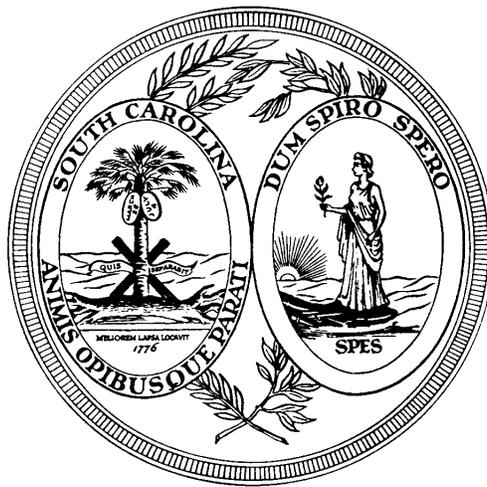


SOUTH CAROLINA SECRETARY OF STATE

2004-2005 ACCOUNTABILITY REPORT



SEPTEMBER 15, 2005

**Secretary of State
2004-2005 Accountability Report**

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EXECUTIVE SUMMARY

In 2004-2005 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 primarily a customer service agency with some regulatory roles. In 2004-2005, the office handled over 170,000 filed documents, 100,000 phone calls and 2000 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 2004-2005 the office again focused its attention on e-government. Among all of our achievements, the following were most noteworthy:

Business Filings

- 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 online Corporate and Uniform Commercial Code databases for customers to access information through our website, instead of calling our customer service personnel;
- offered a Business Filings phone room to handle customers' phone calls since many customers still need to talk to a staffer or have more detailed questions;
- implemented, along with the Department of Revenue, the Employment Security Commission, and the Department of Health & Environmental Control, South Carolina Business One Stop (SCBOS), South Carolina's first electronic initiative to give business people one place on the Internet to go to form their businesses;
- worked to pass legislation that provided criminal sanctions for filing fraudulent documents in our Uniform Commercial Code division;

Charities

- provided an online Charities database that allowed donors to research charities and what percentage of the donor's contributions the charities allotted to their charitable causes;
- continued the Secretary of State's 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;
- issued an injunction against a telemarketer, On Guard Services, that resulted in the telemarketer being banned from South Carolina for five years;

Trademarks

- worked with local and federal law enforcement to enforce trademark laws and confiscate more than \$2,300,000 in counterfeit goods. These enforcement actions also resulted in 24 arrests;
- Introduced legislation to toughen criminal penalties for trafficking in counterfeit goods; and,

Notaries

- continued our free statewide notary seminars, educating notaries on the legal and professional responsibilities of being a notary public.

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.

In the Business Filings division (comprised of Corporations and Uniform Commercial Code divisions) 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 order and receive UCC documents via e-mail.

Our Corporations division improved greatly. A new imaging system was installed in August 2004 which allowed filed documents to be processed much quicker. Given reduced staffing due to budget cuts and increasing filing volume, this system provided the necessary means for that division to continue to serve customers in a timely and efficient fashion.

In 2005-06, 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 site for information instead of calling, we have found many customers still prefer to call. All employees’ direct phone lines remain public so that when a customer needs to reach a specific employee, they will not have to go through numerous transfers. Finally, employees 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.

Presently, a customer can form a corporation, LLC, limited partnership or nonprofit electronically through South Carolina Business One Stop (SCBOS). SCBOS also allows the customer to simultaneously file at the Department of Revenue and DHEC. Continued implementation and expansion of SCBOS will provide more opportunities for our customers to electronically file documents.

The office is also aggressively pursuing an IT solution to provide customers Internet access to our documents. Many states do this and our customers repeatedly ask for this service. In fact the office receives and fills more than 15,000 orders for copies of documents each year. Providing such a service will not improve customer service but will also allow the office to allocate labor to busier sections of the office.

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 2005-06, the Charities Division will continue to work on electronic filing initiatives for charities. We are cooperating with a multi-state and federal effort that would allow charities to “one-time” file their annual financial reports at one time, along with their annual registrations.. 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 2005-2006 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 2004-2005 remained steady with the prior fiscal year; however, total filings in the last five years have increased by more than 100%. 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.

Still, our opportunities are great. As mentioned above, the office has 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.

The Accountability Report

The Secretary of State's Accountability Report is provided to staff and reviewed consistently by management. The report is also provided on our website for customers to review and give feedback.

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.

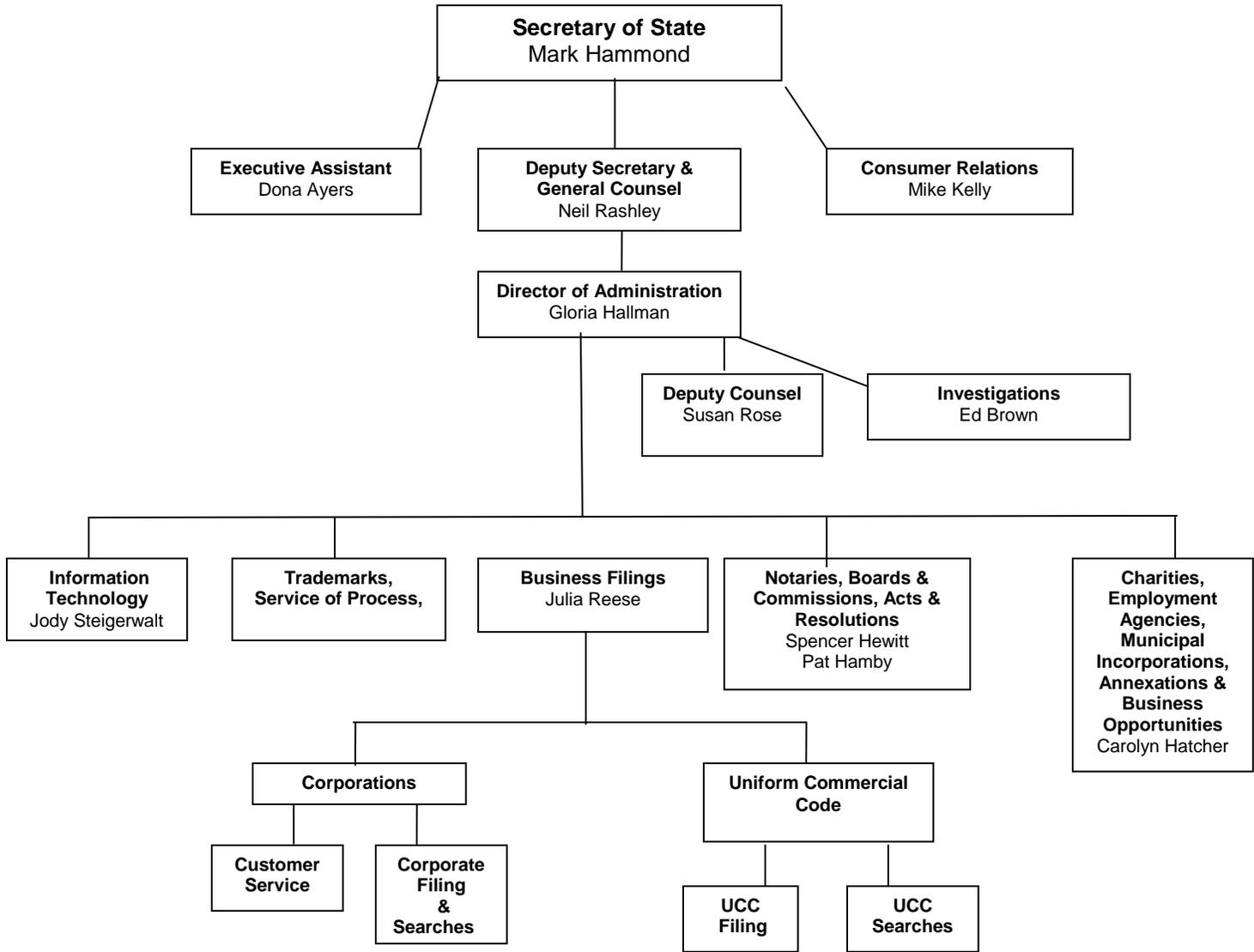
Base Budget Expenditures and Appropriations

Major Budget Categories	03-04 Actual Expenditures		04-05 Actual Expenditures		05-06 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$1,054,607	\$697,688	\$1,091,263	\$649,362	\$810,572	\$699,532
Other Operating	\$468,845	\$65,094	\$438,806	\$55,574	\$1,031,168	\$61,168
Special Items						
Permanent Improvements		\$3,565				
Case Services						
Distributions to Subdivisions						
Fringe Benefits	\$280,319	\$189,089	\$283,564	\$172,128	\$136,800	\$104,445
Non-recurring		\$375,420	\$23,774			
Total	\$1,803,771	\$1,330,856	\$1,837,407	\$877,064	\$1,978,540	\$865,145

Other Expenditures

Sources of Funds	03-04 Actual Expenditures	04-05 Actual Expenditures
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$129,687	\$117,003
Bonds	\$0	\$0

Secretary of State's Office Organizational Chart



Major Program Areas Chart

This document is provided at the end of the Accountability Report as an appendix.

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 regularly 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-intentioned 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.

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.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 04-05 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
1 Administration	Continue efficiency initiatives.	Continue support of information technology initiatives in the office.	7.4
1 Business Filings	Allow customers to access filed documents via the Internet.	Design and implement system allowing customers to view and download Business Filings images	7.2-2
1 Business Filings	Allow customers to electronically file documents in the Corporations division.	Continue implementation of South Carolina Business One-Stop (SCBOS).	7.2-2
1 Charities	Facilitate electronic filing of registration documents and annual financial reports.	Work with multi-state and federal effort to allow electronic filing of documents.	7.2-3
1 Trademarks	Increase penalties for trafficking in counterfeit goods.	Work for passage of bill increasing criminal penalties.	7.2-4
1 Notary Publics	Education of notary publics on duties and responsibilities of that office.	Continue free notary public seminars throughout the state.	7.2-5
1 Notary Publics	Maintain efficient and modern system for notary publics.	Work for passage of bill modernizing notary statutes.	7.2-5

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 – the first in state government – on our website to even probe these issues deeper. As reported in our Business Results section, our website received over 21,000 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 periodically 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 2:42. 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 is a Certified Public Manager. 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. The deputy secretary serves on the board of directors of the South Carolina Administrative and Regulatory Law Association and the assistant

director of the Charities Division serves on the National Association of State Charity Officials board.

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 continuously conducted throughout the year. The primary way we do this is by offering an electronic survey to our customers via our website. As reported below, our website now receives over 21,000 visits each week – most of these hits are from visitors who now electronically do business with our office; so, it makes sense to offer an electronic survey.

The electronic survey has proven both successful and enlightening. In particular, we have discovered that customers tend to be more critical when responding electronically as opposed to a form. The electronic survey is divided into 5 subject areas: Corporations, Uniform Commercial Code, Notary Publics, Charities and the website. Customers are also able to provide comments. Below is an example of the survey and the General Questions section as they apply to these subject areas (except for the website which is discussed below):

CORPORATIONS

Select the appropriate number, 5 is excellent, 1 is poor

CORPORATIONS	5	4	3	2	1	No Opinion/ Don't Know
Speed of Service	●	●	●	●	●	●
Accuracy of Service	●	●	●	●	●	●
Courtesy of Staff	●	●	●	●	●	●
Staff's Knowledge	●	●	●	●	●	●
Clarity of Forms	●	●	●	●	●	●
Overall Service	●	●	●	●	●	●
Compared to other State Agencies	●	●	●	●	●	●

General Questions

How often do you deal with our office?

What types of transactions do you generally file us?

How often do you use our website?

Is our site helpful? YES NO

What do you primarily use our site for?

How did you learn of the site?

How would you improve the site?

Are you interested in electronically filing your transactions via the Internet? YES NO

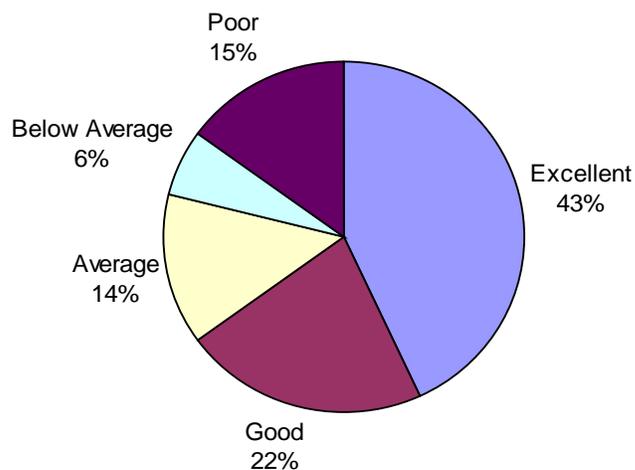
Additional Comments

Please provide any additional comments you have regarding our office and its services.



Based on almost 500 responses, here are the 2004-05 survey results:

Overall Customer Service Survey Results



Consistent with our past surveys, our office received overall favorable ratings from our customers - **2/3 of our customers rate our customer service as Excellent or Good**. This is an improvement from last year when 58% of those surveyed gave similar ratings. Much of the improvement can be attributed to efforts the office made to improve service – particularly the time it takes to review filings.

First, we asked that LLCs no longer file annual reports. These were irrelevant documents that took enormous amounts of time to file (over 25,000 were filed in a 4 week period in 2004) and were burdensome on our customers. The General Assembly repealed this requirement and our filing times immediately improved. Further, our customers responded very favorably to not having to file this reports.

Second, we installed a new imaging system in the Corporations Division – we had already done so the previous year in the Uniform Commercial Code Division. This also reduced filing times. With these two changes, customer service responses on the survey were more favorable. Nonetheless, we have much work to do for 1/3 of our customers still feel we are at best average.

Finally, most customer comments on the survey concerned electronic filing and viewing documents over the Internet. Electronic filing has initially been addressed with the implementation of South Carolina Business One Stop (SCBOS). Electronically viewing documents is a project for this next year.

Notaries Seminars Surveys

Our popular notary public training seminars continued in 2004-05. 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. Seminars were conducted in Hilton Head, Myrtle Beach, Charleston, Beaufort, Greer, Rock Hill, Florence, and West Columbia. Almost 500 notaries attended these seminars and the overwhelming response was positive. 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 8 on a scale of 1-10, with 10 being excellent.

Website Surveys

Our website is primarily a business resource for our customers to do the necessary research for their work. However, it also serves as an informational resource for our other customers. 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 2004-2005 we averaged more than 21,000 hits per week to the site. Since the site is so heavily used, we continued to provide an online survey for our customers in order to better facilitate their needs. Below is a copy of the survey as it exists on our site:

OUR WEBSITE

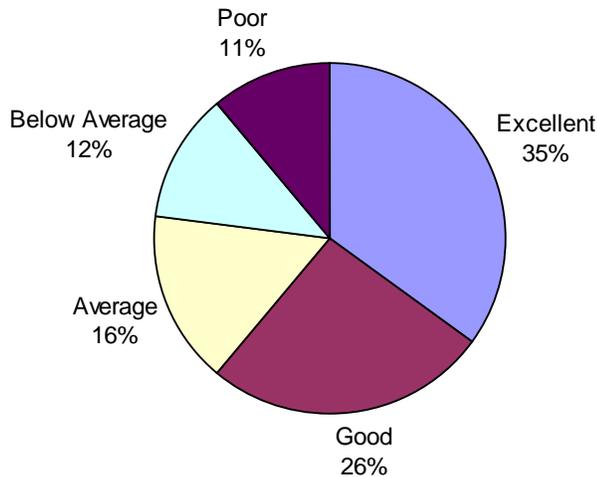
Select the appropriate number, 5 is excellent, 1 is poor

OUR WEBSITE	5	4	3	2	1	No Opinion/ Don't Know
User Friendliness	●	●	●	●	●	●
Navigation	●	●	●	●	●	●
Relevance of Site's Information	●	●	●	●	●	●
Timeliness of Site's Information	●	●	●	●	●	●
Site's Educational Quality	●	●	●	●	●	●
Overall Quality of Site	●	●	●	●	●	●
Compared to other Agencies' Sites	●	●	●	●	●	●

We noted this year that although the majority of users believed the site to be excellent or good, there was still an overall drop in approval. Since the site had received high ratings the last five years this indicates that it is time to refresh the site and begin to offer more services.

In particular, comments on the surveys continuously pointed to the fact that our images are not available on the site. Many other states now offer this service and our customers have come to expect it. In fact, we found that many of the negative survey results were from customers who wanted this service. Our budget proposal for 2006-07 includes a request to install such a system to view images.

Website Customer Survey Results



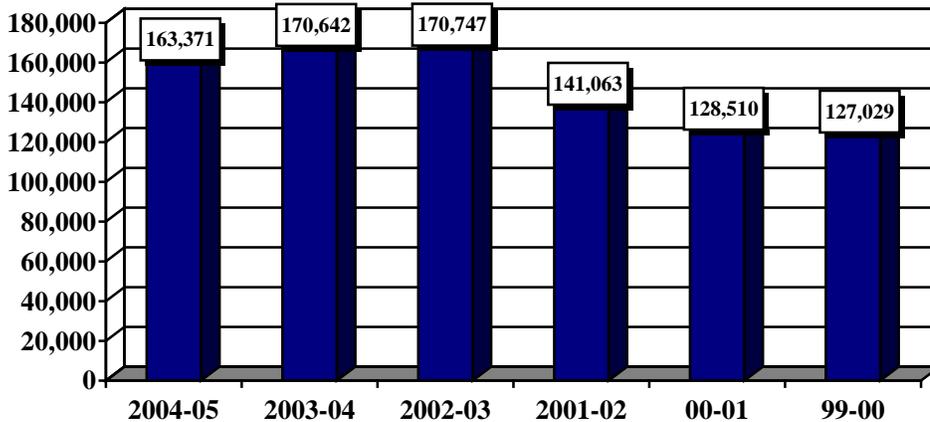
7.2 Mission Accomplishment

To fully appreciate the accomplishment of our mission, the volume of work and how quickly we handle it must be evaluated closely. Our customers are primarily business customers who need to have their documents handled quickly and efficiently.

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

Total Office Filings



Office filings remained steady from last year but have increased by almost 30% in the last five years. Although overall filings decreased this is deceptive. The General Assembly eliminated the need for LLCs to file annual reports. In 2003-04, over 25,000 of these reports were filed. Even though none were filed in 2004-05, overall filings only decreased by 7,000. This is due to the fact that business filings are increasing each year.

Of our total 27 FTEs, 18 are available to handle filings in the various divisions. By evaluating the volume and nature of filings we assign staff accordingly:

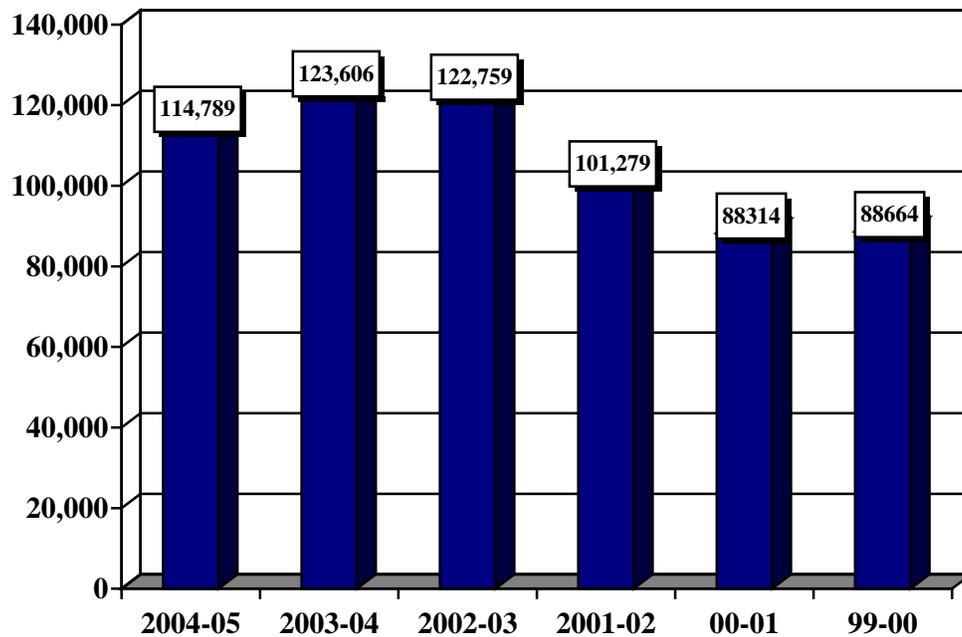
Business Filings	10 FTEs
Notaries, Boards & Commissions	2 FTEs
Charities	4 FTEs
All Other Filings	2 FTEs

Our Business Filings Division is our highest volume division (over 70% of the office's filings are in this 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, five employees are assigned to UCC filings and six others are assigned to corporate filings.

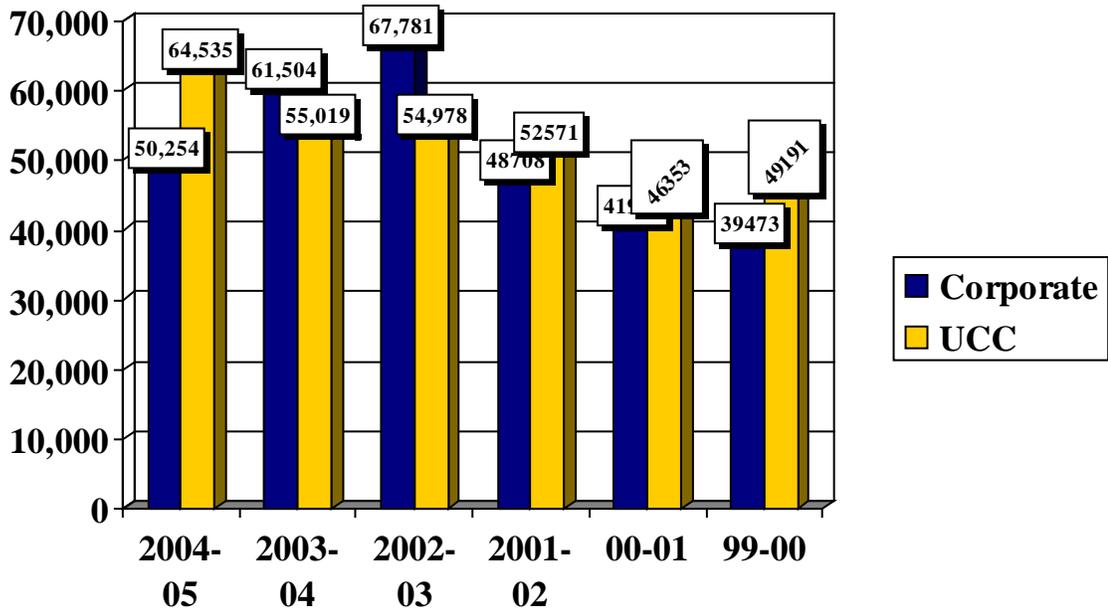
The following charts from our Business Filings Division show the steady growth this division has seen in the last five years. Although total filings did drop, due to no more LLC annual reports, the subsequent charts show continuous growth in filings.

7.2-2

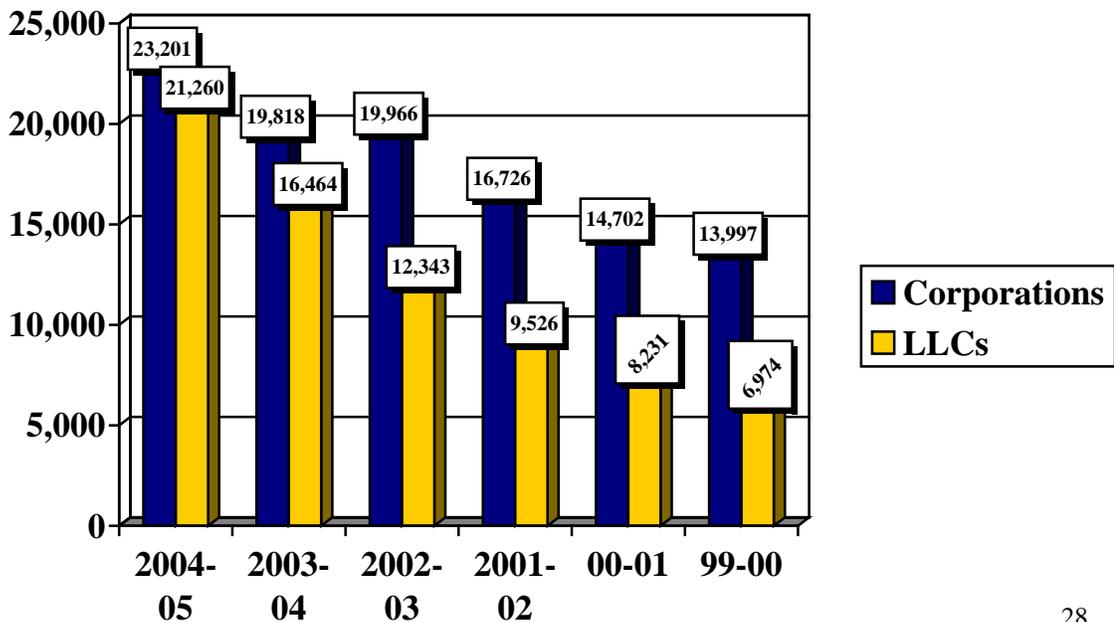
Business Filings Total Filings



Business Filings Corporate v. UCC



Business Filings Corporations v. LLCs (Not including LLC Annual reports)



The last chart comparing Corporations filings versus LLC filings shows how fast the division has grown. This chart does not take into account the LLC annual reports which no longer exist. Instead this chart looks at all of the essential filings – Articles of Incorporation, Amendment, Merger and Dissolution.

These filings are the “meat” of this division and require the most time for review. When these filings are measured it can be seen that in the last five years, the overall volume of corporate filings has more than doubled. In fact, LLC filings in 2004-05 totaled more than the entire division’s filings in 1999-00.

Other Customer Satisfaction Measurements

By allocating the staff according to volume and responsibilities and by emphasizing cross-training, we achieve two main components of our mission: superior customer service and 48-hour turnaround.

48-hour turnaround is a concept that addresses how long a filing is in the office before it is returned to the customer. Unfortunately due to limited staffing, the high volume of filings, phone calls and customer in-office visits, it is not possible to handle all filings on a “day-of filing” basis. So, our goal is to get the filing out in two days. This goal is monitored on a daily basis and at times of high volume or staff shortage, extra effort is put in to processing the filings.

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 2004-2005 we handled more than 72,000 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 daily and weekly to the deputy secretary and the business filings supervisors. Our phone room averaged more than 400 calls per day and the average length of a phone call in 2004-05 was 2:42. The average wait time to have a call answered was 2:28.

In 2004-05, the corporate phone room received 72,378 phone calls and the front desk received 34,777 phone calls. Grand total – 107,155

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 were forced to shift staff to processing filings. 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 primary strategic goals of the office to reduce phone calls is to move our services to the Internet. We did this with our databases and saw phone calls drop by 40%. However, many of our customers order copies of documents by phone. As mentioned earlier, the office has requested funds to install a system that would allow customers to view and download images from our internal systems. This would cut down on phone calls and keep the office from having to hire more labor.

Viewing images over the Internet is not a novel concept. Other states, including Florida and North Carolina offer this service. Our customers have made it clear that they need this service. Simply put, this is how they do business now in other states and they expect the same in South Carolina.

Commitment to Electronic Government

In 2004-2005, 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 also 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 21,000 visits, 10,000 database searches and over 14,000 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 40% in the last five years.

Charities Division

Our Charities Division mission is to: 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.

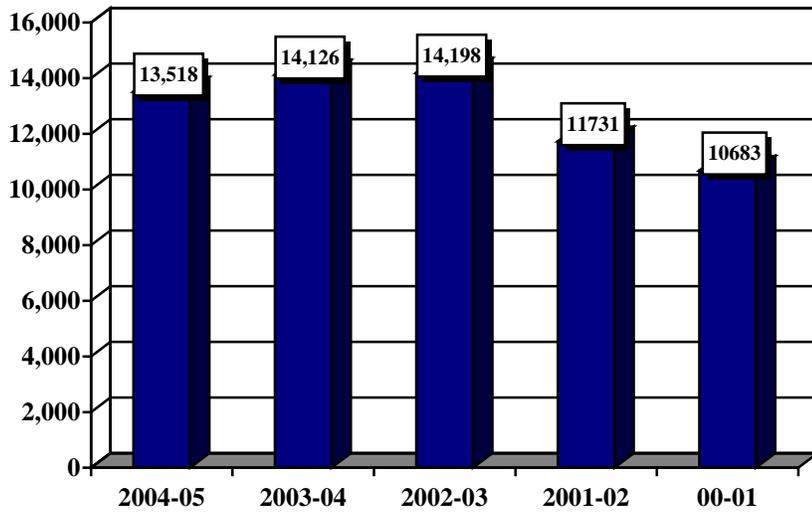
All charities, their solicitors and fundraisers must register with the office and file annual financial reports. This provides donors the ability to check out charities before they give. Annual financial reports show how much money a charity raised in a year and how they spent that money. The Charities Division strongly believes that it is a great public service to have these records readily available so that the public can educate itself

about a charity. When potential donors can fully understand where their charitable dollars are spent then they can give properly.

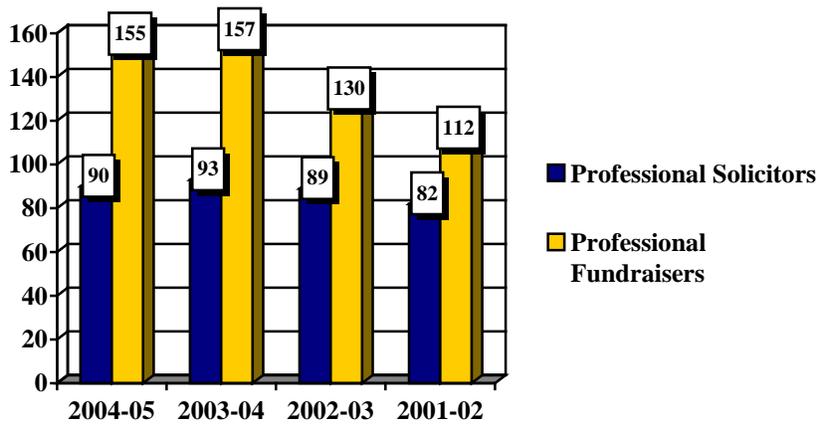
Below are the Charities Division's statistics for 2004-2005:

7.2-3

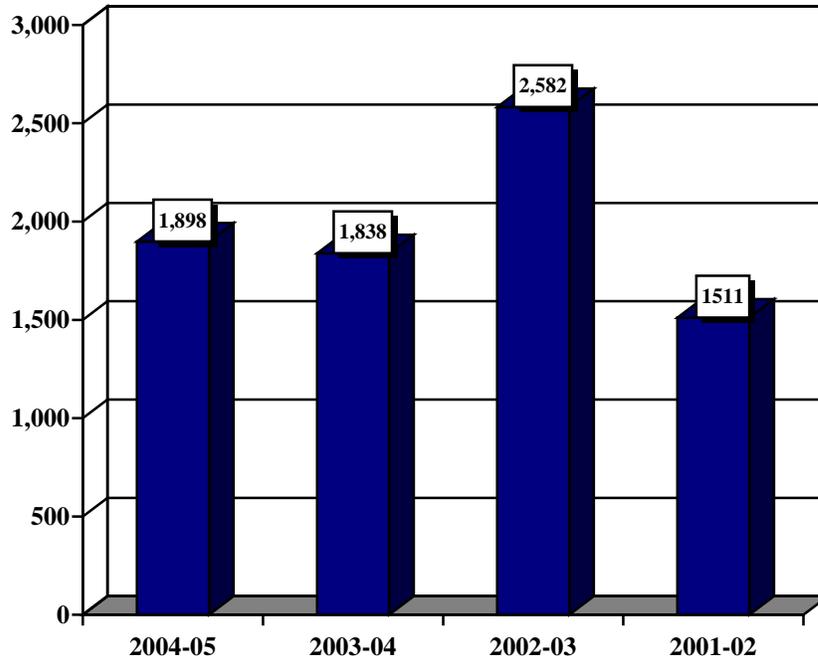
Total Charities Filings



Registered Solicitors and Fundraisers



Registered Individual Solicitors

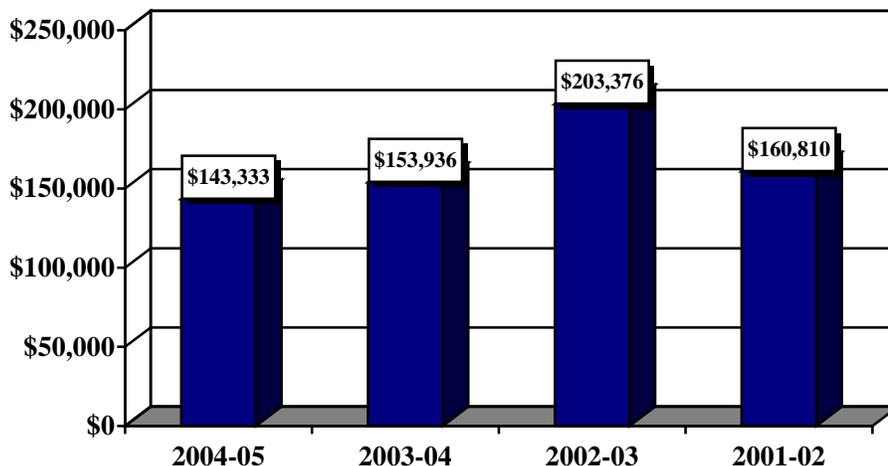


This last chart shows the number of actual individuals registered as professional solicitors in South Carolina. The previous chart refers to organizations registered as professional solicitors. The number of individual solicitors has dropped and our office has learned that this is primarily due the National Do Not Call list. Basically, telemarketing firms have had to layoff telemarketers due to a decrease in business.

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

Fines Collected by the Charities Division



We have found that this division annually usually receives around \$150,000 in fine revenue. Occasionally a large fraud case will result in high revenue, as in 2002-03. However, last year the major action against a fraudulent telemarketer involved asking for an injunction. There was little fine revenue but the telemarketer was banned from the state for five years.

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 proactively sends out notices to all charities and fundraisers reminding them to register and to file financial reports. This has resulted in high compliance rates and lower costs for the division in issuing fines.

In 2004-05, only 6% (330) of all registered charities were assessed fines; 302 for failure to file a financial report, 18 for failure to register.

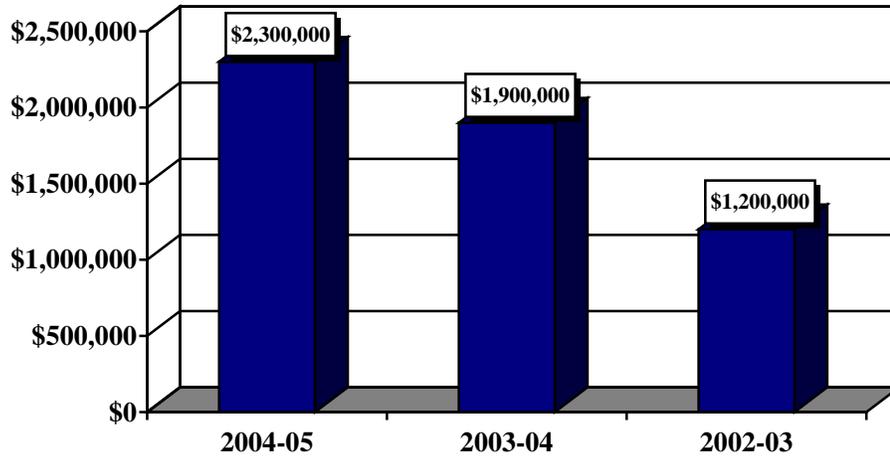
Finally, this division also sees as its mission to educate the public about how to find the proper charity. We offer a toll free number from our charities division. The staff regularly speaks to different groups on these issues. Further, Secretary Hammond has formed the first Secretary of State Nonprofit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

7.2-5 Trademarks Division

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 2004-05, 687 trademark registrations and renewals were filed in the office. Our office also measures the amount of counterfeit goods confiscated by our trademarks division in coordination with local and federal law enforcement. As the chart shows below, this amount increases each year.

In 2004-05, our trademarks division assisted law enforcement in the confiscation of more than \$2,300,000 in counterfeit goods and the arrest of 24 individuals for trafficking in counterfeit goods.

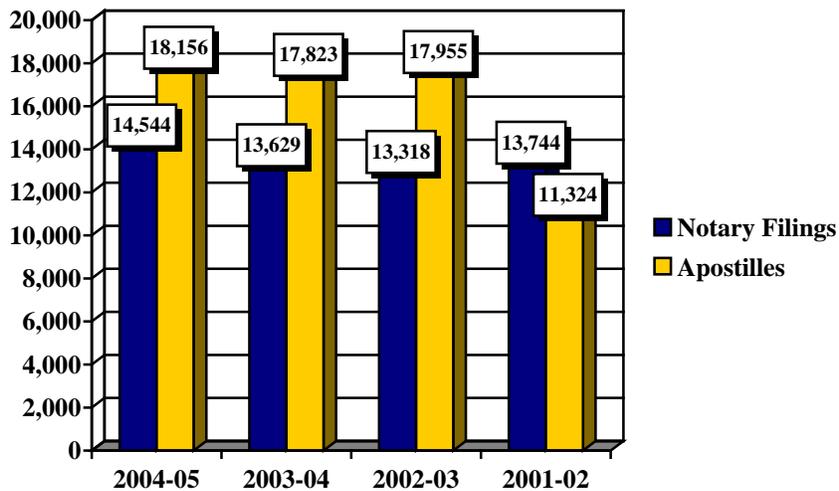
Value of Counterfeit Goods Confiscated



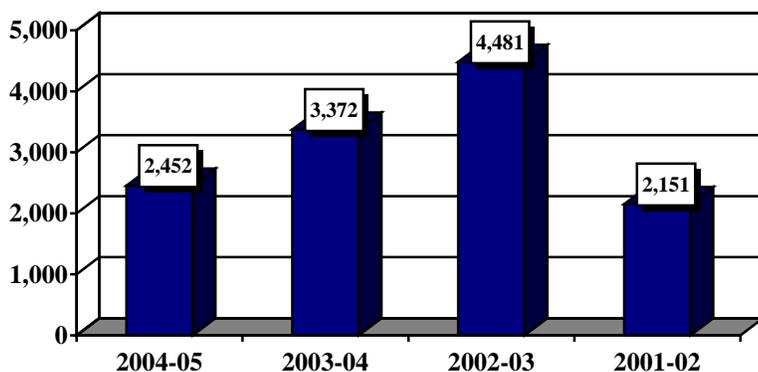
7.2-6 Notaries, Apostilles, Boards & Commissions

This division handles all notary applications and renewals, boards and commissions filings including bonds, apostilles, and filings of ratified acts. This division is staffed by two people and handles a high number of filings.

Notary & Apostille Filings



Oath & Commissions Filings



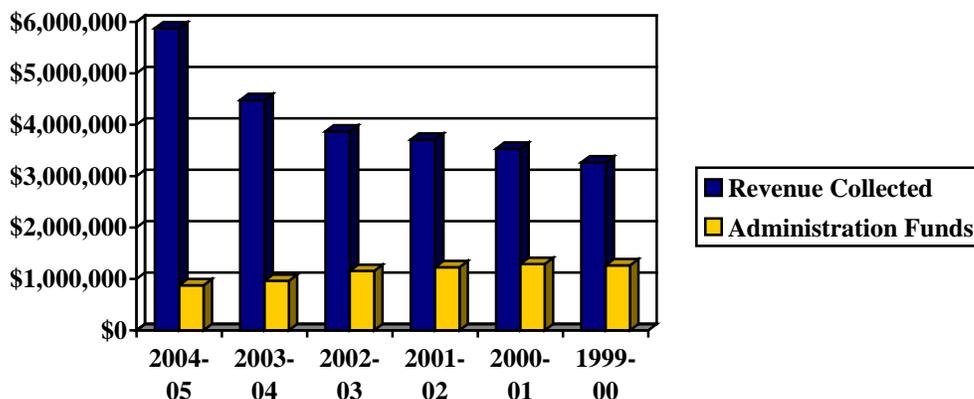
7.3 Financial Results

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 maintains 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 had 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 in 2004-05 was almost 7 times its appropriated administrative budget.

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.