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State of South Carolina  
Department of Consumer Affairs

Annual Accountability Report  
Fiscal Year 1996-97

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STATE DOCUMENTS

Our Mission

*Recognizing that the citizens of South Carolina are all consumers, the Department of Consumer Affairs' mission is to protect, educate and represent consumers in a challenging and ever changing economy. We will accomplish these goals by:*

- *Aggressively responding to, investigating and resolving consumer complaints in a professional, courteous and efficient manner;*
- *Pro-actively representing, educating and advocating on behalf of consumers;*
- *Administering, interpreting and enforcing the South Carolina Consumer Protection Code;*
- *Licensing, registering and/or regulating motor clubs, physical fitness service organizations, pawn brokers, mortgage loan brokers, rent-to-own businesses, athletic agents, continuing care retirement communities, staff leasing services, lemon laws, and telephone solicitations;*
- *Researching and analyzing consumer issues and recommending changes in Consumer Protection Laws to the Governor and General Assembly; and*
- *Working in tandem with our business community, consumer groups, state, federal and local agencies and consumers to develop and implement creative solutions to consumer problems.*

Dr. Lonnie Randolph, Chairman, Commission on Consumer Affairs

Philip S. Porter, Administrator and State Consumer Advocate

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OFFICE OF STATE BUDGET



The State of South Carolina  
Department of Consumer Affairs

2801 DEVINE STREET  
P.O. BOX 5757  
COLUMBIA, S.C. 29250-5757

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**Philip S. Porter**  
Administrator  
and  
Consumer Advocate

October 15, 1997

Office of State Budget  
Attention: Donna Capps  
1122 Lady Street, 12th Floor  
Columbia, South Carolina 29201

RE: Department of Consumer Affairs  
Annual Accountability Report  
for FY1996-97

Dear Ms. Capps:

I have enclosed with this letter the Department of Consumer Affairs' Accountability Report, which includes the Department's Mission Statement and an Executive Summary, for your information and that of Governor Beasley and the General Assembly.

Please let me know if you need further information.

Sincerely,

Philip S. Porter  
Administrator/Consumer Advocate

TELEPHONE (AREA CODE 803)  
ADMINISTRATION  
734-9458  
ACCOUNTING  
734-9450

PUBLIC INFORMATION  
734-9462  
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CONSUMER COMPLAINTS  
734-9452  
WATS 1-800-922-1594  
VOICE/TT - 1-800-676-3777

INVESTIGATORS  
734-9461  
ENFORCEMENT  
734-9460

CONSUMER ADVOCACY  
734-9464  
FAX: 734-9365

## EXECUTIVE SUMMARY

The Department regards its mission generally as enhancing the well being and life skills of consumers in the state of South Carolina. This general mission is channeled by statutory mandates in four functional programmatic areas;

- 1) Consumer Services Statewide mediation of consumer complaints and provision of general consumer information on an individual basis: S. C. Code Ann. §§37-6-109(1)(a)-(c) and -117(a);
- 2) Consumer Advocacy - representation of the public before the PSC and other ratemaking bodies - S.C. Code Ann. §§37-6-601 through - 609;
- 3) Enforcement of the Consumer Protection Code, the Federal Truth in Lending Act, and a number of other consumer related and non-consumer related statutes as directed by the General Assembly - generally, Chapter 6 of Title 37; and
- 4) Maintain a public information and education program to protect South Carolina consumers from illegal or unfair practices and enhance consumers' life skills - S.C. Code Ann. §§37-6-104(b) and (c), -117(e) and (f).

Pursuant to Chairman Brown's instruction, these programmatic areas are listed and reported in the order of importance. Nevertheless, we are convinced they are essentially co-equal, inasmuch as they are all based on statutory mandates and all deliver a high level of benefits to South Carolina citizens. Generally, the ranking is based on measurable dollar impacts on South Carolina consumers. Even so, while the direct financial impact of the Consumer Services Division is not as dramatic as in other programmatic areas, we determined nevertheless to give additional weight to it as the sole statewide, cost free, non-biased consumer complaint mediation service and its work also in some cases leads to enforcement actions. Other factors such as the deterrent effect of enforcement actions on regulated businesses, or consumers' money saved because they avoided rip-offs because of public information efforts, still clearly benefit consumers even though they are for the most part unmeasurable.

- The Consumer Services Division increased efficiency in complaints handled and in refunds and adjustments achieved, exceeding One Million Dollars for FY1996-97 for the first time.

- The Advocacy Division, along with co-petitioner S.C. Cable T.V. Association, negotiated a settlement with BellSouth in a single case resulting in an additional 80 Million Dollars in refunds or credits to BellSouth Ratepayers. This was the largest dollar settlement ever approved by the PSC, and resulted in more than fifty dollars in refunds as credits to every residential household in BellSouth's service area living in those households during 1992-1994.

While such dramatic results may not occur each year, the Division consistently produces savings vastly exceeding expenditures attributable to it. This summer, the Division discovered an error in

the Reinsurance Facility's recoupment calculation which will now be eliminated because of the Division's efforts, resulting in Seven Million Dollars in savings in the current fiscal year.

- In FY 1996-97, the Department continued its cooperative efforts with the State Law Enforcement Division and the U.S. Attorney Office in investigating odometer and other automobile related crimes, and wire fraud cases. These resulted in \$25,000 in obtained settlements and a 34 count indictment.

- Also, the Department continued to implement total quality training, having near agency-wide training in customer relations and telephone answering techniques and adopting the theme "The customer is never an interruption in my work."

- The Department opened its web page. Consumers can now download copies of the complaint form. Consumers and businesses can get answers to a variety of consumer and regulatory information.

- The Department was the winner of the 1996 National Consumer Award Contest (category: government).

- The Department was the primary sponsor for 1996 National Consumers' Week walk and rally against telemarketing fraud, featuring Leslie Byrne, Special Assistant to the President and Director of the U.S. Office of Consumer Affairs and a gathering of more than 100 community and government leaders.

- The Department hosted the mid-year meeting of the National Association of State Utility Consumer Advocates.

- The Department hosted the annual meeting of National Odometer and Title Fraud Enforcement Association.

- The Department testified before the General Assembly on numerous subjects, such as utility reform, Consumer Protection Code Amendments, and automobile insurance reform.

- The Department docketed 65 enforcement hearings under the various laws it administers, resulting in fines amounting to over \$20,000 and \$7,600 in additional consumer reimbursements.

- Researching and analyzing consumer issues and recommending changes in Consumer Protection Laws to the Governor and General Assembly; and

- Working in tandem with our business community, consumer groups, state, federal and local agencies and consumers to develop and implement creative solutions to consumer problems.

# **SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS**

## **MISSION STATEMENT**

Recognizing that the citizens of South Carolina are all consumers, the Department of Consumer Affairs' mission is to protect, educate and represent consumers in a challenging and ever changing economy. We will accomplish these goals by:

- Aggressively responding to, investigating and resolving consumer complaints in a professional, courteous and efficient manner;
- Pro-actively representing, educating and advocating on behalf of consumers;
- Administering, interpreting and enforcing the South Carolina Consumer Protection Code;
- Licensing, registering and/or regulating motor clubs, physical fitness service organizations, pawn brokers, mortgage loan brokers, rent-to-own businesses, athletic agents, continuing care retirement communities, staff leasing services, lemon laws, and telephone solicitations;
- Researching and analyzing consumer issues and recommending changes in Consumer Protection Laws to the Governor and General Assembly; and
- Working in tandem with our business community, consumer groups, state, federal and local agencies and consumers to develop and implement creative solutions to consumer problems.

# DEPARTMENT OF CONSUMER AFFAIRS

PROGRAM COST:

\$347,675

Total  
\$347,675

PROGRAM GOAL:

## PROGRAM - CONSUMER SERVICES:

Priority Ranking #1

	<u>State</u>	<u>Other</u>	<u>Total</u>
PROGRAM COST:	\$233,956		\$233,956

PROGRAM GOAL:

To process and mediate written consumer complaints, providing information about consumer rights and responsibilities, trends, scams, and monitoring complaints for violations in the marketplace. To provide news releases, speeches and consumer protection education to secondary schools, universities, and civic groups.

PROGRAM OBJECTIVES:

Initiate action on 90% of incoming complaints within 7 days. Reduce average processing time to close a complaint to 45 days. Maintain satisfactory closing rate per 1,000 to at least 75%. Distribute and articulate consumer protection information to citizens on a weekly basis.

PERFORMANCE MEASURES:

### Workload Indicators:

5,411	Written complaints received
41,040	Telephone calls handled
5,293	Complaints closed
46,439	Telephone services provided to consumers

### Efficiency Measures:

\$52.32	Program cost per complaint closed
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### Outcomes:

\$1,134,654	Refunds recovered for consumers
82.3%	Complaints closed satisfied
7.6%	Complaints closed unsatisfied

**PROGRAM - CONSUMER ADVOCACY:**

Priority Ranking #2

	<u>State</u>	<u>Other</u>	<u>Total</u>
PROGRAM COST:	\$347,675	\$15,000	\$347,675

**PROGRAM GOAL:**

To serve South Carolina's utility and insurance consumers by providing professional, innovative, and accountable legal representation. To serve South Carolina's continuing care retirement community (CCRC) by determining that every CCRC licensed by the department is financial responsible and can meet its obligation to its residents.

**PROGRAM OBJECTIVES:**

To review and intervene in major utility/insurance rate cases. Advise the General Assembly and regulatory agencies on legislation and regulations concerning utility/insurance matters. Increase public interest in utility and insurance cases. Monitor the CCRC industry and ensure that all appropriate facilities have applied for licensing.

**PERFORMANCE MEASURES:**

Workload Indicators:

508	Utility rate notices reviewed
3,594	Insurance rate notices reviewed
86	Utility rate case interventions
14	Insurance rate case interventions
16	Licensed CCRC's

Efficiency Measures:

\$2,902	Program cost per utility case intervention
\$6,857	Program cost per insurance case intervention
\$2,400	Program cost per CCRC licensed

Outcomes:

\$80,231,523	Savings to consumers in utility cases
\$ 767,261	Savings to consumers in insurance cases (Savings is the difference in what the insurance company requested and what the Chief Insurance Commissioner granted. Credit for savings may be shared with the Department of Insurance.)

**PROGRAM - LEGAL:**

Priority Ranking #3

	<u>State</u>	<u>Other</u>	<u>Total</u>
PROGRAM COST:	\$386,064	\$15,000	\$401,064

**PROGRAM GOAL:**

To administer, interpret, and enforce the South Carolina Consumer Protection Code, South Carolina Motor Club Services Act, the Physical Fitness Services Act, the Athletic Agents Act, the Mortgage Loan Broker Act, the Pawnbroker Act, the Staff Leasing Services Act; to promulgate regulations to implement the above acts; to protect consumers from unfair or deceptive market practices. To initiate and encourage educational programs that inform consumers of market practices and schemes which are fraudulent, deceptive or illegal.

**PROGRAM OBJECTIVES:**

Review and inspect business locations for proper filing, posting, and compliance. Participate in joint state and federal investigation of odometer fraud committed in this State. Enforce the Consumer Protection Code, Motor Club Act, Physical Fitness Services Act, the Athletic Agents Act, Mortgage Loan Broker Act, the Pawnbrokers Act, and the Staff Leasing Services Act.

**PERFORMANCE MEASURES:**

Workload Indicators:

396	Regulatory compliance reviews
1,758	Licensing application reviews
263	Advertising compliance letters
65	Odometer investigations
12,563	Regulatory filings processed
14	Staff Leasing license application reviews
1	Fraudulent airline ticket investigation
1	Illegal manufacture of consumer products

Efficiency Measures:

\$17.77	Cost per licensing application reviews
\$113.40	Cost per regulatory compliance reviews

Outcomes:

\$923,519	Revenue collected for State General Fund and agency operations
65	Enforcement hearings with fines assessed for \$20,800 and obtained over \$7,600 for consumer reimbursements
1	Civil suit filed to enforce an Administrative Order
1	Civil suit filed to enjoin violation of the S.C. Consumer Protection Code

- 1 Civil suit filed against the Department to invalidate an Administrative Interpretation (still pending at the end of FY 96-97)
- 1 Civil suit enjoined by the Department as an amicus curiae to uphold the validity of an Administrative Interpretation
- \$25,000 Settlements for odometer roll back complaints
- 1 Guilty plea entered to 34 count indictment in airline ticket fraud case

**PROGRAM -PUBLIC INFORMATION & EDUCATION:**      Priority Ranking #4

	<u>State</u>	<u>Other</u>	<u>Total</u>
PROGRAM COST:	\$78,706		\$78,706

**PROGRAM GOAL:**

To inform South Carolina consumers of market practices that are illegal, deceptive or unfair, and inform them of their rights and responsibilities as consumers. To educate South Carolina consumers regarding credit practices and problems.

**PROGRAM OBJECTIVES:**

To develop in South Carolina consumers a high degree of awareness of consumer rights and responsibilities through media, direct access to churches and civic groups, cooperative efforts with business, and other government agencies.

**PERFORMANCE MEASURES:**

Workload Indicators and Outcomes:

- Sponsored 3 consumer awareness or fraud avoidance conferences, including 1996 Consumers Week Telemarketing Fraud Conference featuring U.S. Office of Consumer Affairs Director Leslie Byrne and over 100 local and government leaders.
- Sponsored Child Hazard Round-Up and Hartsville Town Meeting.
- With SCETV, produced eight public service announcements for fraud avoidance, most of which are currently being run.
- Over 350 media contacts through appropriate staff.
- Over 275 programs and seminars throughout the state.
- Winner 1996 National Consumer Award contest for government entry.

Efficiency Measures:

- No apparent way to accurately measure impact. Gradual increase in public awareness correspond with continued increase in complaint volume.

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# **SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS**

**Established in 1975**

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