SOUTH CAROLINA SECRETARY OF STATE

2002-2003 ACCOUNTABILITY REPORT

SEPTEMBER 15, 2003

Secretary of State
2002-2003 Accountability Report

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EXECUTIVE SUMMARY

2002-2003 was a transition year in the South Carolina Secretary of State's office. On January 15, 2003 Mark Hammond was sworn in as the new Secretary of State. Still, even in transition, since the Secretary of State is an elected official and directly accountable to the public, the office remained focused on office efficiency and customer satisfaction and was able to significantly accomplish much of its mission.

Major Achievements

Despite significant budget cuts and increased business, the Secretary of State's Office again had a successful year. Among our highlights we:

- Produced revenue at almost four times our administrative budget;
- continued 48 hour turnaround for filings to be processed and recorded;
- provided an online corporate database for customers to access our corporate information through our website;
- maintained a Uniform Commercial Code database on our website;
- provided a similar online charities database that allowed our customers to research charities and what percentage of their contributions the charities allotted to their charitable causes;
- established the first Secretary of State Nonprofit Advisory Council to improve relations with charities and fundraisers and to facilitate "good giving";
- participated in the national educational campaign Operation Phoney Philanthropy along with the Federal Trade Commission and other states to address fraudulent telemarketing;
- published our annual Scrooges and Angels list, identifying those good charities that spend most of their resources on their charitable cause and those bad charities that spend little or none of donors' contributions to them;
- produced another public service announcement during the holiday season encouraging citizens to give wisely when donating to charitable causes;
- conducted seminars along with the South Carolina Association of Nonprofits for charities;
- collected more than $150,000 in fines from telemarketing firms and charities for violations of the Solicitation of Charitable Funds Act;
- worked with local and federal law enforcement in enforcing trademark laws to confiscate more than $1,266,000 in counterfeit goods. These enforcement actions also resulted in 28 arrests, and;
- most importantly, continued our tradition of fiscal responsibility with an appropriated budget that is now at the same level as it was four years ago, even though the office's workload has almost doubled.

Our Mission

The mission of the Secretary of State's office is simple: to provide the taxpayer with the best return on their investment in government.

We accomplish our mission in two ways. First, the office provides the most efficient, innovative, and cost effective means of registering, administering, maintaining, and disseminating filed information. Second, the office regulates charities, professional fundraisers and employment agencies with the most effective and advanced tools available, keeping in mind our professional and ethical duties as a regulator. The Office of the Secretary of State's primary goal will always be 100% customer satisfaction.

Key Strategic Goals for Present & Future Years

Consistent with our stated mission, our key strategic goals for the present year and future years are:

1. maintain top-quality customer service in the face of deep budget cuts;
2. pursue the most effective and efficient technology solutions for the office; and,
3. continue diligent but responsible regulation of public charities, professional fundraisers and employment agencies in South Carolina.

In 2002-2003, we met our customer service goals - primarily our goal of 48-hour turnaround for customer filings. The effect is that when a customer files any document – among the hundreds filed each day – they can expect that filing to be reflected in our database within 48 hours. Further, many states and agencies offer heightened fees for "expedited" service. Our agency still offers identical service for all customers at the same low rate as always.

Our Business Filings Division will continue its customer service phone room for quick information or document orders. All employees' direct phone lines will remain public so that when a customer needs to reach a specific employee, they will not have to go through numerous transfers. Finally, employees will still offer the caller the option to reach other extensions if the employee is not at their phone, thus preventing a dead-end call where the caller needs to call back to get assistance.

For the future, one of the most effective means of accomplishing our mission is acquiring a computer system designed to meet both our customers' and our needs. Too many of our customers must spend countless hours and dollars travelling to our office or mailing documents in order to file their documents. Our staff, on the other hand, also spends many additional hours processing this paperwork. Electronic filing would eliminate much of this – giving customers such as bankers, lawyers, and accountants, to name a few, the convenience of filing from their desktop.

This year we met this goal, document management, by signing a contract to revamp our system with a quicker, more efficient system that should be in place by mid-2004. In 2002-2003 our Business Filings division handled over 122,000 documents. This is over an 80% increase from just four years ago – when we had more staff. Not only does this increased volume create storage concerns but also customer service problems. Our computer system allows only one filing to be entered at a time, an enormously slow process that should be much quicker. The new system will directly address these problems and improve customer service.

Finally, by having the data in an electronic format, we will pursue possibilities such as e-mailing documents to customers or even electronic filing. Our customers transact business in this fashion in neighboring states; they should do the same in South Carolina. Customer feedback has been overwhelmingly in favor of improved document management and electronic filing.

Another key strategic goal for the future is improving our oversight over charitable organizations, identifying and prosecuting those fraudulent ones while, at the same time, striving to ease the bureaucratic burden for good charities that often do not have the staff or time to continuously comply with state regulations. Many "good" charities must comply with government regulations on various levels. We must keep in mind that these are non-profit organizations, often run by inexperienced volunteers. By making the process easier, we can actually foster positive fundraising and "good giving." Electronic filing would certainly help a number of these charities. However, by concentrating on making the regulatory process easier (simpler forms, a caring staff, electronic filing) we would accomplish much of our mission.

To even further improve the working relationship between the Secretary of State and charities and professional fundraisers, Secretary Hammond has created the first Secretary of State Nonprofit Advisory Council. This council is comprised of 30 different leaders in the charitable fundraising industry and is established to discuss the issues that are important, form action plans and even educate each other. All of this is intended to not just simply improve our relationship with our nonprofit customers but strengthen charitable giving in South Carolina.

Opportunities & Barriers

Notwithstanding budget cuts, the Secretary of State's Office views 2003-2004 as a time of great opportunities, particularly with the business community. One such opportunity is electronic filing. Many of our customers, particularly banks, transact much of their business this way. By allowing electronic filing we can only improve our customers' work and our relationship with them.

Our office has three primary barriers to fulfilling our mission and achieving our strategic goals: 1) we are a small office performing numerous (and growing) duties; 2) we have a paper-based filing system dependent on an unreliable computer system, thus slowing our processes; and, 3) recent and future budget cuts, deeply affecting our ability to provide superior customer service.

Total business filings increased by more than 21% this year. In raw numbers this translates to 21,481 additional filings this year. Over the last four years our total filings increased by 82%. The impact of such a dramatic increase is this: in the Secretary of State's office filings are not simply accepted and then filed away. Instead, documents are reviewed for legal sufficiency, scanned, keyed into our database and then stored. Once stored, many documents are then retrieved for customer service orders. All of this takes considerable time and does not include the numerous other customer service functions we perform. As our volumes increase, our service times slow.

Second, our computer system is need of replacement. Presently, the staff can only enter one filing at a time. The consequence of this is that if three staff people are available to enter data, only one can; thus drastically decreasing potential production. This is critical to the concerns addressed in the previous paragraph. Fortunately, we have purchased a more efficient computer system that will allow our staff to move much more quickly and to provide better service. This system is presently being installed.

Finally, budget cuts are again a reality. Although our office has consistently been a model of fiscal responsibility (please see our Historical Budget Analysis in the Business Results Section below), we must understand that we may be called upon take another cut – even though our office is run efficiently. Unfortunately, staffing may be affected very soon.

Nonetheless, we will seek ways to even further streamline our process. Input from staff on ways to do our job better will be closely reviewed. Operating expenses will be closely examined for even the slightest expenditure that might not be needed or may just need to be adjusted.

2003-2004 will clearly be a year of difficult barriers and promising opportunities. It will take the hard work and cooperation of the entire office to realize the opportunities and provide superior customer service.

BUSINESS OVERVIEW

The Secretary of State's office is a constitutional office as set forth in the South Carolina Constitution, Article VI § 7, with duties defined by the South Carolina Code of Laws. As an elected official, The Secretary of State understands that it is directly accountable to South Carolinians and conducts its business with this in mind.

Our Primary Services

The Secretary of State is responsible for:

- the statewide registration of domestic and foreign corporations, limited liability companies, limited partnerships, limited liability partnerships, non-profit corporations and business trusts;
- filing of Uniform Commercial Code security interests;
- registration and registration of charitable organizations soliciting in South Carolina;
- registration and regulation professional fundraisers soliciting charitable donations in South Carolina;
- registration of employment agencies;
- registration of state trademarks;
- investigation of counterfeit marks;
- registration of notary publics, boards and commissions;
- acceptance of service of process primarily for foreign corporations not authorized to do business in South Carolina; and
- registration of business opportunities.

The office also handles in varying aspects:

- municipal incorporations;
- special purpose districts;
- annexations of land; and,
- escheatment of real and personal property.

Our office is a relatively small state agency employing only 37 employees. Of these employees 27 are FTEs, 6 are temporary employees and 4 are part-time college interns. For our office structure, please see our organizational chart on page 10.

Our Location

The South Carolina Secretary of State's Office is located on the State House Grounds in Suite 525 of the Edgar Brown Building. The Charities Division is in Suite 535 and the Notary Public, Boards and Commissions Division is located in Suite 506. Our physical address is 1205 Pendleton Street and our mailing address is P.O. Box 11350, Columbia, South Carolina, 29211. We can be reached at our main phone number (803) 734-2170 or via the Internet at www.scsos.com. From our website, customers and constituents can e-mail us and provide feedback.

Key Customers

The Secretary of State's customer base is broad, primarily consisting of:

- taxpayers;
- the business community;
- the legal community;
- the banking community;
- corporate service companies;
- notary publics;
- charities;
- employment agencies; and,
- local, state and federal government agencies.

This wide range of customers is due to the numerous statutory duties the office has. Statutes such as the corporate code or the Uniform Commercial Code require extensive interaction with the business, legal and banking communities. Other statutes such as the Solicitation of Charitable Funds Act allow us to interact more personally with charities and charitable fundraisers.

Key Suppliers

Since our office is primarily a paper-based filing office, most of our suppliers are office product vendors ranging from paper suppliers to office machine maintenance companies. Otherwise, General Services is our main supplier of services.

Base Budget Expenditures and Appropriations

	01-02 Actual Expenditures		02-03 Actual Expenditures		03-04 Appropriations Act	
Major Budget Categories	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**
Personal Service	$1,116,213	$894,644	$1,077,895	$802,479	$846,786	$735,746
Other Operating	$483,756	$49,793	$325,665	$45,203		$66,737
Special Items						
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	$277,468	$233,717	$280,942	$210,952	$191,358	$159,003
Non-recurring	$89,119		$988		$399,194	
Total	**$1,966,556**	**$1,178,154**	**$1,685,490**	**$1,058,634**	**$1,437,338**	**$961,486**

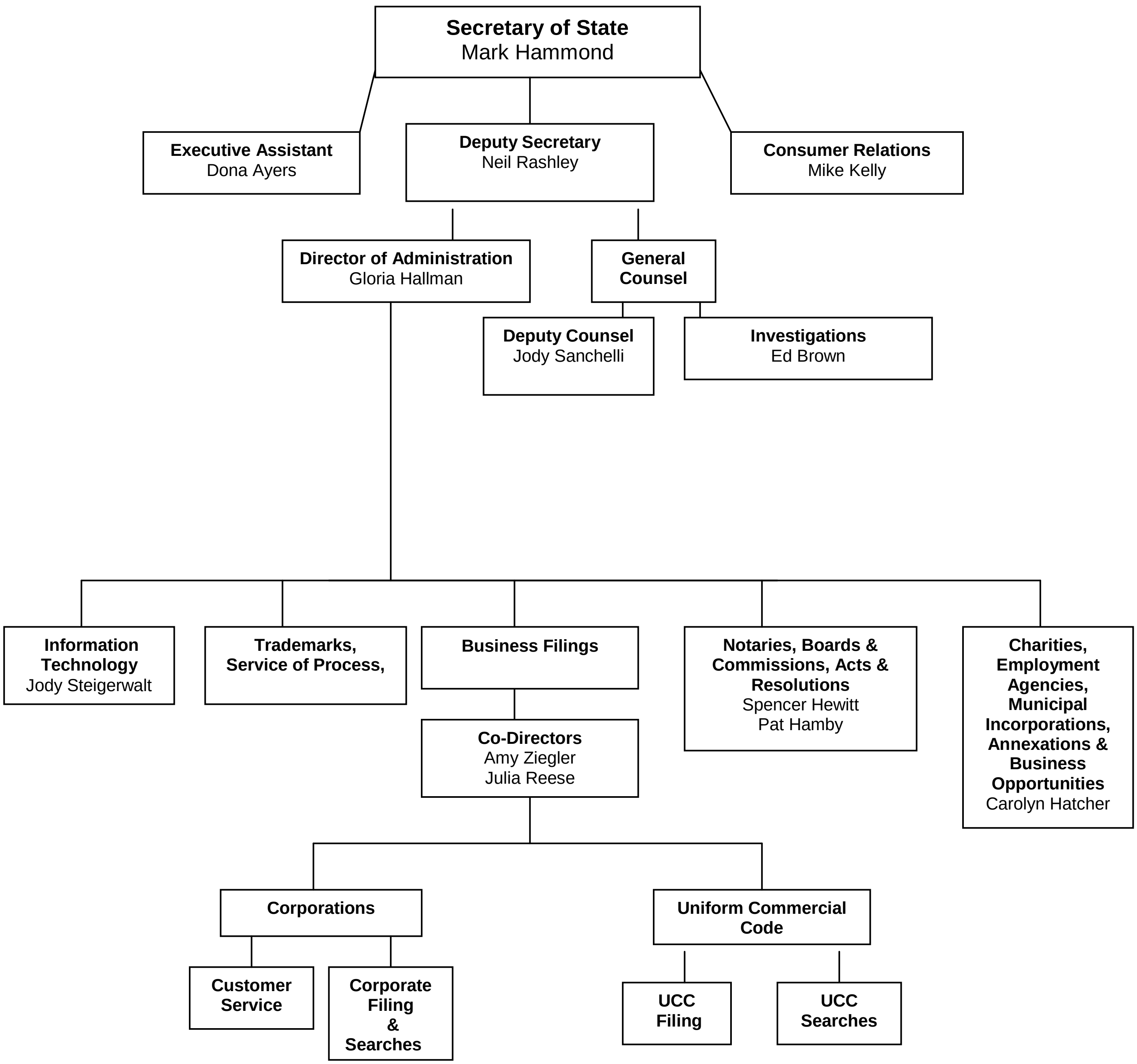
Other Expenditures

Sources of Funds	01-02 Actual Expenditures	02-03 Actual Expenditures
Supplemental Bills	$0	$0
Capital Reserve Funds	$0	$0
Bonds	$0	$0

Interim Budget Reductions

Total 01-02 Interim Budget Reduction	Total 02-03 Interim Budget Reduction
$183,138	**$99,006**

Secretary of State's Office
Organizational Chart



MALCOLM BALDRIDGE CRITERIA

Category 1 - Leadership

Since the Secretary of State's Office is a small office, senior leadership stays involved in every facet of the office. Even though our senior leaders have a combined more than 60 years experience in our office, they still work beside their employees, often performing even the most basic of tasks or standing in for someone who is absent. Working with their employees allows for more one-on-one training and advice. Our senior leaders have long understood how the office operates and also have long-standing positive relationships with our customers.

Decision-making does not rest with one sole person or group. All management is involved in the assessment of customer and employee feedback and statistical measurements. All senior leaders interact with the public daily and the office is designed to encourage this. Thus by constant interaction with the customers and their employees, our senior leaders can quickly recognize trends and demands, helping set the short and long-term direction of the office. To set this direction, informal and formal meetings are held regularly.

Senior leadership daily reviews statistical measurements such as time waiting for phone calls, the amount of time it takes to enter filed records, collection of revenue and investigations. Daily and weekly reports are given to the deputy secretary for detailed review. This information is then shared with the staff and discussed in order to improve performance. From that point, management can examine itself and the office for overall improvement.

Since there is a considerable amount of experience among our management, values are deeply instilled into our processes. Managers constantly walk through their department to monitor performance. Since managers do much of the same work as other employees, employees understand that management is fully involved in all processes and decisions. Employees are encouraged to give feedback not only about professional matters but also how the office affects them personally. Ethical standards and professional courtesy are kept at a premium.

Our office encourages senior leaders to get involved in their community in ways that help strengthen the office and accomplish its mission. Since our office handles corporate, charities and notaries areas, these are emphasized. Our leaders are involved in non-profit activities such as churches, Rotaries and Sertomas. Further, we are involved in educational activities such as conducting the notary seminars. There is one caveat. Since we regulate charities, our staff cannot ethically serve on the board of a charity or make fundraising decisions. Although this limits us some, it does not prohibit our leaders from volunteering their time and efforts to worthy charitable causes.

Category 2 – Strategic Planning

All levels of management are involved in our strategic planning process, incorporating both employee and customer feedback. Managers and employees monitor our customers' demands through personal contact during the day, recording complaints and suggestions. Employee input is also factored in. Management regularly meets to discuss how this impacts our office and influences our strategic plan.

Customer Needs and Expectations

The Secretary of State's strategic plan focuses on two functions of the office to address our customers' needs and expectations: filing and regulation.

Our filing functions have remained essentially the same over the years – review and file the document, record it in the database and retrieve the record when requested. However, today's business demands have forced us to work much faster than before. Customers now need to know that their filing was not only received but that it was quickly and accurately recorded in our system. Thus, we promise and deliver a 48-hour turnaround for all filings. With a paper-based filing system and an old computer system, this has often been quite a struggle. Still, the staff has responded well and we are proud to say that we have kept this promise.

With regulation, customers expect that we lighten the bureaucratic burdens of compliance while aggressively pursuing fraud and those customers who do give that particular industry a bad name. Keeping that in mind, our regulatory areas (primarily our charities and employment agency divisions) provide their customers top-notch customer service, quite often helping the customer comply with the law, instead of coldly stating what the law is and leaving the customer in the dark.

We see this most often in the charities division. Many charities are well-meaning organizations staffed by volunteers and part-timers; these organizations do not have much time to spend filling out forms and paying fees. Although we enforce the statutory requirements, we still help where we can. On the other hand, our investigators diligently pursue fraud cases. These regulatory divisions understand that by preventing fraud, the good organizations will succeed.

Financial and Societal Risks

The primary financial risk of our strategic plan is continuously obtaining our goals while sustaining budget cuts. The fact of the matter is that business grows while the financial ability to keep up with demand shrinks. In the regulated areas, financial risks involve allotting too many resources to bureaucratic methods, instead of prosecuting fraud.

The societal risks of not pursuing fraud are self-evident. Still, we must pursue ethically so we do not lose the trust of the community in the worthiness of our efforts.

The regulatory divisions must also avoid the societal risk of over-emphasizing registration so that we do not appear to be nothing but a bureaucratic compliance agency.

Human Resource Capabilities and Needs

Since we are a small agency, we must maximize our human resources in order to implement our strategic plan. Our cross-training program has produced greater efficiency as well as improved morale. Where a job once stood incomplete when someone was out, now it continues to be done by a cross-trained employee. Further, employees that were bored or even burned-out now are reinvigorated by cross training and participating in other areas of the office.

Our successful flex-time policy allows employees to handle many processing functions at times of the day when customers are not contacting us. We had discovered that, notwithstanding our efforts during the day, many filing or recording functions were left undone. With flex-time, a few employees may come in early or work late and concentrate on those functions we are unable to get to during the day – particularly while we are assisting our customers. This project also enables employees with conflicting personal schedules to still work full-time and contribute to our office.

We also keep in mind employee morale. Due to budget cuts, there have been no raises and bonuses. Since there are fewer financial incentives and rewards, we must concentrate even more on the non-financial incentives and a positive workplace.

Operational Capabilities and Needs

From an operations standpoint, our strategic plan anticipates that we will one day have an imaging system our customers can easily access – ultimately leading to electronic filing. The cost-benefits of these functions are immense. What is more, our customers have come to expect these functions from us since they use them in other states. As we see business increase, the demands on our staff of a paper-based filing system will be considerable.

Suppliers Capabilities and Needs

Since our office deals with only office supply companies and General Services, the capabilities and needs of these suppliers are kept to a minimum in our strategic plan. Still, we do factor in that a positive relationship with these suppliers, notwithstanding the small amount of time we use them, helps us achieve our plan.

Developing and Tracking Action Plans

Action plans are set through formal meetings to discuss various factors affecting our business. From there, a plan is set. We monitor trends and data on a daily and weekly basis and adjust our plan accordingly.

Communicating and Deploying Our Strategic Objectives

Employees are constantly informed about our various action plans and managers are active in employing these plans. Customers see these changes through improvements in our service and additional services.

Category 3 – Customer Focus

Our Customers and Their Requirements

Our primary customers and stakeholders are:

- taxpayers;
- the business community;
- the legal community;
- the banking community;
- corporate service companies;
- notary publics; and,
- charities;
- employment agencies;
- law enforcement; and
- local, state and federal government agencies.

We know who most of our customers are by simply interacting with them each day – bankers file UCC documents, lawyers file corporations and service of process papers, notaries use our notary area, etc. Most of our customers and their requirements are set by statute, e.g. the corporate code or the Uniform Commercial Code.

Determining What Our Customers Want

One of the main ways we determine what our customers want is to personally interact with them; however, we also monitor customer trends and desires through various other means. Our customers are annually surveyed not only about their satisfaction with us but also as to what they want from our office now and in the future. This year's survey was performed the entire year over the Internet. (For the results of the surveys, please see the Business Results section below.)

Our standard annual survey is complemented with an online survey on our website – the first in state government – to even probe these issues deeper. As reported in our Business Results section, our website receives thousands of hits each week. We continued to place our survey link prominently on our most popular pages in order to entice feedback. The most popular pages are determined by a service we use, Webtrends, that analyzes our web traffic. Because of the heavy use of our site we received hundreds of surveys. What we found was that our web customers were much more likely to be critical than our in-person customers.

Our website also has a feedback section and we retain all feedback e-mails with suggestions, complaints, criticisms and compliments. We respond to many of these e-mails, seeking more detailed input on how to operate our office better.

Finally, we review other secretary of state offices throughout the nation, particularly in our region, to see how our type of work is done elsewhere. By simply going to their websites and studying what services they offer and even the layout and navigation of their sites, we can discover new ways to make doing business with our office easier.

Customer Satisfaction

Once again, our annual survey produced superior results. As previously mentioned, our survey is accessible on our website so that customers can electronically and confidentially express their opinions. Customers were asked to rate us in the areas of Overall Service, Speed of Service, Accuracy of Service, Courtesy of Staff, Staff's Knowledge and Clarity of our Forms using "Excellent, Above Average, Average, Below Average and Poor" as measurements. The results of the survey are still excellent and can be found in the Business Results section of this report.

By focusing on particular subjects we knew were important to our customers, instead of just one general subject, we were able to determine that our customers have an overall very favorable impression of us. However, what we also saw was that we perform much better in person than over the web. Although our website was very favorably rated, this served as a reminder to be especially attentive when dealing with customers in a non-personal means.

Keeping a Positive Relationship with Our Customers

Our favorable reviews come from being as personal as possible with the customer, trying not to forget that dealing with state government is something many customers dread.

Our charities division has a toll-free line for customers to call and register consumer complaints or just to check on a registration. Our corporate phone room is well-staffed, keeping the average wait time to just over one minute per call. All employees with voice mail must end their messages with an instruction on how the caller may get immediate assistance; thus preventing "dead-ends" for customers that force them to call back. It is these small attentions to the personal experience that help us do away with any perceived "wall of bureaucracy."

Finally, as a directly elected office, we pride ourselves on constituent services. Many people contact us with problems that lie outside of our area. What is more, they have often been transferred from agency to agency by the time they get to us. Instead, we study their problem and attempt to answer it. If we can't, then we direct them to the correct agency. Constituents are overwhelmingly impressed when they find a state employee who takes a few extra minutes to help them – even if you can't answer the question or solve the problem. All staff is strongly advised against simply transferring a customer to another agency without first helping.

Category 4 – Information & Analysis

Our primary statistical measurements are:

- number of filings;
- number of searches;
- length of time between filing and data entry;
- average time waiting on corporate phones;
- revenue collected through fees;
- registered charitable organizations;
- administrative fine revenue from charities;
- prosecutions of charity fraud and counterfeit trademarks; and,
- employee turnover and morale.

These measurements are the most critical ones to our mission. Our history in filing and regulating has shown us that these measurements are the most important to not only analyze past performance but to predict future trends. The measurements directly relate to our mission of providing the most cost-efficient and consumer-friendly service in state government.

Time matters the most. Today's customers expect things done yesterday or to have the phone answered immediately. Our 48-hour turnaround promise has been highly successful and our customers have grown to depend on it. With the Vector 65 Call Management System, we monitor our corporate phone room closely, tracking the volume of phone calls, how long each call waits to be answered, how long a particular customer service representative spends on the phone and how many calls they take. This year the average wait time was 2:03. These reports are run on a daily and weekly basis and are shown to the staff regularly to evaluate weaknesses and to recognize good work.

Measurements in our primary regulatory area (charities) are different. Although we do measure the number of registrations, annual reports and joint financial reports filed, we keep a closer eye on administrative fees and fines. By statute (S.C. Code § 33-56-160) we can retain this revenue to help fund that division – putting less of a strain on the General Fund. We keep an eye on how many charities are registered with us. For public purpose, all charities must register; but this also allows us to maximize our revenue.

The amount of fines also helps us measure how much we are focusing on regulating bad behavior. Measuring our investigations of charities and the results of those investigations keeps us focused on our stated mission to expose charity fraud. By studying these measurements we can appropriate the proper resources for that purpose.

The Vector 65 system allows us to maintain information on our phone room. Similarly, our office computer system is used for queries on filings. We measure activity on our website through a service known as Webtrends. All of these services maintain the data in a safe and reliable environment for future inquiry.

For comparative data we look to our past performance and also outside sources. Although we do not have a natural competitor, we do have very similar entities we can analyze: other secretary of state offices. Most secretaries of states perform essentially the same functions as we do. Usually we cannot get exact data from them. We can, though, look at their services to determine much of what we need. In other words, when a secretary of state offers expedited filings in one week for an extra fee, we know we offer them much quicker (48 hours) – at no charge. This is important since many of our customers (banks, lawyers, and corporations) deal with many different secretary of state offices. Many times though the offices will provide data and we use it to compare with our measurements.

Finally, we do look at other state agencies. No other agency does what we do but many deal with customers. We follow closely the measurements they use to analyze customer service and make changes accordingly.

Category 5 – Human Resources

Motivation

Since our agency is a customer service agency with a small staff, all employees are considered "customer-contact" personnel. The office is structured so that all employees interact with our customers whether personally, by phone, mail, or e-mail. Not only does this approach allow us to serve as quickly as possible, this personal touch also gives the customer the correct impression that the entire office cares about the customer's transaction and, ultimately, our mission.

Dealing with customers while doing your work all day is trying; so, to help motivate, managers work beside their employees and step in when help is needed, encouraging a positive work environment. In fact, the office is physically designed in an open environment allowing employees to easily interact and not feel "closed off". All employees understand that it is best to ask questions and that no door is closed to inquiries. EPMS is used to give the employees feedback on their personal performance, to concentrate on customer service and to monitor morale.

A healthy, safe work environment also creates high morale. Our staff normally does not get involved in work activities that have a high rate of injury; still, all required posters are prominently displayed and employees are allowed time to stay active and healthy.

Training

Our training needs are determined by the area of the office involved. Where outside training applies to our office's functions, employees are encouraged to actively participate. Due to the budget situation, outside training was sharply curtailed. Still, our charities staff is active in the National Association of State Charity Officials, participating in conference calls and also Internal Revenue Service video seminars. The deputy secretary completed The Executive Institute course is a member of the South Carolina State Government Improvement Network and a board member of the South Carolina Administrative and Regulatory Law Association. Our charities division supervisor is participating in the Certified Public Manager program. Finally, our attorneys attend CLEs that are most relevant to our office.

Since we have slowed outside seminars training, we have continued to emphasize internal training. New employees are assigned to a supervisor to learn our system. Experienced employees are cross-trained, effectively improving morale while also providing the office the ability to shift employees when the situation demands it. Cross-training also broadens our employees' knowledge of the office and enables them to advance upward through the organization.

Community Involvement

Our staff is actively involved in the community both on the office and the personal level. From the office's perspective, we identified a number of issues our customers wanted addressed and got our staff involved.

The notaries' seminars are an excellent example of this and this program is one of our most successful programs. These seminars are held throughout the state, free of charge, and address the legal and administrative responsibilities and problems notaries quite often face. The positive response has been overwhelming.

Community involvement is an important function of our Charities Division. Staff members regularly speak to groups such as non-profits, lawyers, accountants, churches and various charitable associations about compliance with our charitable solicitation statute and "good giving." In the past, charities staff have conducted programs in senior citizen homes throughout the state concerning telemarketing fraud. Secretary Hammond also participated in Operation Phony Philanthropy, a national educational campaign on telemarketing fraud produced by the Federal Trade Commission. Finally, the deputy secretary recently served on the board of directors of the National Association of State Charity Officials and is presently on the board of the South Carolina Administrative and Regulatory Law Association.

On the personal level, community involvement is encouraged and employees are given much leeway to participate in these endeavors. Members of our staff are actively involved in local churches, Rotaries, Sertomas, Toastmasters and educational organizations. Finally, staff is encouraged to accept speaking engagements whenever they are offered.

Category 6 – Process Management

Since all of our office is in direct contact with the customer all day, our processes are designed with the customer in mind.

Services we continued this year were:

- a format for our forms so that our customers could fill them out on the computer screen while on our website;
- a corporate phone room to quickly facilitate questions;
- searchable corporate, UCC and charities databases on our website;
- debit accounts for our larger business customers in our Business Filings division; and,
- a toll-free number in our charities division for customer inquiries and complaints.

Our corporate phone room is staffed and designed to handle the large volume of calls concerning various corporations and filings. We set up our website so customers can access forms, filing instructions, fees or our databases from their computer. Our Direct Access program allows business customers to access the corporate database through a phone line to conduct queries and order documents faxed to them. The charities division has a toll-free line to handle consumer calls and the division's database is on our website with information on how much a charity raised in donations and how much was spent towards its charitable cause.

We constantly monitor customer feedback as well as other state agencies and Secretary of State offices throughout the country for better ways to deliver our products and services. This process allows us to not only react quickly to customer demands but also to anticipate changing demands and act on them before they occur.

Our key support management comes from administration – senior leadership. All senior leaders monitor production measurements in order to insure quality service and to shift resources accordingly. We do not closely monitor process systems with key suppliers as we use only a few of these suppliers irregularly throughout the year.

Category 7 – Business Results

Customer Satisfaction

The Office of the Secretary of State's primary customer satisfaction measurement method is the survey. Our surveys are not conducted at one specific time of the year; instead, they are continuous. In 2002-2003, we provided an electronic survey to our customers via our website. As reported below, our website receives thousands of hits each week – most of these hits are from visitors who now transact electronically with our office. With that in mind, the survey is not hidden deep in the site but is placed on the most popular pages of the site – based on data that reflects how many hits a page gets. The electronic survey has proven very successful and enlightening. In particular, we have discovered that customers tend to be more critical when responding electronically as opposed to a form.

OVERALL OFFICE CUSTOMER SURVEY

Overall Service	**30% Excellent**		
	30% Above Average	**Courtesy of Staff**	**43% Excellent**
	20% Average		**22% Above Average**
	14% Below Average		**25% Average**
	6% Poor		**5% Below Average**
Speed of Service	**36% Excellent**	**Staff's Knowledge**	**41% Excellent**
	20% Above Average		**31% Above Average**
	22% Average		**11% Average**
	2% Below Average		**6% Below Average**
	20% Poor		**10% Poor**
Accuracy of Service	**44% Excellent**	**Clarity of Forms**	**35% Excellent**
	30% Above Average		**42% Above Average**
	7% Average		**8% Average**
	7% Below Average		**11% Below Average**
	13% Poor		**6% Poor**

Consistent with our past surveys, our office received overall favorable ratings from our customers but results are down slightly this year. Upon analysis we discovered that the majority of unfavorable responses occurred during April and May. These responses corresponded with our busiest months when our volume levels more than double due to LLC annual report filings. Unfortunately, due to budget cuts we were unable to hire more staff to handle the workload – nor pay overtime. Therefore, customer service times suffered and many customers were waiting longer than usual for their filings to be processed. However, as mentioned above, we have purchased a new imaging system to speed these internal processes and hopefully we will even be able to provide electronic filing in the future.

Notaries Seminars Surveys

In 2002-2003 we did not conduct our popular notary public training seminars. They were temporarily suspended until the new secretary of state could come in to determine whether he wanted the seminars to continue. Fortunately, Secretary Hammond was impressed by the success of the seminars and began them again in July 2003. The results of those seminars' surveys will be posted next year. These seminars are held throughout the state, for free, and focus on educating notaries about the responsibilities, duties and potential liabilities of being a notary public.

Website Surveys

Our website has been an enormous success with our customers since we launched it three years ago. The site is not simply an informational resource – although that is one of its primary functions. Instead, it is a resource for our business customers to do the necessary research for their work. The impact here is that many of our customers no longer need to call or visit our office for certain transactions. As in the previous year, in 2002-2003 we averaged more than 10,000 hits per week to the site. Since the site is so heavily used, we continued to survey our customers about the site in order to better facilitate our customers' needs. Here are the 2002-2003 results:

CUSTOMER SURVEY OF WEBSITE QUALITY

Overall Quality	**33% Excellent** **25% Above Average** **23% Average** **13% Below Average** **8% Poor**	**Information Relevance**	**48% Excellent** **20% Above Average** **18% Average** **3% Below Average** **13% Poor**
User Friendliness	**48% Excellent** **14% Above Average** **24% Average** **5% Below Average** **7% Poor**	**Information Timeliness**	**52% Excellent** **16% Above Average** **16% Average** **11% Below Average** **5% Poor**
Navigation	**50% Excellent** **19% Above Average** **14% Average** **12% Below Average** **5% Poor**	**Educational Quality**	**41% Excellent** **27% Above Average** **16% Average** **5% Below Average** **8% Poor**

Once again, our website received favorable reviews. However, we plan to revamp some areas of the site as some of our customer's comments indicate there are other services they would like to see. All of this is part of our technology plan to move most of our services to the Internet, reducing the strain on our staff and quickening our customers' business.

Financial Results

The Secretary of State's Office prides itself on being historically one of the most fiscally responsible agencies in state government. Instead of growing expansively – even in surplus years, the office maintained its fiscal integrity by controlling its growth and monitoring every dollar spent.

Secretary of State Historical Budget Analysis

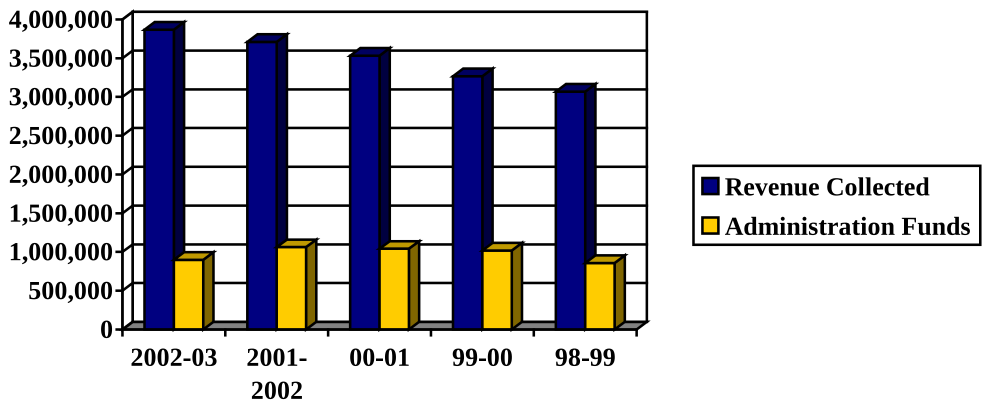
Fiscal Year	FTEs	Base Appropriation
1990-1991	40	$1,443,036.00
1991-1992	40	$1,324,042.00
1992-1993	40	$1,288,063.00
1993-1994	36	$1,305,125.00
1994-1995	35	$1,086,791.00
1995-1996	35	$1,083,459.00
1996-1997	18	$921,663.00
1997-1998	18	$769,958.00
1998-1999	22	$855,927.00
1999-2000	27	$1,019,644.00
2000-2001	27	$1,041,495.00
2001-2002	27	$1,062,415.00
2002-2003	27	$898,060.00

Only in 1999-2000, when the office expanded as the Charities Division returned to our office from the Attorney General's office was there any expansion. Otherwise, even before budget cuts, the Secretary of State has kept a close eye on expenses.

These historical savings to the taxpayer are magnified when one takes into account our appropriated funds and compares them to the revenue our office generates to contribute to the General Fund:

The Secretary of State's Office generated revenue more than 4 times its administrative budget in 2002-2003.

Revenue Collected for General Fund vs. Administration Funds from General Fund



Mission Accomplishment

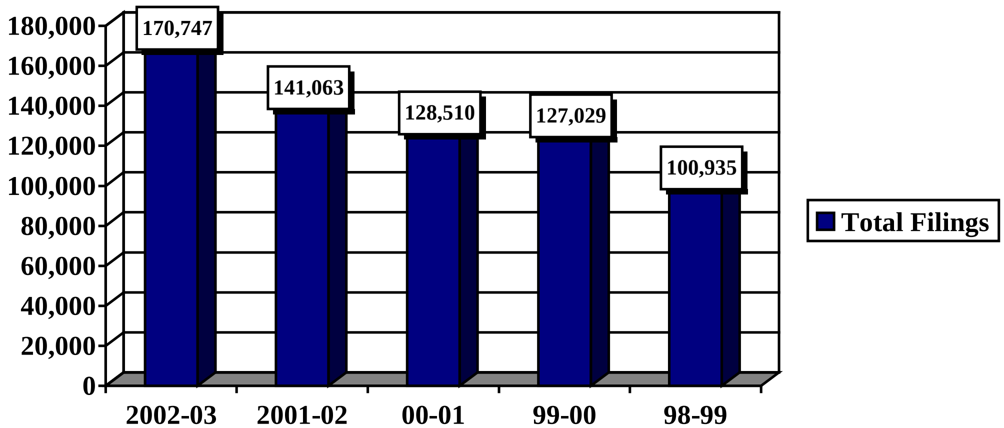
The previous measurements most closely reflect our gains made in the financial aspects of our mission accomplishment – the highest return on the taxpayer's investment in state government. While reducing our appropriated budget, we have overseen a large increase in the money we contribute to the General Fund. However, to fully appreciate the accomplishment of our mission, the volume of work we handle must also be evaluated.

Filings

Measuring the number of filings handled in the office helps us properly allocate our resources (staff, operating expenses) to provide quality customer service. For instance, the Business Filings Division handles the majority of filings and receives more staff; the Charities Division handles less filings but it is a regulatory area and receives more staff due to those functions. Measuring filings also provides us the opportunity to show that we do try to do "more with less" and save taxpayer money.

Significantly, the Secretary of State's Office is now funded at the same level as four years ago. However, the office's business, as referenced below, has almost doubled in that time.

Total Office Filings



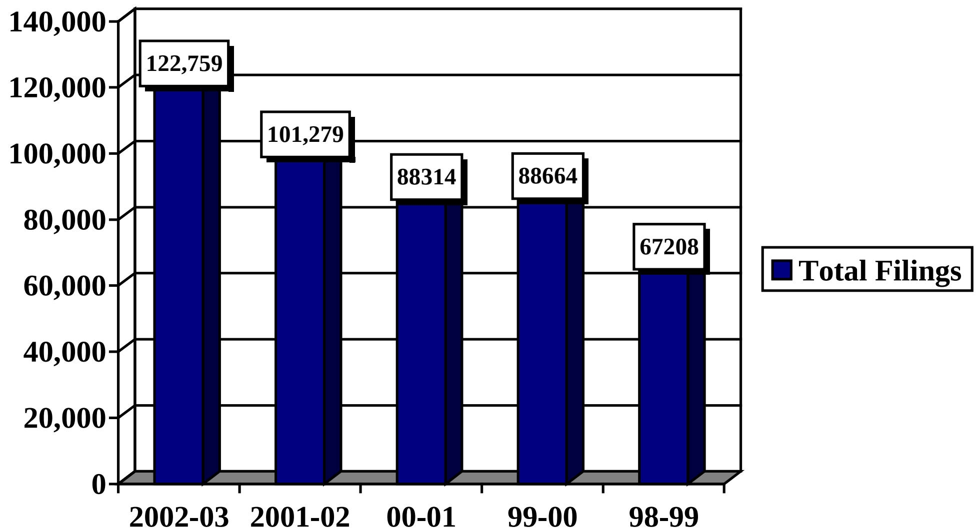
Office filings again increased – this last year by 21% - and in the last four years by 69%; however, our total staff available to handle filings dropped to 24, with 17 of those as FTEs. Based on these numbers we are able to properly assign staff based on the volume of work and the type of work involved:

Business Filings	**72%**	**9 FTEs**
Notaries, Boards & Commissions	**18%**	**2 FTEs**
Charities	**8%**	**4 FTEs**
All Other	**2%**	**2 FTEs**

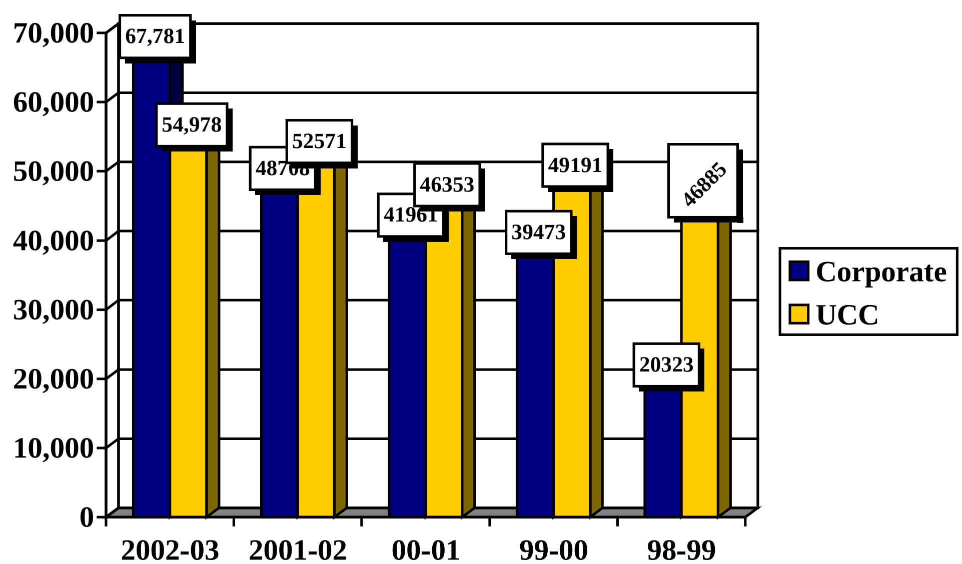
Our Business Filings Division is our highest volume division since it involves both corporate and UCC filings. We staffed this division with 15 of our personnel (10 FTEs). Two to three employees work in the corporate phone room, six employees are assigned to UCC filings and six others are assigned to corporate filings. By dividing the staff according to volume and responsibilities, we achieved two main parts of our mission: superior customer service and 48-hour turnaround.

The following graphs are for our Business Filings Division and show the steady growth this division has seen in the last four years. There is no indication that these figures will decrease in the near future.

Business Filings
Total Filings



Business Filings
Corporate v. UCC



These figures show two trends: business filings are steadily increasing each year by about 15% annually and corporate filings are increasing rapidly. The corporate filings increase is due to the popularity of LLCs (Limited Liability Companies) as a type of business entity as opposed to corporations. LLCs are now organized in our office at a rate of 2½:1 over corporations, with about 12,000 LLCs organized each year.

The additional impact of these LLC filings is that, unlike corporations, LLCs must file their annual reports with us. Most of these reports are due on April 15th of each year. This last year we had almost 19,000 annual reports filed out of approximately 35,000 LLCs that had reports due – most of these occurring during April and May. This has a direct effect on customer service during these months since the volume of filings becomes overwhelming. This customer dissatisfaction is shown in our survey results (see above).

Other Customer Satisfaction Measurements

This last year we again continued our use of the Vector 65 Call Management system to monitor our corporate phone room. This room is staffed with office personnel to answer basic questions customers have concerning corporations. In 2002-2003 we handled more than 70,000 phone calls, with a reduced staff due to budget cuts.

The Call Management system allows us to measure how long each call is taking, how long till it is answered and how long till a caller hangs up without receiving assistance. We are also able to measure how many calls we receive. This data is provided to the deputy secretary and the business filings supervisors daily and weekly. Our phone room averages more than 350 calls per day and the average time of a phone call is 1:28.

Using the Call Management System, the average wait time for a call was 2 minutes, 3 seconds.

The times to answer a phone call are up and this is directly due to less staffing in that room. Due to reduced staffing and increased business in other areas, we felt that we needed to address customer service better in other areas. Although this was the proper decision for customer service, times to answer the phone increased.

One of the most important factors in accomplishing our mission in our Business Filings Division is the amount of time it takes to enter a record into our database once it has been accepted for filing. Our customers have clearly indicated that their business transactions today require that our office has quick turnaround for the recording of a filing so that it can then be used in various financing and legal transactions.

By focusing on our customer's desires of quick turnaround, this year we provided a 48-hour turnaround period between filing and entry into the database.

The data reflecting how long it takes to enter data is reported to the deputy secretary daily and weekly. It is then reviewed and discussed with the supervisors. Constantly reviewing data aids enormously, especially when a problem occurs

We also kept in mind the fact that many agencies throughout the country charge considerably more for an identical filing than we do – even more for an expedited filing. Our office has not done so and will not. We are dedicated to providing our services at the least expensive cost possible.

Commitment to Electronic Government

In 2002-2003, we continued our commitment to electronic government by offering our databases and other information on our website. The databases that are available for searches and information are our Corporations, Uniform Commercial Code and Charities databases. These databases allowed our customers to research a particular organization without calling our office. The charities database even calculates the percentage a charity spends on their program services.

Similarly, we offer the customer the ability to fill out forms online and download them for filing. This keeps our staff from having to constantly field phone calls and place orders for forms.

In one week our website averages over 10,000 visits, 5000 database searches and over 2700 downloads of forms.

The considerably increased use of our website is seen as one of the primary reasons, if not the sole reason, why our total phone calls in our phone room have decreased by more than 20% and requests for forms have decreased by more than 50%.

Charities Division

Our Charities Division incorporates similar measures to ensure quality service. Charity filings in the last four years, since the division returned from the Attorney General's Office, increased by almost 100%. This last year filings increased by 21%. Part of the increase this last year can be attributed to that division's commitment to insure that charities register and file their annual reports with us. This division understands that it is a great public service to have these records on hand so that the public can educate themselves about a charity. When a citizen can fully educate themselves where their charitable dollars are spent then they can give prudently.

Below are the Charities Division's statistics for 2002-2003:

Charities Division Filings

	02-03	01-02	00-01
Total Charity Filings	**14,198**	**11731**	**10683**
Charities Registrations	**4601**	**5359**	**5421**
Annual Reports	**4172**	**4205**	**3833**
Professional Solicitors	**3209**	**1593**	**1067**

Another important measurement in the Charities Division is the amount of administrative fines recovered. We are able to issue fines on those charities and professional solicitors that do not register or do not file their financial records on time. We also issue fines for charities and professional solicitors that mislead the public in their solicitations.

In 2002-2003 the Charities Division collected $203,336 in fines, up from $160,610 in 2001-02 and $65,565 in 2000-01.

Over $150,000 in fines collected were for misrepresentations and nondisclosures in solicitations.

Our charities division aggressively pursues substantive violations of our law. Not only do we fine organizations and individuals for misrepresentations made in solicitations but we also issue injunctions and even refer some cases for criminal enforcement.

Finally, this division also sees as its mission to educate the public about how to find the proper charity. We have long had a toll free number from our charities division. The staff regularly speaks to different groups on these issues. This year, Secretary Hammond formed the first Secretary of State Nonprofit Advisory Council. This council gathers together various charity and professional fundraising individuals in order to discuss the important issues that influence how the industry does its work and how South Carolinians give.

Trademarks Division

Our office also measures the amount of counterfeit goods confiscated by our trademarks division in coordination with local and federal law enforcement. The Secretary of State handles the registration of state trademarks and assists law enforcement in the investigation and confiscation of counterfeit goods – fraudulent goods that infringe upon the trademark rights of legitimate businesses.

In 2002-2003, our trademarks division assisted law enforcement in the confiscation of more than $1,200,000 in counterfeit goods and the arrest of 28 individuals for trafficking in counterfeit goods.

Employee Satisfaction

Our key measures for employee satisfaction are length of employment, employee turnover, ability to perform numerous functions in the office and involvement in activities outside the office.

Length of employment is an important measure as it indicates loyalty to the office, level of job satisfaction and morale. Long-time employees also provide the office with a high degree of institutional knowledge. How long an employee stays is an important measure to us since there are only two executive level positions in our office; thus, most employees are paid based on administrative classifications and duties.

Of our 37 employees, there are:

13 employees with more than 5 years experience.
Of these 13 employees
5 have more than 10 years experience
2 have more than 15 years experience
and
4 have more than 25 years experience.

Such a large number of long-time employees indicates to us that there is a high level of job satisfaction and morale in our office. However, we must keep this constantly in mind and provide the most positive work environment possible.

This last year, employee turnover was low. In fact, only one employee, an attorney, left. Considering the budget situation and that no one has received a raise or bonus, this speaks well for employee morale.

Finally, more than thirty of our employees can perform more than one task in our office. This shows a willingness to learn and contribute towards our mission. Employees are also actively involved in the community, as discussed above. This involvement is encouraged by management as a means to heighten employee satisfaction.

Supplier/Contractor/Partner Performance

Due to the nature of our office, we have few relationships of this type. The relationships we do have are not on a continuous basis and not capable of measurement

Business Results Conclusion

As a directly elected constitutional officer, the Secretary of State is uniquely positioned to specifically address our customers' needs and concerns. The reason – direct accountability. Because the Secretary of State answers directly to the public, the office has long maintained an attitude of excellent customer service and fiscal responsibility. Further, as other agencies grew along with the state budget, our office decreased in size even while taking on more responsibilities and as volumes increased. All the while, superior customer service continued.

Has our office had its problems? Yes. Workloads doubling over the last four years while the staff decreased have taken its toll. Along with an old computer system to process work, service slows at times. Still, the staff responds well and overall service is still excellent. Our technology initiatives continue to move forward in order to bring South Carolinians e-government and further improve service and save money.

Overall, our business results reflect substantial advances toward accomplishing our mission. Our financial results clearly indicate that we are not an agency that constantly asks for money. Instead, we have historically reduced our budget, economized the office and not affected customer service.

Our customer service surveys show that the public views us favorably. The overall ratings are high but we do have some areas to work on. Our website also rates well with the public and serves an important function for overall customer service.

The Charities Division will strive to maintain its excellent customer ratings. Now that this division is fully staffed, they can achieve their goal of easy, efficient compliance and tough, aggressive pursuit of those who break the law.

We will continue education services for our citizens. These services have proven very successful in the notaries and charities areas. We will still accept invitations to speak and we will also continue to travel, for free, throughout the state.

The Secretary of State's Office prides itself on its fiscal responsibility and its commitment to excellent customer service. Our past indicates we have followed these principles diligently and that we will continue to pursue our mission of providing the taxpayer the best return on their investment in state government even more vigorously in 2003-2004 and beyond.