

AGENCY NAME:	Secretary of State's Office		
AGENCY CODE:	E08	SECTION:	



Fiscal Year 2013-14 Accountability Report


SUBMISSION FORM

AGENCY MISSION	<p>The Office of the Secretary of State is mandated by the South Carolina Code of Laws to serve as the state filing office for business corporations, nonprofit corporations, limited partnerships, limited liability partnerships and limited liability companies, as well as for all Uniform Commercial Code Article 9 Secured Transaction filings. The Secretary of State also serves as the agent for service of process for business entities that do not have authority to transact business in South Carolina, or who do not maintain a registered agent in this state. In addition to business filings, the Secretary of State's Office examines and files state trademarks, maintains the state notary public database, and issues commissions for elected officials and those appointed by the Governor. The Secretary of State's Office is also responsible for issuing all statewide cable franchises and serves as the repository for several types of municipal filings. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. Finally, the Secretary of State's Office regulates charitable organizations, professional fundraisers, business opportunities and employment agencies.</p>
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Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Melissa Dunlap	734-2157	mdunlap@sos.sc.gov
SECONDARY CONTACT:	LaToria Williams	734-1723	lwilliams@sos.sc.gov

I have reviewed and approved the enclosed FY 2013-14 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	
(TYPE/PRINT NAME):	Mark Hammond, Secretary of State

Agency's Discussion and Analysis

Mission and Values

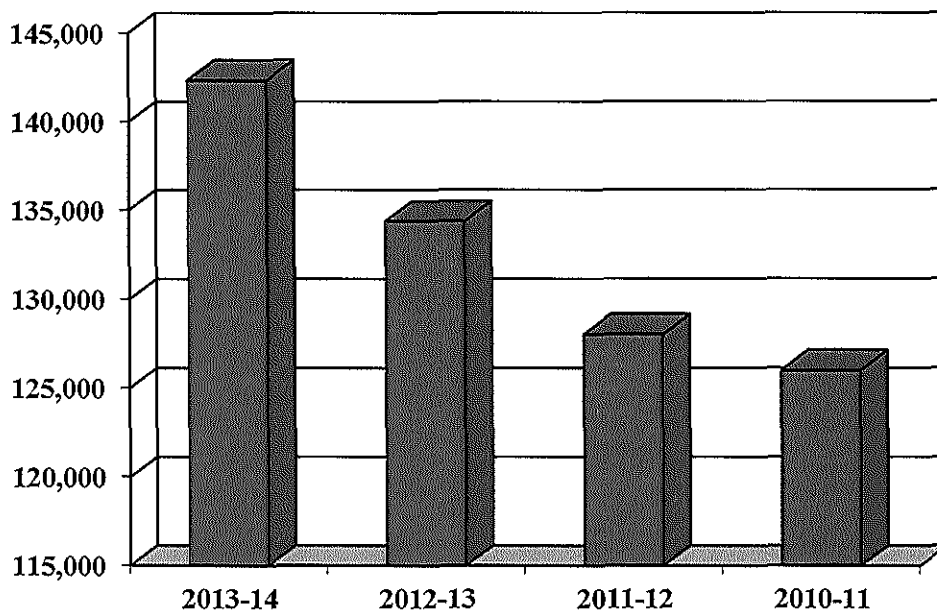
The Office of the Secretary of State is mandated by the South Carolina Code of Laws to serve as the state filing office for business corporations, nonprofit corporations, limited partnerships, limited liability partnerships and limited liability companies, as well as for all Uniform Commercial Code Article 9 Secured Transaction filings. The Secretary of State also serves as the agent for service of process for business entities that do not have authority to transact business in South Carolina, or who do not maintain a registered agent in this state. In addition to business filings, the Secretary of State's Office examines and files state trademarks, maintains the state notary public database, and issues commissions for elected officials and those appointed by the Governor. The Secretary of State's Office is also responsible for issuing all statewide cable franchises and serves as the repository for several types of municipal filings. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. Finally, the Secretary of State's Office regulates charitable organizations, professional fundraisers, business opportunities and employment agencies.

The South Carolina Code requires the Secretary of State to serve as the filing agent for several types of documents, as noted in the table below:

Agency Division	Work Processes	Processed in FY 2013-2014
Business Filings	UCC Filings	78,658
	Corporate Filings	63,686
	Copy Work Requests	22,381
Public Charities	Charity Registrations & Financial Reports	17,801
	Charity Financial Report Extensions	5,723
	Professional Fundraiser Registrations	1,751
	Fundraiser Contracts & Financial Reports	1,984
	Payroll Deduction Applications	494
Notaries	Notary Applications	14,211
	Apostilles and Authentications	9,379
	Boards & Commissions Appointments	994
	Other Oaths & Commissions	592
	Transcript Bonds	36
Municipalities	Annexation Filings	198
	Special Purpose District Filings	2
	Cable Franchise Filings	16
	Employment Agency Applications	156
	Business Opportunity Applications	79
Trademarks	Trademark & Service Mark Registrations	769
Service of Process	Service of Process Requests	635

One highlight of FY 2013-2014 is the increased number of business filings. Uniform Commercial Code filings increased from 76,506 to 78,658, and corporate filings increased from 61,486 to 63,686—approximately 3% over FY 2012-2013. Secretary Hammond is optimistic that this increase reflects the overall improvement of the economy in recent years. The total number of business filings for FY 2013-2014 was 142,344.

Total Business Filings from FY 2010-2011 to FY 2013-2014



Given the diverse duties of the Secretary of State's Office, management is committed to maximizing opportunities for cross-training of staff to ensure customer service objectives are fulfilled. For example, processing workloads vary throughout the year in different divisions, depending on filing deadlines both inside and outside the agency. By cross-training staff to work in different divisions, management will be able to move resources in order to maintain processing timelines. For FY 2014-2015, the Secretary of State will increase the number of cross-trained staff to meet this goal.

Technology Enhancements and Cyber Security

As society moves forward in the use of technology, the Secretary of State continues to increase its online offerings to customers across the state. Although Secretary Hammond remains committed to offering in-person customer service, he recognizes that more and more citizens are using the internet to conduct business and obtain information. At the same time, he understands the need for security measures to keep pace with the cyber threats that are becoming all too common in our rapidly advancing world.

To this end, the Secretary of State has continued to build on the online search and filing systems that have been implemented in the past few years. During FY2013-2014, the Secretary of State's Office worked toward developing an online State Boards and Commissions Database. In addition, the Secretary of State initiated a project to upgrade and enhance the online charities filing system. Both of these projects were scheduled to go live in FY 2014-2015, and have done so prior to the publication of this Accountability Report.

The office is currently in the process of changing the way business entities file, search and retrieve corporate documents. In FY 3013-2014, Secretary Hammond began the Corporations online filing, search and retrieval project. The agency's email was migrated to Office 365 during FY 2013-2014. In addition, staff worked in conjunction with SC Business One Stop (SCBOS) on a forms and website update project for SCBOS customers. Continuous updating is provided on the agency website, including form revisions as well as the creation of new forms, such as for Benefit Corporations. Enhancements were made to the UCC online filing system to integrate the latest IACA specifications.

Disaster recovery remains a top priority for the office. The Secretary of State's Office is the repository of permanent state records. Image digitization and conversion of microfilm to protect permanent state records continues to be a priority as the office moves toward total digitization of records.

With the emphasis on new cyber security requirements, the office is working aggressively under the guidance of the Division of Information Security to implement the new security initiatives put forth for all state agencies. A primary focus during FY 2013-2014 was striving to meet the new requirements of the state's InfoSec policies for security. This focus will continue in FY 2014-2015.

Notary Public Reforms and Educational Outreach

The Secretary of State is the public official charged with commissioning notaries public in the state of South Carolina. In FY 2013-2014, the Secretary of State commissioned over 14,200 notaries public. As in previous years, Secretary Hammond demonstrated his commitment to

promoting understanding and compliance with state laws governing notaries by conducting free notary public seminars throughout the state. In September and October 2013, the Secretary of State's Office offered seven notary seminars in six different cities, reaching over 640 citizens who were commissioned notaries public or interested in becoming notaries public.

Furthermore, during FY 2013-2014, the Secretary of State worked closely with members of the State Legislature to pass comprehensive notary reform. On June 2, 2014, Governor Nikki Haley signed into law Act 185—the first significant update to South Carolina's notary public laws since the 1960s. Secretary Hammond believes that the reforms provided by Act 185 will give notaries clear guidance on the performance of their duties, and help protect the public against fraudulent activity.

In FY 2014-2015, Secretary Hammond will promote notary education and awareness of the reforms provided under Act 185, by continuing to offer free notary training throughout the state. Given the significance of the reforms, the Secretary of State will dedicate resources to providing in-person training at multiple venues, including professional firms and associations, community organizations, and governmental entities. In addition, the Secretary of State's Office will update its online resources, including its online Notary Public Manual, to include the amendments of Act 185. The Secretary of State will further access to notary education by producing an online training video that will be accessible on the agency's website, now that these comprehensive notary reforms have been enacted.

High Growth Small Business Job Creation Act

On June 14, 2013, Governor Nikki Haley signed into law the High Growth Small Business Job Creation Act. The intent of the Act was to encourage investment in early stage, high-growth businesses; increase the number of high-quality, high-paying jobs in South Carolina; and ultimately expand South Carolina's economy. The High Growth Small Business Job Creation Act, also known as the Angel Investor Act, provides tax credits to angel investors who make qualified investments in qualified businesses. The Secretary of State plays an important role in this initiative by examining applications and registering businesses that meet the criteria of "qualified businesses" under the Act.

Over the past fiscal year, 44 businesses registered with the Secretary of State as qualified businesses under the High Growth Small Business Job Creation Act. The qualified businesses that initially registered during FY 2013-2014 have reported raising capital in the amount of \$30,443,779.00, including \$14,291,588.00 in qualified investments. In addition, these businesses have reported creating 117 full-time jobs, 31 part-time jobs, and 9 temporary jobs, with the average full-time salary exceeding \$58,000.00 per year.

In FY 2013-2014, the Secretary of State's Office has worked with community leaders and local chambers of commerce to promote public awareness of the High Growth Small Business Job Creation Act. Secretary Hammond will continue to promote the Act in FY 2014-2015 and encourage small businesses to take advantage of this innovative program.

Charitable Solicitations Filings and Enforcement

The Secretary of State serves as administrator of the South Carolina Solicitation of Charitable Funds Act. Under the Act, the mission of the Secretary of State's Division of Public Charities is to (1) efficiently register all charitable organizations and professional fundraisers that are soliciting in the state of South Carolina; (2) review all financial reports submitted by registered charities and fundraisers, and make this information available to the public; and (3) investigate and prosecute all violations of the Solicitation of Charitable Funds Act.

During FY 2013-2014, over 10,150 charitable organizations and 1,750 professional fundraisers registered with the Secretary of State's Division of Public Charities. Due to increased customer education and process enhancements, FY 2013-2014 saw an increase in the number of customers using the charities online filing system by 13%. Furthermore, the Division of Public Charities reduced the number of in-house filings being returned for correction by 33% over the previous fiscal year—resulting in a reduction of costs to the Division.

Secretary Hammond continued his focus on protecting South Carolina citizens in FY 2013-2014 through the enforcement of the Solicitation of Charitable Funds Act. Enforcement highlights included the collection of fines against professional fundraisers for violations of the disclosure and misrepresentation provisions of the Act, and an administrative action that resulted in a nuisance charitable organization being banned from soliciting in South Carolina for 15 years. The Secretary of State's Office also collaborated with charities enforcement agencies in other states, and its investigator serves as a board member and officer for the National Association of State Charity Officials (NASCO). Overall, Division of Public Charities' enforcement actions resulted in the collection of over \$255,000.00 in administrative fines for violations of the Solicitation of Charitable Funds Act.

In 2013 and 2014, the Secretary of State worked closely with the State Legislature to pass House Bill 3367. This bill, which was signed into law by Governor Nikki Haley on March 13, 2014, offered technical amendments to the Act to clarify issues that had arisen through enforcement, and to respond to concerns presented by members of the nonprofit community. Secretary of State Hammond believes that the amendments enacted through H. 3367 will provide clarity in filing requirements and improve enforcement of the Solicitation of Charitable Funds Act, which in turn will provide transparency and accountability to South Carolina's charitable donors.

In 2014, the Secretary of State's Office initiated the process to develop and implement enhancements to its online charities filing system. The goals of these enhancements were to make the online filing system more user friendly for charities customers; to reduce the number of filing errors; and to implement legislative changes in the Solicitation of Charitable Funds Act that had occurred since the online database was launched in 2009. These enhancements to the online charities filing system will be made available to the public during FY 2014-2015.

For FY 2014-2015, the Secretary of State will continue to promote transparency and accountability in charitable giving, and provide public education on charitable fundraising regulations. Depending upon the outcome of the voter referendum on the legalization of charitable raffles, these public education initiatives will likely include the implementation of regulatory requirements on raffles.

Counterfeit Goods Education and Enforcement Activities

During FY 2013-2014, the Secretary of State's Office continued to aggressively protect intellectual property rights in the state of South Carolina, by educating law enforcement both in the classroom and out in the field. The Secretary of State's Office facilitated 34 raids during FY 2013-2014 that led to 41 arrests, 33 cease and desist orders, and the seizure of \$1,722,316.00 in counterfeit merchandise. For FY 2014-2015, Secretary Hammond remains committed to serving as a resource for law enforcement and the public in understanding the economic and physical harm that counterfeit goods present, and assisting in the prosecution of intellectual property offenses in South Carolina.

