SOUTH CAROLINA SECRETARY OF STATE

2005-2006 ACCOUNTABILITY REPORT

SEPTEMBER 15, 2006

Secretary of State
2005-2006 Accountability Report

Table of Contents

I- EXECUTIVE SUMMARY

1. Mission and Values

As set forth by the South Carolina Code of Laws, the Secretary of State is responsible for the statewide registration of corporations, Uniform Commercial Code interests, business opportunities, employment agencies, trademarks, notaries, and processing requests for cable franchise authority. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. The Secretary of State is also the administrator and regulator of the Solicitation of Charitable Funds Act, and handles the publication of positions within certain statewide boards and commissions.

MISSION STATEMENT

The mission of the Office of the Secretary of State is simple: **to provide the taxpayer with the best return on their investment in state government**. The Secretary of State's office accomplishes this goal two ways. First, the office strives to provide the most efficient, innovative, and cost effective means of registering, administering, maintaining, and disseminating information to the taxpayers. Second, the office regulates the appropriate areas using the most effective and advanced tools available. Our goal continues to be 100% customer satisfaction.

2. Major Achievements

The agency has continued to improve customer service and efficiency measures. By operating on a lean budget, in FY 05-06 the agency returned more than five times its appropriations to the General Fund, $5,259,313. The agency continues to achieve cost savings whenever possible. Customer service has been the primary focus in the past year by developing technology solutions which is an ongoing project and restructuring operations to reduce the response time to our customers. Response time in business filings has been significantly reduced to 48 hours or less. This goal is met consistently with the help of several hourly employees in the division.

The Secretary of State's Office is primarily a customer service agency with some regulatory roles. In 2005-2006, the office processed 219,800 filed documents, and responded to over 100,000 phone calls concerning the office. With this high level of demand, the Secretary of State understands that constant improvements in technology are required to maintain excellent customer service. In 2005-2006 the office again focused its attention on e-government. Major achievements are listed below by division:

Business Filings

- In 2005-06 the office processed twice as many UCC documents. The SC Code of Laws places responsibility on the Secretary of State's office for the processing of all Uniform Commercial Code (UCC) filings for the State of South Carolina. UCC filings increased from 65,921 in FY 04/05 to 135,080 in FY 2005-06.
- Expanded South Carolina Business One Stop (SCBOS) allowing existing businesses to file on line in addition to the newly created businesses that were previously using the SCBOS system. This project has resulted in unprecedented partnerships among agencies including new state agency partners.
- Responded to over 10,000 SCBOS telephone calls from customers needing assistance with their business filings.
- Celebrated the One Year Anniversary of SCBOS.
- Continued providing a Business Filings phone room to answer customers' questions since many customers still need to talk to a staff member or have more detailed questions answered.
- Worked with law enforcement to combat attempted registration of fraudulent Uniform Commercial Code filings.

Charities

- Provided an online charities database that allowed donors to research charities and discern 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 public service announcements during the holiday season encouraging citizens to give wisely when donating to charitable causes.
- Collected $133,257 for violations of the Solicitation of Charitable Funds Act from cases filed with the Administrative Law Court.
- Banned several telemarketers entirely from the state and from soliciting for specific charities.
- Revised suspended charities database to provide information to customers that is easier to understand and more accurate.

Trademarks

- Enactment of new legislation, H3051, which revised current trademark law to include felony provisions for person distributing or trafficking counterfeit goods. This law permits coordination with the Department of Revenue and allows the Secretary of State to initiate investigations, with provisions for seizure and forfeiture of counterfeit property.

- Worked with local and federal law enforcement to enforce trademark laws and confiscate more than **$5,278,865** in counterfeit goods. This is more than twice as much as in 04-05. In addition, these enforcement actions also resulted in 46 arrests.

Cable Franchise Authority

- During the 2006 legislative session, the South Carolina Competitive Cable Services Act (H4428) was enacted with the responsibility for administration given to this office without any funding.

Notaries

- Upgraded computer system allows for the scanning of notary applications as well as preparing a notary database for access via the Secretary of State webpage.
- New system also allows exceptional database management for reporting capabilities.
- Continued our free statewide notary seminars, educating notaries on the legal and professional responsibilities of being a notary public. Attendance exceeded 1,000 individuals FY 05-06.

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.

3. Key Strategic Goals for Present & Future Years

Strategic or Long-Term Goals:

(1) Provide responsive and efficient customer service while fulfilling those duties set forth by the General Assembly for the benefit of all South Carolinians.
(2) Provide technology infrastructure and solutions for the efficient operation of the office to serve customers in the most efficient manner.
(3) Enhance the regulation of public charities in South Carolina to ensure citizens have the best possible information when contributing funds on a charitable basis.

4. Opportunities & Barriers

During the 2006 legislative session the South Carolina Competitive Cable Services Act (H4428) was enacted with responsibility for administration given to this office. No funding was allocated for this responsibility as at the time it was unknown how involved this process would be. Since that time we have begun processing these applications with the stringent time constraints for processing these items which has placed a large burden on this office making it difficult to maintain the achieved level of customer service.

Uniform Commercial Code (UCC) filings have steadily increased over several years and more than doubled in the past year from 65,921 in FY 04/05 to 135,080 in FY 05/06. This results in an increased staffing need and an increased return to the General Fund. The UCC staff work closely with the corporations staff in the business filings division. As UCC filings continue to increase so do the funds submitted to the General Fund.

With our new electronic processes and initiatives, the Secretary of State's Office views 2006-2007 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.

5. The Accountability Report

Management will utilize the report to identify opportunities to improve office operations to allow more efficient processing of documents and continue to improve customer service options. The Accountability Report serves as a tool to enable staff to closely evaluate operations in order to report accurate information on the office statistics.

II- ORGANIZATIONAL PROFILE

1. Main Products and 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;
- registration of business opportunities; and
- cable franchise authority applications and certificates.

The office also handles in varying aspects:

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

2. 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.

3. Key Stakeholders

All citizens of South Carolina including:

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

4. 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. Where feasible we utilize registered small and minority businesses in South Carolina and state printing services.

5. Our Location

Suite 525 of the Edgar Brown Building 1205 Pendleton Street, Columbia, SC 29201

6. Employees

- 27 FTEs
- 2 full-time hourly employees
- 4 part-time hourly employees
- 2 part-time college interns

7. Regulatory Environment

- SC Code of Laws and Regulations

8. Key Strategic Challenges

A major challenge for the office is managing the drastically increasing workload without increasing resources and staff. The filings in the UCC division alone more than doubled in the last year. The future initiative is to expand the technological capabilities in the customer service area to maintain customer service standards despite increased workloads and reduced staffing and resources.

Although the office has attempted to keep up with technological advances in the customer service arena, internal operations have suffered due to lack of resources to address both priorities. In order for internal operations to be more efficient the following will be addressed:

- Lack of sufficient information technology resources
- Lack of an automated accounting system
- Limited use of state systems such as HRIS and e-leave
- Limited cross training and knowledge sharing due to the demands on staff to keep up with current workload

Another strategic challenge facing the office is the storage of permanent records. Due to the volume of filings processed the office requires large amounts of storage space which is not economical. Staff have been working with the State Department of Archives and History and researching microfilm options for record storage.

9. Performance Improvement System

The office continues to improve operations by contracting with a technology firm to automate as many functions as possible and provide superior customer service. The Secretary of State's office is in the process of placing all our databases on our website to allow customers direct access to current and historical information.

Through the South Carolina Business One Stop we continue to offer e-government opportunities to our customers and this service is growing. Through our partnership with the Department of Revenue we have made improvements to the system and continue to offer more and more services through this avenue.

In 2006-2007, 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. While we will maintain this service as needed, we intend to expand the information available to customers on our webpage. In addition, we plan to update all filing forms to reduce the number of errors made by customers when completing the forms to enable the office to process the information in a timely manner.

In 2006-2007, the Charities Division will continue to work on electronic filing initiatives for charities. The new charities database would allow simultaneous filing for charities filing both their registration and annual financial reports at the same time.

10. Organizational Structure

See organization chart Appendix A

11. Expenditures/Appropriations chart

Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	FY 04-05 Actual Expenditures		FY 05-06 Actual Expenditures		FY 06-07 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	$ 1,091,263	$ 649,362	$ 1,124,740	$ 692,716	$ 837,915	$ 726,875
Other Operating	$ 438,806	$ 55,574	$ 463,556	$ 23,600	$ 1,031,168	$ 61,168
Special Items						
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	$ 283,564	$ 172,128	$ 291,272	$ 183,603	$ 144,230	$ 111,875
Non-recurring	$ 23,774					
Total	$ 1,837,407	$ 877,064	$ 1,879,568	$ 899,919	$ 2,013,313	$ 899,918

Other Expenditures

Sources of Funds	FY 04-05 Actual Expenditures	FY 05-06 Actual Expenditures
Supplemental Bills	$ -	$ -
Capital Reserve Funds	$ 129,687	$ 3,310
Bonds	$ -	

12. Major Program Areas Chart

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
I Administration	Corporate and UCC filings; charity and fundraiser regulation; administration of notary laws; regulation of trademarks; administration of municipal incorporation, annexation and special purpose districts laws.	**State: $ 877,064.00** **Federal: 0.00** **Other: $960,343.00** **Total: $1,837,407.00** **100% of Total Budget:**	**State: $899,918.00** **Federal: 0.00** **Other: $1,006,582.10** **Total: 1,906,500.10** **100% of Total Budget:**	Category 7 section 3

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

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

MALCOLM BALDRIDGE CRITERIA

Category 1 – Leadership

1. Senior management was restructured to include more oversight and accountability through the addition of the Chief of Staff position. The position is charged with increasing office communication and productivity. The position serves as conduit for change through implementation of increased staff performance requirements, additional training opportunities, and employee relations.

2. Our most important organizational goal is providing superior customer service to all stakeholders and communicating this expectation to all staff on a daily basis. In addition, management leads by example in responding to inquiries from the public and other officials.

3. The office maintains high workflow standards to ensure that documents are processed in a timely manner to ensure that the business community receives the required services.

4. Fiscal, legal, and regulatory accountability are maintained through adherence to all state and federal codes, regulations, and policies including utilizing the state procurement, accounting and human resource systems.

5. Data accuracy, processing times, employee performance, and customer service levels are constantly reviewed.

6. Management uses weekly staff reports and meetings with staff members to improve performance and awareness of office issues.

7. We are in the process of reviewing position descriptions and initiating staff training opportunities and identifying staff that wish to learn other positions within the agency.

8. We accomplish this through an open door policy where all employees can share ideas and concerns and will create employee incentive programs for performance.

9. Senior leadership supports the community through customer service initiatives and personal involvement in our communities.

Category 2- Strategic Planning

1. 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.

2. & 3.

Strategic Planning			
Program Number and Title	**Supported Agency Strategic Planning Goal/Objective**	**Related FY 05-06 Key Agency Action Plan/Initiative(s)**	**Key Cross References for Performance Measures***
1 Administration	Continue efforts to improve efficiency	Continue support of information technology initiatives in the office	7.1-1 7.1-5 7.1-7
1 Business Filings	Allow enhanced electronic customer filings	Enhanced the SCBOS filing system and continued to work with partners on development	7.1-1 7.1-2 7.1-3 7.1-4
1 Business Filings	Maintain expedited processing time for all filings.	Expanded cross training to reallocate staff in order to bring workload current.	7.1-1 7.1-2 7.1-3 7.1-4
1 Notaries and Apostilles	Education of notary publics on their duties and responsibilities	Continued offering free notary seminars throughout the state.	7.1-9
1 Charities, Special Purpose Districts, Municipal Incorporations and Annexations	Enhance charities database to allow customers to view suspended charities	Utilize staff expertise to configure database to allow searches by outside customers	7.1-5 7.1-6 7.1-7
1 Trademarks, Service Process, Employment Agencies & Business Opportunities	Promote passage of new trademark legislation providing increased penalties for violations	Advocated for new legislation and coordinated efforts between law enforcement and policy makers to encourage passage	7.1-8

4. With new senior management personnel the office is in the process of developing new strategic objectives and resources will be allocated accordingly.

5. We deploy action plans through active communications between all levels of management and staff.

6. We measure progress by monitoring of status reports and weekly meetings.

7. As noted in number 4 (above) we are in the process of developing new objectives to address these challenges.

8. Not at this time.

Category 3- Customer Focus

1. Our customers and requirements are mandated in statute.

2. We keep methods current through customer surveys, customer inquiries, and training for professional groups.

3. We evaluate any problems that customers have in completing required documentation and attempt to correct the issues. We also offer electronic filing for some services to customers to allow those who prefer on-line service.

4. We measure customer satisfaction through customer surveys on our webpage and every other year we intend to conduct a comprehensive stakeholder survey.

5. We build positive relationships through responsive customer service by all employees as well as offering new and innovative ways for customers to file documents.

Category 4- Measurement, Analysis, and Knowledge Management

1. We decide which operations to measure based on requirements of our statutes. All functions of the office are required, some having time limits on filings and responding.

2. Data tells us where our greatest needs are and allows us to reallocate resources to areas with the greatest workload to ensure efficient processing of documents.

3. Our primary measures 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 including Secretary Hammond to make agency decisions and policy changes.

4. 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. Many secretary of states offer expedited filings in one week for an extra fee, but we offer them much faster service (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 the offices will provide data and we use it to compare with our measurements.

5. The Vector 65 system allows us to maintain information on our phone room. Similarly, our 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.

6. The agency uses this information to set priorities and goals for the agency.

7. We maintain employee knowledge as previously mentioned and new administration is initiating training programs as well as cross training throughout departments within the agency.

Category 5- Human Resources

1. We organize workloads based on supervisor input and statistics and utilize employees where most needed. We also give options to employees to work in areas that they wish to obtain additional knowledge.

2. To improve our Human Resource related processes we have begun working with our Office of Human Resources liaison to initiate policy and procedures and improve human resource functions.

3. 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. Our charities staff is active in the National Association of State Charity Officials, participating in conference calls and also Internal Revenue Service video seminars. Our Chief of Staff is a graduate of the Executive Institute and has been appointed by Governor Sanford to serve on the E-Government Oversight Committee. Our Charities Division supervisor is a Certified Public Manager. Finally, our attorneys attend CLEs that are most relevant to our office's mission.

We continue 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.

4. Ongoing communication is part of our action plans and the EPMS system will be utilized to continue achievement of these plans.

5. 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**.**

6. Although we maintain an open door policy for employees with senior management we intend to take this further and implement employee satisfaction surveys and utilize the results to improve morale and productivity.

7. A healthy, safe work environment creates high morale. Our staff normally does not get involved in work activities that have a high rate of injury. We plan to continue using Preventive Partners' materials to promote healthy lifestyles.

Category 6- Process Management

1. Since all of our staff members are in direct contact with customers 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.

2. We incorporate organizational knowledge with our training systems as well as utilizing the knowledge of long time employees. We also utilize new technology initiatives to improve efficiency and effectiveness.

3. We monitor daily statistics on computer systems and workload amounts to determine where resources are needed to meet performance requirements.

4. 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.

5. 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.

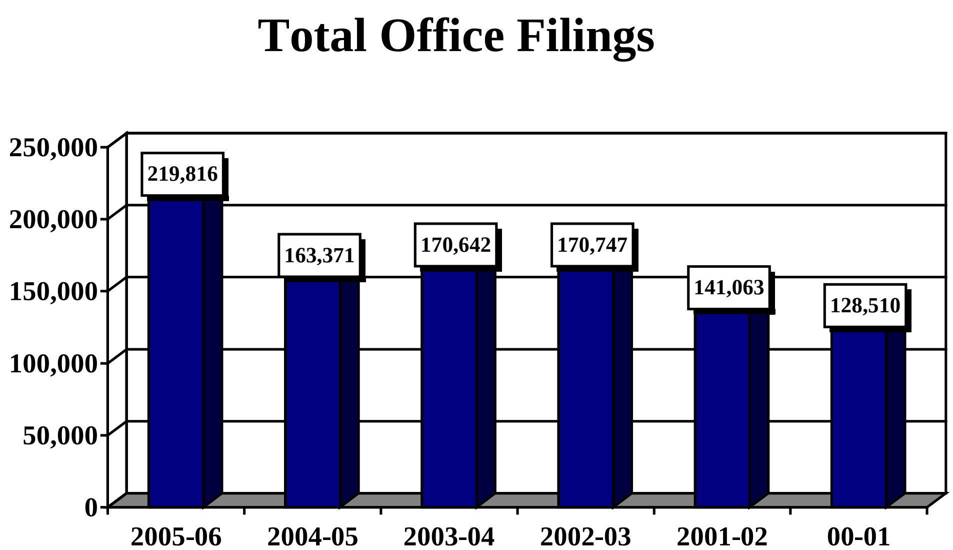
Category 7 – Business Results

7.1 Mission Accomplishment

To fully appreciate the accomplishment of our mission, the volume of work and how quickly we handle our workload, it is important to note the large volume of work processed. 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.

7.1-1



Office filings increased from last year to the highest number ever even without the filing of Limited Liability Corporations (LLCs) annual reports, a process discontinued by the General Assembly in 2004-05. In 2003-04, over 25,000 of these reports were filed.

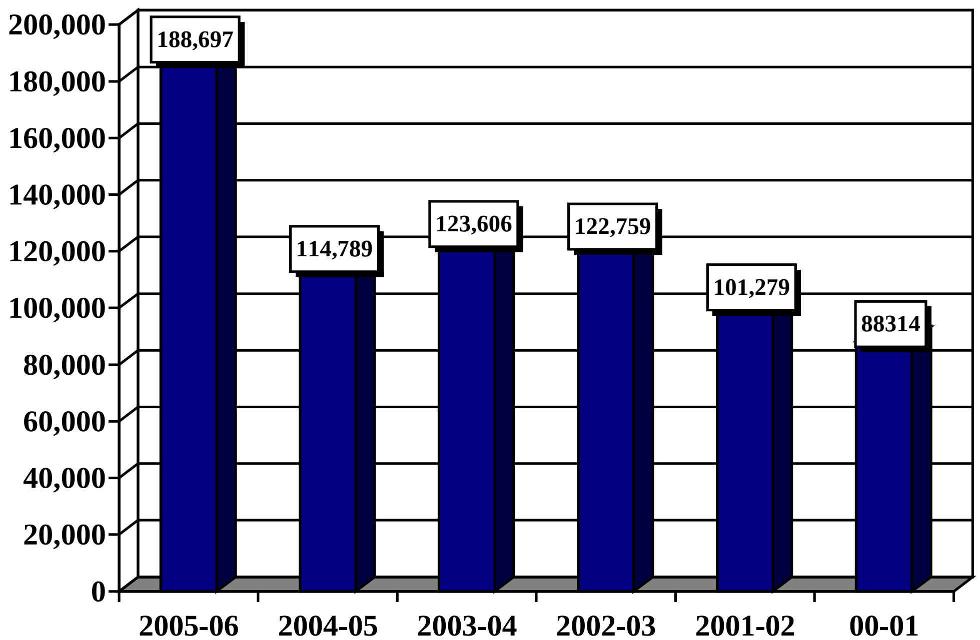
In the Business Filings division most of our customer service goals were met. In our Uniform Commercial Code division, we achieved our goal of 24-hour filing turnaround, with the use of the computer imaging system that was installed in that division last year. As opposed to many states and agencies that 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 continue to order and receive UCC documents via e-mail.

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.

The following charts from our Business Filings Division show the steady growth this division has seen in the last five years.

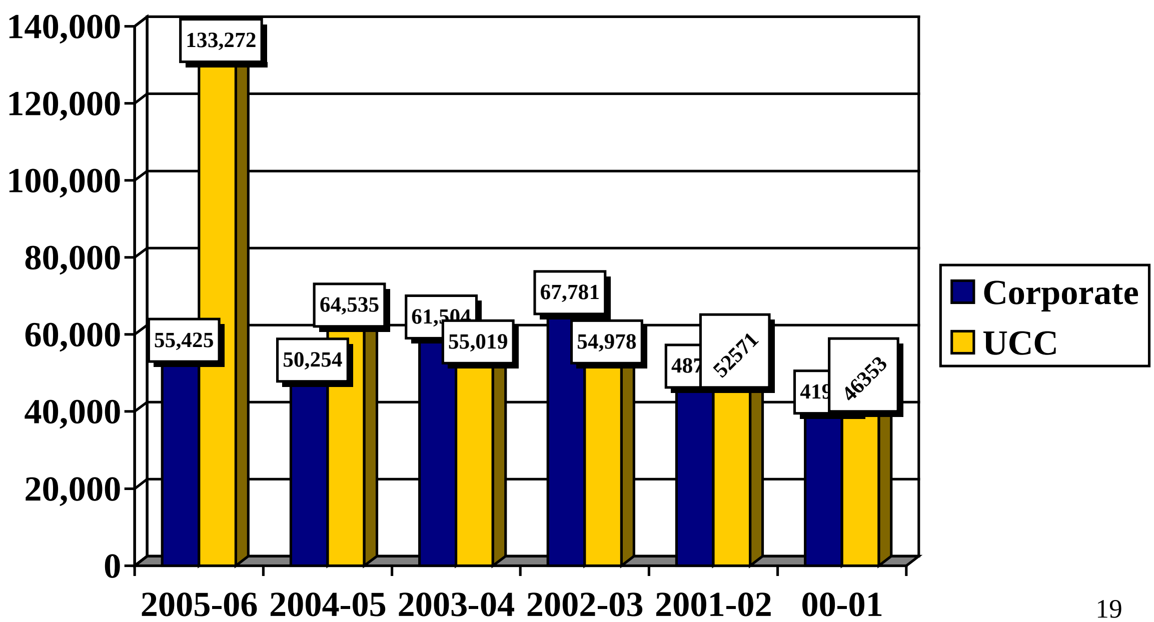
7.1-2

Business Filings
Total Filings

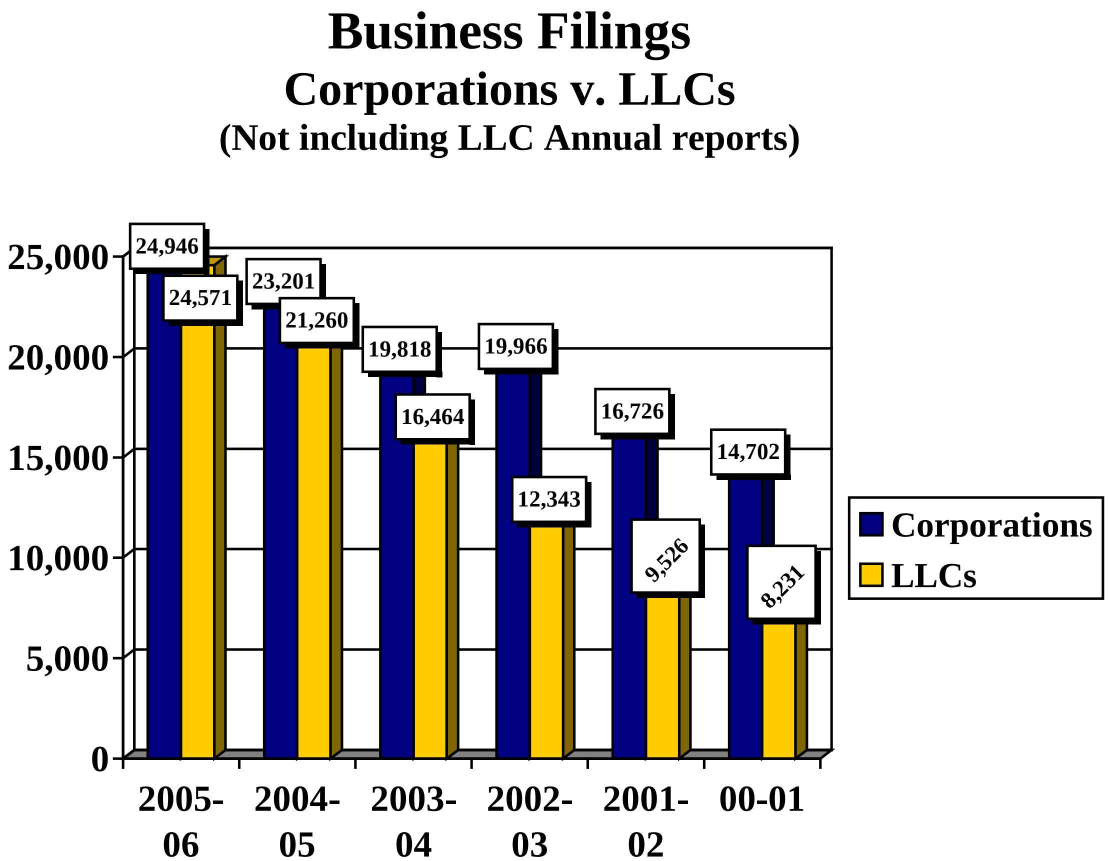


7.1-3

Business Filings
Corporate v. UCC



7.1-4



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.

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. The turn around time 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 always 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.

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 2005-2006 we handled more than 69,946 phone calls in that room alone.

The Call Management system allows us to measure how long each call is taking, how long until it is answered and how long until 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 management. Our phone room averaged more than 435 calls per day and the average length of a phone call in 2005-06 was 3:56.

In 2005-06, the corporate phone room received 69,946 phone calls and the front desk received 34,501 phone calls. Grand total – 104,447

One of the primary strategic goals of the office is to reduce phone calls and 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 form our internal systems. This would reduce phone calls and keep the office from having to hire more staff.

Commitment to Electronic Government

In 2005-2006, 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 22,864 visits, 15,776 database searches and over 16,278 downloads of forms.

The increase in the use of the website correlates with the reduction of phone calls to the office. Phone calls have gone down more than 40% in the last five years.

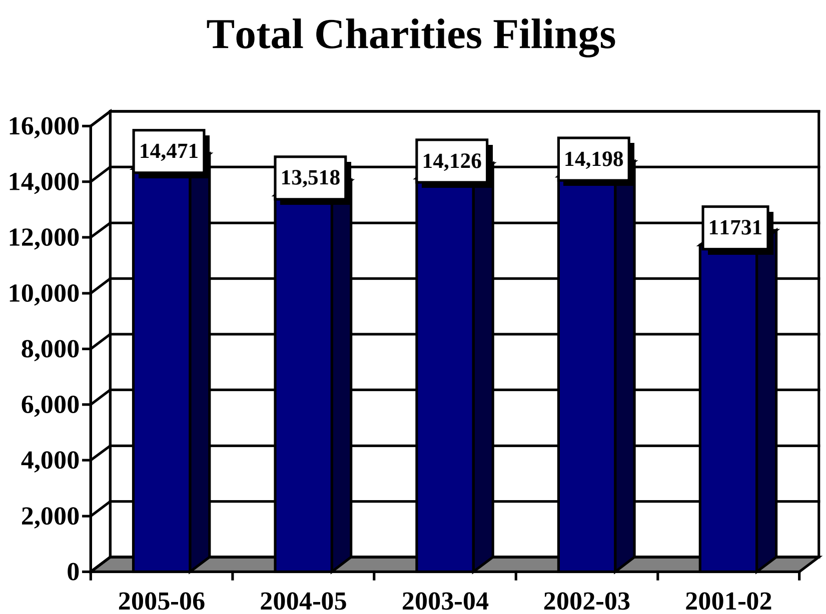
Charities Division

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 seek prosecution of all charities and fundraisers that violate the law.

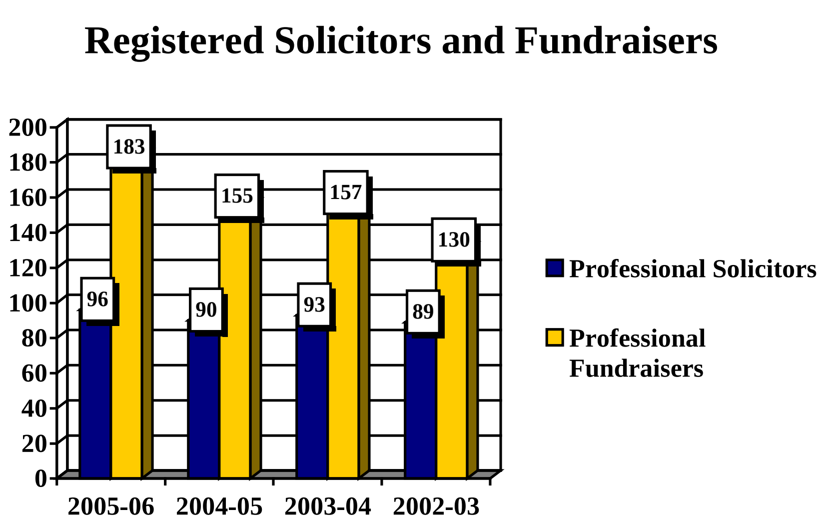
All charities, their solicitors and fundraisers must register with the office and file annual financial reports. This provides donors the ability to check out charities before they give. Annual financial reports show how much money a charity raised in a year and how they spent that money. The Charities 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 2005-2006:

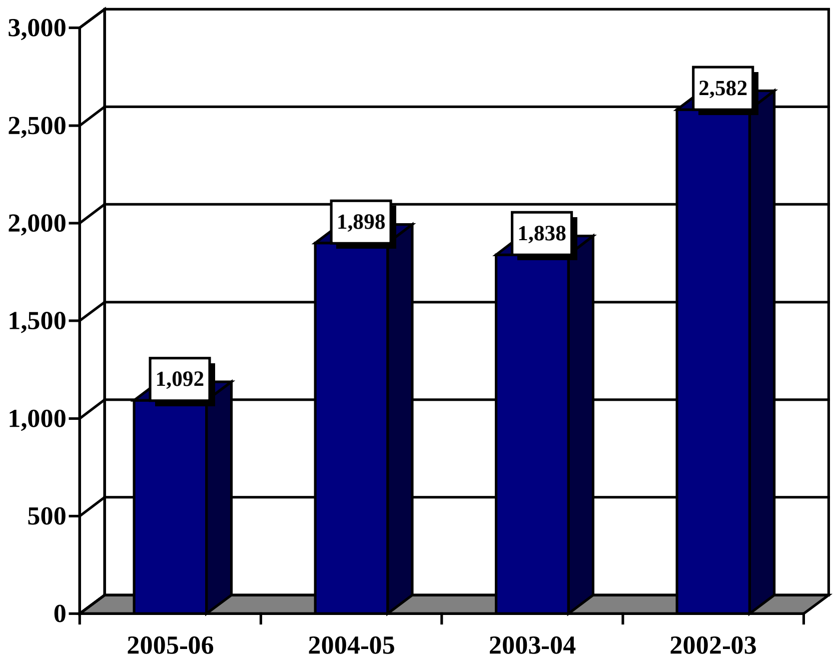
7.1-5



7.1-6



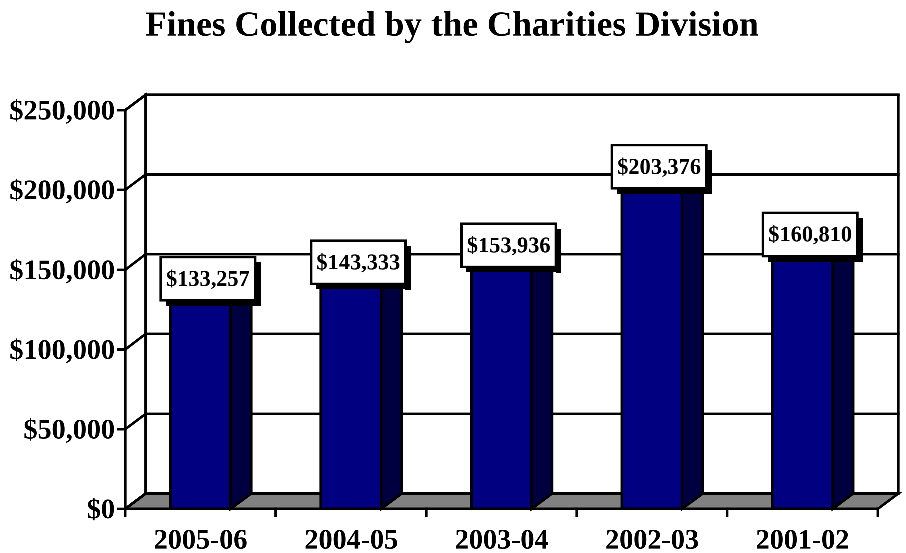
Registered Individual Solicitors



This last chart shows the number of actual individuals registered as professional solicitors in South Carolina. The number of individual solicitors has dropped and our office has learned that this is due to the continued impact of the National Do Not Call list and monitoring efforts by our staff.

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 who do not register or do not file their financial records on time. Most importantly, the charities division fines charities and professional solicitors who mislead the public in their solicitations.

7.1-7



Annual fines in this division remain relatively constant; however, a large fraud case will result in high revenue and could skew the amounts.

The reduction in fine amounts indicates an increase in compliance. 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 2005-06, only 5% (319) of all registered charities were assessed fines; 305 for failure to file a financial report, 14 for failure to register.

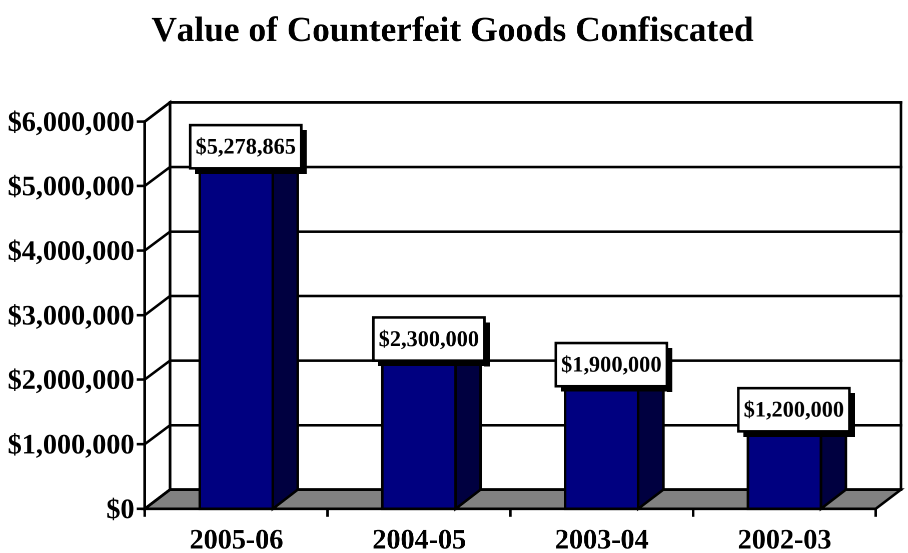
Finally, this division also sees as its mission to educate the public about how to find the proper charity. We offer a toll free number from our charities division. The staff regularly speaks to different groups on these issues. Further, Secretary Hammond has formed the first Secretary of State Nonprofit 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.

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 2005-06, 529 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 2005-06, our trademarks division assisted law enforcement in the confiscation of more than $5,278,865 in counterfeit goods and the arrest of 46 individuals for trafficking in counterfeit goods.

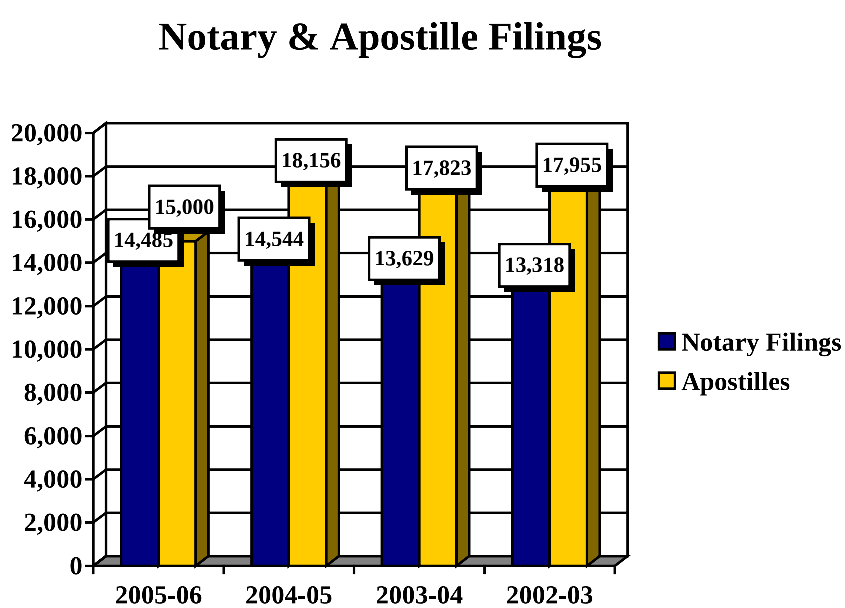
7.1-8



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.

7.1-9



7.2 Customer Satisfaction

The primary customer satisfaction measurement method of the Secretary of State's office 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 22,000 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.

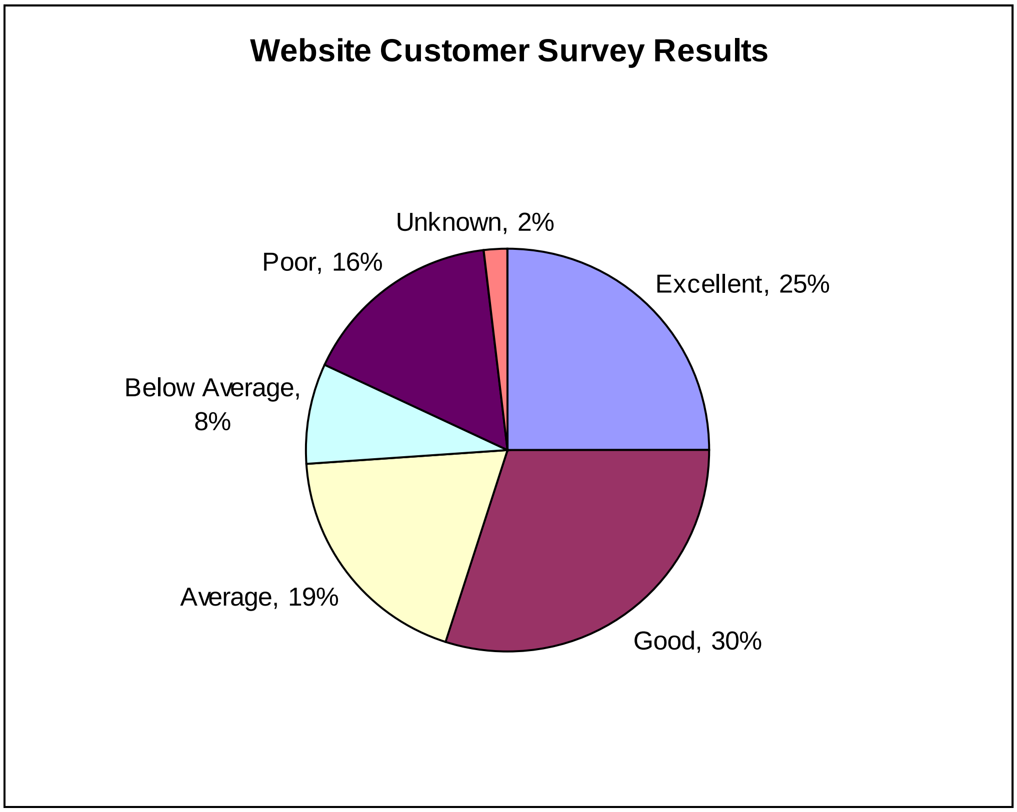
Our website is primarily a business resource for our customers to do the necessary research for their work. However, it also serves as an informational resource for our other customers. With our Corporations, Uniform Commercial Code and Charities databases on the site, many of our customers no longer need to call or visit our office for many transactions.

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 the majority of users believed the site to be excellent or good (see chart below).



Consistent with our past surveys, our office received overall favorable ratings from our customers. Much of the improvement can be attributed to efforts the office made to improve service – particularly the time it takes to review filings.

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 2005-06. 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 throughout the state to allow accessibility for all South Carolinians. Over 1,000 individuals 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.

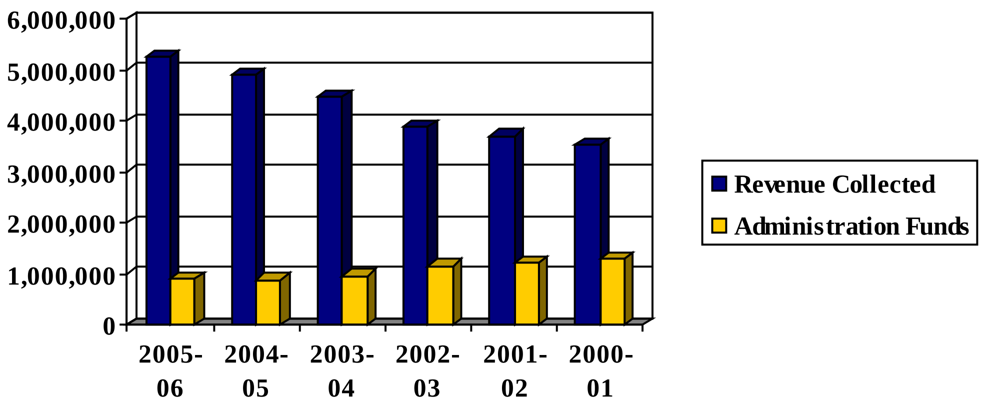
7.3 Financial Results

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 2005. 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 2005-06 that was more than 5 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. 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.

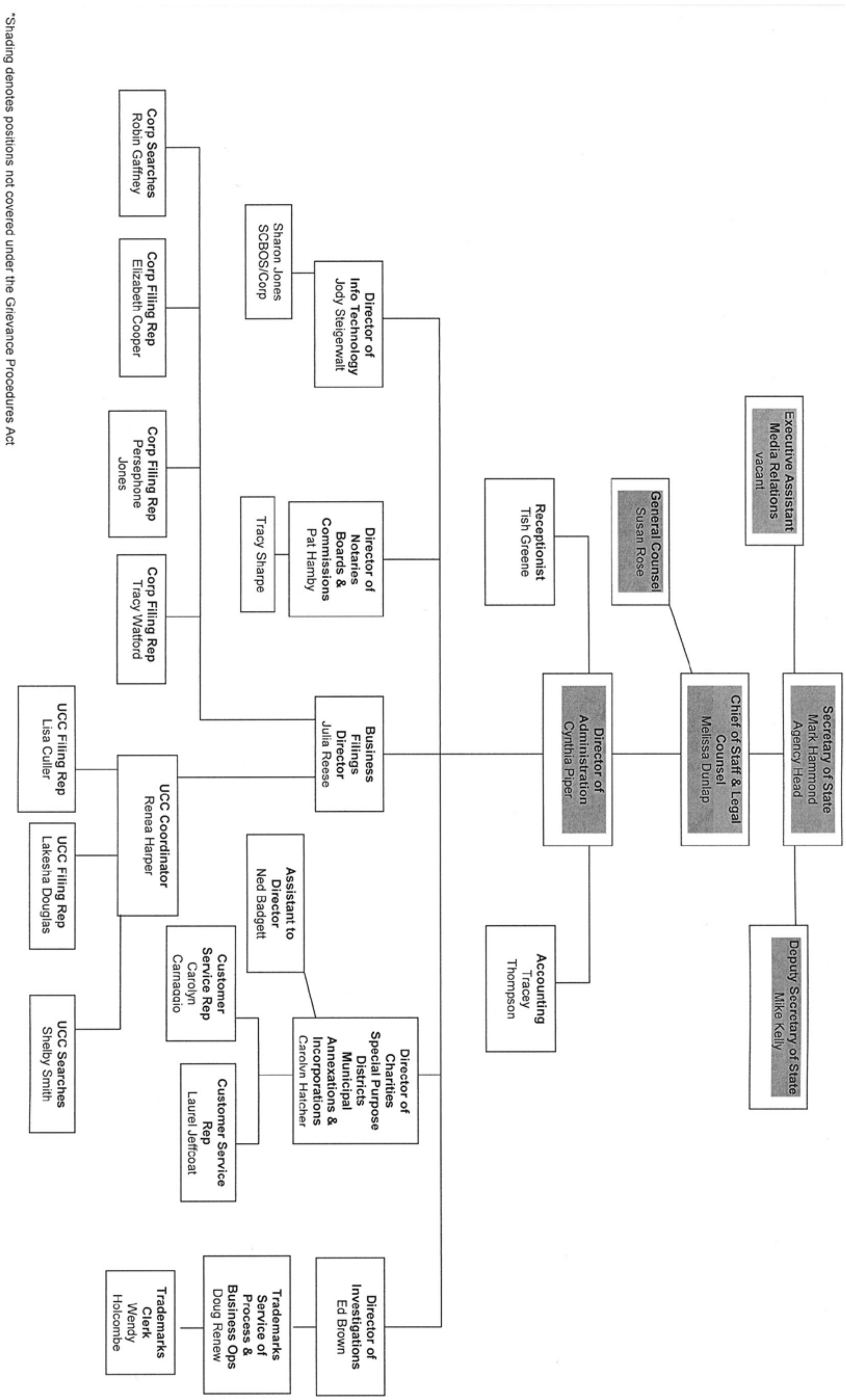
In the past year we had 5 employees participating in the TERI program who chose to continue to work for the agency.

Finally, most of our employees can perform more than one task in our office. This shows a willingness to learn and contribute towards our mission.

7.5 Regulatory Compliance

We adhere to all state and federal guidelines regarding operations at our agency including procurement practices, human resources, and financial accounting practices.

Appendix A – Organization Chart



*Shading denotes positions not covered under the Grievance Procedures Act