

**SOUTH CAROLINA DEPARTMENT OF  
CONSUMER AFFAIRS**

**ANNUAL  
ACCOUNTABILITY  
REPORT**

**FISCAL YEAR 1999-2000**

October 20, 2000

Office of State Budget  
Attention: Karen Amos  
1122 Lady Street, 12<sup>th</sup> Floor  
Columbia, South Carolina 29201

Dear Ms. Amos:

The Department of Consumer Affairs is pleased to transmit our Accountability Report for Fiscal Year 1999-2000. We believe we have complied with the guidelines for this year's report and appreciate the opportunity to share what we are accomplishing at the Department of Consumer Affairs.

You will find the process used to determine the Department's mission, objectives, and performance measures in the section titled "Performance Excellence Criteria." If you have any questions regarding this report, please contact Steve O'Keefe at (803) 734-9594.

Sincerely,

Philip S. Porter  
Administrator/Consumer Advocate

## **Executive Summary**

The Department of Consumer Affairs (DCA) regards its mission generally as enhancing the well being and life skills of consumers in South Carolina. This mission proceeds from the Department's enabling legislation known as the South Carolina Consumer Protection Code.

Section 37-6-117 of the Consumer Protection Code gives the Department broad powers and responsibilities on all types of complaints dealing with any consumer transaction arising out of the production, promotion, or sale of consumer goods and services. The Consumer Services Division is responsible for processing and evaluating consumer complaints received by the Department. The Consumer Services Division endeavors to determine the probable basis and merit of each complaint. The evaluation of each complaint also includes advising consumers of the results of our determination.

During FY00, the Consumer Services Division increased the number of consumer complaint classifications by adding categories for Price Gouging, Privacy Matters, and World Wide Web / Internet complaints. With these additions, the classification of complaints has increased to 33 primary categories and 162 specific subcategories. The classification of complaints gives the Department the ability to identify and respond to newly developing trends impacting consumers and allows the Department to provide more precise statistical information to members of the General Assembly, the news media, individuals, private organizations, as well as other state and federal agencies.

The Department continues to see the most complaints in the category of Motor Vehicles. In FY00, consumer complaints about new and used vehicles and vehicle repairs represent 731 complaints, or 80.95%, of the 903 motor vehicle related complaints.

The Department received the fewest number of complaints in the category of Businesses Regulated by DCA. In FY00, consumer complaints filed against mortgage loan brokers accounted for the largest percentage (46.89%) of the 145 complaints filed against Businesses Regulated by DCA. The relatively small number of complaints filed against Businesses Regulated by DCA is attributed to on-site audits of the businesses regulated by the Department.

The investigative and regulatory enforcement activities of the Department are assigned to the Legal Division. The Legal Division often collaborates with federal, state, county, and local authorities on investigations. Investigations include an information gathering procedure on selected complaints where suspected violations of the Consumer Protection Code may be involved as well as more formal investigations where a violation of the Consumer Protection Code or other law administered by the Department is either evident or suspected.

During FY00, the Department continued a joint state/federal odometer investigation and prosecution effort. An investigator from the Department continued as a special agent for the Federal Grand Jury and was responsible for developing odometer cases for federal criminal prosecution. The Department received 75 requests for verification of odometer readings, 2 of these were referred to the U.S. Attorney's Office for criminal prosecution.

The Department began increasing its criminal investigations in cases involving alleged mortgage fraud. The Department is also investigating a case for federal prosecution involving fraudulent airline tickets. In addition, the Department is working with the Office of Consumer Litigation Unit with the U.S. Department of Justice in Washington, D.C. on an automobile case involving 700 vehicles.

During FY00, the Department continued its efforts in litigating various civil suits to enforce the Consumer Protection Code. One case was brought in Circuit Court to enforce an Administrative Order. The mortgage loan broker filed bankruptcy, and the case was stayed until the bankruptcy was dismissed. After the dismissal, an arrangement was made for the broker to pay the fine in installments, which has now been completed.

In another case, the Department appealed a hearing officer's ruling to the Circuit Court in Richland County on the legality of a rent-to-own company charging a liability damage waiver fee. A liability damage waiver fee is a monthly assessment by the rent-to-own store so that the consumer will not be liable if the merchandise is damaged or the consumer cannot return it at the end of the rental period. The agreement contains numerous exclusions to prevent fraud. In effect it is a type of self-insurance by the rent-to-own store. The Department argued that current State law allows certain fees but does not specifically allow a liability damage waiver fee. Current law also prohibits default charges that are not specifically permitted. The Circuit Court judge upheld the ruling, and the Department has appealed to the Court of Appeals. The Department's brief has been filed, and the appeal was still pending at the end of FY00.

In a mortgage loan broker case, a broker's employee appealed the Administrator's Order to the Circuit Court in Charleston County. The employee alleged that the Administrator lacked the authority to issue an Order to an employee as distinct from the broker. The employee's suspension time has now run, and the issue has been resolved through legislation that gives the Administrator specific authority over broker employees.

The Department also filed an *amicus curiae*, friend of the court, brief on behalf of plaintiffs who were alleging that the arbitration clause in a contract was unconscionable.

During FY00, the Department continued its efforts in administrative enforcement of the Consumer Protection Code and the other statutes administered by the Department. The Department brought 44 administrative enforcement actions involving physical fitness service providers, pawnbrokers, mortgage loan brokers, and other businesses. The administrative hearings resulted in administrative fines of over \$21,500 and consumer reimbursements of over \$8,000.

Many of these hearings were against businesses that had not obtained the required certificate of authority or registration to operate. Other cases involved violations of regulatory laws, while a few cases involved more unusual issues.

In one case, the Department alleged that an unlicensed mortgage broker was violating South Carolina law by soliciting residential mortgage loans and taking upfront fees and by falsifying documentation to obtain loans. After a hearing, the Administrator ordered the broker to cease and desist from violating the law and to pay an administrative fine of \$5,000.

In another matter, the Department alleged that a pawnbroker with numerous locations throughout the state violated numerous provisions of the pawnbroker laws. Prior to the hearing, the case was settled with the pawnbroker agreeing to provide a plan for making corrections in its practices, actually make the corrections, resolve consumer complaints, and pay an administrative fine of \$7,500.

In another hearing, the Department alleged that a different pawnbroker's certificate to operate should be revoked due to the pawnbroker's plea of no contest to receiving stolen goods less than \$1,000. Basing his decision on the unique nature of no contest pleas, the Administrator rejected the argument that the pawnbroker's certificate should be revoked, but he did order the pawnbroker to pay an administrative fine of \$1,500 for violations of the pawnbroker laws.

Other hearings resulted in the denial of a mortgage loan broker's license or of an employee's certification to work for a licensed mortgage broker. Various reasons for each denial include conviction for bank fraud, conviction for failing to file state and federal tax returns and disbarment for irregularities in a trust account, and a conviction for breach of trust and 20 counts of forged checks.

The Legal Division routinely receives and acts upon license applications from prospective pawnbrokers, mortgage loan brokers, physical fitness service providers, motor clubs, and athletic agents. The staff must make determinations on a range of issues that include contractual compliance, adequacy of financial security, character and fitness, and fingerprint identification. Some instances involve the recommendations of local enforcement agencies.

The Legal Division also reviews licensed businesses for compliance with the governing laws. The staff compares the provider's contracts and payment records against prepared work sheets for accuracy, disclosure compliance, and compliance with statutory limitations. Because of the large increase in the number of mortgage loan brokers, the Department has given special concentration to conducting mortgage loan broker reviews.

During FY00, the Legal Division hosted an eastern regional odometer and title fraud enforcement conference. The conference focused on new investigative methods to investigate and prosecute automobile related frauds. A major emphasis was also placed on training to detect altered, forged, and counterfeited certificates of title. A total of 60 attendees from thirteen different states were present representing states from as far away as Texas and Connecticut.

The Consumer Advocacy Division participated in 43 proceedings before the South Carolina Public Service Commission (PSC), 20 of which were carried over from the previous year. These hearings involved requests for rate changes and new charges by electric utilities, gas companies, telecommunications carriers, water companies, and sewer companies. In some cases, Consumer Advocacy presented expert testimony on issues under consideration. Through the National Association of State Utility Consumer Advocates (NASUCA), the Consumer Advocacy Division has participated in matters before the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and the Federal Communications Commission.

The Consumer Advocacy Division has been involved in seven appeals of orders from the Public Service Commission. Two were settled, and one was decided by the Circuit Court and remanded to the PSC. Another case was argued before the South Carolina Supreme Court, which was reversed and remanded to the PSC. The other three cases are pending.

During FY00, the Consumer Advocacy Division reviewed 37 insurance cases and requested hearings before the Administrative Law Judge Division on 12 insurance rate filings submitted to the South Carolina Department of Insurance. These 12 filings involved one automobile insurance case, nine homeowner cases, and two other cases. In the completed cases, the Consumer Advocacy Division saved consumers approximately \$167,000.

The Consumer Advocate's consulting actuary reviewed 106 private passenger automobile insurance filings during FY00 to determine whether filings complied with new automobile insurance laws. The use of zip codes in determining the rates to be charged by insurers is a major issue that has yet to be resolved.

The Consumer Advocacy Division requested hearings on two applications that involved changes in hurricane and earthquake deductibles from a fixed dollar amount to a percentage of the value of the property. The Consumer Advocate was concerned about the adequacy of notice to the insured and was able to persuade the companies to make changes to their consumer notification procedures that would clearly notify the insured of the change in calculation of the deductibles.

The Consumer Advocate presented comments on proposed regulations regarding the introduction of hurricane and wind/hail deductibles based on a percentage of the value of the property rather than the traditional fixed dollar amount deductible. The regulations were adopted by the General Assembly during the 2000 session.

The Consumer Advocacy Division is responsible for licensing continuing care retirement communities (CCRCs) pursuant to the Continuing Care Retirement Community Act. The licensing process includes assessing financial soundness and compliance with other requirements in the Act. The Department currently licenses 40 CCRCs, but that number will decrease because the Governor signed H4934 on September 12, 2000, which exempts from licensing those communities that do not charge entrance fees. During FY00, the Department licensed eight CCRCs that do not charge entrance fees.

The Department's Public Information and Education Division utilized workshops, speeches, and media presentations to provide consumer education to a wide cross-section of South Carolinians. The Department's educational activities continued to focus on a theme of "preventative consumerism." Subjects included how to avoid frauds and schemes, healthy skepticism, effective consumer practices in handling credit transactions, coping with marketplace practices, communicating more effectively in the resolution of complaints, and problems arising out of consumer purchases of goods and services.

Staff members in each division of the Department participate in efforts to provide consumer information to the public and policymakers. During FY00, presentations and discussions involved a number of issues including consumer rights and remedies, credit advertising, telephone solicitation and telemarketing fraud, home improvement contracts, regrooved tires, and compliance of regulated industries.

Issues on the horizon include predatory lending, privacy matters, the Universal Service Fund, and electric deregulation. In addition, the South Carolina Mortgage Brokers Association will probably try again to move the regulation of mortgage brokers from the Department to another state agency. Moreover, the Department is becoming uneasy about its budget situation. In particular, the lack of carry forward funds to cover anticipated expenses poses a serious threat to the Department's ability to retain personnel and continue to deliver quality services.

## **Status of Credit in South Carolina**

Pursuant to South Carolina Code Section 37-6-104 (5), the Administrator is required to report on “the problems of persons of small means obtaining credit from persons regularly engaged in extending sales or loan credit.” The Department has not commissioned or conducted empirical studies on this issue because of unavailability of funds for this purpose. The following summary comes from an analysis of complaints received by the Department and a general familiarity with credit markets and with regulators who are familiar with markets in other jurisdictions.

It is clear that in recent years there has been a shift in credit availability to consumers. Prior to 1982 the Consumer Protection Code provided the rate structure for most forms of consumer credit in South Carolina other than restricted consumer finance loans, which are governed by Title 34. In 1982 the Consumer Protection Code provided for rate ceilings that were high (as high as 36% APR for some loans and credit sales), and creditors could always choose a rate as high as 18% APR. In the late 1970's and early 1980's, however, high inflation and nationwide high interest rates prompted the General Assembly to deregulate most forms of consumer credit. Creditors were required to file the highest maximum rates they intended to charge with the Department and post those rates conspicuously in their place of business, and other rate limitations no longer existed.

In the early 1990's the State began to see an influx of various types of “fringe lenders” or lending done by lenders other than banks, thrifts, credit unions, or traditional consumer finance companies. For example, some lending companies bought the right to tax refunds at such a deep discounts that the effective APR on the transactions was anywhere from 200-300%. Another fringe lender was disguising a loan on automobile equity as a sham sale and lease back transaction, likewise with excessive effective interest rate. The Department pursued these companies with a cease and desist order in the first example and an injunction with an award of damages and fines in the second. However, some lenders sought other means of making auto title loans. In response to these issues, the General Assembly amended the pawnbroker law to prohibit the pawning of a titled good and increased the threshold for loans that could be made at unlimited rates to loans of \$600 and up. This threshold was set at this level apparently because it was thought that \$600 was more than such lenders would like to have outstanding. Title lenders, however, circumvented this threshold by acquiring supervised lender licenses (allowing unlimited rates for higher dollar amount loans) and by making loans strictly at \$600 and up.

Title lenders and “deferred presentment” or payday lenders are lenders of last resort who have started businesses in the last 5 to 10 years. Unfortunately, these high rate lenders are charging rates that are often at or exceed 300% APR. There is very little price competition among these lenders of last resort. There are probably a number of reasons for this. First, certain customers and certain classes of loans have become less attractive for traditional lenders in recent years because of servicing costs and the like. These customers are somewhat less likely to engage in vigorous price comparisons than customers in other consumer credit markets. Indeed, when these customers shop credit terms at all, they tend to only be concerned with the amount of the payment and whether they can afford it.



While it is true that these small loans have servicing costs and the risks of default may be greater than other classes of loans, it is unlikely these risks plus a fair return would support APRs of 300% or greater. This is particularly true of car title loans, which are secured by the borrower's automobile. The reason for these continued rates is the failure of vigorous price shopping by consumers and the failure of price competition between these creditors.

Certain deferred presentment lenders complicate this scenario by circumventing the currently generous rates allowable under the Deferred Presentment Act by having partnerships with out-of-state banks and having the deferred presentment loans nominally made by those banks under the rate limitations (or lack of limitations) of that foreign state. This practice is known as "rent-a-bank" and is supported by recent holdings of the federal courts allowing generous exportation of interest rates and other terms in derogation of the consumer protection laws of the state of the consumer's residence.

The Department has maintained and increased its consumer education efforts to encourage term shopping by consumers, but consumers continue to do business with these high cost vendors.

The Department supports the concept of deregulation of rates in order to make credit more freely available. Indeed, the Code Commissioners of the Uniform Code envisioned this. However, they simply did not anticipate that the economic conditions of the late 1970's and early 1980's would produce conditions in which a base rate of 18% APR and a maximum rate of 36% APR would prove inadequate. Nevertheless, the deregulation provided by Act 385 of 1982 in some ways opened the door to the exceptionally high rate lenders operating today. It is questionable whether the General Assembly foresaw a market with rates so high. The Department would welcome the General Assembly's review of Act 385 of 1982 to determine whether there are steps that could be taken to encourage better price competition or limit rates in certain consumer credit markets.

The Department is not aware of any regulations that are not in harmony with the regulations prescribed by the Federal Reserve Board or other Uniform Code State Administrators. However, Regulation Z, the implementing regulation of the Truth-in-Lending Act, has been amended in certain areas such that it is no longer in conformity with the Consumer Protection Code. For example, mortgage loan broker fees are deemed by Regulation Z to be part of the finance charge [12 C.F.R. 226.4 (a) (3)], while the Consumer Protection Code deems fees of properly licensed brokers as permissible additional charges [South Carolina Code Section 37-3-109]. Such discrepancies have not appeared to create any exceptional difficulty.

Investigation and examination procedures are split between the Department and the Board of Financial Institutions under the Consumer Protection Code. Rent-to-own businesses, pawnbrokers, physical fitness providers, and mortgage loan brokers are regularly examined by the Department, on a yearly basis whenever feasible. The Board of Financial Institutions examines restricted lenders or supervised lenders, who the Board licenses. Other businesses under the Code can only be examined when the Department has probable cause to believe violations exist, which is a limitation imposed by the Code.

## **Mission Statement**

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

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

## Leadership System

The leadership system at the Department of Consumer Affairs begins with the Commission on Consumer Affairs. The Commission is composed of nine members, one of whom is the Secretary of State. Of the remaining eight members, four are elected by the General Assembly and four are appointed by the Governor. The Commission is the policymaking and governing authority for the Department and is responsible for the enforcement of the Consumer Protection Code. It meets on the second Tuesday of each month to discuss the Department's goals and objectives and to hear progress reports from the Administrator and staff. The Commission's current membership is as follows:

Lonnie Randolph, Jr., <i>Chm.</i> (2004).....	Columbia
Barbara B. League, <i>V.C.</i> (2004) .....	Greenville
Steven Michael Calcutt (2004) .....	Florence
W. Chuck Cross (2003) .....	Greenville
Tony Macomson (2003) .....	Cowpens
Louis Mayrant, Jr. (2003) .....	Pineville
Virginia McGee (2002) .....	Columbia
Samuel E. White (2001) .....	Fort Mill
James M. Miles, <i>ex officio</i> (2003).....	Greenville

The Commission appointed Philip S. Porter as the Department's Administrator in March of 1995. Mr. Porter has been employed with the Department for over 20 years and currently serves as the Consumer Advocate in addition to his responsibility as the Department's Administrator.

The Department's leadership and management philosophy is based on the principles of total quality management (TQM) as defined by the late Edward Deming. Senior management strives to create an environment in which open communications, customer satisfaction, and continuous improvement are a way of life for the organization. Senior management is lead by the Administrator and meets weekly to discuss policies, procedures, and customer expectations. The Department's current senior management is as follows:

<i>Administrator/Consumer Advocate</i> .....	Philip S. Porter
<i>Executive Assistant</i> .....	Steve O'Keefe
<i>Director of Consumer Services</i> .....	William Maree
<i>Deputy for Regulatory Enforcement</i> .....	Danny Collins
<i>Deputy Consumer Advocate</i> .....	Nancy V. Coombs
<i>Deputy for Public Information &amp; Education</i> .....	Brandolyn Thomas Pinkston
<i>Deputy for Administration</i> .....	Herbert Walker

Information is communicated to staff and other stakeholders through the distribution of minutes from Commission meetings, the Department's strategic plan, and the weekly internal newsletter. Weekly divisional meetings are also vital for staff to provide feedback to management. The public receives information through the Department's website, press releases, quarterly newsletter, and public speaking engagements.

## **Customer Focus and Satisfaction**

Through the strategic planning process, the Department of Consumer Affairs identified its customers as the consuming public, ratepayers, regulated industries, the General Assembly, the Governor, and the Department's employees.

The Department ascertains the expectations of its customers through the following avenues:

- Complaint Mediation
- Public Speaking Engagements
- Educational Workshops
- Online Chats
- Legislative Activities
- Employee Performance Evaluations

Customer satisfaction, or the closing status of complaints, is determined by analyzing each complaint file and using the following factors:

- Satisfied – The business resolved the complaint to the consumer's satisfaction or provided an explanation that the Department deemed acceptable.
- Unsatisfied – The business would not reply or would not make a good faith effort to resolve the complaint.
- Undetermined – The facts were disputed, and the Department could not make a determination of responsibility.
- Abandoned – The Department was unable to contact the consumer concerning clarification and/or additional information needed to complete the initial processing procedure.
- Insufficient Merit – The Department determined that there was insufficient validity to the complaint. (This designation is seldom used.)

The Department plans to distribute a customer survey in FY01. This survey will attempt to reach all of the Department's customers for feedback regarding a broad range of issues. Based on this survey's findings, the Department will develop an action plan to continuously improve its customer focus. (See next section titled "Performance Excellence Criteria.") Customer satisfaction data gathered for FY00 can be found in the last section titled "Description of Programs."

## Performance Excellence Criteria

The Department of Consumer Affairs has always been committed to excellence and quality in the services provided to the citizens of South Carolina. However, it was not until the appointment of a new Administrator in 1995 that the Department began discussing total quality management (TQM) principles. The Department officially started educating staff about “continuous improvement” in February 1996 with the Administrator’s Quality Management Breakfast Sessions, which were two to three hour training sessions on various topics geared towards enhancing the delivery of high quality customer focused services.

### *Strategic Planning*

In addition to these training initiatives, eleven managers and supervisors participated in a three-day training session in February 1997 on the “Principles of Quality.” As a result, staff recognized the need to develop a *strategic plan* to guide the Department on its continuous improvement journey. In August 1997 twenty-one employees, including the Administrator and Deputy Directors, met for a planning retreat to discuss the Department’s *mission* and to develop strategies to implement TQM principles. Most significantly, this group identified five critical issues that must be addressed to ensure input and feedback from all the Department’s customers. These five critical issues are as follows:

- I. Effective Oversight and Management
- II. Internal Communications
- III. External Communications
- IV. Competence, Professionalism, and Staff Development
- V. Continuous Improvement, Quality Measurement, and Customer Feedback

Resolving these critical issues requires the leadership of the Commission on Consumer Affairs, the direction of senior management, and the participation of all employees. In 1999 work groups from each division were to determine specific *objectives* to accomplish the goals set forth in the strategic plan. Parts of this plan have been delayed by the recent relocation of the Department and substantial turnover on the Commission on Consumer Affairs. Staff has implemented other parts such as external communications and staff development due to the efforts of employees with assigned duties in those areas.

### *Information and Analysis*

The Department has a long history of gathering data and analyzing it to make management and policy decisions. The current system of *performance measurement* was established in the mid 1980s. The Department looked to its statutory mandates to identify key measures, and all employees had input into the development of this system. All the measures are easy to collect and understand, and processes for collecting, analyzing, and reporting data have been formalized. Each year’s data can be used as a benchmark for improvement in the following year.

The Department thinks of itself as a benchmark. Other consumer organizations are still learning what benchmarking is, while the Department is leading the way by setting the standard. For years the Department has been measuring the amount of consumer reimbursements and savings directly attributable to the Department's programs. The incredible amount of recoveries for consumers is irrefutable evidence of the Department's benefit to the State. On a cost/benefit basis the citizens of South Carolina are receiving a healthy return on their investment. (See next section titled "Description of Programs.")

### ***Human Resource Focus***

The Department recently formalized processes for periodic performance reviews. September 30<sup>th</sup> is now set as the Department's universal review date for all employees. As part of the review process, supervisors interview each employee to understand expectations and requirements for compensation and recognition. Each employee is given an opportunity and incentive to establish a process goal that is built into the employee's next review period. Employees are also encouraged to select a criterion that is geared towards improving health, well-being, or satisfaction. The overarching goal of this focus is to make pay increases and formal recognition dependent on measurable performance, preferably team performance.

Values in the areas of public responsibility and community service have traditionally been expressed through the Department's support for the State's annual United Way Campaign and Good Health Appeal.

### ***Process Management***

The current Commission on Consumer Affairs and senior management are committed to the long-term, permanent transition to management by quality. The objectives and results in this report, however, reflect a Department focusing on its statutory responsibilities. The Department is currently studying the *Baldrige criteria* in the hope that it can assist the Department in broadening this focus and enable the continuous assessment of all its systems.

Senior management is in the process of developing a new vision, mission, and values that capture where the Department wishes to be. Institutionalizing a customer focus is the first step. A customer survey will be distributed to determine customer perceptions of the Department. Information will be gathered from every possible source about customer requirements, expectations, and needs. Findings will be used to identify strengths and areas for improvement. Areas for improvement will be prioritized, and senior managers will determine how progress will be measured.

It is important for the Department to involve all employees in continuous improvement. Senior management and supervisors are tasked with the responsibility of communicating vision, goals, requirements, and expectations to all employees. However, some training is still needed to assist in the transition to management by quality. Employees must be trained in the skills they need to assume responsibility for their processes and results. Some supervisors may need to learn how to provide employees with the feedback they need to assess and improve performance.

The Department is aiming to conduct an annual assessment based on the Baldrige criteria. The timing of such an assessment will be coordinated with the accountability report and budget request processes. The Department appreciates the interrelationship between strategic planning and performance measurement. By implementing these tools, the Department is already improving its customer focus and the quality of services delivered. By working through the Baldrige criteria, the Department will move in the direction of performance excellence.

## Description of Programs

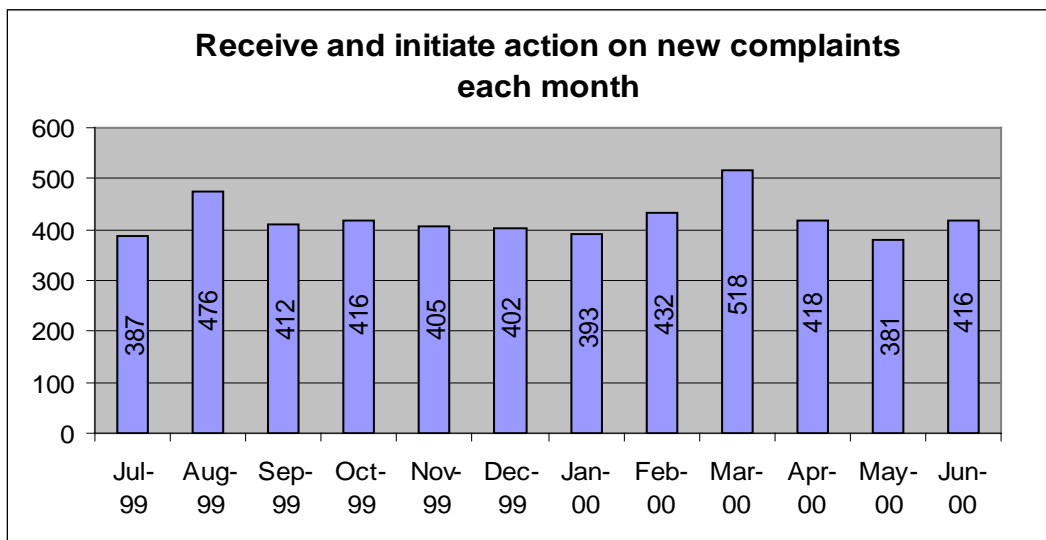
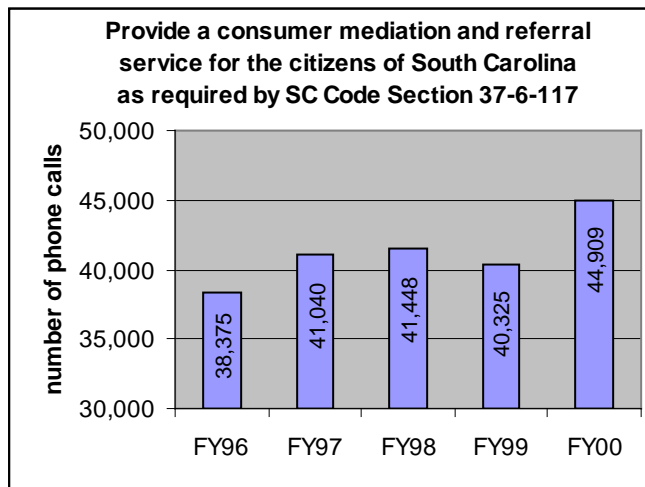
**Name** Consumer Services

**Cost**

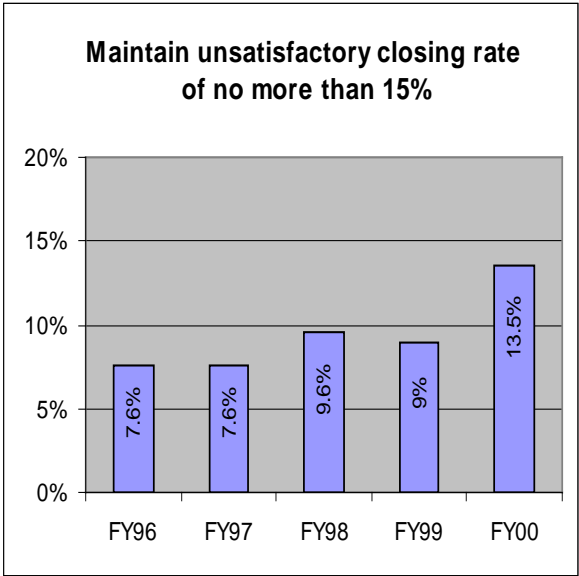
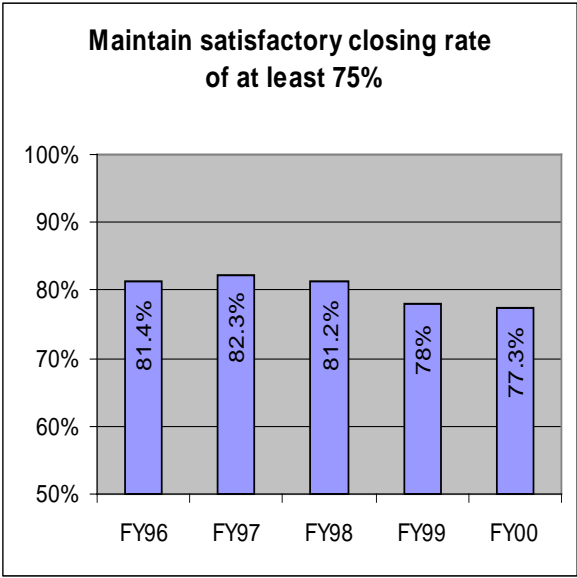
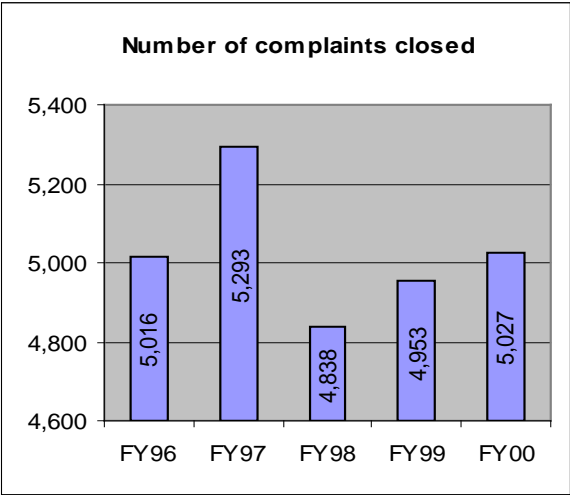
State	\$341,435
Other	\$ 0
<b>Total</b>	<b>\$341,435</b>

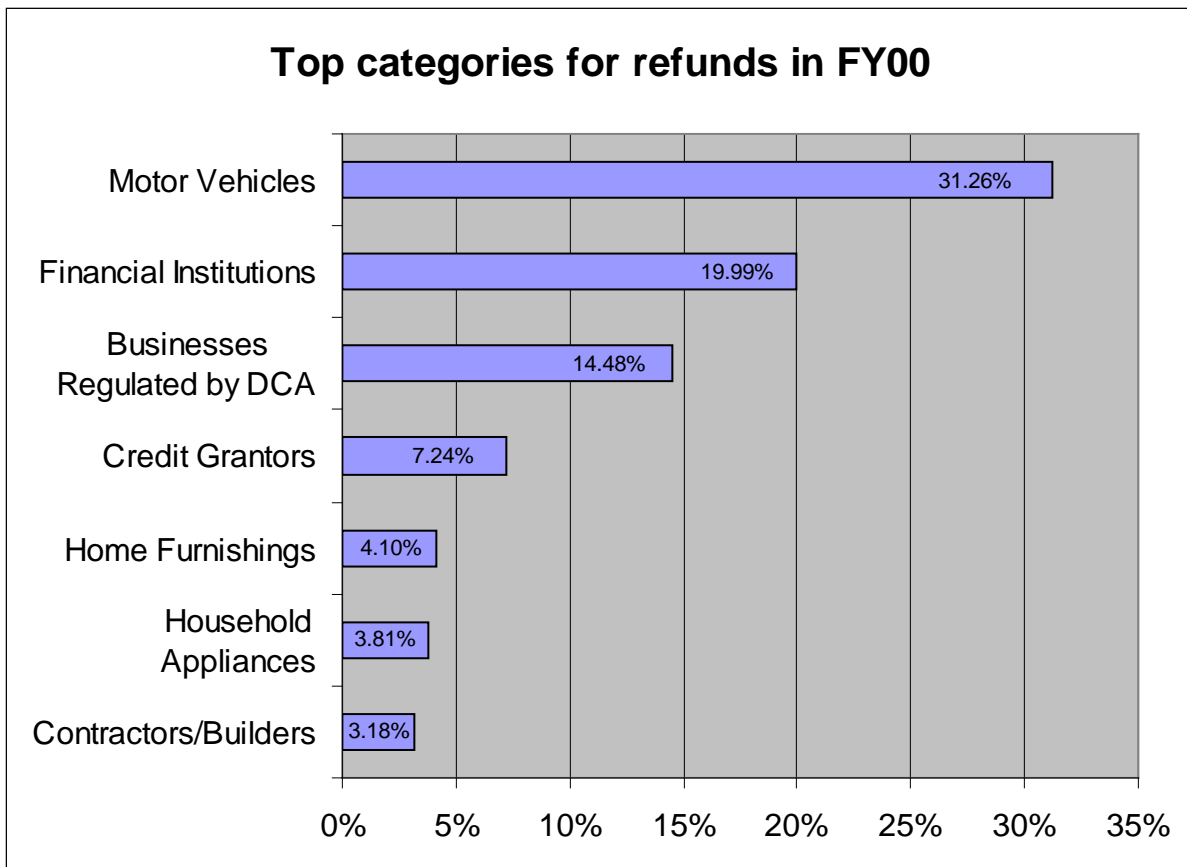
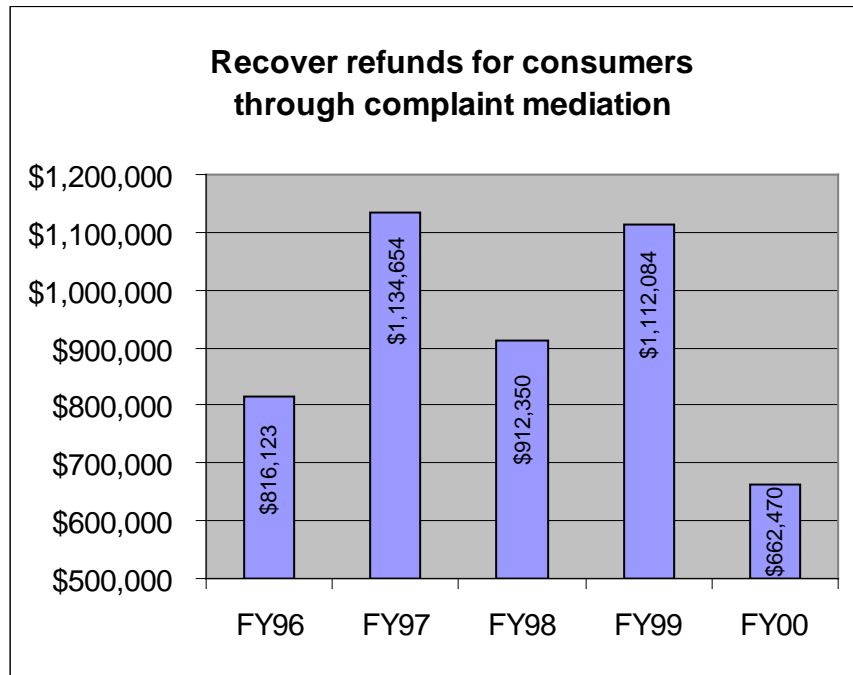
**Goals** To process and mediate written consumer complaints; to provide information about consumer rights and responsibilities; and to monitor complaints concerning violations in the marketplace.

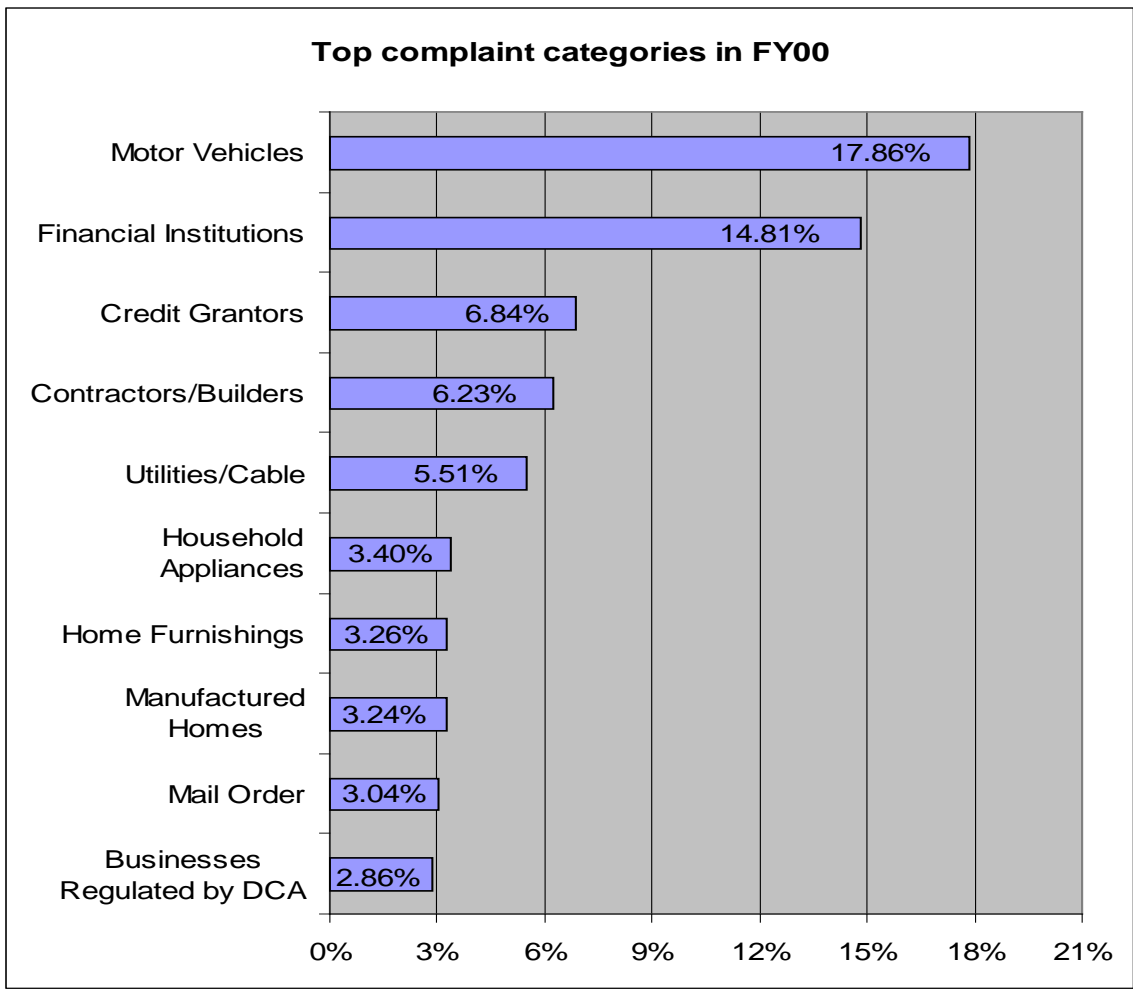
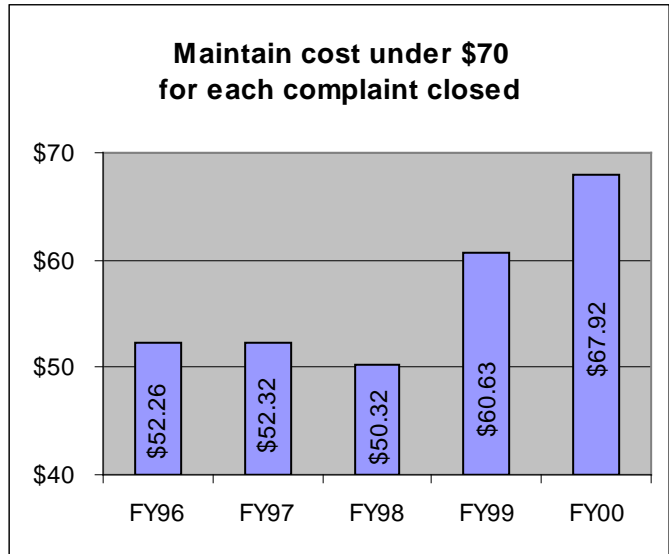
### Objectives and Results









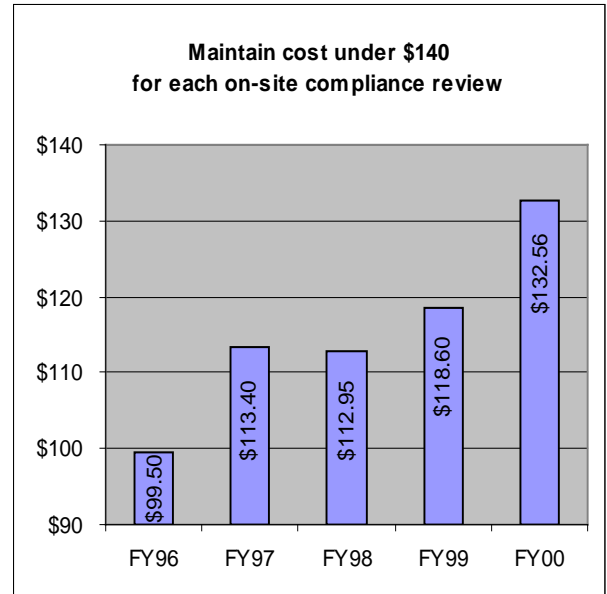
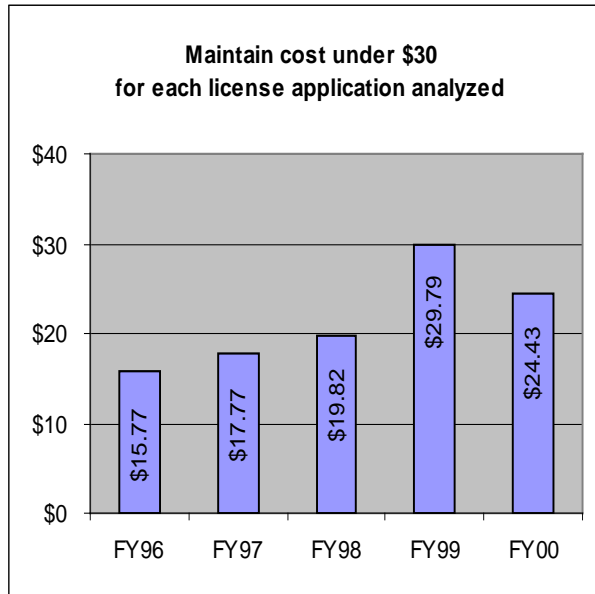
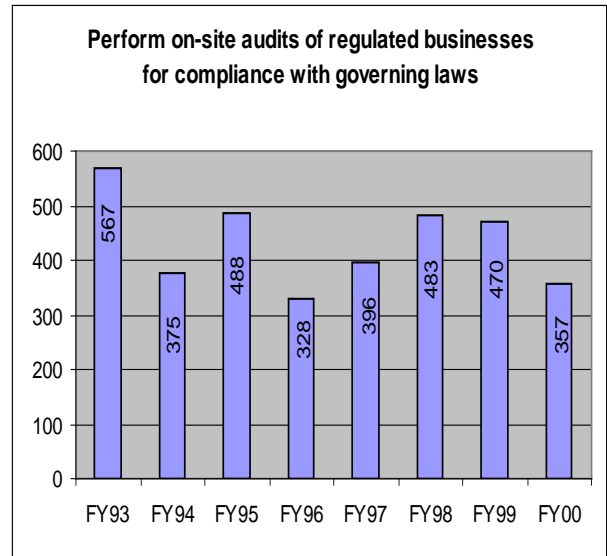
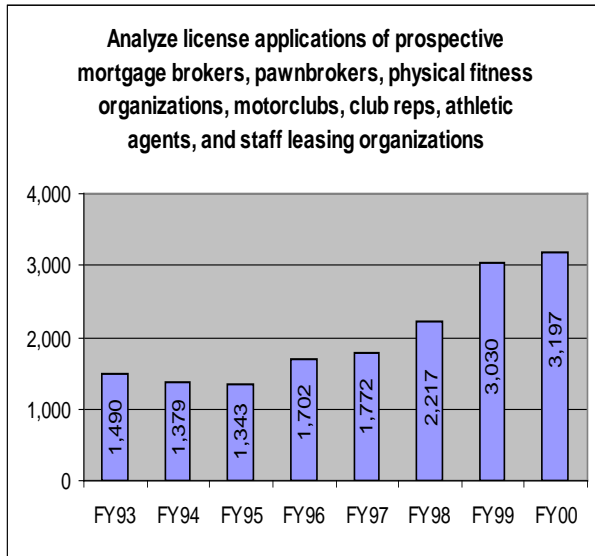


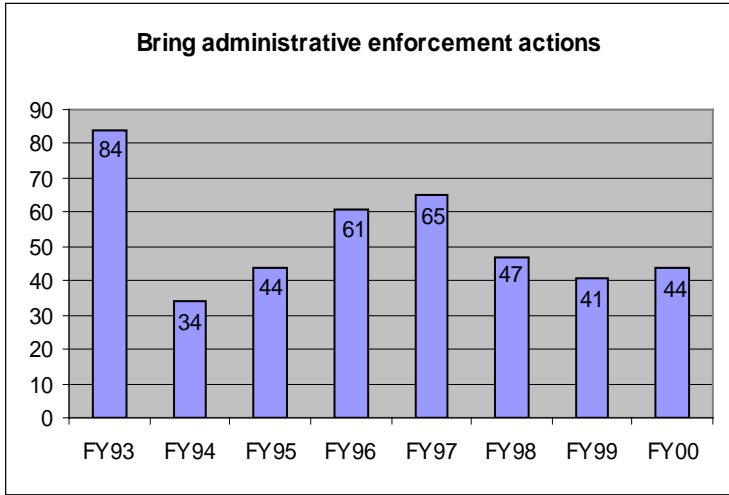
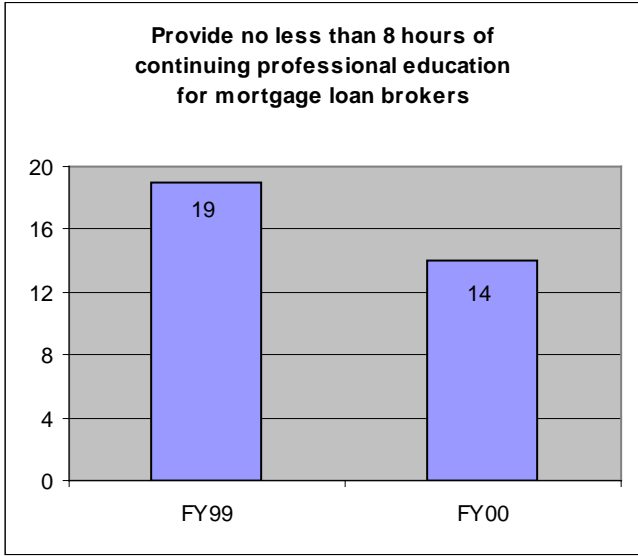
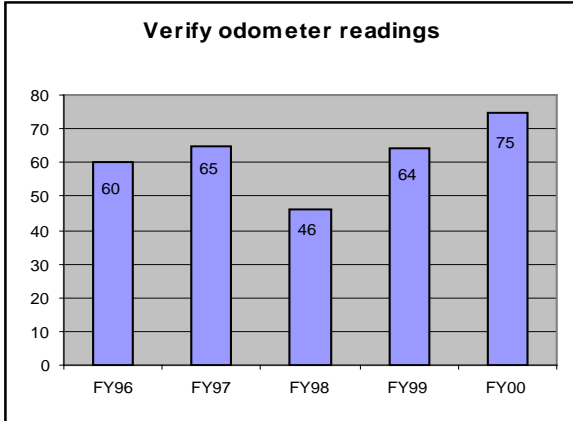
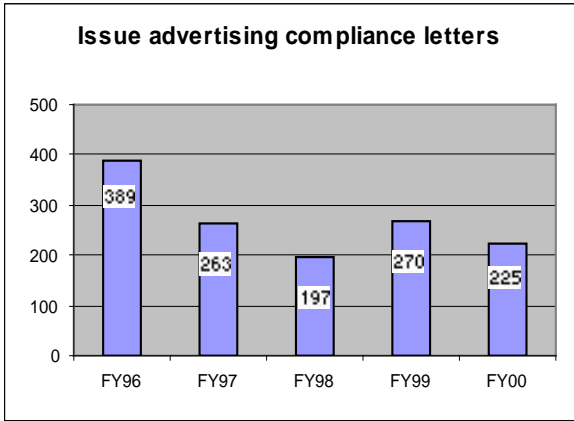
**Name** Legal

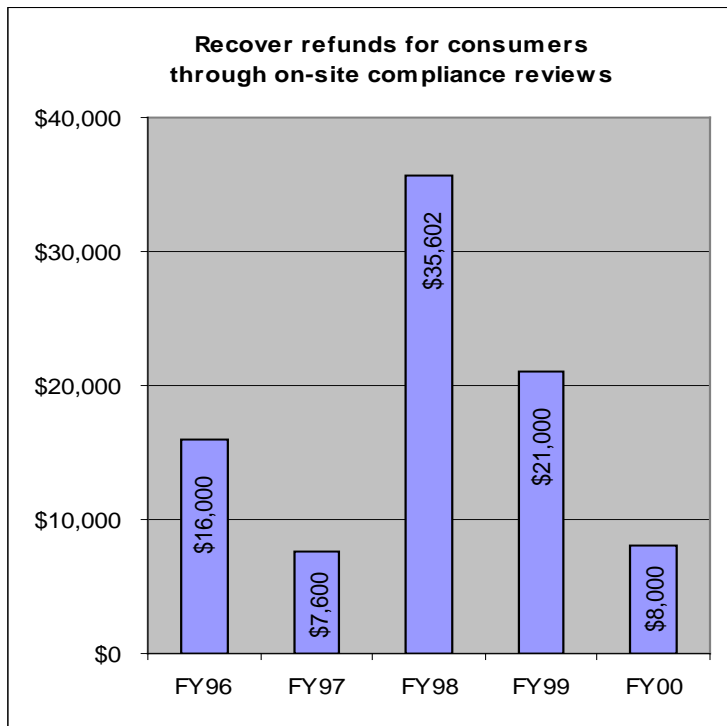
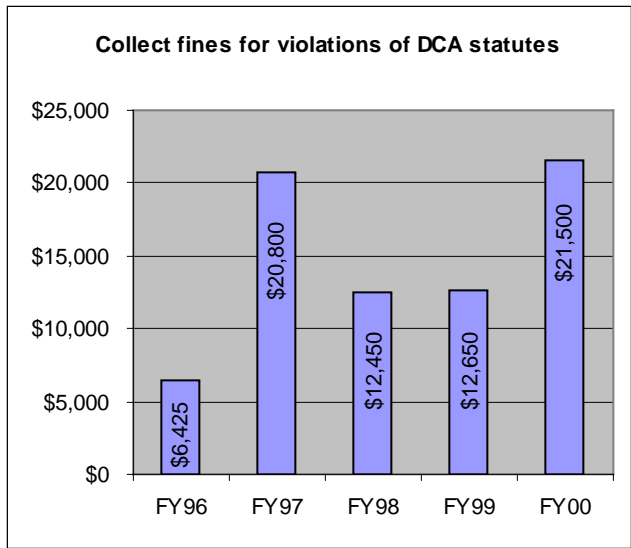
**Cost** State \$436,698  
Earmarked \$ 54,047  
Total \$490,745

**Goals** To interpret and enforce the Consumer Protection Code and numerous consumer related laws; to promulgate regulations to implement these laws; and to protect consumers from deceptive or illegal market practices.

**Objectives and Results**





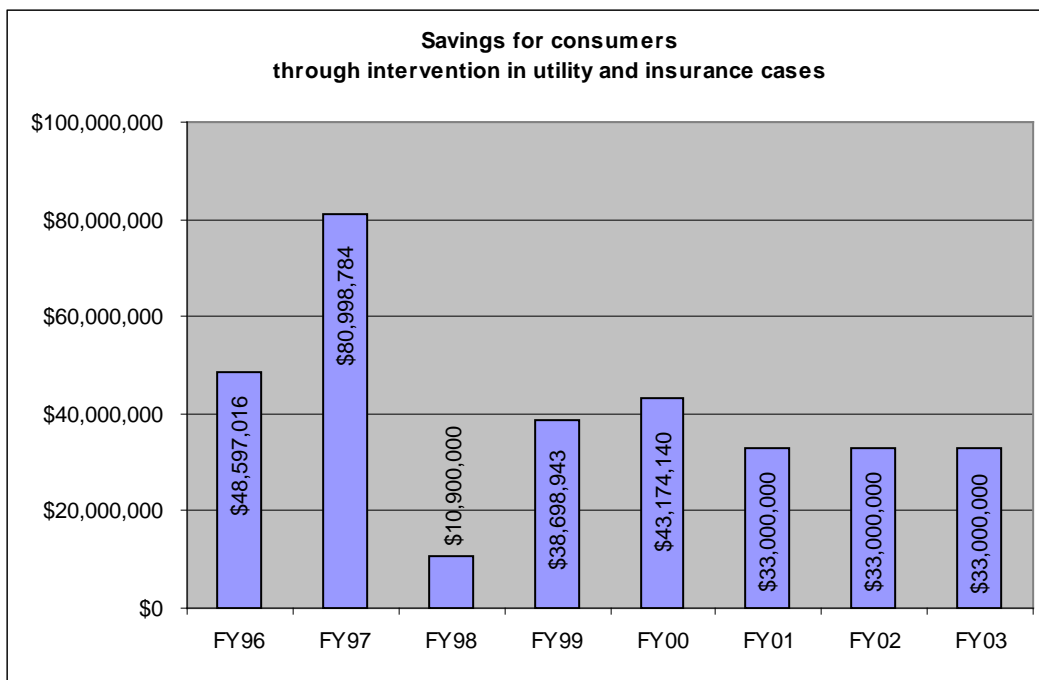


**Name** Consumer Advocacy

**Cost** State \$414,884  
Other \$ 0  
Total \$414,884

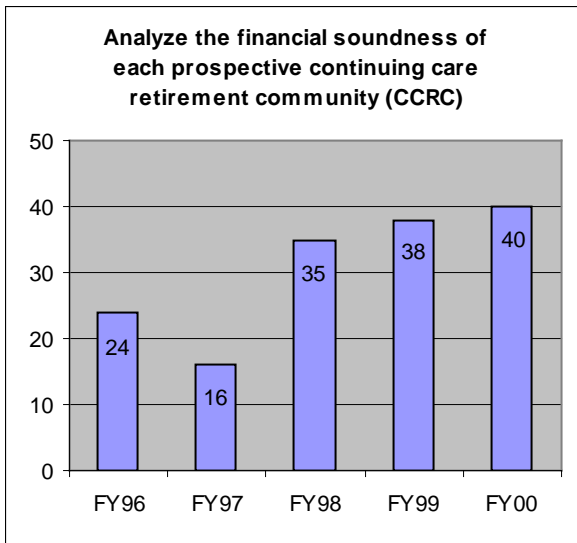
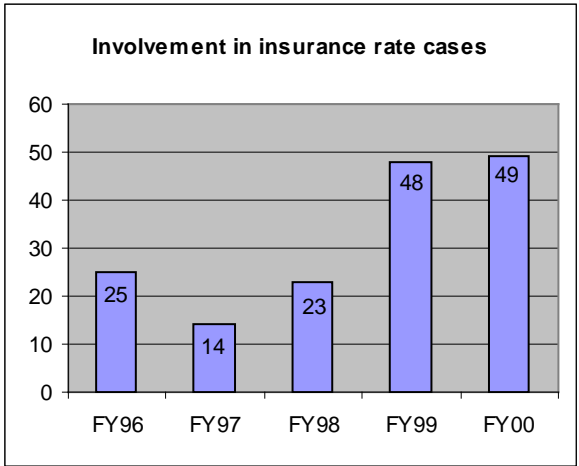
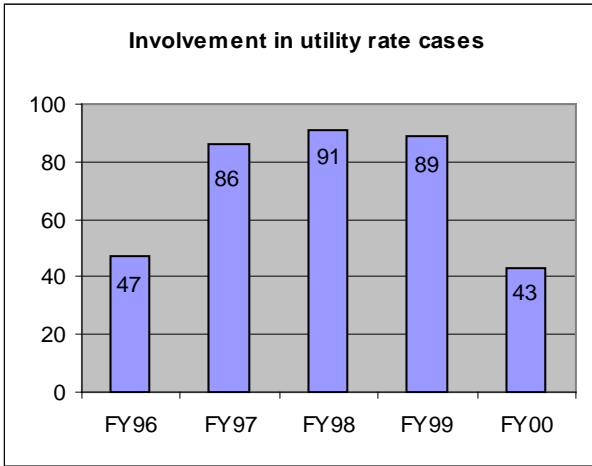
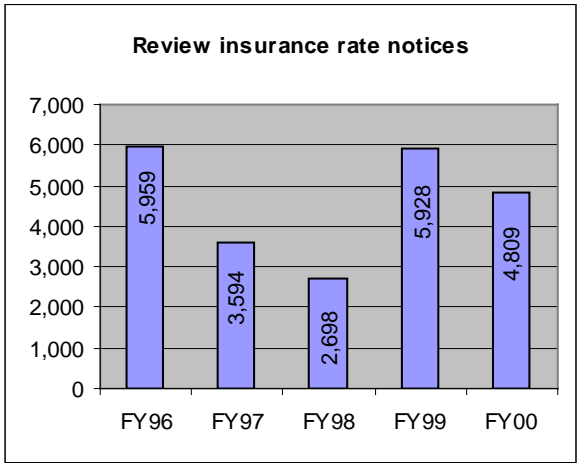
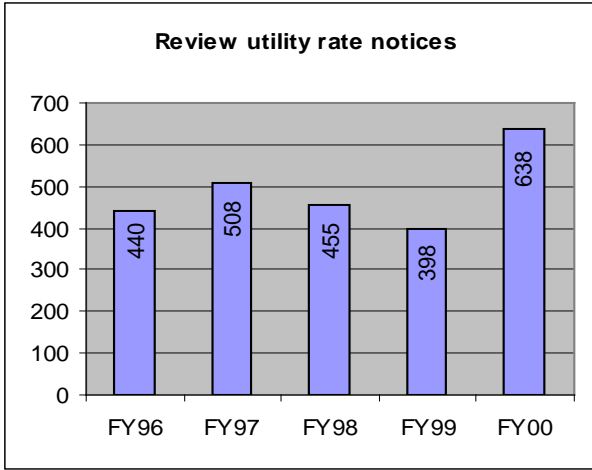
**Goals** To provide legal representation of the consumer interest before state and federal regulatory agencies in utility and insurance ratemaking proceedings; to monitor utility and insurance regulations, rate structures, and policies; and to analyze the financial soundness of community care retirement communities in South Carolina.

**Objectives and Results**



In 1993, the Consumer Advocate and the South Carolina Television Association (SCCTA) successfully appealed a 1990 decision of the Public Service Commission that permitted BellSouth to operate under a different methodology than allowed by statute. In FY97, the Department, SCCTA, and BellSouth settled the appeal for \$80,231,523. This settlement resulted in refunds of approximately \$55 to every residential customer of BellSouth during 1992-1994. As part of this settlement, unclaimed funds in the amount of \$13,850,808 escheated to the State Treasurer in FY98. The State of South Carolina continues to receive revenue on these monies.

In FY99, the Department and BellSouth reached an agreement under which, among other things, BellSouth committed to lower local rates for residential and business customers by \$1 per month for a minimum of five years. Based on the number of BellSouth residential and business customers, the reduction in rates will total approximately \$165,000,000 over the five-year period, or \$33,000,000 per year for five years. The Public Service Commission approved this settlement.





**Name** Public Information and Education

<b>Cost</b>	State	\$121,440
	Other	<u>\$ 0</u>
	Total	\$121,440

**Goals** To inform consumers and policymakers about market practices and deceptive or illegal schemes; to promote effective consumer practices in credit transactions; and to provide or coordinate news releases, speeches, and consumer education.

### **Objectives and Results**

1) Schedule speaking engagements at schools, institutions of higher learning, adult education programs, businesses, health organizations, church groups, and other government agencies.

Result: Over 300 presentations were made during FY00. Consumer education exhibits and/or presentations were also made at the following conferences: South Carolina Character Education Conference, State of South Carolina Job Fair, State Transitional Conference, Senior Day at Coastal Carolina Fair in Charleston, and Mental Health and Aging Conference. The Consumer Advocate also advised the General Assembly on a variety of consumer-related legislation.

2) Produce *Consumer News and Views*, a newsletter distributed across the state and nation.

Result: 5,000 issued quarterly.

3) Continue to collaborate with local media to broadcast consumer information.

Result: The Department's Deputy for Public Information and Education continued her appearances on *Here's Help*, a weekly news segment on WIS-TV, and produced a *Consumer on the Street* interview to test consumer knowledge, also in conjunction with WIS-TV. The Consumer Advocate and the Deputy for Public Information and Education were featured on over 260 radio and television programs across the state during FY00.

4) Utilize electronic media to facilitate online chats.

Result: Three online chats were held during FY00. The topics of each chat were Telemarketing Fraud, Abusive Lending Practices, and Hurricane Preparedness. These chats received 1<sup>st</sup> place in Innovative Programs/Large Government Category at the annual convention for the National Association of Consumer Agency Administrators in Chicago, Illinois.

5) Conduct staff development training for the South Carolina Department of Social Services (DSS).

Result: The first in a three-part series was held on May 25, 2000. The goal is to train representatives from each county DSS office in effective consumer practices so that reps can inform and advise DSS clients in consumer matters.

6) Organize a conference on privacy issues.

Result: *It's A Matter of Privacy* was a conference coordinated with the Direct Selling Education Foundation and held on April 5, 2000. Topics included credit reports, identity theft, and issues related to online, medical, and government privacy.

7) Organize activities for the 2000 National Consumer Protection Week.

Result: The Department conducted its annual essay contest for all seventh grade students in South Carolina. Ten winners each received a \$50 savings bond during a special ceremony in the Governor's Office. The Department also conducted a slogan contest for all fourth and fifth grade students in South Carolina. One winner received a \$100 savings bond during the same special ceremony with the Governor. Both of these competitions, along with a quiz that was distributed to all South Carolina schools, were designed to create awareness among youth of consumer related issues. These activities were recognized nationally by a coalition of consumer organizations at the annual meeting of the National Consumers League in Milwaukee, Wisconsin.

8) Continue to promote "Needs and Wants," an education program that introduces the basic concepts of consumerism to elementary and high school students.

Result: This program was taught in a total of 70 schools during FY00 reaching at least 8,246 students. Originally designed for grades 1-6, it encourages the use of critical thinking and decision-making skills for young consumers of all ages.

9) Promote and distribute *What Teen Drivers Should Know About Automobile Insurance and Highway Safety*, a booklet compiled and written by the Department's Consumer Advocacy and Public Information and Education Divisions.

Result: Approximately 330 copies distributed across the state. The South Carolina State Library selected this booklet as one of ten publications to receive the Notable State Document Award for 1999. The library has presented this annual award since 1991 to recognize state publications of outstanding merit and usefulness to the citizens of South Carolina.

10) Create awareness for the Lifeline/Link-up, a service provided by BellSouth to help reduce telephone costs to low-income individuals, Medicaid recipients, and needy families.

Result: The Department's Deputy for Public Information and Education continued to participate on the Public Service Commission's Consumer Education Telecommunications Committee, which piloted an action plan in Richland County to inform consumers about this service.

11) Maintain a Consumer Product Safety Network across the state.

Result: The Department participated in workshops and health fairs sponsored by businesses, health organizations, schools, and other government agencies throughout FY00 to disseminate consumer product safety information.

12) Participate on the Housing Committee of the Columbia Community Relations Council and the board of the National Consumers League in Washington, D.C.

Result: The Department's Deputy for Public Information and Education continued to actively participate in both of these organizations and also served as the board chair of the National Consumers League.

**Name** Administration

**Cost** State \$ 651,042  
Earmarked \$ 396,229  
Total \$1,047,271

**Goals** To provide accounting, procurement, and computer services for the Department; to prepare the Department's detailed budget, accountability report, and budget request for the Budget and Control Board each year; and to process filings and collect fees for all businesses regulated by the Department.

**Objectives and Results**

