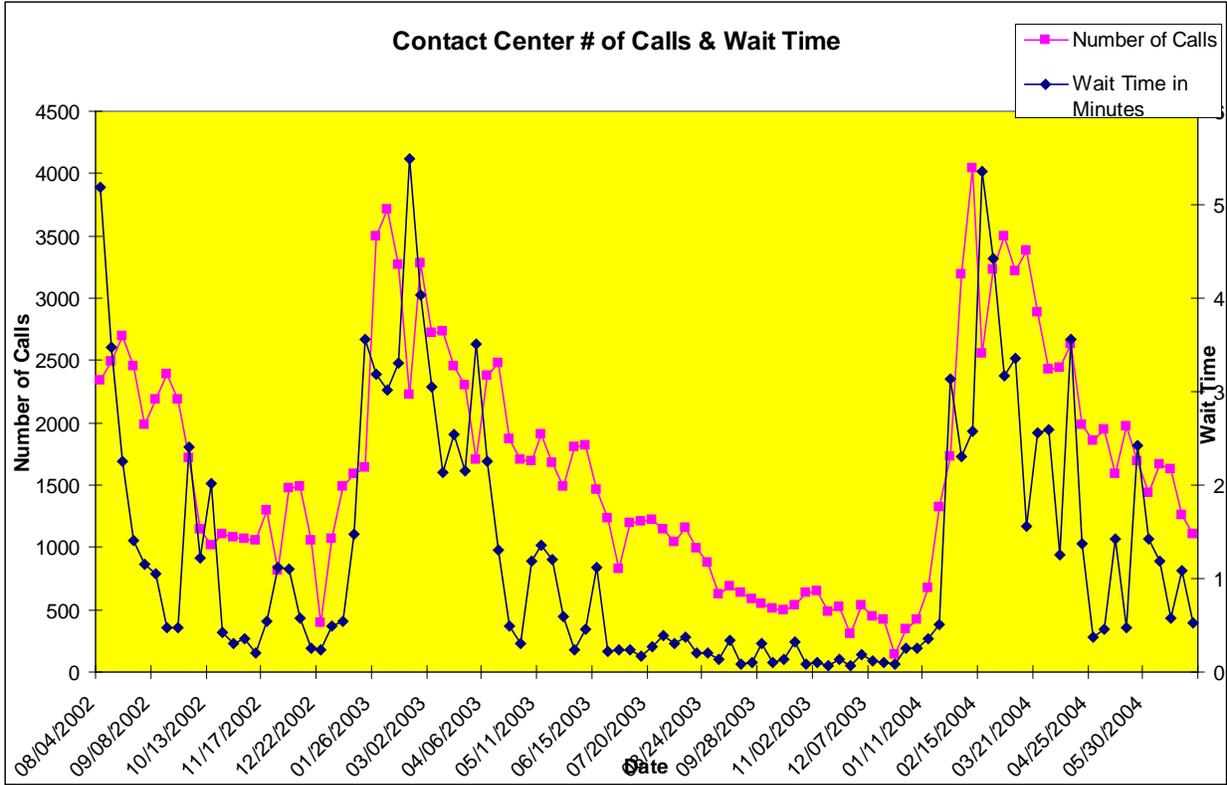


Fig. 7.1.8

**7.2 Mission Accomplishment** Category 3.1 lists our stakeholders and customers which include other state agencies, local governments, and the General Assembly. Our measures that deal with administering the revenue and regulatory laws of the state and collecting the revenue due the state are primary components of the assessment of how well we accomplish our mission. Figure 7.2.1 shows our collections over the prior fiscal years. For fiscal year 03-04 we increased our collections by 6.39% over the prior year.

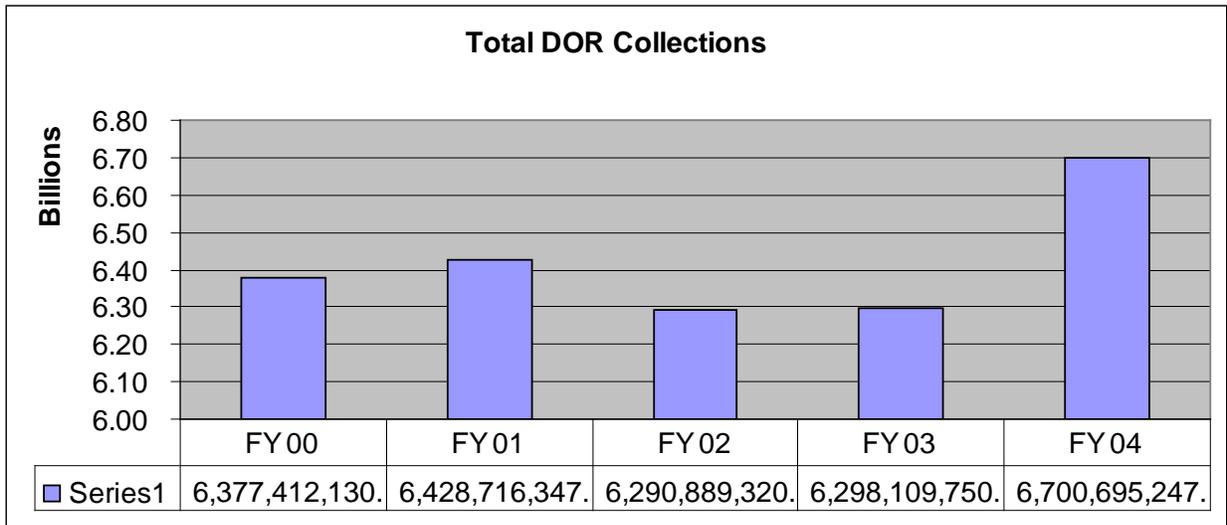
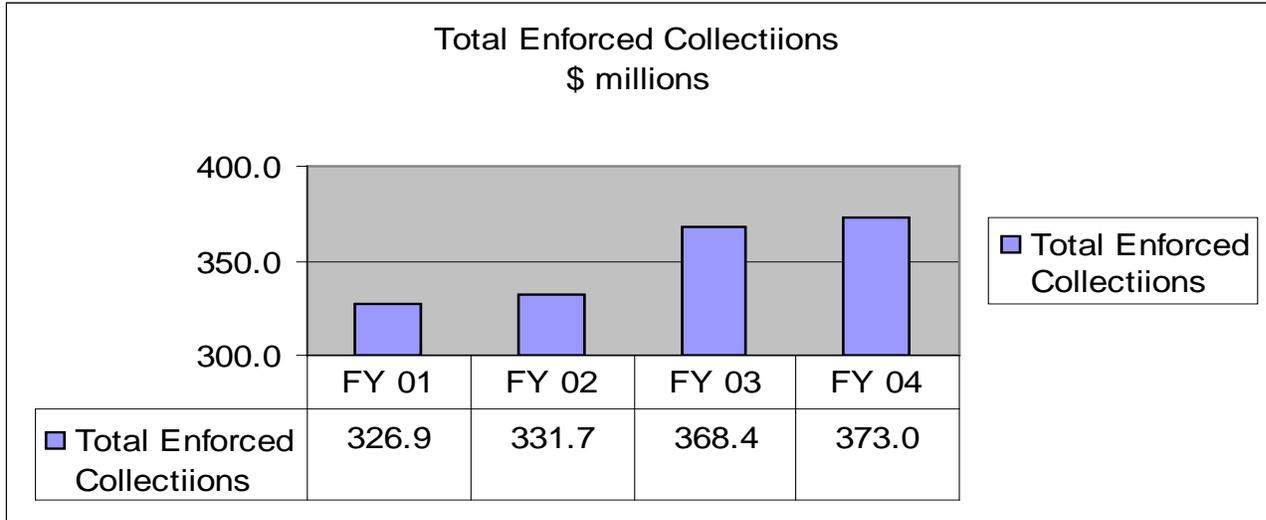


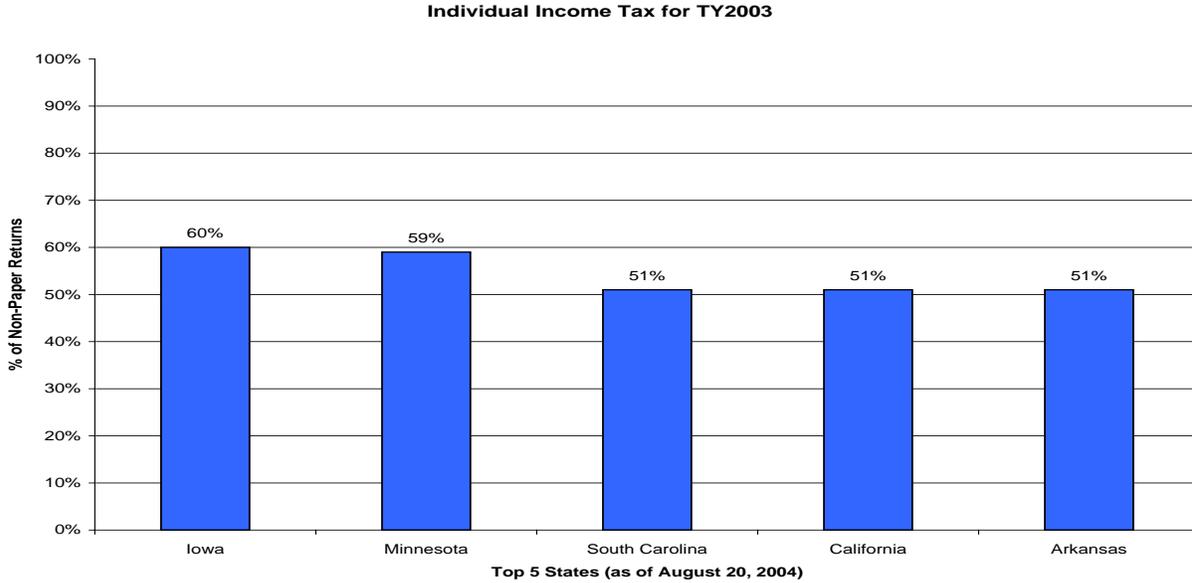
Fig. 7.2.1

Figure 7.2.2 shows the total of enforced collections over prior years. We experienced a 1.25% increase from last fiscal year.



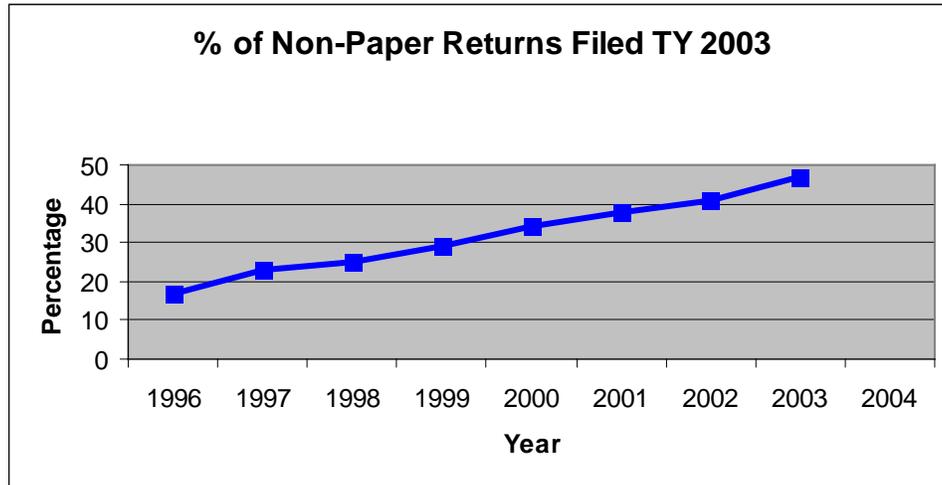
**Fig. 7.2.2**

As part of our ongoing strategy to grow our electronic capabilities for our customers, we show our ranking among the other top states for electronic filing of individual income tax. These methods help us accomplish our mission in a more efficient manner; therefore the numbers of non-paper tax returns filed is the first of these indicators. While South Carolina continues as a leader nationally, we tied for third along with California and Arkansas, in the percentage of electronically filed returns at 51%. Figure 7.2.3 depicts our ranking with the other highest ranking states.



**Fig. 7.2.3**

The percentage of electronically filed returns, shown in Figure 7.2.4, increased 14% over last year.



**Fig. 7.2.4**

Figure 7.2.5 indicates the growth in the various technological methods taxpayers used in filing their individual income tax returns this tax year. Taxpayers using these “alternative” methods not only allow the DOR to process returns more efficiently and virtually error free, but to generate refunds much quicker, which is a customer satisfier.

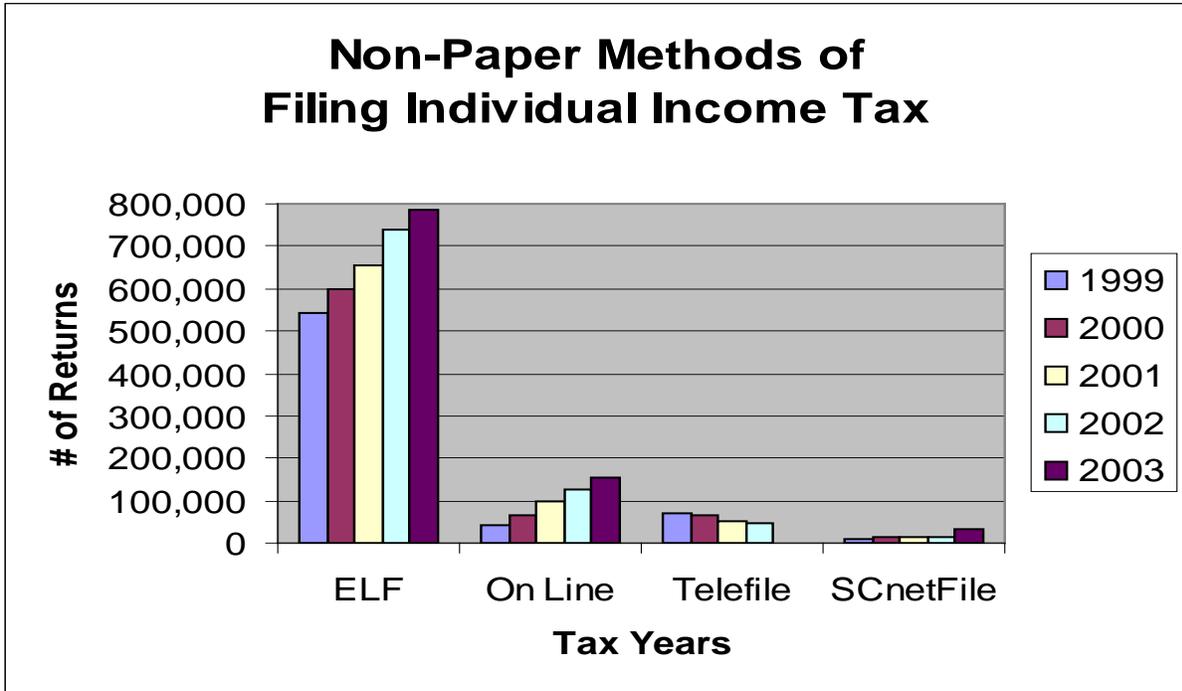


Fig. 7.2.5

Part of the Department of Revenue’s strategy is to become the payment processor for the state. Figures 7.2.6 – 7.2.14 show the number of transactions we have completed in the four top tax types.

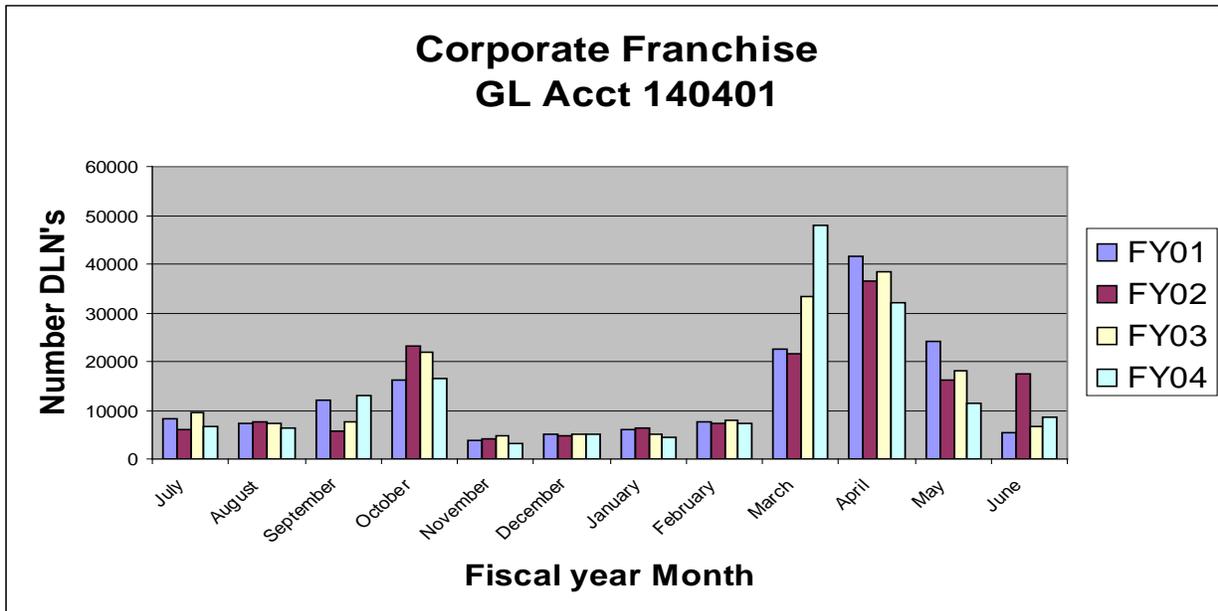


Fig. 7.2.6

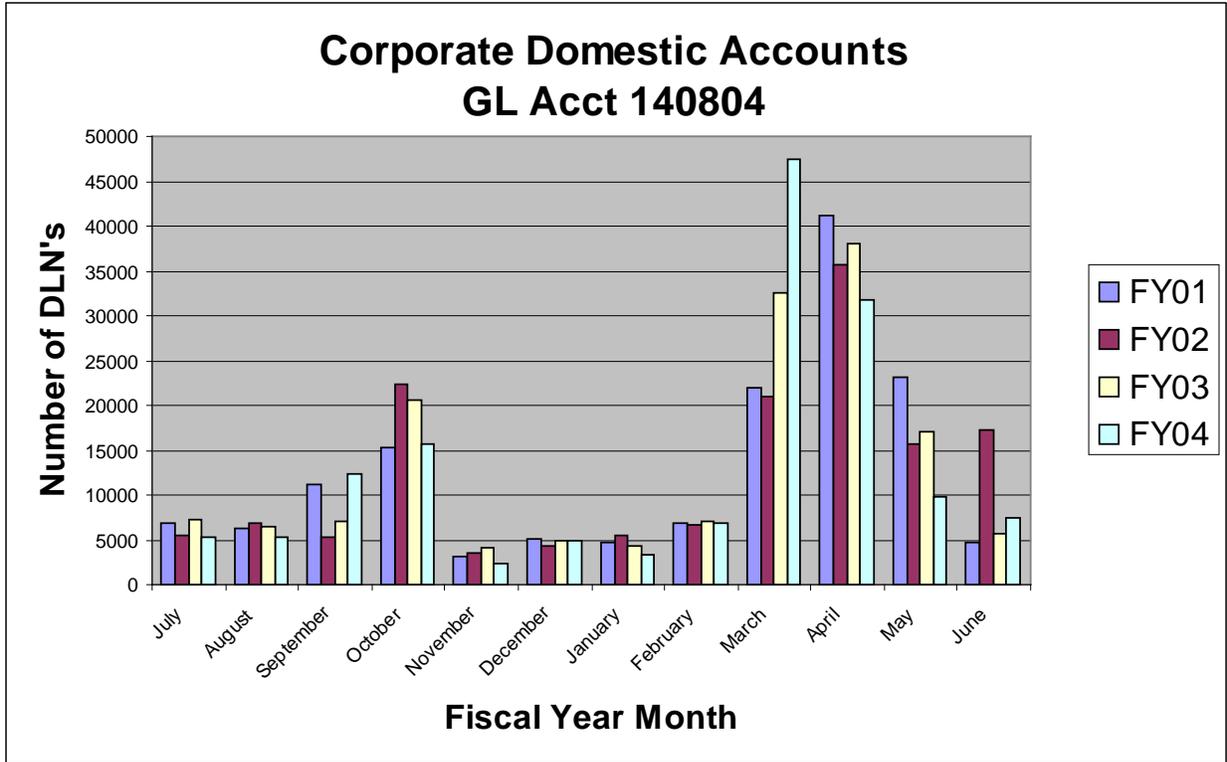


Fig. 7.2.7

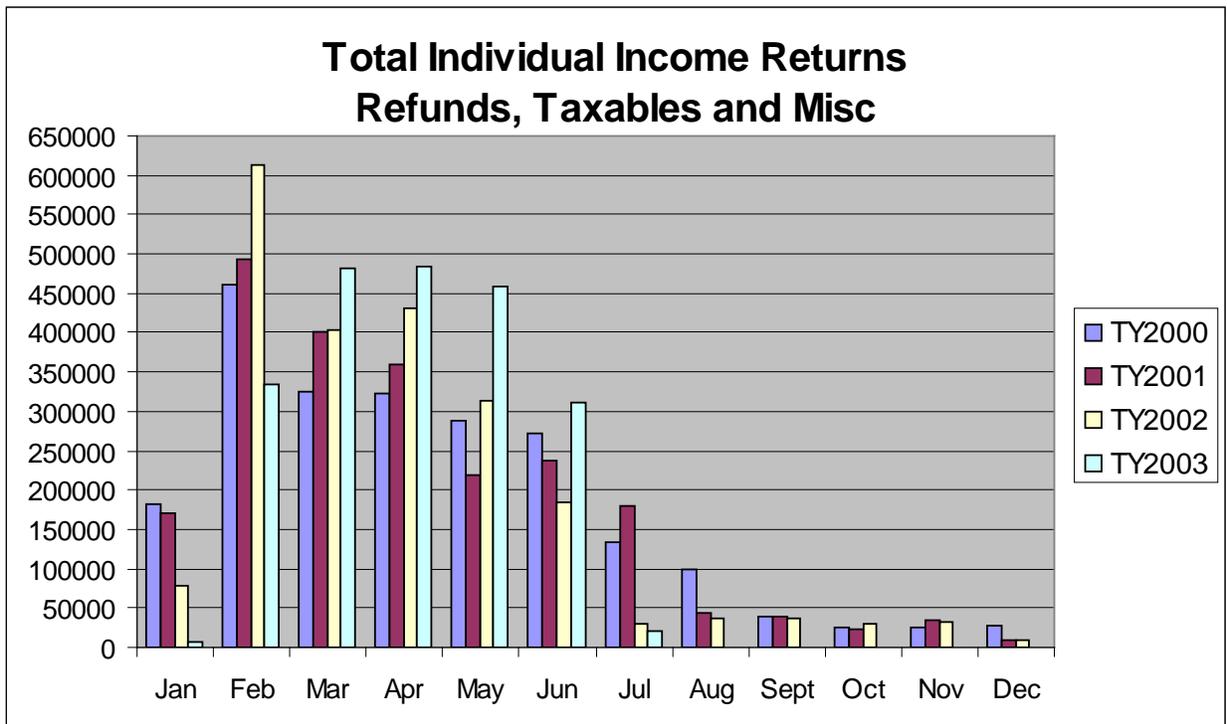


Fig. 7.2.8

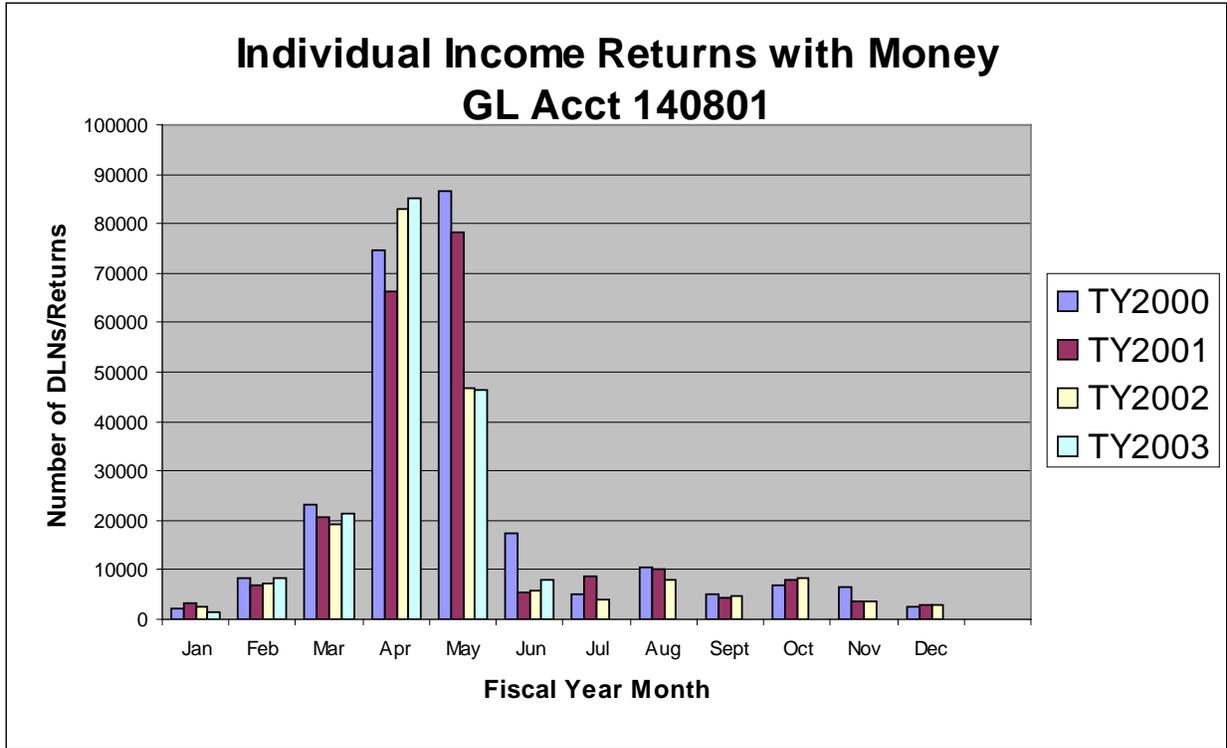


Fig. 7.2.9

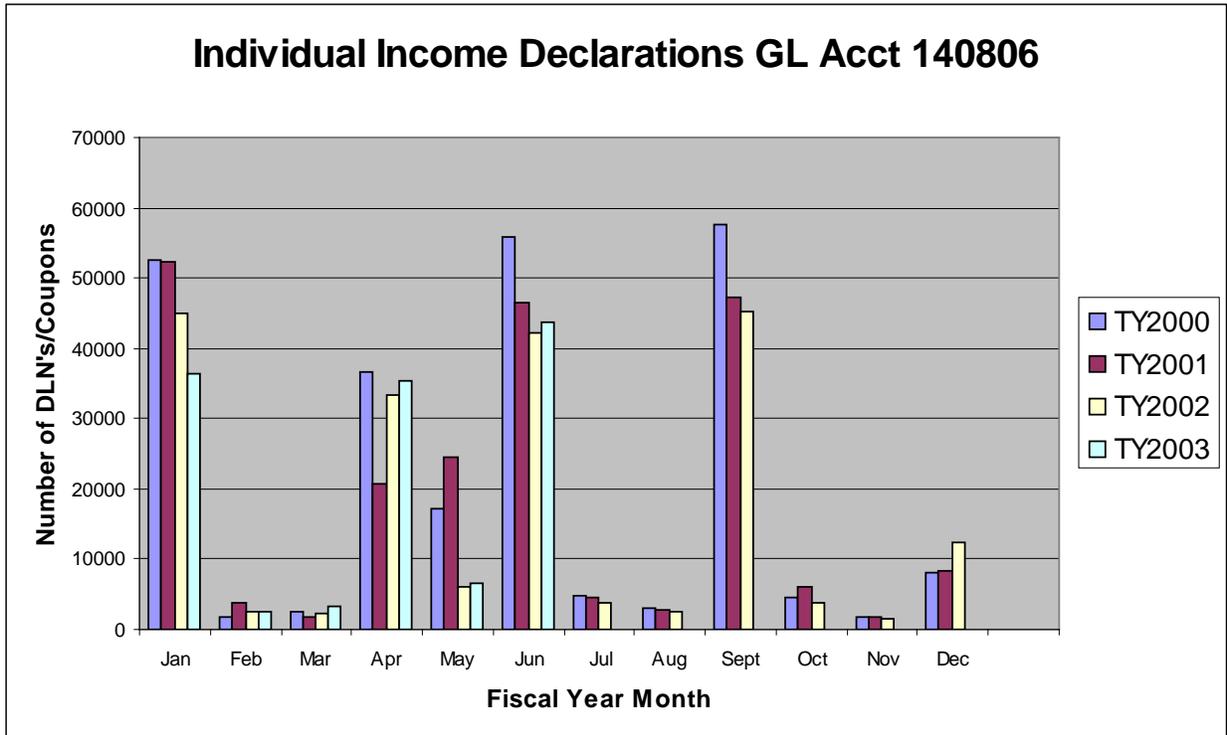


Fig. 7.2.10

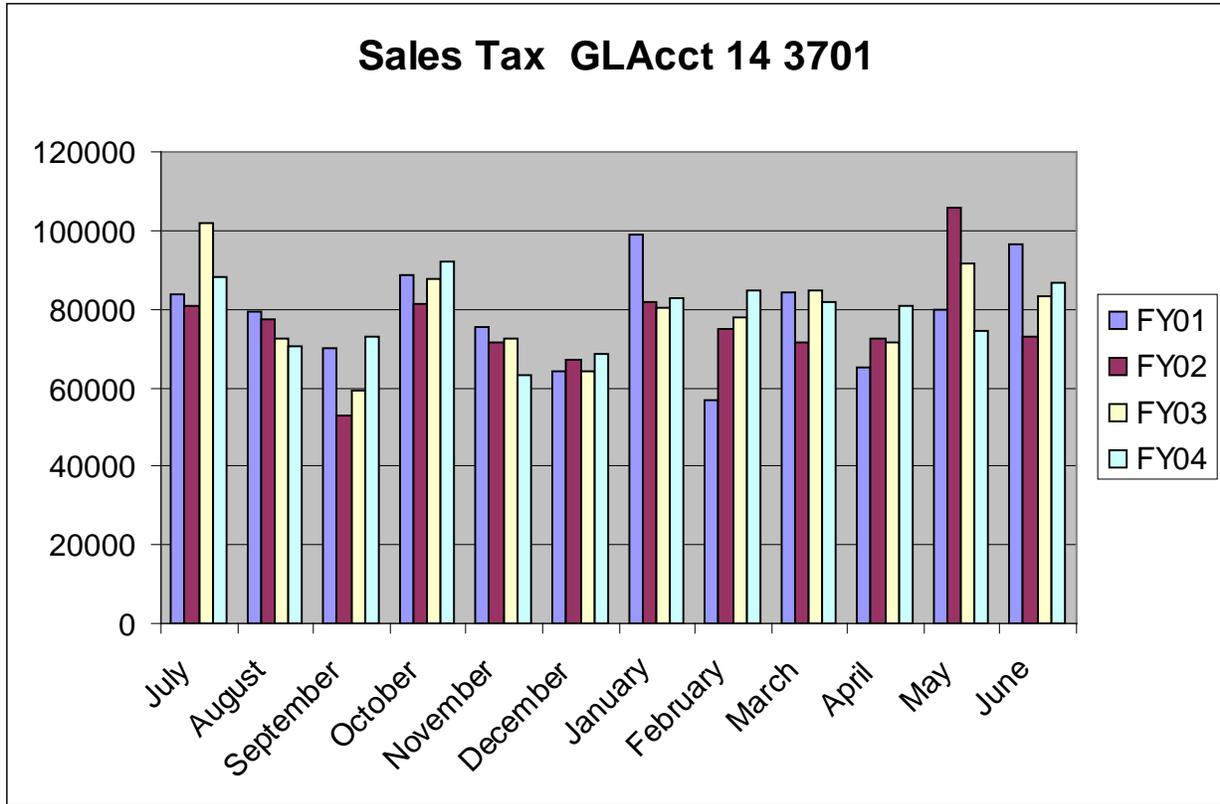
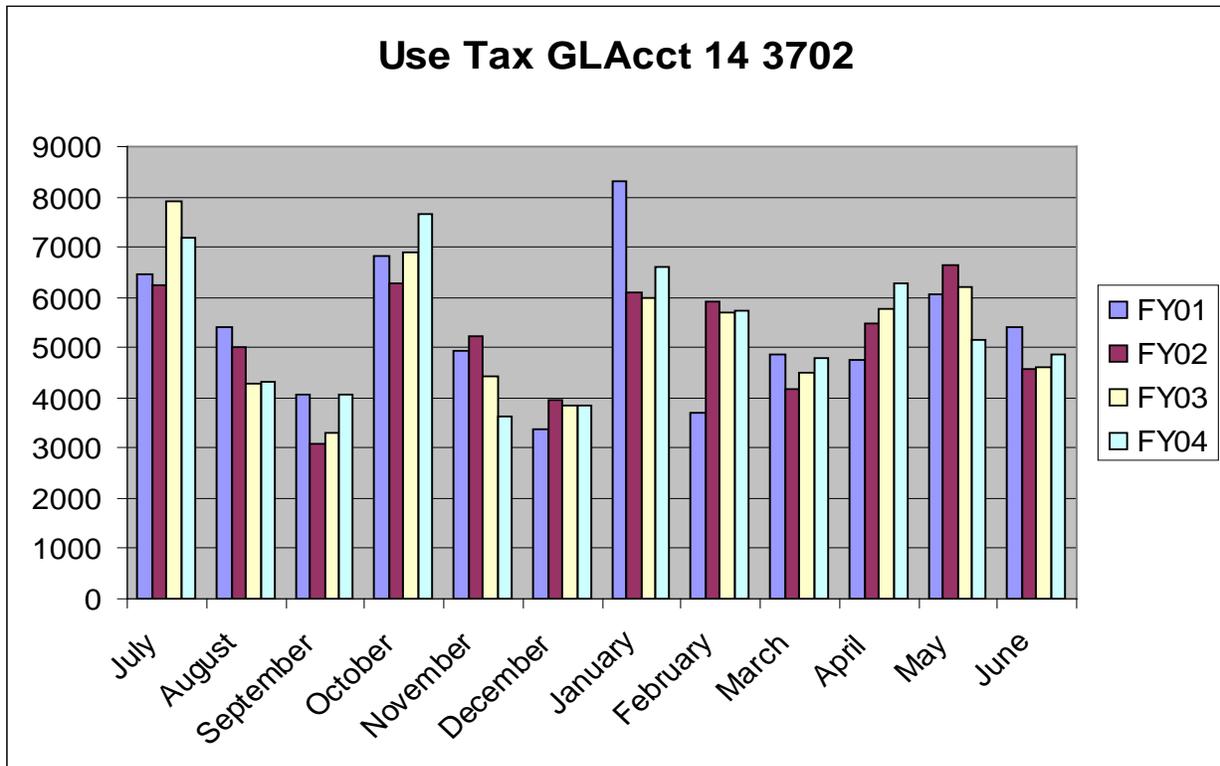


Fig. 7.2.11



7.2.12

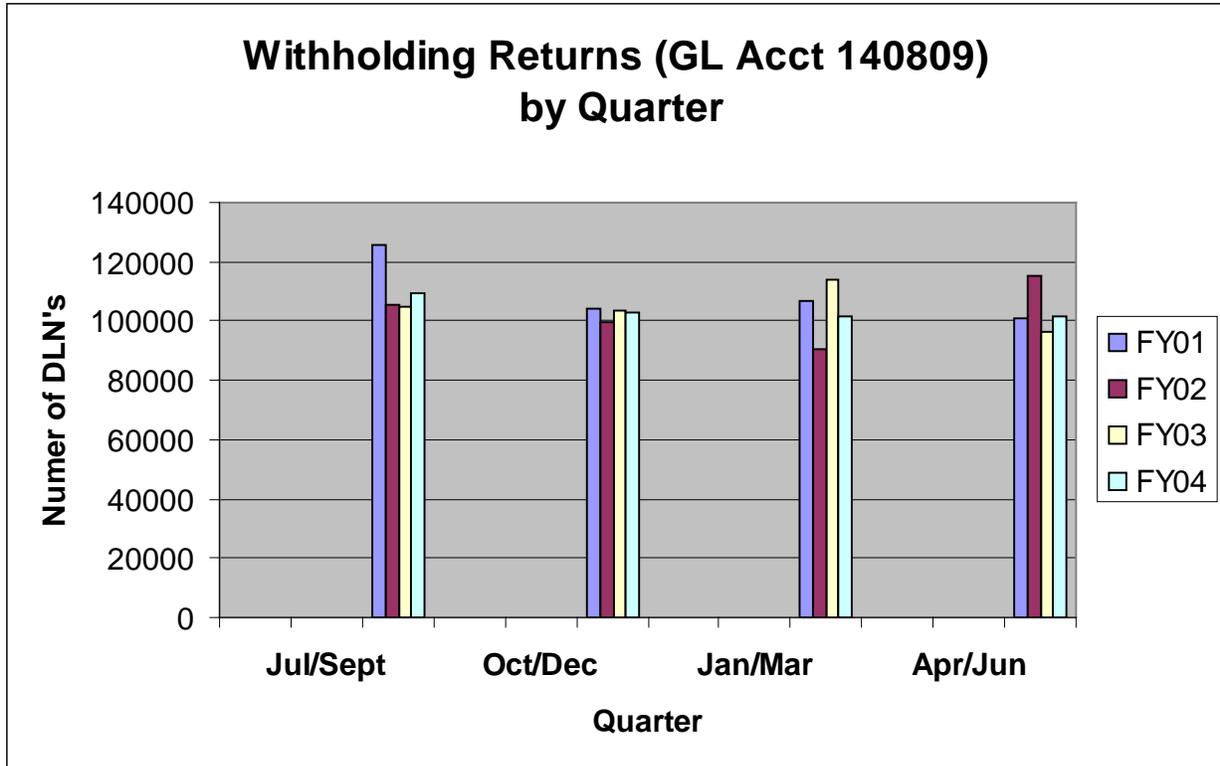


Fig. 7.2.13

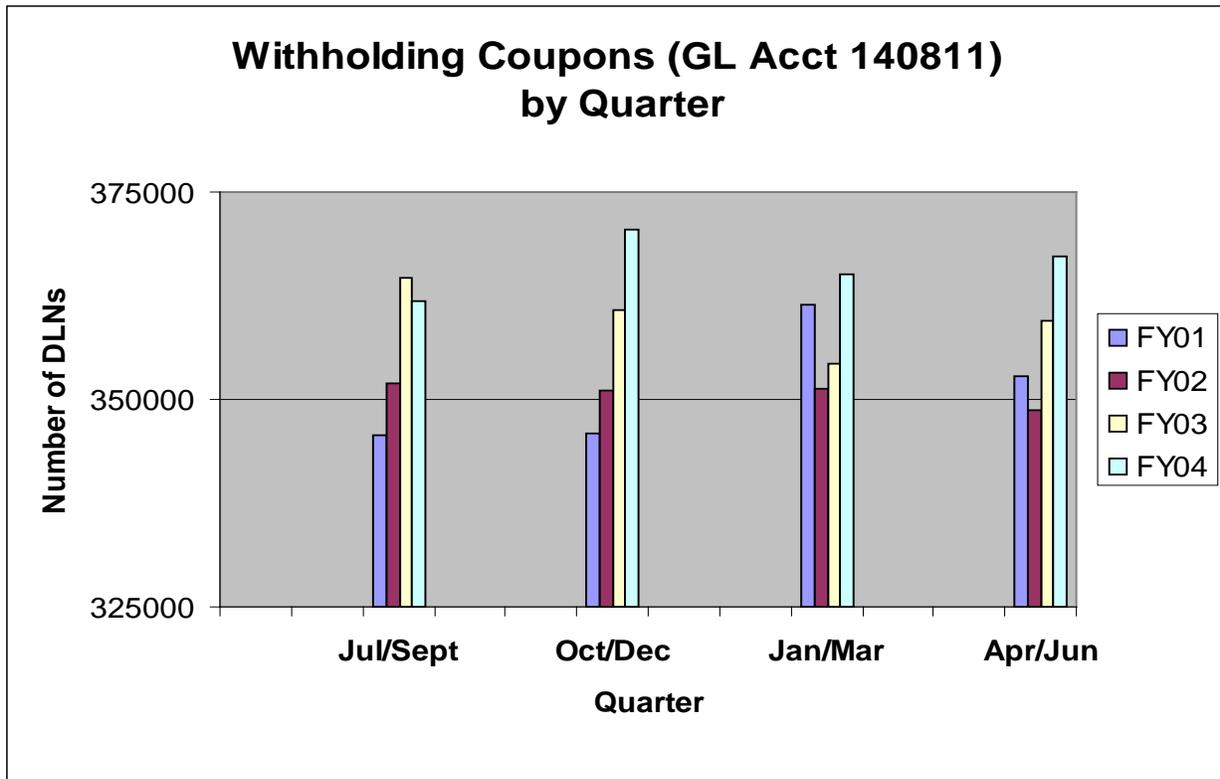
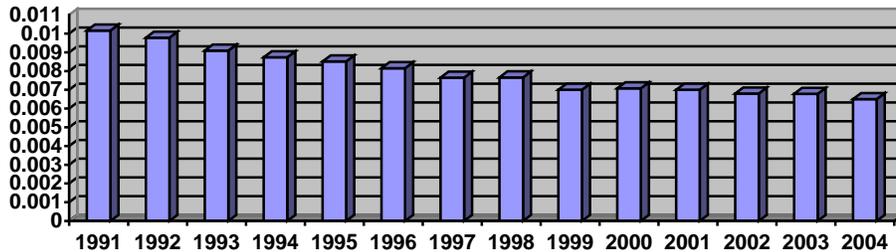


Fig. 7.2.14

**7.3 Financial Performance Indicators:** Figure 7.3.1 shows our cost for collecting \$1.00 of tax was \$.0065, a slight improvement from last year. This measure shows the effectiveness of our collection approaches.

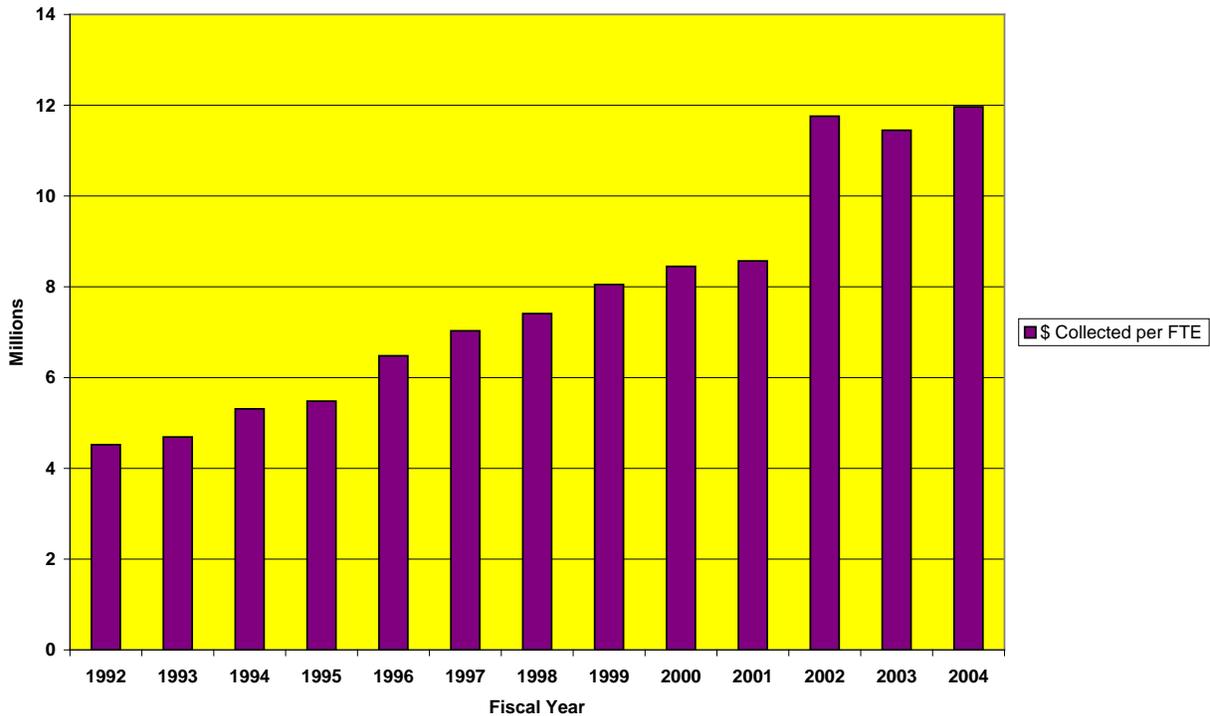
**Cost of Collections**



**Fig. 7.3.1**

The amount of dollars collected per filled full time employee, Figure 7.3.2, indicates our effectiveness and efficiency in the collection process. As you can see, we have exceeded our historical high achieved in 2002.

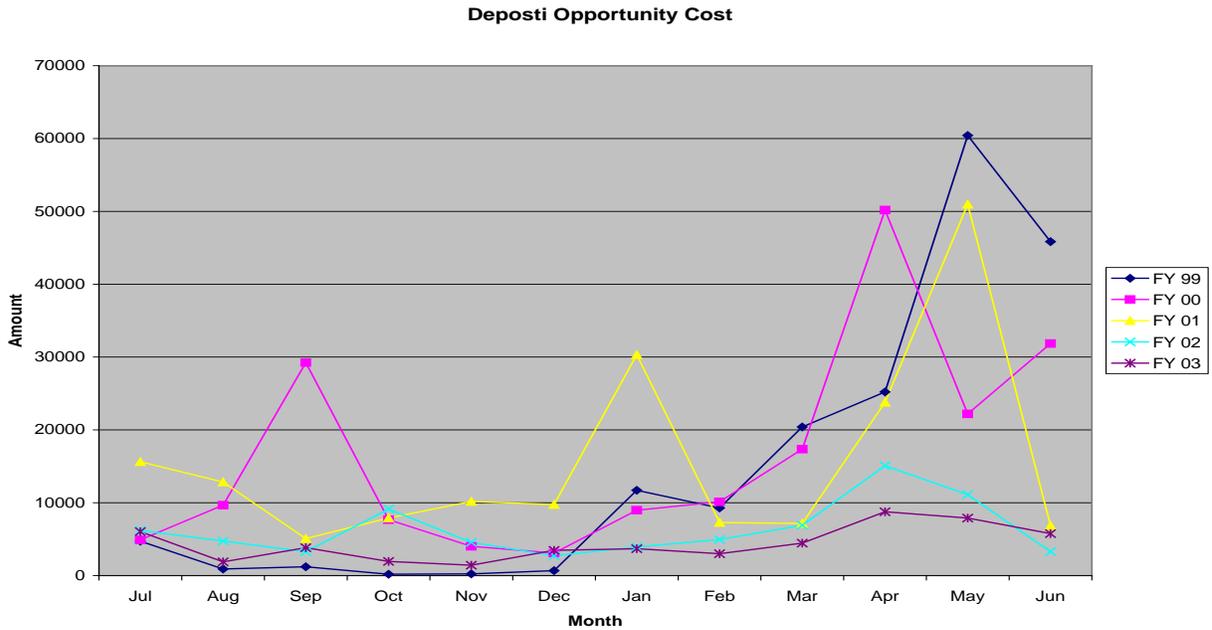
**\$ Collected per FTE**



**Fig. 7.3.2**

The amount of interest lost monthly shows how effective and efficient we are with processing of checks and returns and getting state funds deposited. Figure 7.3.3 is a five-year comparison of

the data. This information fluctuates with the changing interest rate, and the high points correspond to our peak processing times of tax returns.



**Fig. 7.3.3**

**7.4 Human Resource Results** The measures we review for employee satisfaction are the number of employees voluntarily resigning (Figure 7.4.1) and sick leave usage. (Figure 7.4.2).

The number of resignations has remained stable with the exception of the several months that spiked due to RIF and release of probationary employees during that time frame.

We measure the average sick leave usage, as that can be an early indicator of potential employee dissatisfaction. Special retirement and/or separation incentives impacted the average use as these separating employees often have a great deal of sick leave that is used in calculations for retirement credit. This results in those hours being counted as “used.” Also, employees may donate leave to the agency leave pool. Donated hours are also accounted for as being “used.” These factors account for the spikes in December and June.

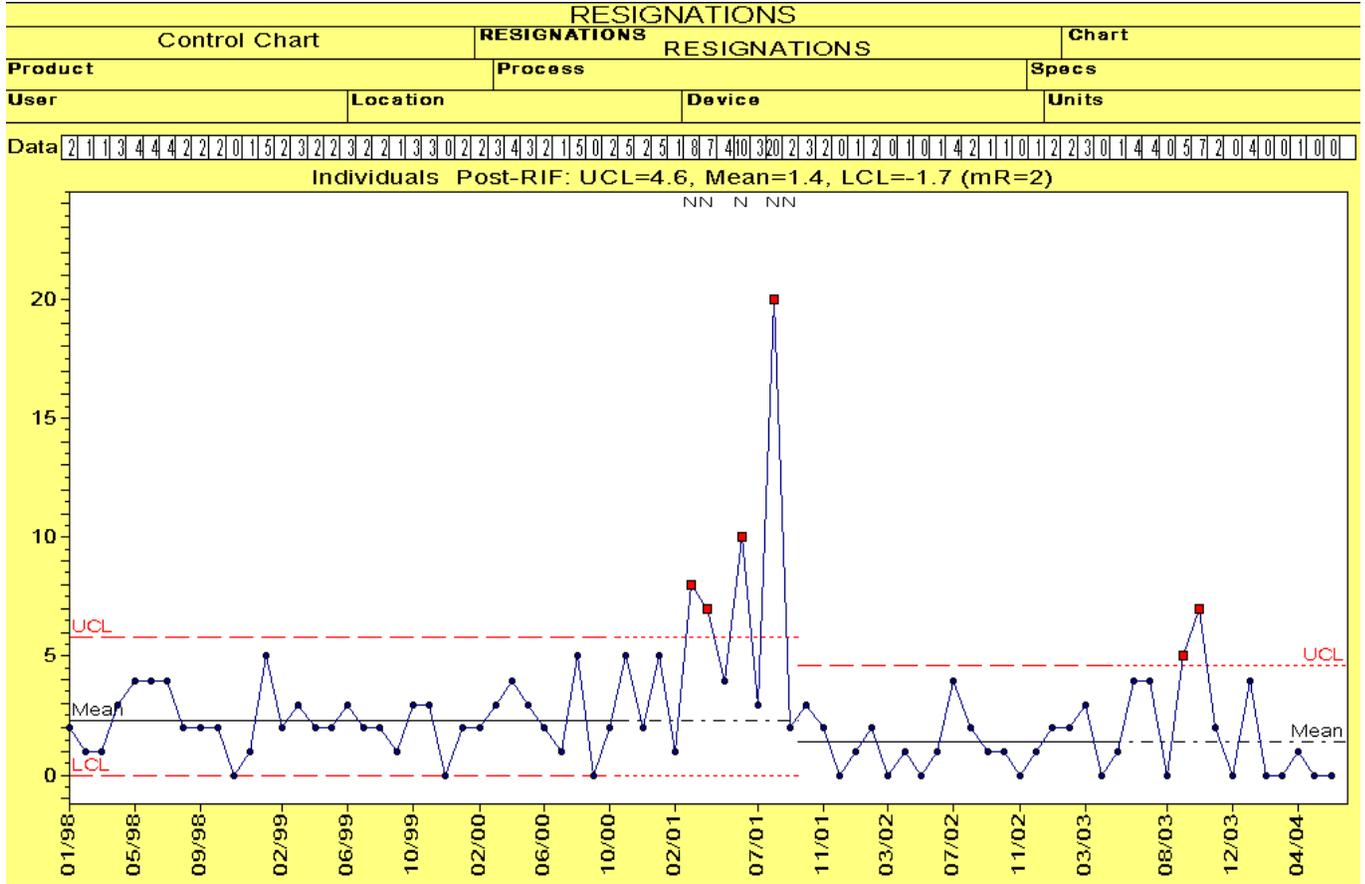


Fig. 7.4.1

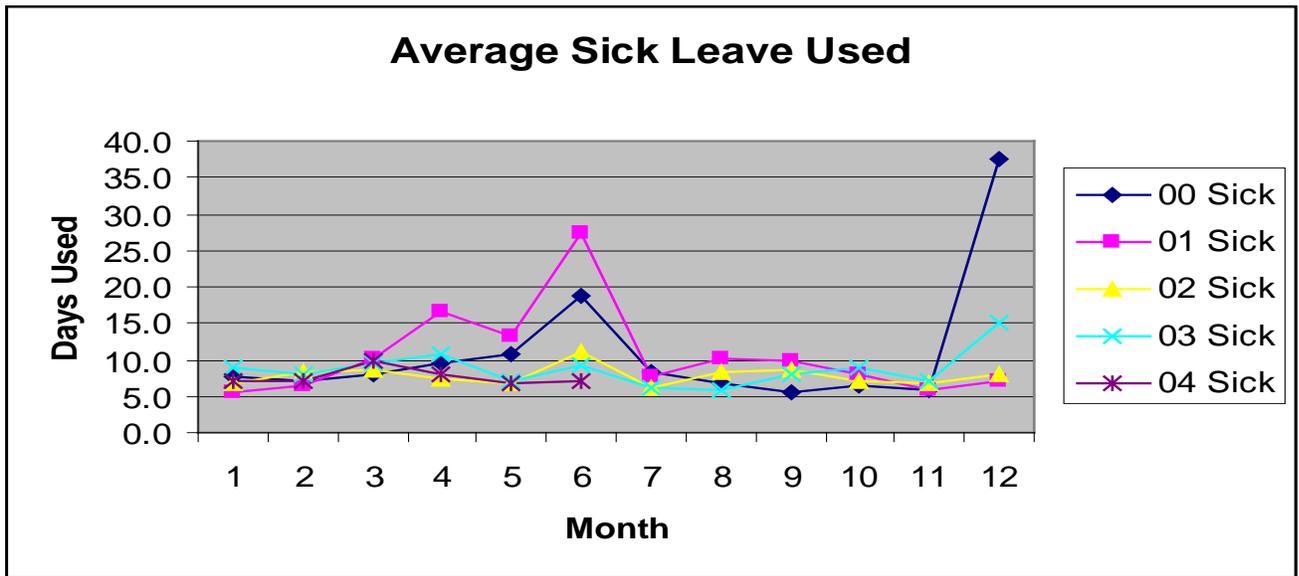
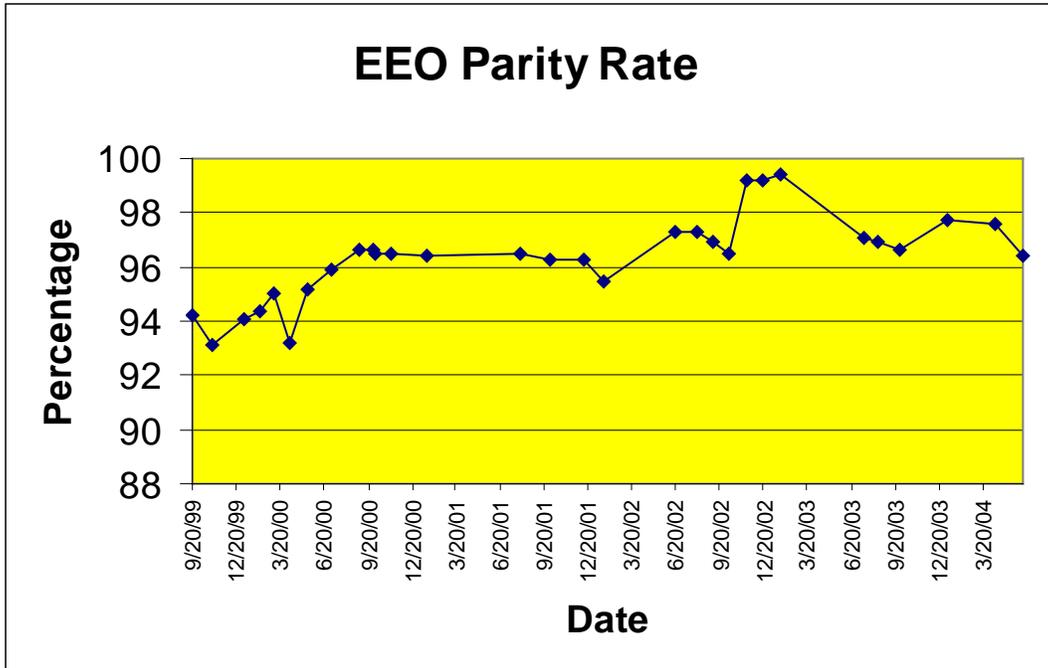


Fig 7.4.2

**7.5 Regulatory/Legal Compliance and Citizenship** The agency has had no regulatory violations or significant findings by those external entities that are in positions to do so in the past fiscal year. Some

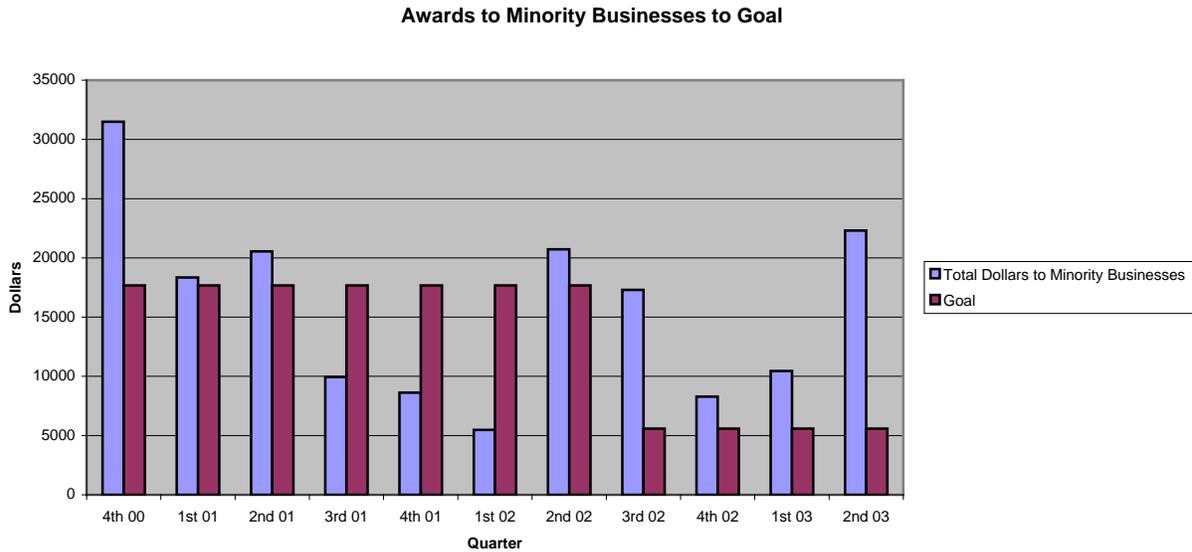
of these entities include: State Auditor; Legislative Audit Council; Internal Revenue Service; Occupational Safety and Health Organization; State Materials Management; the Budget and Control Board, and State Fire Marshal.

Our Equal Employment Opportunity (Figure 7.5.1) statistics show that the agency has a 96.4% success rate as of June, 2004 in attaining our affirmative action goal. The agency was ranked first among all state agencies with 501 - 1000 employees in the report submitted to the General Assembly in February, 2004.



**Fig. 7.5.1**

As a measure of our good citizenship, we look at our purchases through minority businesses (Figure 7.5.2). This year we have consistently outperformed the goal of \$5590.50 per quarter of purchases with minority businesses.



**Fig. 7.5.2**

We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and BOS programs. To date, forty-four (44), up from twenty-seven (27) entities last fiscal year, with debts totaling \$63,354,252, a 70.2% increase from last year, have contracted and submitted debts for GEAR collections. Total GEAR collections for FY 03-04 are \$5,745,905 up from \$3,364,007 last fiscal year.

Our Business One Stop programs (DORBOS and SCBOS) are continuing to progress. DORBOS online tax and license registrations currently include; Sales and Use, Withholding, Corporate, Accommodations, Aviation, Solid Waste, Business Personal Property, Employment Security Commission; Unemployment tax and newly added in February 2004 Alcohol Beverage License Renewals. Taxpayers are also allowed to change information on their accounts such as mailing addresses. The SCBOS programs' established webpage currently is a resource site for locating business information and links to local, state and federal agencies.

The charts provided here indicate the number of new registrants using the DORBOS system for the two largest tax types, Figure 7.5.3 is for sales tax and Figure 7.5.4 is for withholding tax and Unemployment Insurance with the Employment Security Commission.

### Fiscal Year 2004 - Sales Accounts

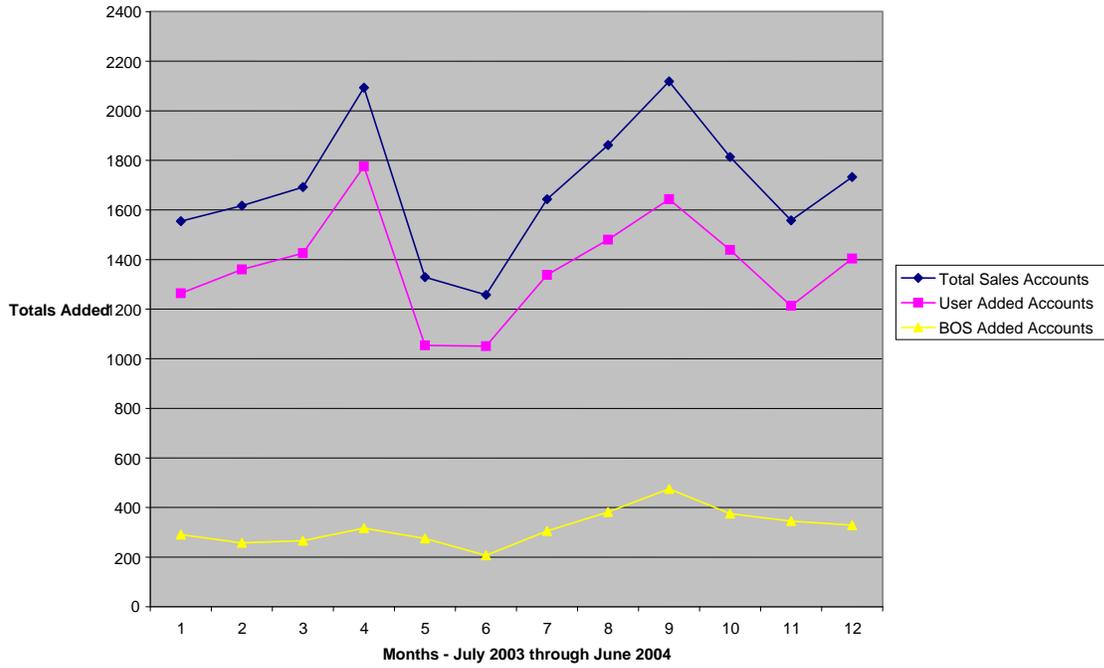


Fig. 7.5.3

### Fiscal Year 2004 - Withholding Accounts

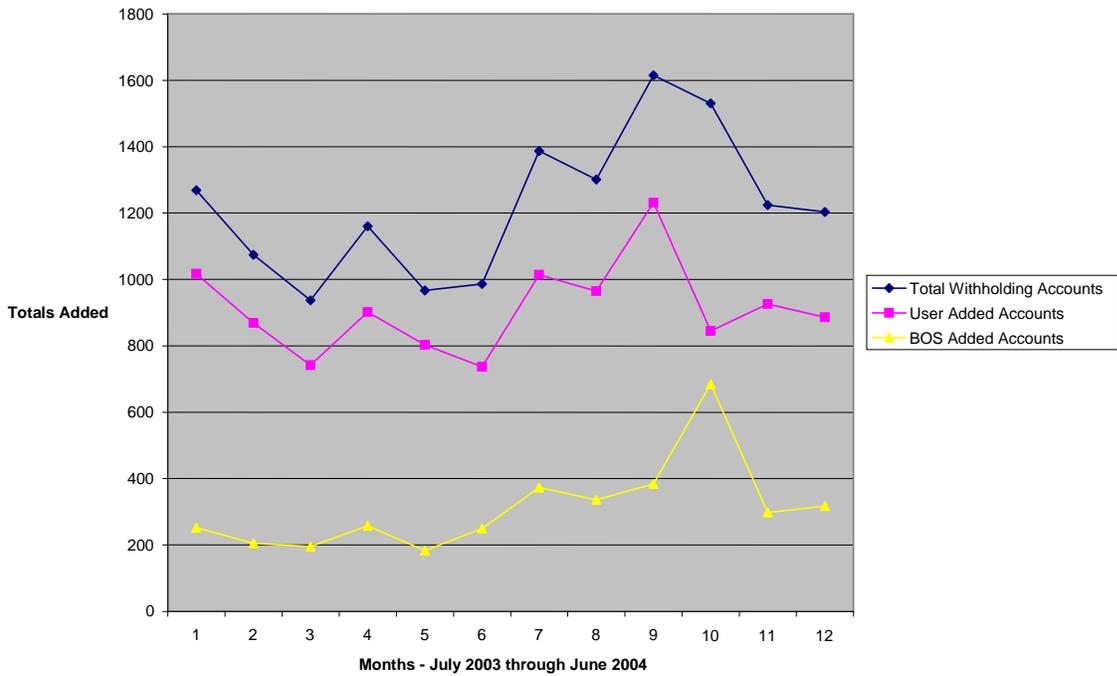


Fig. 7.5.4

The agency provides a service for stakeholders in the collection of debts for other governmental,

health care and educational institutions through our debt setoff program. Under this program, these entities provide us with an electronic listing of their debtors and we match refunds against those lists to capture their refund and send them the amount seized. Figures 7.4.3 and 7.4.4 show the steady increase in the amount collected and the number of claimants participating in this program.

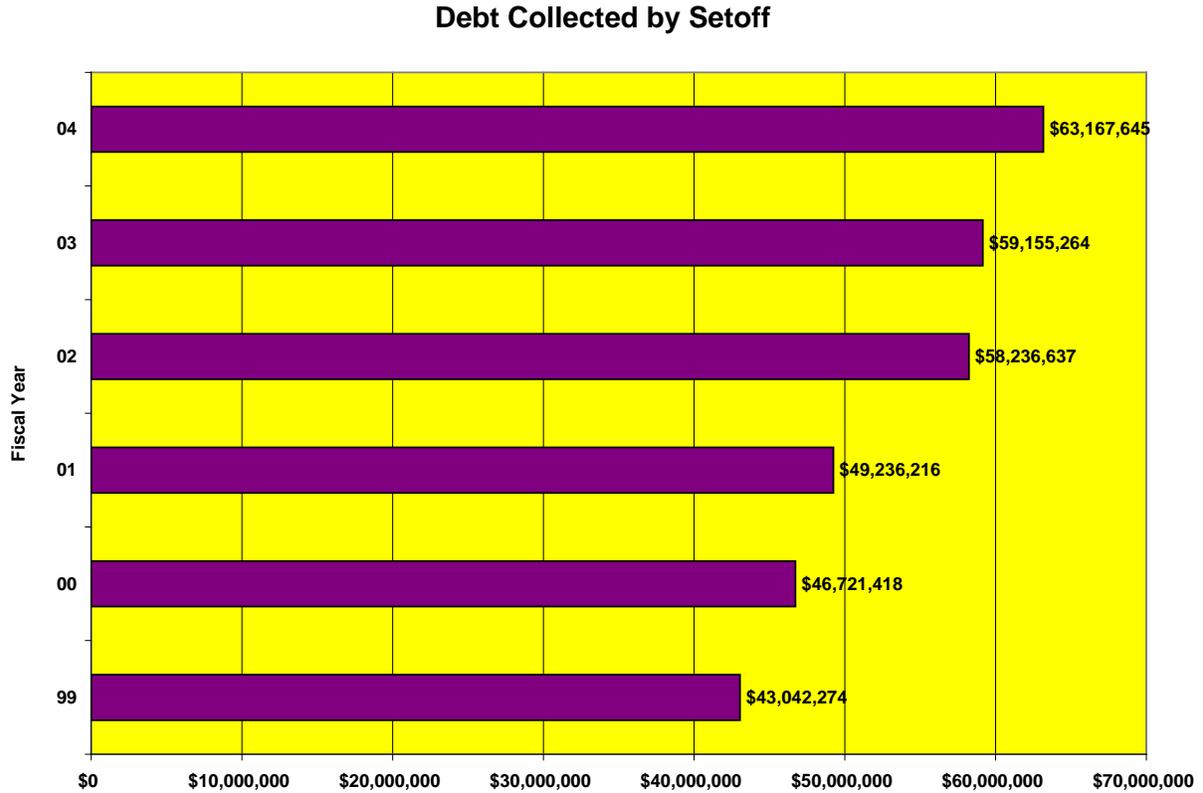
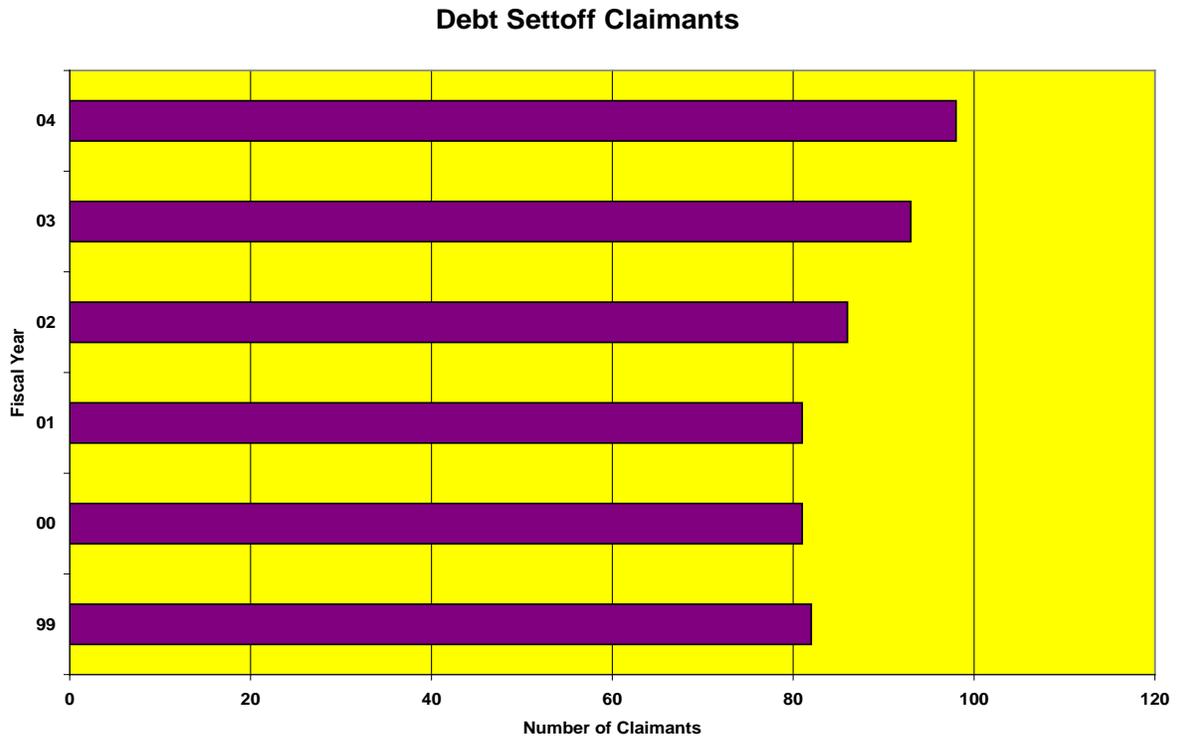


Fig. 7.5.6



**Fig. 7.5.7**