SOUTH CAROLINA SECRETARY OF STATE

2003-2004 ACCOUNTABILITY REPORT

SEPTEMBER 15, 2004

Secretary of State
2003-2004 Accountability Report

Table of Contents

EXECUTIVE SUMMARY

In 2003-2004 Secretary of State Mark Hammond continued the office's tradition on focusing on our customers' needs and fiscal responsibility. As a statewide elected official, the Secretary of State is directly accountable to the public, those who had the confidence to elect him as the secretary. Therefore, the office concentrated on efficiency and customer satisfaction, significantly accomplishing much of our mission.

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 its charities and employment agency divisions 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.

The Secretary of State's Office is the statutorily designated office where the businesses of South Carolina and all entities doing business here, maintain their legal and corporate documents. Further, filed Uniform Commercial Code documents constitute the legal basis that financial institutions depend on to make reliable decisions on their transactions. Without quick, efficient and legally proper administration of our duties, many businesses and financial transactions would be legally ineffective. Our office understands its vital role in the overall welfare of the business community in South Carolina.

Finally, particularly in our charities area, proper regulation of charities and their fundraisers allows donors the ability to research charities and how their dollars are spent and provides charities an environment where they can more effectively accomplish their missions.

Major Achievements

The Secretary of State's Office is a customer service agency. In 2003-2004, the office handled more than 170,000 filed documents, 85,000 phone calls and 1300 e-mails concerning the office. With this high level of customer interaction, the Secretary of State understands that depending on old ways of processing documents is foolish and will slow our customers work. Electronic government is a must and in 2003-2004 the office focused its attention as such. Among all of our achievements, the following were most noteworthy:

- Installed a new computer imaging system that allows the office to continue its policy of 48 hour turnaround for filings to be processed and recorded, setting the stage for future electronic filing of documents;
- provided an online corporate and Uniform Commercial Code database for customers to access information through our website, instead of calling;
- 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;
- offered a corporate phone room to handle customers' phone calls since many customers still need to talk to a staffer or have more detailed questions;
- participated with the Department of Revenue, the Employment Security Commission, and the Department of Health & Environmental Control to design South Carolina Business One Stop (SCBOS), South Carolina's first electronic initiative to give people one place on the Internet to go to form their businesses;
- worked with the Department of Revenue, the Department of Insurance and the private legal bar to revamp South Carolina's corporate code making it easier to do business in South Carolina and to attract out-of-state businesses to South Carolina;
- worked to pass legislation that eliminated unnecessary limited liability company annual reports, filings that, instead of providing an essential government service, actually slowed our ability to handle other filings, frustrating our customers;
- worked to pass the Uniform Electronic Transaction Act to allow easier use of electronic transactions for businesses in South Carolina;
- worked with the Judicial Department and the United States Postal Service to pass legislation that makes South Carolina the first state to allow electronic service of process on corporations;
- continued the first Secretary of State Nonprofit Advisory Council to improve relations with charities and fundraisers and to facilitate "good giving" for donors;
- 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 a public service announcement during the holiday season encouraging citizens to give wisely when donating to charitable causes;
- conducted seminars for charities along with the South Carolina Association of Nonprofits;
- collected more than $150,000 in fines from telemarketing firms and charities that broke the law;
- worked with local and federal law enforcement to enforce trademark laws and confiscate more than $1,900,000 in counterfeit goods. These enforcement actions also resulted in 23 arrests;
- continued our free statewide notary seminars, educating notaries on the legal and professional responsibilities of being a notary public; and,

- most importantly, continued our tradition of fiscal responsibility with an appropriated budget that is 10% less than it was ten years ago, even though our office has more statutory duties and has more than doubled its workload.

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 in South Carolina.

This last year, most of our customer service goals were met. In our Uniform Commercial Code division, we achieved our goal of 48-hour filing turnaround, primarily because the new computer imaging system was installed in that division first. As opposed to many states and agencies that offer heightened fees for “expedited” service, our agency still offers identical service for all customers at the same low rate as always. Because of this imaging system, customers with established debit accounts can now get UCC documents via e-mail.

Unfortunately, it was not the same in our Corporations Division. The imaging system could not be installed in that division until August 2004 meaning that the much slower, older system had to be used. Additionally, LLCs were still required to file annual reports in the office in 2003-2004. More than 20,000 annual reports were filed between February and May of 2004. This extraordinarily high volume of filings caused an enormous slow down in processing.

However, besides just getting a new imaging system to improve times, the office went an additional step and reviewed the necessity of LLC annual reports. Our study found that these were simply reports that stated what the LLC’s name was and who the registered agent was – information already available in the office. Not only that but customers complained about the legal requirement to file such an irrelevant document and the fact that other filing times were considerably slower. After significant consultation with the legal bar and the legislature, the statutes requiring these reports were repealed; now, the office’s processes are significantly faster and a bureaucratic burden for our customers was eliminated.

In 2004-05, the Business Filings Division will continue its customer service phone room for quick information or document orders. Although our website offers our databases and the majority of our customers use the web instead of calling, we have found many customers still prefer to call. 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, now that the new computer system was installed, our office's focus will be on electronic filing and electronic retrieval of filed documents. Electronic business is a reality for many of our customers, such as bankers, lawyers, and accountants, to name a few, and the convenience of filing or retrieving documents from their desktop would be enormously beneficial.

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 volunteers. By making the regulatory process easier, we can actually foster positive fundraising and "good giving."

In 2004-05, the Charities Division will be working on an initiative with the Urban Institute of Washington, DC. This nonprofit has created software for charities regulators across the nation that not only allows electronic filing of a charity's registration statements but also of the charity's financial reports. This not only will reduce the paper burden on nonprofits but also reduce the agency's burden of storage of these documents.

Finally, we will still vigorously pursue those "bad" charities – the ones that give fundraising a bad name. Fraud will be prosecuted and fines will be levied for those who refuse to comply. When we do this, "good" charities will be able to fully take advantage of a positive fundraising environment.

Opportunities & Barriers

With our new electronic processes and initiatives, the Secretary of State's Office views 2004-2005 and future years as years with great opportunities, particularly for the business community. Electronic filing, electronic document retrieval, South Carolina Business One Stop, electronic service of process, even electronic filings of financial reports for charities are real possibilities.

Still, the office has barriers to fulfilling our mission and achieving our strategic goals: 1) we are a small office performing numerous (and growing) duties; and, 2) recent budget cuts have deeply affected our ability to fully staff the office and provide superior customer service.

Total business filings for 2003-2004 remained steady with the prior fiscal year; however, total filings in the last five years have increased by more than 80%. In the same time period our budget has been significantly decreased and our staff size was reduced. The impact of such an increase in filings and reduction of resources on our overall processing of documents is dramatic.

In the Secretary of State's office filings are not simply stamped and then filed away. Instead, documents must be 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 care and time and does not include the numerous other customer service functions we perform. We simply cannot forfeit the integrity of our systems because of their importance to the business community. However, that also means finding ways to speed services.

Still, our opportunities are great. As mentioned above, the office electronic initiatives that will make doing business in South Carolina easier. Processes, policies and even statutory law will be reviewed to insure that our mission is accomplished.

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.

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 of charitable organizations soliciting in South Carolina;
- regulation and investigation of those persons 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 34 employees. Of these employees, 27 are FTEs, 3 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. 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 and state government.

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 our customers.

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

	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
Major Budget Categories	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**
Personal Service	$1,077,895	$802,479	$1,054,609	$697,689	$816,532	$705,492
Other Operating	$325,665	$45,203	$472,411	$65,095	$1,031,168	$61,168
Special Items						
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	$280,942	$210,952	$280,319	$189,089	$142,759	$110,404
Non-recurring	$988		$375,420		$23,774	
Total	**$1,685,490**	**$1,058,634**	**$2,182,759**	**$951,873**	**$2,014,233**	**$877,064**

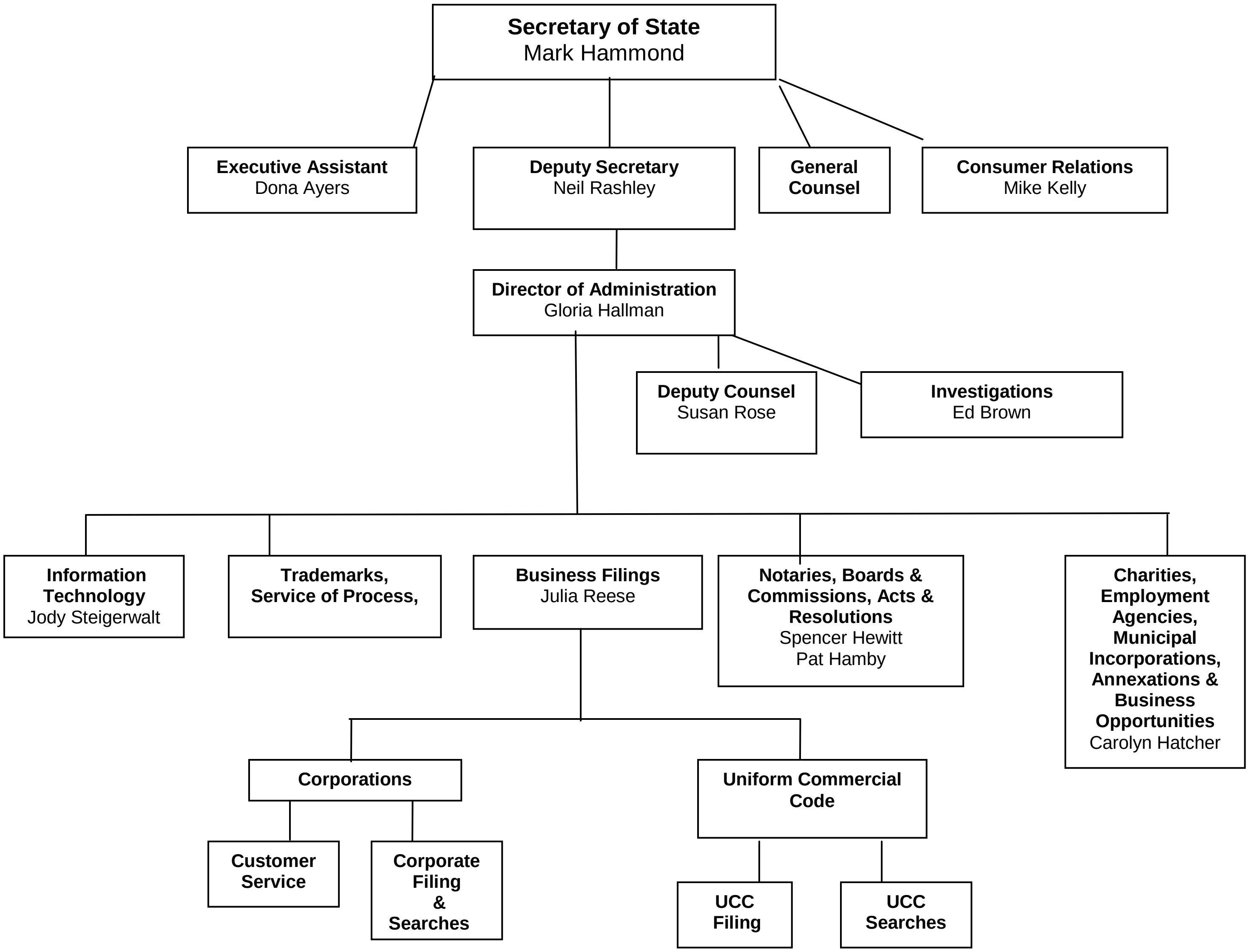
Other Expenditures

Sources of Funds	02-03 Actual Expenditures	03-04 Actual Expenditures
Supplemental Bills	$0	$0
Capital Reserve Funds	$0	$129,687
Bonds	$0	$0

Interim Budget Reductions

Total 02-03 Interim Budget Reduction	Total 03-04 Interim Budget Reduction
$99,006	**$9,615**

Secretary of State's Office
Organizational Chart



MALCOLM BALDRIDGE CRITERIA

Category 1 - Leadership

Decision-Making Processes and Customer Interaction

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 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.

Leadership Review of Measurements

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.

Leadership Values

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.

Leadership Accountability

Since the Secretary of State is a statewide elected official, accountability is a natural trait of senior leadership. Daily, all senior leaders interact in some fashion with the public and fully understand that it is these customers that the Secretary of State must ultimately answer to. Internally, Secretary Hammond personally meets with senior leaders, many times weekly, to discuss all facets of accountability: fiscal, legal and regulatory. All senior leaders are held responsible for their divisions and policy is set through these meetings. Other weekly meetings are held by the deputy secretary with senior leaders to review measurements and policies.

Leadership Community Involvement

Our office encourages senior leaders to get involved in their community in ways that help strengthen the office and accomplish its mission. Since the office handles corporate, charities and notaries areas, these areas are emphasized. Our leaders are involved in non-profit activities such as churches, Rotaries and Sertomas. One attorney is a certified disaster relief volunteer for the Red Cross. Further, senior leaders are involved in educational activities such as conducting notary educational seminars.

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.

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 stick to 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 re-invigorated by cross-training and participating in other areas of the office. Cross-training has also paid off now that as some employees leave the agency, others can now step in and do their work.

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.

Operational Capabilities and Needs

From an operations standpoint, our strategic plan anticipates full integration of our new imaging system. Ultimately, our customers will be able to easily access our documents via the Internet and even electronically file some documents. 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.

Nonetheless, our strategic plan still accounts for no electronic filing and increased workload.

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.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 03-04 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
1 Administration	Continue efficiency initiatives.	Fully implement new computer imaging system.	7.3-1
1 Business Filings	Allow customers the ability to access filed documents via the Internet.	Complete conversion of documents and then consult with vendor on Internet access.	7.2-2
1 Business Filings	Allow customers to electronically file documents.	Continue implementation of SCBOS. Study other states' e-filing projects.	7.2-2
1 Charities	Facilitate e-filing of registration documents and financial reports.	Continue initiative with the Urban Institute to implement this strategy.	7.2-3

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 and state government.

We know who most of our customers are by simply interacting with them – 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 offered the entire year over through our website. (For the results of the surveys, please see the Business Results section below.) At our notaries' seminars, attendants were given an evaluation sheet to rate the presentation and make suggestions.

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, which 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 good 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. This year all staff was instructed to end their phone call with a pleasant statement wishing the customer a nice day. It is these small attentions to the personal experience that helps us do away with any perceived "wall of bureaucracy."

Senior leaders also regularly speak to groups that represent our customers such as the South Carolina Bankers Association, the South Carolina Association of Nonprofits, the South Carolina Bar and the South Carolina Association of Certified Public Accountants. Speaking to these groups gives us not only the opportunity to educate our customers about what we do and why we do it but also to hear from them about what we can do to make their businesses operate even better.

Finally, we pride ourselves on constituent services. Many people contact us with problems that lie outside of our area. What is more, many people 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 always 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 – Measurement, Analysis & Knowledge Management

Our primary statistical measurements are:

- number of filings;
- number of searches;
- length of time between filing and data entry;
- average customer wait time in our phone room;
- 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. Finally, this data is used by all senior leaders up through Secretary Hammond to make agency decision and policy changes.

For our customers, time matters the most. Today's customers expect things to be 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 2:29. 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. Particularly with fines, we can gauge compliance.

The amount of fines also helps us measure how much we are focusing on regulating illegal behavior. Measuring the number of investigations of charities and their fundraisers and the results of those investigations keeps us focused on our stated mission to expose charity fraud

The Vector 65 system allows us to maintain information on our phone room. Similarly, our new office computer system maintains filing data. Additionally, 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 and is a member of the South Carolina State Government Improvement Network. Our charities division supervisor has graduated from the Certified Public Manager program. Finally, our attorneys attend CLEs that are most relevant to our office's mission.

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. Without a doubt, cross-training has helped weather both budget cuts and increased business while maintaining quality customer service.

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 has participated in Operation Phony Philanthropy, a national educational campaign on telemarketing fraud produced by the Federal Trade Commission and regularly speaks to organizations such as Rotaries. 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.

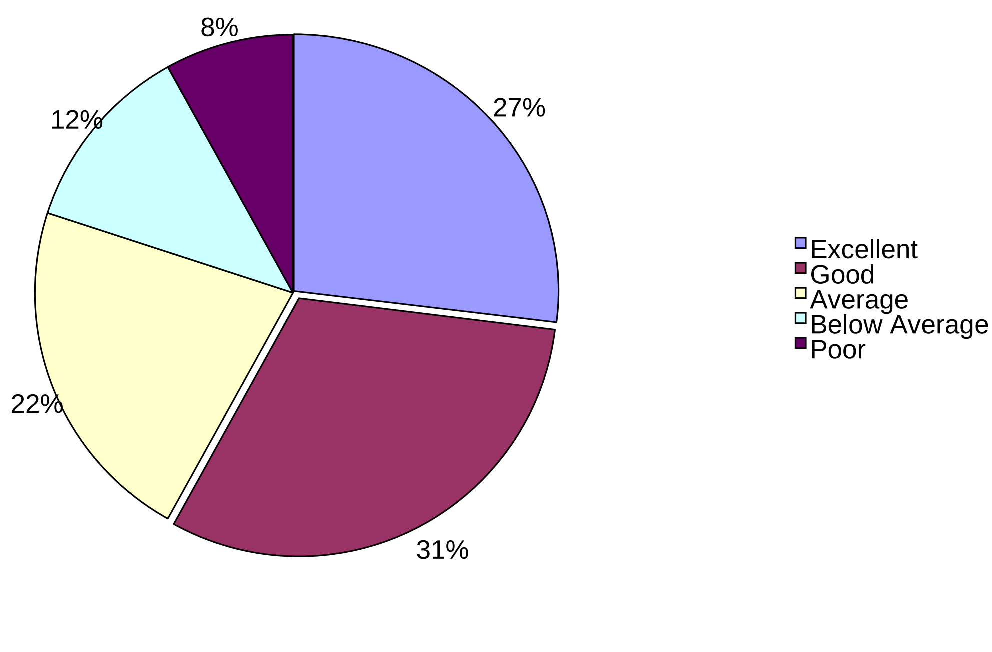
Our key support management comes from administration – senior leadership. All senior leaders monitor production measurements in order to insure quality service and to shift resources accordingly. We do not closely monitor process systems with key suppliers as we use only a few of these suppliers irregularly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

Category 7 – Business Results

7.1 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. Again this year, we provided an electronic survey to our customers via our website. As reported below, our website receives over 15,000 hits each week – most of these hits are from visitors who now electronically do business with our office. 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 Customer Service Survey Results



Consistent with our past surveys, our office received overall favorable ratings from our customers but results were down some this year. As in the previous two years, we saw that the majority of unfavorable responses occurred during April and May – our busiest season. During April and May, our volume levels dramatically increase as receive more than 20,000 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 much longer than usual for their filings to be processed. To solve this problem we purchased a new imaging system to speed our filing times, even during high-volume periods.

Additionally, we worked to pass legislation to discontinue LLC annual reports. LLC annual reports were simply reports that disclosed the name of the LLC and its registered agent – information already readily available in the office. Instead, customers had to pay a $10 fee to file a piece of paper that provided no new information. In other words, this was a piece of bureaucratic paper that did nothing to achieve the office's mission or South Carolina public policy. Since the requirement for LLC annual reports was repealed, this should not be a problem in the future and we anticipate survey results will improve next year.

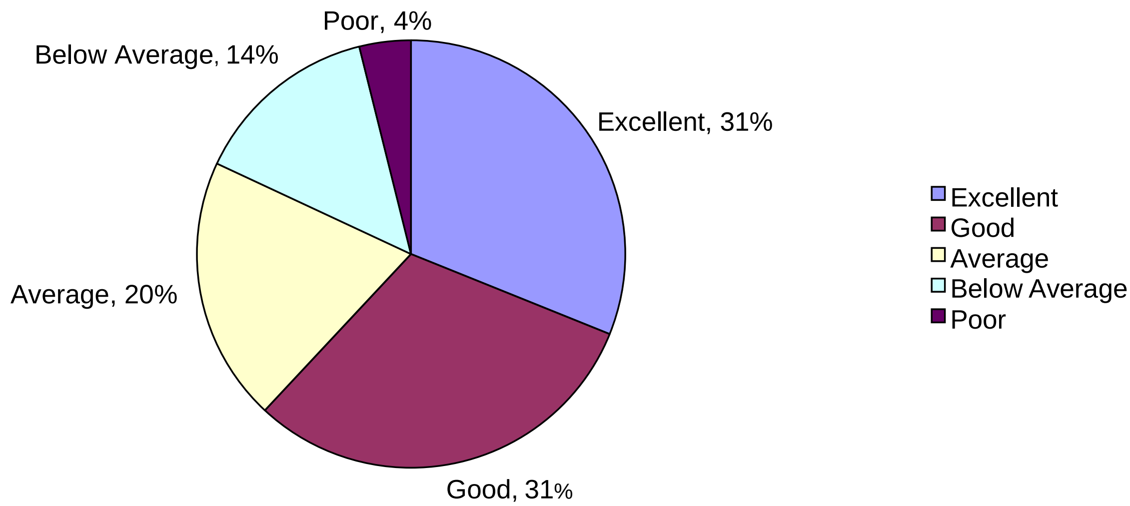
Notaries Seminars Surveys

Our popular notary public training seminars began again in 2003-04. Nineteen of these seminars were held throughout the state, for free, and focused on educating notaries about the responsibilities, duties and potential liabilities of being a notary public. Hundreds of South Carolinians attended these seminars. All attendees were encouraged to fill out evaluation forms which asked for ratings of the seminars and for comments. The average overall rating was more than 7 on a scale of 1-10, with 10 being excellent.

Website Surveys

Our website is more than just an informational resource – although that is one of its primary functions. Instead, it is a business resource for our customers to do the necessary research for their work. With our corporations, Uniform Commercial Code and charities databases on the site, many of our customers no longer need to call or visit our office for many transactions. In 2003-2004 we averaged more than 15,000 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.

Website Customer Survey Results



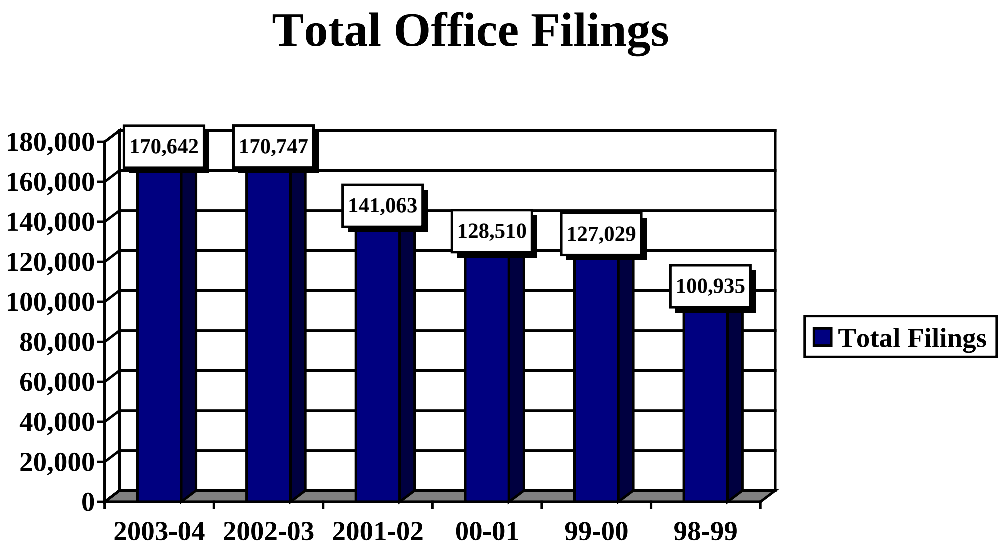
Customer comments in these surveys focused on electronic filing and the ability to view documents via the Internet. Both of these ideas will be explored and are now possible with the addition of our new computer system. Although they are not a component of the system yet, they can be integrated once all data is converted.

7.2 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 and how quickly we handle it must also be evaluated.

Measuring the number of filings handled in the office helps us to 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.

7.2-1



Office filings remained steady from last year but have increased by almost 70% in the last five years; however, our total staff available to handle filings dropped to 24, with 17 of those as FTEs. All other FTEs are committed to the administration of the office. With these numbers we assign staff based on the volume of work and the type of filings involved:

Business Filings	**11 FTEs**
Notaries, Boards & Commissions	**2 FTEs**
Charities	**4 FTEs**
All Other Filings	**2 FTEs**

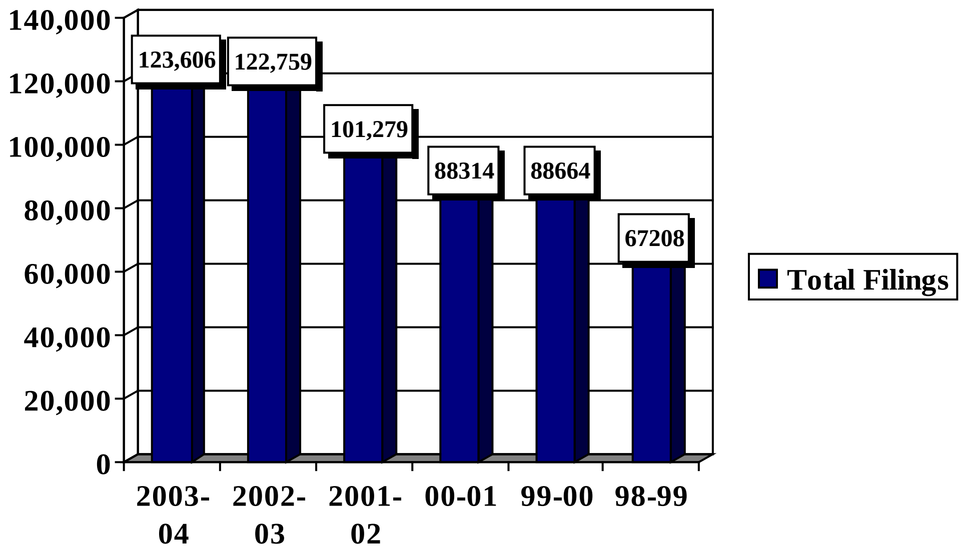
Our Business Filings Division is our highest volume division since it involves both corporate and UCC filings. We staffed this division with 15 of our personnel (11 FTEs). Two to three employees work in the corporate phone room, six employees are assigned to UCC filings and six others are assigned to corporate filings. By dividing the staff according to volume and responsibilities and by emphasizing cross-training, we achieved two main components of our mission: superior customer service and 48-hour turnaround.

The following charts from our Business Filings Division show the steady growth this division has seen in the last five years. Overall, filings in the future should remain steady, with exception to an anticipated drop due to the elimination of LLC annual reports.

Business Filings

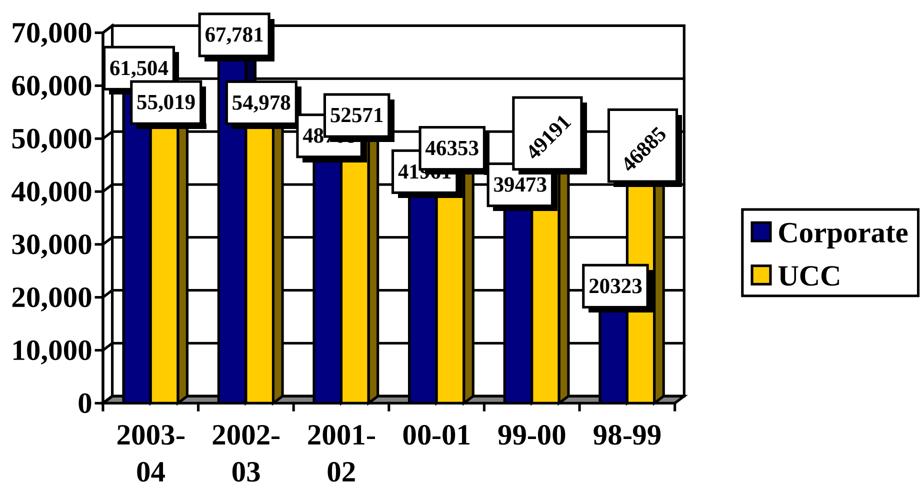
7.2-2

Total Filings



Business Filings

Corporate v. UCC



These figures reflect two trends: business filings have steadily increased over the last five years and the corporate filings' significant increase was due to the popularity of LLCs (Limited Liability Companies) as a preferred type of business entity as opposed to corporations. Since the LLC Act was passed in 1996, LLCs are organized in our office at a rate of 2½:1 over incorporations, with about 12,000 LLCs organized each year. Further since there are more than 40,000 registered LLCs, annual reports also account for the rise in filings.

Other Customer Satisfaction Measurements

The Vector 65 Call Management system is used to monitor our corporate phone room. This room is staffed with office personnel to answer questions customers may have concerning different business entities filed with the office. In 2003-2004 we handled more than 75,000 phone calls in that room alone, all 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 averaged more than 400 calls per day and the average length of a phone call in 2003-04 was 2:22. The average wait time to have a call answered was 2:29.

The corporate phone room received more than 75,000 phone calls in 2003-04.

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, it was felt that we could address customer service better in other areas. The reality is that although phone calls are extremely important, the volume of filings to handle necessitated shifting staff to those functions.

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. With the increase in filings, timely handling of the filings was difficult.

Commitment to Electronic Government

In 2003-2004, 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 15,000 visits, 6000 database searches and over 2800 downloads of forms.

The increase in the use of the website has directly correlated with the reduction of phone calls to the office. Phone calls have gone down more than 50% in the last five years.

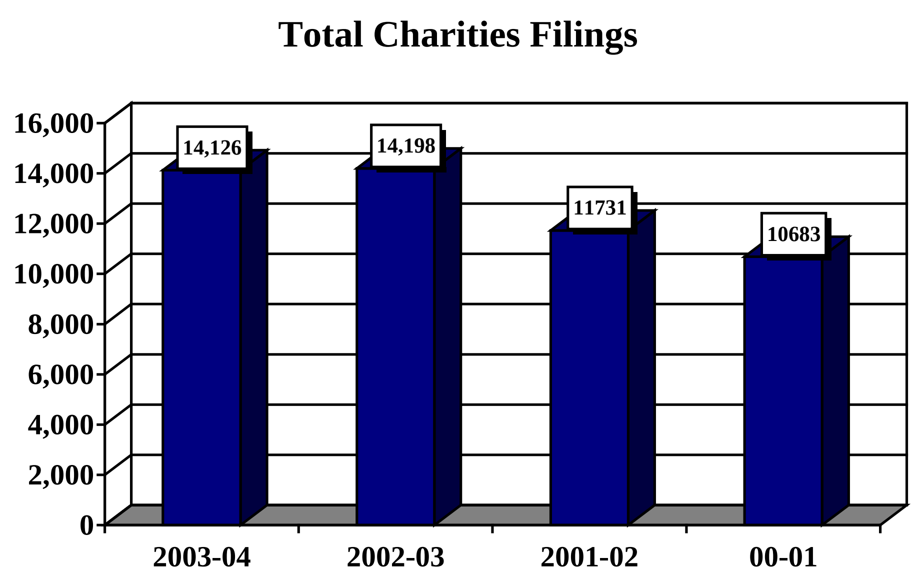
Charities Division

Our Charities Division mission is: 1) efficiently register all charities that are fundraising in South Carolina, including all of their professional solicitors and fundraisers; 2) review all of the annual financial reports submitted by registered charities and fundraisers; and 3) investigate and prosecute all charities and fundraisers that violate the law.

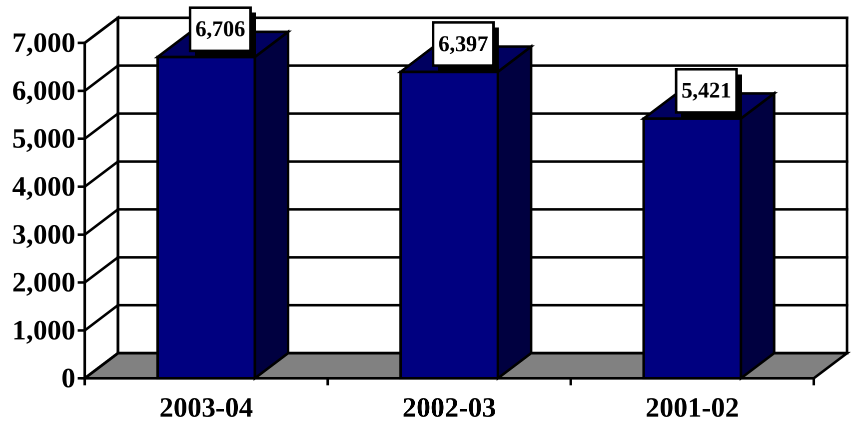
All charities and their fundraisers must register with the office. This provides donors the ability to check out charities before they give. Annual financial reports show how much money a charity raised in a year and how they spent that money. This division strongly believes that it is a great public service to have these records on hand so that the public can educate themselves about a charity. When a potential donor can fully understand where their charitable dollars are spent then give properly.

Below are the Charities Division's statistics for 2003-2004:

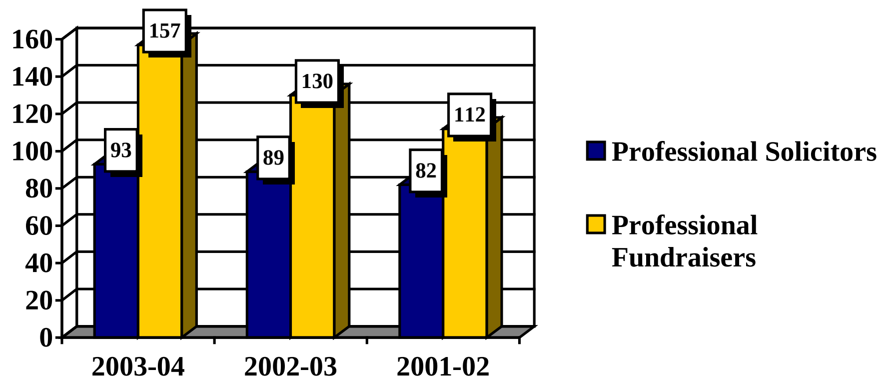
7.2-3



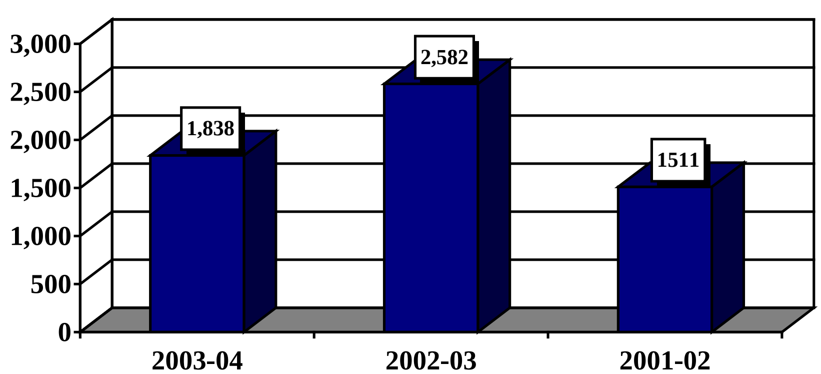
Registered Charities



Registered Solicitors and Fundraisers

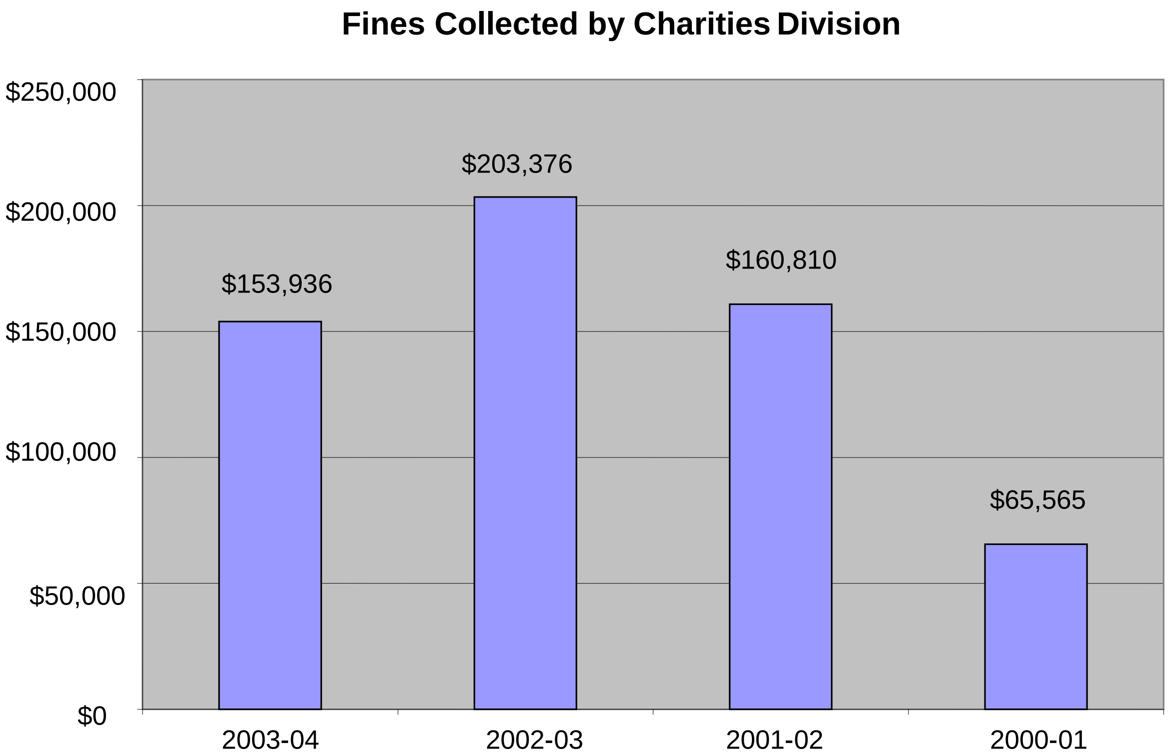


Registered Individual Solicitors



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. Most importantly, the charities division fines charities and professional solicitors that mislead the public in their solicitations.

7.2-4



The most likely reason for a drop in fine revenue for 2003-04 is that in 2002-03, the office had three major actions against telemarketers that resulted in large fines. Investigations of telemarketers begun in 2003-04 have not been completed yet. Also, since fines are punitive in nature, the number of charities not filing documents on time was reduced since those previously fined usually comply the next year.

Although dollar amount of fines assessed can reflect compliance, another accurate compliance measure is the number of fines actually assessed against charities. Every year, the Charities Division sends out notices to all charities and fundraisers reminding them to register and to file financial reports.

In 2003-04, only 6% (267) of all registered charities were assessed fines; 244 for failure to file a financial report, 23 for failure to register.

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. Further, Secretary Hammond has formed the first Secretary of State Nonprofit Advisory Council. This council involves 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 2003-2004, our trademarks division assisted law enforcement in the confiscation of more than $1,900,000 in counterfeit goods and the arrest of 23 individuals for trafficking in counterfeit goods.

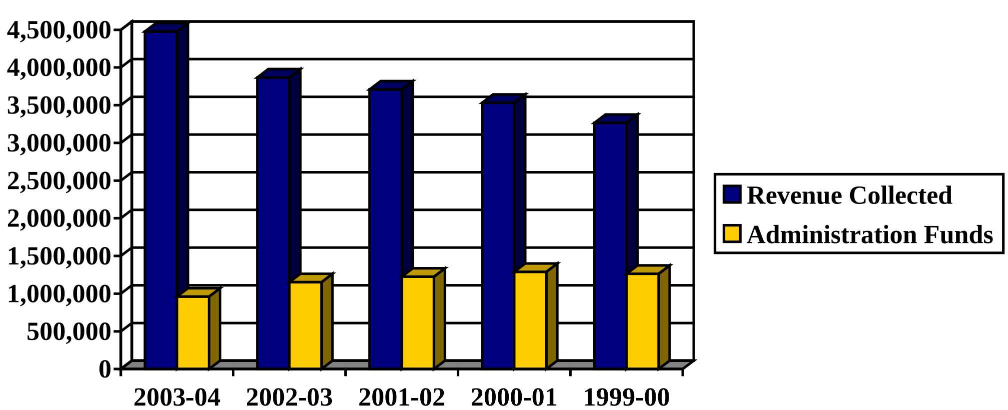
7.3 Financial Results

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.

Stressing fiscal accountability, the office has progressively reduced its size while improving its processes in order to handle increasing business. The office staff has gone from 41 FTEs in 1991 to 27 FTEs in 2004. Additionally, before the state began to reduce agency budgets in 2001, the office has already reduced its budget by 10%. 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.

7.3-1

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



The Secretary of State's Office generated revenue almost 5 times its administrative budget in 2003-2004.

7.4 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 34 employees, there are:

29 employees with more than 5 years experience.
Of these 29 employees
10 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

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. Nonetheless, it is clear that we can improve our "personal touch" on the site.

With the constant rise in business filings, the need for more electronic initiatives will be great. We will continue to pursue electronic retrieval of documents, electronic filing, our participation in SCBOS and other electronic initiatives.

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. They have proven very successful in the notaries and charities areas. We will still accept invitations to speak but we will also continue to travel, for free, to those 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. We will continue to pursue our mission of providing the taxpayer the best return on their investment in state government even more vigorously in 2003-20043 and beyond.