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Annual Accountability Report Fiscal Year 2007-2008

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**South Carolina
Department of Revenue**

**Annual Accountability
Report**

Fiscal Year 2007-2008

**Mark Sanford, Governor
Ray N. Stevens, Director**

Accountability Report Transmittal Form

Agency Name - South Carolina Department of Revenue

Date of Submission – September 15, 2008

Agency Director – Ray N. Stevens

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I. Executive Summary

I.1. Mission, Vision, and Values:

The mission of the Department of Revenue (DOR/Department/Agency) is to administer the revenue and regulatory laws of this state in a manner deserving the highest degree of public confidence in our integrity, effectiveness and fairness. To accomplish this mission, the South Carolina Department of Revenue will:

- Administer revenue and regulatory laws in a fair and impartial manner;
- Collect the revenue due the state;
- Recommend improvements to the laws administered;
- Ensure a professionally trained staff of employees;
- Continually improve the quality of services and products; and
- Provide guidance to foster compliance with revenue and regulatory laws.

The vision as stated in the Agency's Strategic Plan: We, the employees of the South Carolina Department of Revenue, will be the leaders and drivers of innovation and excellence in state government. The Department of Revenue will be the standard for efficiency, effectiveness, and service in tax and revenue administration and will continuously improve governmental services.

The values of our Department are: Customer Focus, Equal Treatment, Integrity, Accountability, Continuous Improvement, Informed Decision Making, Knowledge, Teamwork, Open Communication, and Recognition.

In concert with our mission, the Department collects approximately 90% of the state's general fund. Total annual net collections by the Department amount to \$8.7 billion through all of our collection and enforcement activities from the 32 taxes we administer and other collection activities for which we are responsible. (See Figure 7.1.1)

Of the \$8.7 billion collected this year, \$703 million, or 8%, is deemed to be enforced collections. Enforced collections increased approximately 21% over last year. (See Figure 7.1.2)

The DOR plays a major role in the state budget process. The Director represents the DOR, in an ex-officio capacity, at meetings of the Board of Economic Advisors (BEA). The BEA is dependent on information provided by DOR in formulating budget estimates for purposes of developing guidelines for the General Assembly and the Governor to establish the state budget.

The Department fulfills its legislatively mandated (§11-11-10) obligation to be represented at all meetings of legislative committees related to budget activities. The Director is called upon to address meetings of these legislative committees in order to explain and help formulate budget policies as it relates to revenue collections.

Further, the DOR and its Director are instrumental in bringing new businesses and encouraging existing businesses to expand within South Carolina. Along with the South Carolina Department of Commerce (DOC), DOR is closely involved in enhancing economic development in this state. The DOR administers most of the tax credit programs in this state and therefore, is often required to be present at meetings and presentations when new businesses are considering locating in this state. The DOR is responsible for administering over \$1 billion from the jobs tax credit, the economic impact zone investment tax credit, the corporate moratorium, the special allocation and apportionment of income program, the fee-in-lieu of taxes program and the license tax credit for

utilities, among other credits and incentives. The Department, in cooperation with the Commerce Department, administers the job development credit (JDC) audit program.

The Department continues to be a leader in the percentage of individual income tax returns received that are filed by electronic/non-paper methods. The latest available information (May, 2008) from the Federation of Tax Administrators placed South Carolina seventh in the top ten states in this area. South Carolina's percentage of 71%, up from 69% over the last two years, trailed only Mississippi (81%), Montana (76%), Iowa (74%), Minnesota (74%), North Dakota (73%), and Massachusetts (72%). This is especially significant in light of the fact that individual income tax electronic filing is not required in South Carolina. It is required in some other states for certain taxpayers. With that in mind, maintaining our position as leaders in this area is a substantial accomplishment. Promoting electronic filing has been a significant cost and time saver for the Department, the State, and the taxpayer. (See Figure 7.1.4)

Electronic collection processes also have allowed the agency to collect an average of 68% of tax dollars electronically. (See Figure 7.3.4)

I.2. Major Achievements from Past Year:

All Department business plans tie directly to the Strategic Plan. Director Stevens again led the Agency in developing a strong and challenging annual business plan. This enables us to maintain focus on our major long-term goals and objectives.

This year DOR continued to make major strides in processing of tax returns from receipt of mail to processing of refunds and depositing of money to files being stored and scanned. This fiscal year, we deposited 2,024,425 checks, processed 68,916 batches, and gross deposited monies totaling \$10,756,197,733. We reduced deposit opportunity cost dollars to \$114,000, a decrease of 70% over the past two years. (Figure 7.3.3)

Total enforced collections this year increased to \$703 million, an increase of 21%. (Figure 7.1.2) Closed audits increased 48% and audit collections increased by \$48.4 million, a 38% increase.

Our annual customer satisfaction survey, conducted and analyzed by the University of South Carolina, found a 96.3% satisfaction level for the amount of time it took to receive a state income tax refund check. (Figure 7.2.4) This is a remarkable statistic, due in part to implementation of over 100 process improvements in the Revenue Operations area alone by both frontline employees and management. The focus on process improvement across the Agency has significant benefits for DOR, but ultimately also for SC citizens and the Agency's stakeholders.

Achievements related to the major strategic objectives this year included:

(Note: See section 2, Strategic Plan chart for the list of objectives and numeric references.)

Find Non-filers:

Individual Income Tax (IIT) Non-filers – The Filing Enforcement Section implemented a manual adjustment process in the Data Warehouse Discover Tax system to perform desk audits on all failure to file notices sent to potential non-filers. This process improvement helped ensure a more accurate notice to the taxpayer on the front end. As of June 30, we sent 597 IIT non-filer notices for a total of \$1.8 million assessed using this new process. A field referral process was

also developed and business rules were established to identify cases that need to be referred to a field auditor. During FY 08, we collected \$15,458,856 on notices sent to taxpayers.

Use Tax Non-filers – DOR continues to exchange information with the other Southeastern Association of Tax Administrators (SEATA) states on a monthly basis. We also are continuing to identify possible non-filers through the U.S. Customs project and the U.S. Coast Guard. We are continuing to obtain information from transportation companies on furniture deliveries from North Carolina into this state. In addition, warranty information from manufacturers of All Terrain Vehicles and similar products enable us to assess for use tax on these items.

Nexus/Discovery – Nexus/Discovery focuses on the large multi-state and multi-nation corporations doing business in South Carolina, but who are not reporting in South Carolina. This section registered a total of 377 taxpayers and collected \$23,348,221, an increase of 60% over last year. (See Figure 7.1.3) Eight hundred questionnaires were sent to potential nexus non-filer cases. Areas of focus this year included issues relating to credit card companies, franchisors, medical companies and accommodations providers.

Establish a Data Warehouse:

The purpose of this project is to use data warehouse technology to identify uncollected revenues which consist of taxes due from non-filers, under-reporters, and failure-to-pay taxpayers. Primary emphasis is on Individual Income, Sales and Use, and Corporate taxes. This multi-year project collected \$34 million in FY 08. Approximately \$75 million has been collected over the last three years through the Data Warehouse.

Maximize Voluntary Compliance through Fair Share Activities:

DOR recognized that many tax issues exist in South Carolina where there is general disagreement in the interpretation and application of the tax statutes. Last year Director Stevens assembled a team of agency staff to identify tax issues suitable for resolution through litigation. At the same time, the legal staff was organized to better assist the audit staff in providing constant legal support while auditing some of the specific issues identified.

Eighteen issues were identified during this process relating to taxpayers in the areas of licensing and sales of alcoholic beverages, income, property and admission taxes. Legal staff researched and prepared detailed research notebooks for each of the areas. Issues were then identified as priority litigation projects. Audits were conducted on returns containing these issues. To date, a significant number of audits have been completed. Some issues have progressed through the appeal process and others are in various stages of litigation, including cases before the S.C. Supreme Court.

Implement a Formal Audit Program:

As a part of our long-term strategy and in connection with the Fair Share program above, DOR formalized its audit approach last year. With the increasing capability of technology, the need to document and measure audit selection criteria, and the need to wisely use audit resources, a formal audit plan was implemented. This plan structured the audit selection program and also has allowed the audit staff to better identify and target training needs of DOR auditors. Through this approach, we have closed 48% more cases and increased audit collections to \$175.7 million, an increase of 38%.

Utilize Treatment Scenarios:

The Data Warehouse project also led DOR to implement the use of treatment scenarios in collections efforts. Treatment scenarios represent the way that a case should be worked, implying different treatments for different cases. Treatment scenarios were developed to assign cases based on the combination of collectability risk and balance of receivables. This has allowed DOR to more productively target collections staff resources, particularly for collections in the assessment stage. Year-to-date actual dollars collected increased by 28.9% in FY08, representing an increase of \$47,320,277.

Drive One-Stop Business Registration:

The goal of this project is to be a “one-stop” gateway for business and professional registration and licensing for services offered by federal, state and local government within South Carolina. This enterprise project is an example of how collaboration between agencies not only benefits the taxpayer, but also increases the cost efficiency of the agencies involved in the streamlined processes. Partners in the South Carolina Business One Stop (SCBOS) project have included the Secretary of State, Employment Security Commission, Department of Health and Environmental Control, Department of Consumer Affairs, Department of Labor, Licensing and Regulation, Office of CIO (Budget and Control Board), Department of Commerce, S.C. Chamber of Commerce, S.C. Association of Counties and the Municipal Association of S.C. (See Figures 7.6.1-7.6.3)

Effectiveness of the program was evidenced this year by:

- Application for the Federal Employee Identification Number (FEIN) was integrated into SCBOS to allow business owners to apply online.
- Consumers’ usability of the SCBOS website was engineered.
- Renewals of four new applications for the Department of Consumer Affairs were launched.
- A new agency, Clemson Department of Plant Industry, was brought on to SCBOS, allowing consumers to apply online for permits and applications.
- Automation between the Employment Security Commission (ESC) and SCBOS was improved. Since January of this year, 716 applications were processed for ESC.
- Consumers are now allowed to make changes at one agency and the changes are passed on to other participating state agencies.
- Additional educational communication and marketing was done to increase stakeholder awareness of the SCBOS program and benefits. Users consistently applaud the SCBOS program for both ease of use and time savings for the business.

Provide Stakeholder Education and Feedback:

In order to comply with the tax laws, taxpayers need to understand the laws and their filing obligations. A major part of this initiative involves taxpayer education workshops. This year, Sales and Use Tax seminars were held around the state for the following industries: Education, Manufacturing, Government & Municipalities, and businesses required to know the Maximum Tax laws.

DOR also conducts free monthly Sales Tax Forms and Withholding Tax workshops. The target audience is new businesses. This audience was expanded this year to include registrants from Georgia, North Carolina, Virginia, and Iowa. Staff is also invited to participate in meetings of various professions to discuss tax law requirements (e.g., S.C. Society of Accountants, S.C. Farm

Bureau, S.C. Mortician's Association). In addition to workshop and seminar promotion through our employees, brochures, and online resources, bi-weekly e-mails are sent out over the Taxpayer Education Listserve.

The Agency continues to provide instructors to the IRS Small Business Workshops conducted around the state. An average of three of these workshops is held each month. In addition, DOR has a longstanding relationship with Clemson University, serving as instructors for their annual taxpayer education workshop that typically attracts over 1,500 participants in six locations around the state.

Develop the South Carolina Integrated Tax System (SCITS):

The SCITS project is a major five-year project to completely replace the existing aging computer system with a modern, state-of-the-art integrated tax system. This will provide enhanced services for both the taxpayer and the Agency. Customers will have access to their accounts 7 days a week, 24 hours a day. The Agency plans to provide real time, "once and done" processing wherever possible. The first phase of this system will be released during third quarter of FY09. Major milestones of the project were met this year through substantial work of many employees across the Agency. To date, 62% of the overall effort for this phase has been completed. Training plans for not only all DOR employees, but also county employees who access the Property Tax systems are being designed to begin first quarter of FY09. Design work for the second phase of the system is also underway.

Provide Property Tax Training for Newly Elected County Auditors:

The Agency has responsibility to oversee elected and appointed officials of the 46 South Carolina counties with regard to the equalized administration of property tax laws. This local government funding amounts to approximately \$5 billion. This initiative was to provide consistent guidance and education to the newly elected county auditors on the tax laws they are required to administer. The Property Division has partnered with the South Carolina Auditors, Treasurers and Tax Collectors organization (SCATT) and the South Carolina Association of Assessing Officials organization (SCAAO) to establish the programs. The first two courses of the curriculum were developed and offered at the SCATT Academy in February, 2008. The courses attracted not only the newly elected auditors, but also veteran auditors who wanted a refresher course. Feedback was excellent. Repeat sessions will be held just before the newly elected auditors take office in July 2009. Additional courses are also being planned.

Upgrade the Agency Website:

Upgrading the aging technology of our website to provide enhanced capability and usability is another important need. While initial work was done, intensive work had to be postponed due to available resources being assigned to other agency technology priorities this year, including the new tax processing system, SCITS. Work will be resumed after the rollout of SCITS.

Improve Performance Measurement Systems and Processes:

Having appropriate measures defined and reporting mechanisms in place is the basis for making data-based decision-making. During the past year each dashboard and performance measure was analyzed for relevance to business operations. The methods of compilation and reporting were also reviewed. The goal of this process was to allow personnel to assess actual performance against expected performance during the period, instead of after the period ends. This will allow the Agency to adjust performance to better meet goals where needed.

Most of the data related to the current performance measures is now in our Data Warehouse. DOR has procured a business intelligence tool, Business Objects, to use in the timely delivery of these measures to all users.

In addition, the Federation of Tax Administrators continues to be the host for collecting and maintaining various elements of performance data from the participating states. This project was initiated to facilitate the use of comparisons of participating states to determine “best practices.” During the past year, the project has focused on setting uniform collection measurements. DOR will include any new measures to our system so that we can better benchmark performance with other state revenue agencies.

Upgrade Our Technology Infrastructure:

Upgrading our technology infrastructure is another of the multi-year projects. In regard to creation of the new infrastructure for SCITS production environment, this was completed in June 2008. This included an upgrade in servers, SQL database management software, an operational load-balancing appliance, and supporting software tools. Work will continue in this area to update the DOR website to provide enhanced capabilities and usability. Security policy documentation is also an important work in progress.

Improve Processing Operations Performance:

Improving processing operational performance is a major ongoing project. Over 100 process improvements were made in Revenue Operations again this year. The Processing area has participated in the writing, review and testing of various General System Design documents related to the processing functions being developed for SCITS.

To improve paper processing, Revenue Operations updated the new batch cover sheet and will be fine tuning the document to reduce the amount of paper from 22 batch cover sheets to one. This is a significant time and resource savings. DOR significantly reduced deposit opportunity cost from \$134,255 to \$114,000 when compared to FY07. The opportunity cost decrease represents a 70% decrease over the past two years. (Figure 7.3.3)

Individual income tax returns were processed on average within 17 days of receipt. Note that the 17 days includes seven days for the Treasurer’s office to print the check. We processed 8.6 million transactions this year. (Figure 7.1.9)

Significant enhancements were implemented from the Mail Center to Deposit and in the Record Center this year. These enhancements reduced rework and helped eliminate or reduce various errors from section to section. Returns for sales, withholding, corporate and income taxes were modified for 2008 to allow the scanning and imaging processes to increase read rates and reduce the need for verification and keying. (Figures 7.5.1-7.5.2) The Scanner Section set a new daily deposit high of \$31.5 million on January 2, and a new monthly high in January of \$160 million. In comparing FY08 to last fiscal year, the Scanner Section scanned 78,319 more checks and deposited \$205 million more this year.

The Records section installed two new scan stations, enabling employees to have access to the images at their desktop via FileNet instead of requiring microfilming. This created major time efficiencies for both Records staff and their customers. (Figure 7.5.1) The Records team also

moved the Rosewood warehouse to the Market Pointe office. This greatly reduced the turnaround time of requested returns for internal and external customers. With the additional space, this also allowed them to maintain two years of returns on the shelves for individual income tax, corporate, partnership and fiduciary returns. Lastly, with the elimination of having four employees travel to and from the Rosewood warehouse twice a day, the area gained the equivalent of a .75 FTE at Market Pointe.

Develop Procedures for County Reimbursement Under New Property Tax Legislation (H4449):

This legislation required DOR to develop a program and plan of implementation to accurately and efficiently reimburse local taxing entities for the property tax exemption. DOR's new Local Government Services system is now being used to collect and analyze data and issue reimbursements to counties, municipalities and school districts under all local government programs. This includes programs previously administered using the Office of the Comptroller General's system, as well as new programs mandated under this legislation. Reimbursements totaling \$989,059,639 were issued timely by DOR for FY08. Development is in progress to enhance this system to collect county reporting data via the internet. Counties provide this data to the state annually, beginning in September.

Improve the Forms Development Process:

An agency-wide task force was chartered to recommend changes within the forms development, printing, distribution and approval processes. A second phase of the project included a review of communication processes with taxpayers, forms vendors, tax preparers, and other stakeholders. This effort produced substantial improvements. Examples include implementation of a list serve that facilitates communication with software developers. Vendor mailing of over one million IIT postcards to taxpayers that filed electronic tax returns was eliminated for a savings of over \$289,126. IIT postcards were replaced by marketing and education provided to taxpayers via various media. The paper Package XSC was discontinued, but CD's are available to the public. A formalized process was implemented to receive and track vendor forms submissions. Improvement of the forms development process will be a continued area of importance for process improvements.

Guide Agency Workforce Planning Initiatives:

DOR has a significant percentage of the workforce who either is or will be eligible to retire in the next five years. The objective of this multi-year project is to continue planning for the loss of expertise, to develop new leaders, and to recruit, train and retain a high quality workforce. Planning for and minimizing the impact of these exits was, and continues to be, a priority.

Agency staff has addressed this objective in a number of ways, including identifying critical business needs, legislative mandates, and the associated resource needs. In several cases, DOR has hired ahead to ensure adequate transition time to train a successor in very complex areas. The Agency has used job analysis extensively to document specific jobs and actively used this tool for revision of existing career paths and development of several new ones this year.

Approximately 52% of DOR's workforce has a career path that promotes and rewards the development of increasingly complex job competencies. The state Office of Human Resources correlates our lower turnover rate to several things, including the prevalence of these structured

development plans. DOR's turnover rate this year was 9.9%, compared to the state's turnover average of 14.06%. (See Figures 7.4.1-7.4.2)

We employed varied strategies to make DOR an employer of choice. This year we expanded recruiting, enhanced new employee orientation processes, focused on training, increased recognition and wellness initiatives, and allowed the option of flexible work benefits such as flex time, flex work week, and telecommuting in selected job areas.

Leadership development is also extremely important. Participation in the Associate Public Manager Program is required for all new supervisors. In addition, we fill all allotted seats each year in the Certified Public Manager Program. Executive Institute participation has also been a priority. Internal leadership development workshops are also available through the year.

In addition, our senior leadership team this year went through a training process on leadership competencies. In turn, the remainder of the Department's leadership team also attended this same workshop in order to sustain the learning and emphasize the importance of good leadership. We are applying those tools to many of the projects that are ongoing in the Agency.

Implement the Statewide E-Recruitment Initiative:

The marketplace of recruitment has become more competitive and, therefore, is more critical for us to address wisely. To better position state government to attract talented employees, the state purchased a new e-recruitment system that is in use throughout state government. It was implemented this year within DOR. This online system has immensely increased the number of applicants for most positions. In FY07, the total number of applicants for our open positions was 4,157. This year, we had 10,715 applicants, an increase of 157%, despite the fact we had 30% fewer job postings. The number of qualified applicants in the new system increased by 11% and 99.57% of applications were made online. The Agency had an 87.6% acceptance rate of job offers.

Ensuring a diverse workforce is another factor of significance to the Department. As of September, 2007, the Department was ranked fourth among agencies of 501-1000 employees and ranked 12th among all state agencies in the State Human Affairs Commission Report to the Legislature. DOR had 95.4% EEO goal attainment. (See Figure 7.4.3)

Enhance Tax Law and Systems Training:

It is important that our tax professionals are highly knowledgeable of both the tax laws and their duties in administering them. We use both structured training and on-the-job training to support this goal. This training includes technical tax law topics, disclosure training for all DOR employees, State Legislative Updates, and systems training. This year a minimum of 9,313 hours were dedicated to formal classroom training of employees. This averages 13.4 hours per authorized FTE position.

With the advent of the new SCITS system in FY09, the training team has designed and is implementing a massive and aggressive training plan to ensure that all DOR employees have the appropriate systems skills when the new system replaces the existing South Carolina Automated Tax System (SCATS).

I.3. Key Strategic Goals:

Our strategic plan focuses our efforts in four Key Result areas with associated strategies. After a comprehensive strategic plan review, we implemented an updated Strategic Plan on July 1, 2006. The current Key Strategic Goals are detailed in the Strategic Planning Chart below in Category 2.

I.4. Key Strategic Challenges:

The key strategic challenges that were revealed through our external and internal scans of the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for the Strategic Plan include:

- Meeting the ever-increasing expectations of stakeholders and customers
- More online 24/7 connections for our customers
- Tax reform
- Attracting and retaining candidates for employment with the state pay limitations
- Increasing need for employee technical training

I.5. How the Accountability Report is Used to Improve Organizational Performance:

The Accountability Report has been used as a tool to capture the Department's strengths and opportunities for improvement. By identifying these challenges, we are able to capture the most immediate needs of the Agency. This, coupled with the self assessment which is realized as a result of preparing the report, allows us to focus on the vital few priorities for the coming year. They are incorporated into our annual business plan.

II. Organizational Profile

II.1. Main Products and Services:

The main products and services include:

- Taxpayer assistance
- Tax forms and instructions
- Tax information (manuals, brochures, opinions, policies, etc.)
- Taxpayer learning opportunities
- Website
- Online, 24/7 registration and inquiries
- Licenses
- Collection services
- Tax education, advisory, and valuation services to local governments
- Reimbursement of tax dollars to local governments
- Constituent services
- Legislative services

These products and services are delivered through face-to-face contact, direct mailings, via the internet, distribution centers and in classroom settings.

II.2 and 3. Key Customer and Stakeholder Groups:

Below is a complete listing of our major customer and stakeholder groups and the various methods we employ to address their requirements and build lasting positive relationships.

- **All stakeholders**
 - Publications and brochures
 - Taxpayer Assistance Officers
 - Taxpayer Advocate

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Taxpayer Education
Compliance and Recovery Office
Automated Tax Help Line
FormsFax and Web Forms
Email systems
Five Regional Offices
Satellite office hours at 18 locations in SC
Award-winning website
Summary of current year's new tax legislation
Policy document listserve
Experts on TV
Speakers Bureau/Public Speaking/Toastmasters
Direct Check, epay projects
Credit card payment options
Contact – Customer Research Center project

- **Elected Officials**

Revenue collection and reporting
Legislative liaisons
Drafting assistance
Courtesy calls
Constituent services
Proactive response to issues

- **Other state agencies**

Revenue collection and reporting
SCBOS
Job Development Credit workshops with Commerce
SC.gov coordinating payment modules and publications
Dyed Fuel Program
Use Tax compliance information
Check stuffers at filing time
Seats in our training sessions
Statewide Training Coordinators Group
Governmental Enterprise Accounts Receivable (GEAR)
Debt set-off program

- **Individual taxpayers**

Forms drive through
Volunteer Income Tax Assistance volunteers
Publications for new residents, military, college tuition credits
FreeFile, web extensions and declarations
Outreach to high schools, vocational schools, prisoners re: filing taxes
Fastfile outreach

- **Business taxpayers**

Sales tax listserve
Taxpayer education listserve
Various workshops
SC Business One Stop (SCBOS)
Job Development Credit (JDC) workshops
Business development
Economic Incentives book
Corporate Income Tax summary published with the Bureau of National Affairs
Special efforts related to sales tax holiday
Special efforts related to the 1% exemption on food
Special efforts related to Liquor by the Drink

- **Tax practitioners**

Forms design teams
Joint seminars with IRS/ERO (Enrolled Agents)
White-collar crimes course

- Articles in the CPA newsletter
- Speakers at CPA seminars
- Fed/State filers' handbooks
- **Regulated Businesses (bingo, alcoholic beverages)**
 - Alcoholic Beverage Licensing (ABL) tracking process
 - Bingo processing system
 - Bingo paper rules
- **Statewide property taxpayers (e.g., manufacturers, motor carriers, utilities, car lines)**
 - Changes to Fee In Lieu of Taxes (FILOT)
 - Adding Business Personal Property (BPP) review
 - Streamlining Motor Carrier Property Tax administration
- **Local Governments (property tax administration, local option taxes, index of taxpaying ability, exemptions)**
 - Refund offset
 - Governmental Enterprise Accounts Receivable (GEAR)
 - Computer Assisted Mass Appraisal (CAMA)
 - Motor Carrier Audits
 - Fee in Lieu of Taxes (FILOT)
 - Motor Vehicle Assessment Guides
 - Visits to counties
 - Seminars sponsored for county officials
 - Focus groups on processes affecting counties
 - Adding listserves for policy documents/comment
- **Federal Government**
 - IRS refund offset
 - IRS Fed/state liaison
 - IRS classes
 - Streamlined sales tax initiatives
- **Other state governments**
 - Southeastern Association of Tax Administrators (SEATA)
 - Federation of Tax Administrators (FTA)
 - Exchange of use tax information
 - Benchmarking processes
 - Supply motor fuel training instructors nationwide

II.4. Key Suppliers and Partners:

Our key suppliers are the citizens of South Carolina who supply us with tax revenues and information. We also rely on the Employment Security Commission as well as other state and local governmental entities to supply required information. The Chief Information Office of the Budget and Control Board is a major supplier of technology infrastructure for the Agency, and the Department of Corrections provides for our bulk printing and bulk shredding of documents, as well as construction of cubicles for our renovated space. Traditional suppliers include Dell Computers, forms manufacturers, and other suppliers of services and supplies.

We consider our partners to be many of the same as those included in our stakeholder group, but also includes the many contract personnel we have working on our SCITS and Data Warehouse, which are key projects for the next five years. Additionally, we have numerous partners with our SCBOS registration program. These include:

- Secretary of State
- Department of Health and Environmental Control
- Department of Consumer Affairs
- Employment Security Commission
- Clemson University Extension
- Department of Labor, Licensing, and Regulation
- Department of Commerce

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SC Chamber of Commerce
Municipal Association of SC
SC Association of Counties
Budget and Control Board, Chief Information Office
REI (Contractor)
Association of Certified Public Accountants (CPA)
Internal Revenue Service (IRS)
Small Business Chamber (Cyberwoven)
Probation, Parole & Pardon Services
US Small Business Association (SBA)
Department of Insurance
SCANA
SC Education Lottery
Department of Motor Vehicles
Small Business Centers
Department of Health & Human Services
SC Commission on Higher Education
Nonpublic Postsecondary Institution Licensing
Government Finance Officers Association of SC
SC School for the Deaf and the Blind
Greater Columbia Chamber of Commerce
Richland County Public Library
SC Board of Accountancy

II.5 and 6. Operating Locations and Number of Employees:

As of the end of FY 07-08, the Agency had a total of 692.5 authorized full-time permanent slots. Of those, 674.5 are state funded and 18 are other funded. These employees work in two central offices and five taxpayer service centers throughout South Carolina. In addition, we have non-resident tax auditors stationed in six major metropolitan areas across the United States. We supplement our five taxpayer service centers by staffing 18 “satellite” offices periodically throughout each month. Our permanent workforce has been supplemented by approximately 114 contract employees, 145 non-seasonal temporaries and 134 seasonal temporary employees during peak months.

II.7. Regulatory Environment:

We administer laws under Titles 2, 4, 6, 11, 12, 16, 23, 33, 44, 46, 48, and 61 of the South Carolina Code of Laws and comply with the relevant Internal Revenue Service codes. Also, we adhere to OSHA, employment and leave laws as well as any other customary regulations with which organizations must comply.

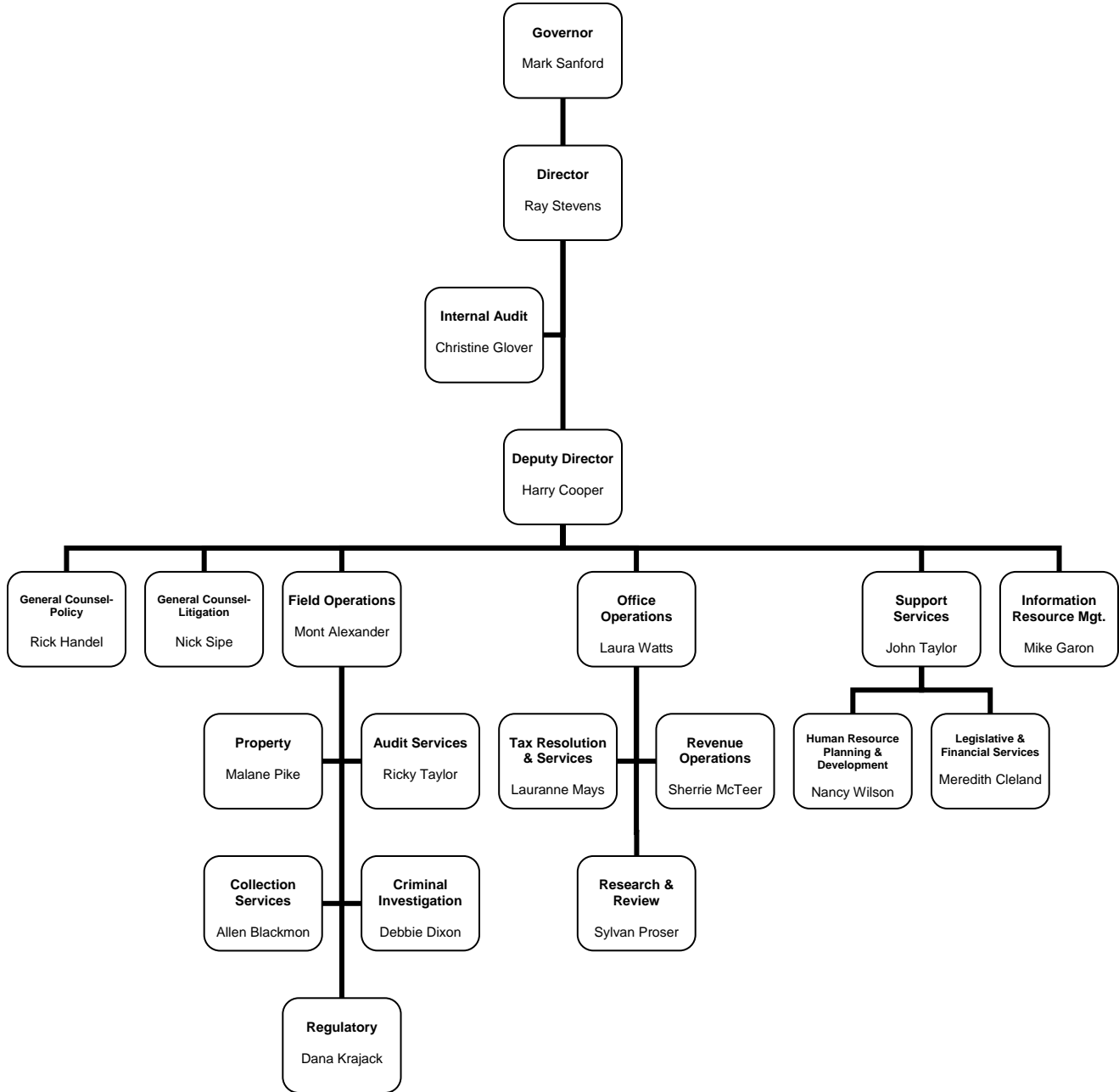
The Department is also a regulatory agency. We administer 32 state taxes and numerous fee, credit and exemption programs. We process 8.6 million transactions annually (See Figure 7.1.9) and collect approximately 90% of the state’s general fund. The Agency also regulates and licenses retail establishments, bingo operations, and alcoholic beverage sellers. The Agency is in direct contact with almost every South Carolina resident and many non-resident taxpayers and corporations. We manage our enterprise in a customer-focused, fair and efficient manner.

II.8. Performance Improvement System:

DOR continues to use the improvement system described in Category 6 (Process Management).

II.9. Organizational Structure:

Our organizational structure is shaped around core business competencies and support functions. DOR is a part of the Governor’s Cabinet. The chart below shows that structure and leadership.



Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	FY 06-07 Actual Expenditures		FY 07-08 Actual Expenditures		FY 08-09 Appropriations Act	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Personal Service	\$26,334,286	\$25,354,402	\$27,788,931	\$ 26,850,598	\$27,655,134	\$26,488,609
Other Operating	\$28,379,333	\$ 9,268,780	\$33,338,317	\$ 9,803,716	\$20,710,051	\$ 5,866,714
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Improvements	\$ 24,620	\$ -	\$ 84,573	\$ -	\$ -	\$ -
Case Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	\$ 7,402,009	\$ 7,151,109	\$ 8,114,892	\$ 7,847,671	\$ 8,811,158	\$ 8,541,927
Non-recurring	\$ 943,514	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$63,083,762	\$41,774,291	\$69,326,713	\$44,501,985	\$57,176,343	\$40,897,250

Other Expenditures

Sources of Funds	FY 06-07 Actual Expenditures	FY 07-08 Actual Expenditures
Supplemental Bills	\$ -	\$ -
Capital Reserve Funds	\$ -	\$ -
Bonds	\$ -	\$ -

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Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 06-07 Budget Expenditures	FY 07-08 Budget Expenditures	Key Cross References for Financial Results*
I.A Administrative & Program Support	Agency administration and Internal Audit functions.	State: \$602,378 Federal: \$0 Other: \$0 Total: \$602,378 % of Total Budget: 1%	State: \$558,181 Federal: \$0 Other: \$0 Total: \$558,181 % of Total Budget: 1%	7.2.1, 7.2.4, 7.3.1-7.3.3, 7.6.5
II.A Programs & Services -- Support Services	Human Resources, Training and Development, Quality, Procurement & Facilities Mgmt, Budget & Finance, Information Resource & Technology Management and computerized systems management functions.	State: \$12,128,406 Federal: \$0 Other: \$12,843,439 Total: \$24,971,846 % of Total Budget: 41%	State: \$14,185,516 Federal: \$0 Other: \$18,605,620 Total: \$32,791,136 % of Total Budget: 47%	7.6.1-7.6.3
II.B Programs & Services -- Revenue & Regulatory Operations	Office and field tax audit & collection functions, tax revenue processing, Property Tax Administration and appraisal, agency litigation, and Regulatory (Alcoholic Beverage Licensing and Bingo) Administration.	State: 21,267,201 Federal: 0 Other: 3,493,770 Total: \$24,760,970 % of Total Budget: 41%	State: 21,380,354 Federal: 0 Other: 1,106,494 Total: 22,486,848 % of Total Budget: 32%	7.1.1-7.2.5, 7.3.4, 7.5.1-7.5.2
II.C Programs & Services -- Legal Policy & Legislative Svcs	Agency General Counsel; tax policy, bankruptcy matters and legislative services.	State: 625,197 Federal: 0 Other: 0 Total: \$625,197 % of Total Budget: 1%	State: 530,263 Federal: 0 Other: 0 Total: 530,263 % of Total Budget: 1%	7.6.4
III.C Employee Benefits -- State Employer Contributions	Employer (agency) share of fringe benefits paid on state employee salaries.	State: 7,151,109 Federal: 0 Other: 250,900 Total: \$7,402,009 % of Total Budget: 12%	State: 7,847,671 Federal: 0 Other: 267,221 Total: 8,114,892 % of Total Budget: 12%	7.4.1-7.4.3

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

All DOR programs are shown above. A non-recurring appropriation in FY2007 to fund fuel efficiency incentives rebates is not included above. Expenditures for incentive rebates were paid from earmarked funds, Program #II.A. FY2007 amount: \$943,514.00. Expenditures to record interest expense on tax refunds in accordance with GAAP are not included above. Expenditures recorded in program #II.A, Support Services. FY2007 amount: \$3,777,848. FY2008 amount \$5,042,492.

Remainder of Expenditures:	State:	\$0	State:	\$0
	Federal:	\$173,701	Federal:	\$197,099
	Other:	\$4,547,660	Other:	\$4,648,294
	Total:	\$4,721,362	Total:	\$4,845,393
	% of Total Budget:	8%	% of Total Budget:	7%

*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.

III. Elements of Malcolm Baldrige Criteria

Category 1 – Senior Leadership, Governance and Social Responsibility

1.1a-d. Senior leadership in the Agency consists of the Director, Ray N. Stevens, a Deputy Director, Senior Administrators and Administrators of each of the major operating units. The Agency’s leadership sets, deploys and communicates short and long term direction and organizational priorities through the strategic planning process, the annual business planning component of that process and the five-year business plans developed for agency level objectives. Performance expectations that are detailed in each employee’s Position Description

and EPMS are tied to the Agency's four key result areas of the strategic plan. The strategic plan outlines our organizational values as described in the Executive Summary and includes a focus on innovation, empowerment, knowledge and ethical behavior.

1.2. In FY 07-08, the leadership team continued its focus on both internal and external customers by supporting activities for progress on our 18 major goals and the various underlying projects that are tracked at the agency level. These goals, objectives and projects are tied numerically to the four key results of the strategic plan. Agency-level performance measures are likewise numerically tied to the key results. Management meets each Monday morning for reporting on these and other issues by our operating divisions.

Quarterly "dashboard" performance indicators are scheduled for review by the management team. Owners of the processes involved with any agency measurements are tasked with monitoring and using the data for process improvement and decision making. Progress on each annual business plan objective is reported quarterly. DOR procured a business intelligence tool, Business Objects, in FY08. It will be used to access and analyze the Data Warehouse. It will be rolled out in early FY09 and will greatly enhance employees and management in monitoring their measures and adjusting performance in real time vs. at the end of a reporting period.

1.3. The strategic planning process we employ forces us, through the SWOT process to look at the current and potential impact on the public of our products, programs, services, facilities and operations and the potential associated risks. This allows us to develop organizational objectives and allocate resources appropriately to address the issues gleaned from the information and data collected. See Category 2.

1.4. The Chief Financial Officer and staff, along with the Internal Audit staff are responsible for the accuracy and timeliness of reporting. We just completed the tenth year of agency audits that resulted in no adverse findings. Our legal counsel, senior management team, and the Internal Audit staff have policies, procedures and measures in place to ensure that the Department maintains accountability for all revenue and regulatory requirements. Our Internal Audit staff conducts audits of various processes within the Agency to ensure no improprieties exist. Additionally, employees are required annually to attend training and certify that they have read and understand the confidentiality and disclosure requirements. Each time an employee's computer is turned on, a reminder of confidentiality appears and action is required to proceed. These safeguards are employed to ensure no unauthorized information is revealed. In addition, all terminating employees and contractors are also required to sign an exit disclosure statement acknowledging that they are legally held to the same high standards of non-disclosure even after their employment has ended.

1.5. We continue to refine our set of high level measures (dashboard measures) that are reported on a quarterly basis. These measures, discussed in 4.3, allow the leadership team to monitor the effectiveness and efficiency of the agency processes.

Additional measures are reviewed at the Deputy and the division level. Performance measures track processes that show improvements and potential problems; track performance to specifications; and indicate processes needing change.

1.6. Quarterly coaching sessions with employees are used not only to review progress on

objectives that are tied to our four key result areas, but also to obtain their feedback on the effectiveness of leadership within the organization. Senior leadership supports leadership development both formally through training, and informally through coaching. DOR participates in and supports the Certified Public Manager and Associate Public Manager programs, as well as the Executive Institute. Additional leadership training is conducted at DOR on specialized topics each year.

Our values represent our guiding principles or the things about which we care most as we carry out our mission. Director Stevens and senior leadership not only model these beliefs, but also clearly and consistently articulate these values throughout the organization. Our intent is to demonstrate these beliefs in all our dealings with our external and internal customers.

Our senior leaders have been trained in quality management principles, team leadership and performance excellence techniques. Leaders demonstrate their dedication to these principles by participating in training and teams and by using the process improvement tools and process.

1.7. Senior leadership continuously mentors and coaches future leaders and participates in leadership development activities to ensure that leadership succession occurs seamlessly. Through the process, senior leadership not only promotes, but also personally participates in succession planning and development of future leaders. Predictable exits of leaders are planned for, and sometimes we hire ahead to have a smooth transition between leaders. Opportunities are provided for front-line employees and management to participate in improvement projects to hone their leadership and process improvement skills. Senior leaders are tapped to conduct “fireside chats” on leadership practices and their experience in some of our leadership courses. These have received quite impressive feedback. Senior leaders also coach and counsel, formally and informally, with many individuals with whom they interact in the course of agency business.

1.8. Senior leaders maintain a focus on improvement through the objectives and projects developed and detailed in the annual business planning step of the strategic planning process. All employees are encouraged to look for improvement opportunities while focusing on daily work or agency-wide objectives.

1.9. Senior leaders are a key part of creating an environment that fosters organizational and workforce learning. This begins from very early in a new employee’s life at DOR. Among other orientation strategies, the Director and all senior leaders meet with the new hires in a DOR-101 session. As a part of this day-long session, the new hires not only meet the senior leadership team, but the Director always talks to them about the importance of accountability, initiative, and connectivity. He sets the tone for this culture and the leadership team supports this message in everyday business dealings at the Agency. Process improvement is an important key theme of the Agency.

1.10. Senior leaders communicate with, engage, empower and motivate the workforce throughout the organization most importantly by “walking the talk.” The strategic plan guides the focus of the Agency business priorities. Its four key results (improve compliance; establish and maintain strong stakeholder relationships; maintain effective and efficient agency and enterprise services; and ensure a capable, satisfied, and diverse work team of DOR employees) are part of each employee’s job. Senior leaders communicate this priority in person and through their management staff. Employees are empowered to make a difference, to be accountable, and

to go beyond what is expected. In turn, the senior leadership team recognizes exemplary performance and effort through individual and team recognition. "Lunch with the Director" is a popular recognition tool. Stars are nominated by peers and management for this lunch. Another use of these luncheons is for state service recognition.

1.11. The Agency supports and strengthens the community, demonstrates its public responsibilities, and practices good citizenship in many ways. These communities include the professionals in various sectors, as well as the community at large in the state of South Carolina. Public trust is a vital component of maintaining high levels of voluntary compliance with the state's tax laws. We assure ethical business practices proactively through policy and training. Teams in the Agency work annually (1) to ensure compliance with implementation of new statutes; (2) to identify suggested improvements to the laws; and (3) to communicate advisory opinions and regulations to assist taxpayers.

Direct e-mail, the Compliance and Recovery Office, monthly interviews, and the Taxpayer Advocate are avenues for citizens to resolve concerns. Our Contact Center is used not only to help the taxpayer, but also to gain invaluable input to agency processes. We continue to train Contact Center employees and see this as a vital part of the Agency's listening and learning approach to gain input from the community at large.

The Agency continues to support the government community as well. For example, DOR is a primary partner in Governmental Enterprise Accounts Receivable Collections (GEAR) and SCBOS processes. These projects have a direct positive impact on reducing the burden of compliance with our tax laws. We have also maintained a leadership role in the development of the integrated financial system that the state is adopting. On the state level, our employees lead or participate in multi-agency teams to improve the processes of government. We are actively involved with professional groups in leadership roles, such as the Federation of Tax Administrators' (FTA) Best Practices and Benchmarking Team. Mr. Stevens serves on the Coordinating Council for Economic Development; is a member of the South Carolina Board of Economic Advisors; and is a member of the South Carolina Agency Directors Organization. These collaborative efforts help us to identify best practices, but also give us the opportunity to be a partner in continuously improving all governmental services for our citizens.

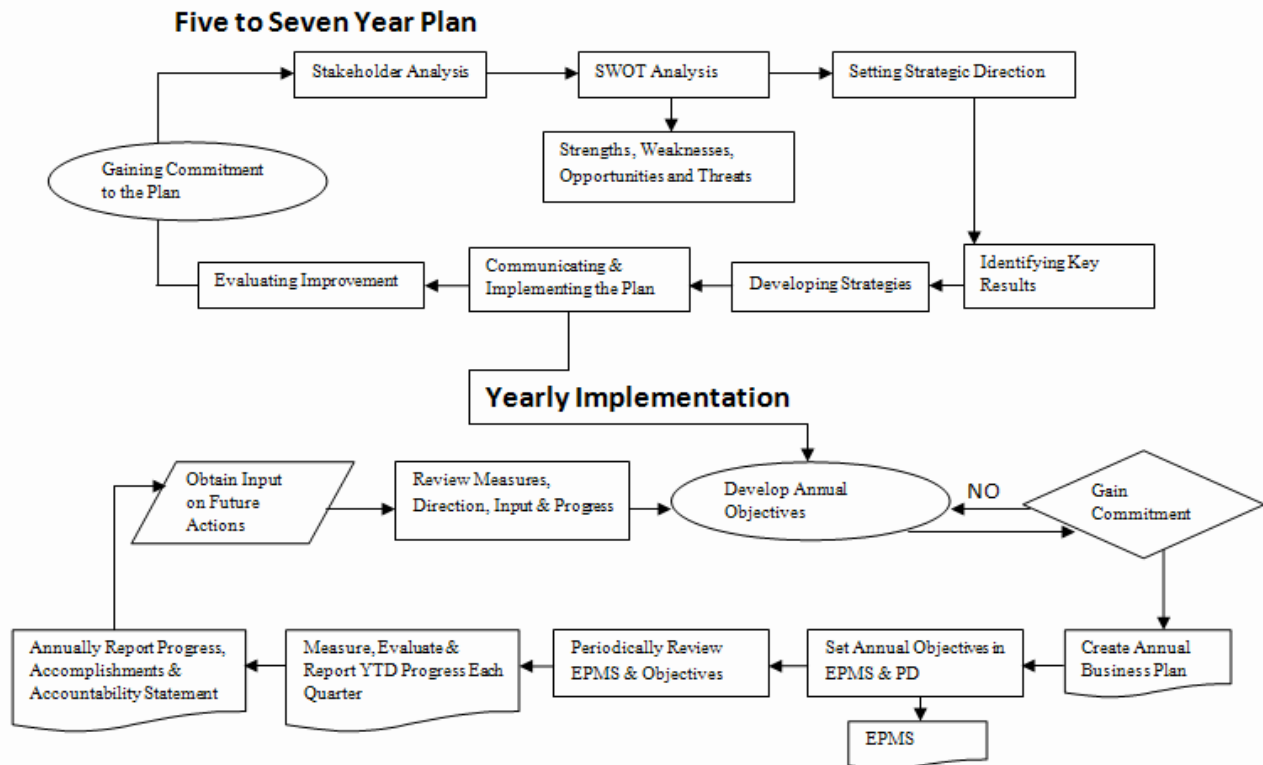
We partner with business groups, such as the State Chamber of Commerce, Municipal Association, Association of Counties, the Small Business Development Centers, the Hospitality Association, the Manufacturers Association, the SC Hospital Association, and the SC Manufacturers Alliance, and others on joint projects and provide education to these groups. Our collaboration with state partners includes the Departments of Transportation, Labor Licensing and Regulation, Commerce, Health and Environmental Control, and the Education Lottery, to name but a few. We regularly serve as a pilot site with the IRS to bring taxpayer friendly programs to South Carolina citizens, such as issuing federal employer tax identification numbers. We make many presentations to a wide variety of audiences upon request about both our taxation and leadership approach in a number of areas.

Senior leaders are highly involved in the support of these community endeavors. Both senior leaders and line employees participate in planning and advocating for these projects. They include the United Way, the Good Health Appeal, Cooperative Ministries, the Red Cross,

Harvest Hope Food Bank, the national Multiple Sclerosis MS 150 bike tour, the Leukemia and Lymphoma Society and our community schools.

Category 2 – Strategic Planning

2.1a. The Agency’s strategic plan is the basis for both our long- and short-term planning processes. We review strategic issues facing us in the next five years. Our strategic planning process gives us a future-oriented basis for business decisions, resource allocation and management, and helps us stay focused on those things that are important priorities for the Agency. Below is a graphic of the Department’s strategic planning model.



We continue to keep focused on our customer and stakeholders through the SWOT portion of this process. It helps us identify our **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats or risks that could impact our actions. This research and analysis process gathers input from employees, business and non-business taxpayers, elected officials from both state and local government, tax practitioners, media, other state agencies, government entities within the state, suppliers/contractors/partners and professional associations. The main themes that surfaced from recent internal assessment and employee focus groups included the need for more technical training, a continued focus on workforce planning, salaries and benefits, and employee career paths.

Our external scan revealed issues related to increased intergovernmental interactions amid the cry for smaller government, the ability of state government in general and DOR specifically to recruit and retain the best employees and candidates, the ever increasing dependency of customers and employees alike on technology solutions, and the expansion of a non-English speaking population.

2.1b – f. The key results, strategies, objectives and projects of the strategic plan focus the agency on addressing short and longer-term priorities related to risks of any nature as well as the

shifting technological, regulatory, and customer preference arenas. As described in 2.1a above, through the SWOT analysis we have taken into consideration our workforce capabilities and needs, the opportunities and barriers we are and will be facing, and organizational continuity issues that would need to be addressed in emergencies.

Having all employees' position descriptions and subsequent evaluations tied to the strategic plan enables us to seamlessly execute our strategic plan.

2.2. All of our strategic objectives were developed through thorough market research and with input from our stakeholders. This information was synthesized to determine the strategic challenges we would be facing over the next five to seven years.

Our business plans are closely aligned with our strategic plan. The 18 major business objectives of our annual business plan tie directly to one or more of the four key results. Since the strategic plan process described in 2.1a above identified the major opportunities, threats, and challenges facing us over the next five years, we were able to identify and align our business objectives to address the needs.

2.3. We develop our action plans through our annual business planning process. Each year, natural work teams and project teams set objectives and action plans that target one or more of the strategies tied to the key result areas. Our annual business plan addresses improvement opportunities at the team, operating division and agency level. Planning is an annual process that we believe not only aligns employee efforts with the issues of most importance to our agency, but also helps us monitor progress and use resources wisely. Our agency level annual business plan focuses on significant multi-year business plans, typically that involve a combination of multiple DOR divisions and external stakeholders.

The significance of aligning individual duties and accountability to the strategic plan is underlined through explicitly tying job duties to key results on each employee's position description and EPMS as mentioned in 1.1. In addition, quarterly coaching sessions are strongly encouraged for each employee during the EPMS process. Part of that coaching includes reinforcement of the key results and the employee's unique responsibilities that will help us better accomplish our mission.

These plans are then tracked through: (a) periodic presentations of the 18 agency level business objectives; (b) quarterly year-to-date progress reports; and (c) regular review of the dashboard measures which tie to our key results areas.

2.4. The strategic plan is communicated in group meetings and is reinforced by the supervisors within each division. In addition, other types of communication include other media such as e-mail, brochures, posters, and through communicating Monday morning meeting minutes in our *This Week* publication. For new employees, an orientation session called "DOR-101" educates employees to the Agency, the strategic plan, and the strategic planning process. Annual business plans are deployed throughout the Agency by the division leadership teams. Individual work teams also identify continuous improvement projects that support strategic business needs.

2.5. As described in 2.2 above, we measure our progress on each action plan in the annual business plan through quarterly reporting. In addition, these are monitored by the respective

leaders of the objective teams on a continual basis, and problems or obstacles are reported to the senior leadership team on a timely basis.

2.6. Evaluation and improvement of the strategic planning process occurs annually through our planning cycle. In addition, we employ the Institute for Public Service and Policy Research as strategic planning consultants as needed. Annually we look at last year’s progress, evaluate current needs, and establish goals for the year that reflect the needs. Through the use of the “plan-do-check-act” improvement cycle, we not only review the plan itself but also the process as we establish new plans.

2.7. A listing of our key results and objectives is located at <http://www.sctax.org>, then click on the Strategic Plan button.

As shown in the Strategic Planning Chart below our plan includes four key results areas and their associated action plans along with the key performance measures. Our key results are: Maximized Compliance, Strong Stakeholder Relationships, Effective and Efficient Agency and Enterprise Services, and Capable, Satisfied, and Diverse Work Team.

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 07-08 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
I.A Administrative & Program Support	Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	3.5 Improving Processing Operations Performance	7.1.4-7.2.5, 7.5.1, 7.5.2
II. A Programs & Services - Support Services	Key Result 1 - Maximize Compliance Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	2.1 Drive One-Stop Business Registration 2.2 Provide Stakeholder Education and Feedback 2.4 Provide Property Tax Training for Newly Elected County Auditors 3.1 Improve Performance Measurement Systems and Processes 3.6 Develop Procedures for County Reimbursement Under New Property Tax Legislation (H4449) 3.7 Improve the Forms Development Process	7.6.1-7.6.3 7.2.1, 7.2.4 All measures in category 7
II.B Programs & Services - Revenue & Regulatory Operations	Key Result 1 - Maximize Compliance Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient	1.1 Find Non-filers 1.3 Establish a Data Warehouse 1.5 Implement a Formal Audit Plan 1.6 Utilize Treatment Scenarios	7.1.3

	and Effective Agency and Enterprise Services	2.3 Develop the South Carolina Integrated Tax System (SCITS) 2.6 Upgrade the Agency Website 3.2 Upgrade Technology Infrastructure	
II.C Programs & Services - Legal Policy & Legislative Svcs.	Key Result 1 – Maximize Compliance	1.4 Maximize Voluntary Compliance through Fair Share Activities	7.6.4
III.C Employee Benefits-State Employer Contributions	Key Result 4 - Capable, Satisfied, and Diverse Work Teams	4.1 Guide Agency Workforce Planning Initiatives 4.2 Implement the Statewide E-Recruitment Initiative 4.3 Enhance Tax Law and Systems Training	7.4.1-7.4.3

Category 3 – Customer Focus

3.1. Through our strategic planning process and implementation, the Agency’s key customers and stakeholders have been identified as those who use state revenues; the agencies that rely upon state revenues; individual and business taxpayers of the state; tax practitioners acting on behalf of those taxpayers; regulated businesses; statewide property taxpayers; local governments; elected officials; and federal, state and local governments. We define our customer groups by the products and services they require. This allows us to determine and fulfill our customers’ key requirements by asking questions, defining terms, setting standards, and employing continuous improvement methodologies. Strategies are then built to address those requirements.

3.2. We continuously search for and employ customer-friendly feedback vehicles to listen and to learn what our customers’ needs and expectations are. As mentioned above, and in Category 2, we utilized the strategic planning SWOT process to conduct focus groups with our major customers and stakeholders to ascertain future expectations of our processes and employees. These focus groups are an invaluable listening and learning mechanism. Our website is an avenue for our customers to provide feedback and access services. SCBOS, our internet registration and filing method, employs a feedback loop should a citizen wish to provide it. All notices that are sent by the Agency contain a telephone number for customers to make inquiries and suggestions. Our annual Customer Satisfaction Survey conducted by the University of South Carolina is another vehicle for us to gain feedback from our customers. We also continue to utilize our Contact Center and Taxpayer Service Centers to gain insight from callers and walk-ins on problems, preferences, concerns and trends. Our monthly Sales and Use and Withholding Tax forms workshops, the Small Business Workshop and the various other taxpayer education session participants are encouraged to provide feedback via written evaluations upon conclusion of each class. We are provided with news clips from papers across the state, the *Wall Street Journal*, *Washington Post*, *Charlotte Observer* and others to keep a finger on the pulse of current events that could potentially affect our tax administration.

We are required to update our forms annually. Employee teams are formed each year to

accomplish these updates and external focus groups are used to gain input for our Individual Income Tax, Sales and Use Tax, Corporate Tax, and Withholding Tax forms. This has proved invaluable in helping to build relationships and, more importantly, in gaining greater knowledge of the ever changing needs and expectations of customers and businesses.

3.3. The Department provides many access mechanisms for our external customers that allow them to seek information, conduct business, and make complaints. For example, DOR established a single customer sign-on for access to all DOR web applications requiring only one user name and password. This allows our customers access to the information about their business in a more timely and streamlined fashion. Our website has been built around customer needs and expectations and allows them to make suggestions and ask questions about requirements. We have made major strides in making our website compliant with Federal Section 508 that requires electronic and information technology accessibility for citizens with disabilities. In the previous section on listening and learning opportunities (3.2), the mechanisms described provide customers the opportunity to not only access DOR resources and expertise, but also provides opportunities for feedback about services provided and other needs.

3.4-5. We view every complaint or comment as an opportunity to improve our services. Strategies for one of our agency level objectives have included holding a number of focus groups to get feedback on our tax forms. As mentioned in 3.2, we look to the workshop participants and to a wide variety of other stakeholders to help us keep our services relevant and to identify additional opportunities for improvement. Many of the enhancements, improvements and additions to our electronic means to deal with the Agency come directly from customer and stakeholder trends. Including feedback from tax practitioners, tax accountants, CPAs and taxpayers for our forms design teams has proved invaluable in simplifying content and format of information on our tax forms.

The Agency has employed several methods to collect customer/stakeholder satisfaction and dissatisfaction input to determine the strength of our relationships and to improve processes. These include:

- The University of South Carolina's Institute of Public Service and Policy Research Biannual Survey of the South Carolina Public includes our annual satisfaction survey on overall service delivery, quality of information received, and the ease of the process. (See Figures 7.2.1. and 7.2.4.)
- Taxpayer education initiatives, such as our Sales and Use Tax Workshops, our Tax Forms Workshops, and the Clemson Workshops are used in part to measure customer satisfaction and gain valuable input to our forms and processes.
- The use of focus groups when developing forms and notices help us ascertain when we are doing things well or poorly.
- The Taxpayer Advocate's Report is a measure of the number of types of complaints, the resolutions of those complaints, and the processes that have been changed as a result.
- Participation with the CPA Association provides critical information about forms, processes, and needs.

3.6. We build positive relationships with customers and stakeholders in a number of ways as identified by the various groups and methods to address their particular needs detailed in the Organizational Profile. We understand that most taxpayers will voluntarily comply with the tax laws if the instructions are clear, understandable and simple. With the expansion of the

capabilities of our business registration website, SCBOS, we have made it easier to start a business in South Carolina and provide the information needed to get the right business licenses and set up tax accounts. We are partnering with multiple entities as members of the Executive Team for this project. These are: Secretary of State's office, Employment Security Commission, Department of Health and Environmental Control, Department of Consumer Affairs, Department of Labor, Licensing, and Regulation, Office of CIO (Budget and Control Board), Department of Commerce, S.C. Chamber of Commerce, S.C. Association of Counties, and the Municipal Association of S.C. Through our collaborative efforts we have made it easier and faster for new and existing businesses to obtain or renew licenses, permits or registrations (LPR's), make changes to existing LPR's, and file and pay taxes online.

The Agency holds workshops to update taxpayers on tax law changes and forms revisions (i.e., Clemson Individual Income Tax Workshops, Small Business Workshops, Withholding, and Sales and Use Tax Workshops). Additionally, workshops are scheduled with local government officials, county auditors, treasurers and assessors to address new tax legislation that affects these entities. Other regional workshops are conducted on a variety of tax matters. These workshops allow us to gain valuable input to our processes as well as help to build positive relationships with these customer and stakeholder groups.

The Agency has structured ways in which to educate and to be responsive to the various needs of our customers. In addition to personal telephone assistance, responding to mail and e-mail correspondence offered on our website, the Department provides:

- News releases for information of general interest to the public and information letters for information of general interest to tax professionals;
- Advisory opinions providing the formal policy statements of the Department;
- Brochures for taxpayers, including:

Moving to SC: A Tax Guide for New Residents

Guide to South Carolina Taxes for Military Personnel

A Tax Guide to South Carolina's Accommodations Tax on Vacation and Second Home Rentals

Publications for business tax professionals include:

South Carolina Sales Tax Newsletter

S.C. EFT Program Guide

Computer Assisted Audit System (CAAS)

South Carolina Property Tax

Summary of South Carolina Corporate Income Taxes

South Carolina Department of Revenue Legislative Update (each year)

South Carolina Tax Incentives for Economic Development (each year)

All of the above material is available on the Department's website and all of the material for tax professionals is sent to them through a listserve.

Our website's "Frequently Asked Questions" provides solutions or answers to common taxpayer questions. Each April, citizens greatly appreciate the Agency's "forms drive-through" service at the Columbia office, which allows taxpayers the ability to pick up their state and federal tax forms without leaving their automobiles.

We offer a variety of methods for customers to file taxes, obtain forms and register a business. Our website allows for certain tax filings and credit card payments, business registration, and

answering questions. Both current and past year tax forms are available. Also available via the website and our Refund Hotline is refund status information. Internet filing is available for Individual Income Tax, Sales Tax and Withholding Tax. The internet is also available for payments for sales, withholding, corporate, individual income tax, receivables, and approved pay plans. Through our other electronic payment option of electronic funds transfer (EFT), taxpayers can also pay withholding, corporate, and a number of the miscellaneous taxes including motor fuel and deed recording, among others. Through our online SCBOS project, business owners can not only register a business, but also pay for their licenses and fees via the internet.

The method of defining our customers by the various products and services we deliver has proved to be extremely helpful in differentiating between our numerous customer and stakeholder groups. Our industry specific sales and use tax workshops were developed to address a particular industry's concerns.

Category 4 – Measurement, Analysis, and Knowledge Management

4.1-2. The agency leadership has long reviewed all types of data to ascertain the progress made in our operations, processes, and systems, and in turn to use that information for decision making and innovation throughout the Agency. Our key or “dashboard” measures are discussed in 4.3. These measures were synthesized from over 120 department measures, many of which continue to be reviewed at the operational versus executive leadership level. These measures were agreed upon by the leadership team as those that would provide an overall picture of the “health” of the Agency. They are reviewed on an annual basis to ensure that they are still appropriate and adequate to manage the agency. Additionally, each strategic objective and action plan includes measures that are developed to ascertain progress on the objective. The following characteristics of the measures are required:

Definition: *Give operational definition of measure.*

Data Source(s): *Where does the data come from? (e.g., monthly mainframe collections report) Who collects the data if it doesn't come from the mainframe?*

Why is it important? *Why this measure? What does it tell us? How does it relate to an important outcome? What decisions are affected by this measure?*

Factors Affecting Performance: *What major variables will affect this measure? This could include both controllable and uncontrollable variables.*

Analysis of Current Performance: *This section is updated each reporting period with year-to-date analysis. Describe special cause situations, trends, anomalies, or process changes that affect performance.*

4.3. Our agency dashboard performance measures align numerically to the agency strategic plan. These measures include: total collections, total enforced collections, customer satisfaction survey results, refund cycle times (various taxes), cost per dollar collected, percent of returns received electronically (various taxes), percent of returns received electronically, deposit opportunity cost, total number of transactions processed, debt collected by setoff, voluntary resignations, equal employment opportunity (EEO) parity rate, and others. These results are found in Category 7 of this report.

Measures are reported on by use of a standardized format that states the related key result, measure type (input, output, outcome), location of the data and charts, averages for the last five years, goals for this year, goals for the next five years and the individual held accountable for the data. All dashboard measurement data is located in the “shared” directory of our Local Area

Network and is accessible to our employees. The Agency continues to use these measures in the senior leadership appraisal system as they are aligned with the strategic plan and the managers' areas of responsibility.

Most of the data related to performance measures is now in our Data Warehouse. This year, DOR procured a business intelligence tool (Business Objects), which taps the data warehouse information and provides delivery of these measures to all users. This centralization of measurement and reporting should greatly improve the timely availability of data, allowing users to assess actual performance to expected performance during the period, instead of after the period ends. This will enable users to adjust performance to better meet goals, if needed.

4.4. We participate in the FTA's Benchmarking project for our comparative data. There are very few state revenue departments that are currently participating in the benchmarking efforts, but the hope is that this initiative will expand to give revenue departments a more extensive and sound method of benchmarking similar processes. The sharing of this information allows us to analyze our processes and benchmark with those states whose results are superior to ours.

4.5. An independent security audit was completed on our computer systems to help maintain data integrity, accuracy, and security ensuring the reliability of data used for decision making. The Business Objects tool developed this year and discussed in 4.3 will be a primary tool for giving timely feedback on performance, allowing better opportunities to improve during the process versus at the end of the period.

4.6. With a quarterly review of performance data and quarterly updating of the annual business plan objectives, we are able to focus our resources on those action plans that are either not attaining their milestones or celebrate the achievement of those that remain on target. The data provided for these performance reviews allows us to target processes for improvement.

4.7. Leadership development and knowledge transfer are key parts of our strategic plan. DOR has invested significant resources in cultivating our leaders of the future. We participate in the Associate Public Manager Program, Certified Public Manager Program, and the Executive Institute on the state level. On the agency level, we designed and implemented a leadership development process for potential leaders who are earlier in their careers and who are spread across the spectrum of our agency functions.

We also use our electronic means to promote employees keeping abreast of the information and data that is compiled. Our "shared" directory and internal web site, Dagnet, contains a wide variety of information on technical subjects and also includes a succession planning guide. These documents can be completed by employees to allow for the seamless transfer of knowledge.

As mentioned in the major achievements portion of the Organizational Profile, our workforce planning effort is focused on knowledge transfer. Because of the large exodus of TERI employees over the past few years, we conducted job analyses with a number of these employees to capture the duties, tasks and knowledge they have and to share best practices. Further, a job analysis process was completed with the majority of job families throughout the agency documenting their duties, tasks, knowledge, skills, equipment, supplies, future issues and concerns. The job analysis tool continues to be used as a primary tool in constructing new career

paths and revising older ones. This ensures that job competencies and knowledge transfer is a part of structured career progressions.

Category 5 – Workforce Focus

5.1. The Agency is organized in each division and section by natural work teams that have specific responsibilities and measureables that are monitored and reported as appropriate. These teams are empowered to cross team and division lines to communicate issues and to collaborate. Cross-divisional work teams are appointed to work on substantive improvements and implementation projects identified through the annual business planning process and tied to one of the four key results of the strategic plan. The talents and initiative of our employees are the ultimate keys to our success. The use of teams from the process under study encourages and motivates employees to solve problems and make continuous improvements.

All Position Descriptions are written to tie directly to the mission of the organization. All EPMS documents were rewritten to tie directly to our strategic plan. In addition, many of our frontline workforce has a Job Development Plan or career path that ensures progression in knowledge and skills and encourages employees to develop their potential. The majority of these plans reside on our intranet, DragNet. See below:



The Agency has committed to providing our employees with state-of-the-art computer equipment by “bulldozing” every few years with leased equipment. We also provide up-to-date software to our employees to give them the tools they need to best serve our customers.

5.2. Communication and knowledge sharing is fostered by the common focus of the strategic plan. Work flows across divisional structures within DOR and management is trained to timely identify problems and make process improvements in conjunction with others since we do not function in silos. Best practices are identified both within the organization and also through work with other state revenue departments. We also serve as a benchmark for others. Recently the Kentucky Department of Revenue spent a day touring and learning about our advanced processing capabilities.

5.3. Key result 4 of our strategic plan is to ensure a capable, satisfied, and diverse workforce. Our hiring practices fully support this goal. The process by which management recruits and hires has been in transition this year as the state has implemented the new NEOGOV system. This is an internet-based system that has resulted in a 157% increase in applicants at DOR. Jobs are posted on the state website and individuals can easily submit their applications. DOR has a structured hiring process that involves training on the front end with new hiring officials. Current EEO goal attainment information is provided to each hiring manager with their file. Many of our jobs require a higher minimum training and education requirement than does the state job specifications due to the specialized nature and skills required for tax administration. We use a variety of strategies to retain the capable individuals that we hire. The results support our success in this regard. Figure 7.4.2 shows our turnover rate, which is significantly less than the state average according to the state Office of Human Resources. Challenges in the process at any time could include our competitive position with regard to salary for capable professional positions, particularly in the information technology area. Transitioning to NEOGOV has also presented administrative challenges.

5.4. Assessing workforce capability and capacity needs is handled in part by the measurement system we have in place. Managers and supervisors closely monitor production statistics, coach and counsel with employees, train or request training opportunities as appropriate, and evaluate using the performance management system as described in 5.5 below. Job competencies are identified through job analysis and are the basis of all our career path or job development plans.

5.5. The Agency's approach to managing employee performance is through formal quarterly EPMS coaching sessions. All employees' planning stages include specific ties to the agency strategic plan; therefore these sessions allow for a free exchange of information to support continued high performance within the agency. Other successful components of our performance management system include: training development plans, universal review date for executive management that ties to the timeline of the annual business plan, and formalized succession planning.

5.6. The Agency has long held a leadership role in the state for our quality improvement and leadership training. For the last 18 years we have introduced our employees and many from other agencies to the quality tools and processes.

5.7-8. We identify and address workforce developmental and training needs through periodic needs assessments. During the internal scan process of the strategic plan review, employee focus groups identified a need for more technical training. We continue to focus on e-learning available through Rev'n U to provide just-in-time training without travel costs. We have developed a wide array of general tax and tax specific "on-the job" course modules available for online users. See our Rev'n U Learning Portal below.

Expect More. Do More.

Rev'n U Learning Portal
 >>> the first place to look for eLearning

Whether you need to sign up for an upcoming class, launch an online self-study resource, or review your training activity, you can do it all from the comfort of your own computer. The **Rev'n U Learning Portal** lets you take charge of your learning at the S.C. Department of Revenue.

Look for upcoming training events
 The SCDOR training calendar is only a click away. You can view the scheduled events in a calendar or as a list. If you notice that a class you want to take isn't offered, you can request it through the Courses Catalog and be notified later.
[View upcoming events >>>](#)

Access self-study resources
 What would you like to learn? Expanding your knowledge just got easier with our online Self Study Center. Here you can access custom-made DOR eLearning modules as well as self-study documents available to employees.
[Access the Self-Study Center >>>](#)

Review your DOR training history
 When was that class? Now you don't have to call and request a transcript of your training history, you can look it up yourself. You can view the history for Instructor-Led events you've taken and see your upcoming activity, too.
[Review your training activity >>>](#)

When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have technical training initiatives and quality and leadership initiatives. A sample of classroom training is listed below. Courses have been developed that address job skills, performance excellence, diversity, management and leadership training. Below is a sampling of the classroom training offered.

Classes Scheduled (All)
 Find a Class by searching for a Keyword in the Title or by filtering using the toolbar items.

For: All Courses

Class Date	Schd Time	Course Title	Id	Site	Location	Event Type	Status
8/13/2008	02:00PM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
8/19/2008	09:00AM	Employee Performance Manag	TQM-416	Columbia Mill Building	4th Floor Training Room	Classroom	Available
8/21/2008	09:30AM	Maximum Tax Seminar	ADH-263-H	Hilton Garden Inn		Classroom	Available
9/9/2008	09:00AM	Withholding Tax Workshop	TAX-264	Columbia Mill Building	4th Floor Training Room	Classroom	Full
9/11/2008	09:00AM	Advanced ARMS (Main and Fk	SYS-127-C	Columbia Mill Building	Learning Center	Classroom	Wait List
9/17/2008	09:00AM	Employee Performance Manag	TQM-416	MarketPointe	Mkt Pointe Training Rm	Classroom	Available
9/17/2008	09:00AM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
9/17/2008	02:00PM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
9/24/2008	09:00AM	ABC's of Progressive Discipline	TQM-419	MarketPointe	Mkt Pointe Training Rm	Classroom	Open Class
9/25/2008	09:30AM	Sales & Use Tax Seminar for t	TAX-263-D	Hilton Garden Inn		Classroom	Open Class
10/8/2008	09:00AM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
10/8/2008	02:00PM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
10/23/2008	09:30AM	Sales & Use Tax Sem. for Gov	TAX-263-G	Charleston		Classroom	Available
11/5/2008	09:00AM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available

Additionally, all of the methods and materials listed in 3.4-3.5 to educate our customers are also available and used to train our employees.

We evaluate the effectiveness of training and encourage the use of the new knowledge and skills primarily through our formal Job Development Plans for much of our frontline workforce that requires development of specific skills and duties. Teaching and training are required for certification and progression to the highest step of each plan. Each employee can reach the top of the individual plan with dedicated effort.

We provide 75% tuition reimbursement for up to 12 semester hours per year for our eligible employees seeking a higher education. Our variable work week or work hour options assist those interested in completing accounting hours or degree requirements to qualify for entry into another job area in our agency. We sponsor an on-site Toastmasters group to allow employees to acquire and polish their public speaking skills. We also offer the John T. Weeks Scholarship for employees' children as well.

Additional training opportunities the Agency endorses include: regional and national tax administrator courses, Motor Fuel task force classes (as trainers and participants), CPE Training, tax law, technical skills, supervisory training, quality and leadership training, Certified Public Manager, Associate Public Manager, and the Executive Institute.

When new employees are hired, we introduce them to the Agency through our orientation course, DOR 101. This training day includes a tour of the processing facility at Market Pointe, a formal meeting with the Director, Deputy Director and the senior management team. All of the senior management team introduces themselves and gives a brief introduction to the functions of each division. Other subjects addressed in this orientation include the Strategic Plan and an overview of taxes administered by DOR, the Taxpayer Bill of Rights, customer service, tax research on the DOR intranet and the internet, bribery awareness, and penalty and interest calculations. The skills and knowledge gained through training are used on the job.

5.9. Employee training is a vital part of ensuring we achieve DOR goals, objectives, and are able to execute the action plans. The training outlined above is evidence of DOR's commitment to giving employees the tools they need to do their jobs. The performance measurement system indicates that our training strategies are successful in producing results.

5.10. Evaluating effectiveness of workforce and leader training is a structured part of each formalized course. Within several of the courses, including the state Certified Public Manager Program, participants do a project to reinforce the application of the skills and knowledge learned. The performance management system includes a planning stage where individual training plans for the year are discussed. Effective application of the skills and knowledge are assessed on the job and is included in the final evaluation.

5.11. The methods and tools of implementing the components of Category 5 are critical components of influencing individual motivation. This includes both strategies that apply to job tasks and to workforce benefits or flexibilities that help our staff balance their personal and professional lives. More specifics about these benefits and flexibilities are discussed in 5.12-5.14. Leadership and communication are both important components of motivation, as is giving the employee specific accountability for job tasks and recognition of their performance.

5.12. Employee well-being and satisfaction is a significant indicator of return on our investment. Our measures include results of focus groups, exit interview feedback, turnover, absenteeism, and grievance statistics. We couple the diversified state benefits package with other initiatives that have proven successful, such as ongoing health screenings and stress reduction programs, weight watchers, an exercise group, and the DOR golfers. Tuition reimbursement and variable work week or work hour options assist employees in balancing their personal lives and professional development needs. The availability of a laundry pickup and delivery service has been well received. The Employee Assistance Program is available to all employees. Formal

appreciation events included an employee appreciation barbeque lunch, lunch with the Director program, and our Director’s Shining STAR reserved parking space. All continue to be popular recognition options. Many work groups organize their own recognition celebrations on an ongoing basis.

Historically, DOR’s turnover is significantly lower than other state agencies according to data provided by the Office of Human Resources at the Budget and Control Board. We have low turnover (See Figures 7.4.1-7.4.2) and grievances are unusual. This was verified through the results of our employee focus groups’ answer to the question of “If your son or daughter (or someone close to you) was thinking about coming to work for the Department of Revenue, what would you tell them?” According to the Governmental Research and Service group of the Institute for Public Service and Policy Research at the University of South Carolina, the majority of employee views present a balanced picture of life at the Department of Revenue.

5.13. For the majority of DOR jobs, a formalized Job Development Plan is in place that is built on job competencies. Each plan identifies those competencies, and progression is dependent on the employee successfully and independently demonstrating these competencies over time in their work product. With dedicated effort over a period of years, these employees can reach the top levels of the plan. As to succession planning, job analysis is also used to identify key duties, skills, and priorities. When we know in advance that key staff is leaving the agency, we occasionally hire in advance to ensure a smooth transition in these job duties.

5.14. Initiatives in the area of maintaining a safe, secure and healthy work environment include: ergonomics and air quality studies; health screenings, flu and pneumonia shots, walking club, weight loss club, CPR training and on-site mammography as well as blood donation opportunities on-site. We developed a Business Continuity Plan that is updated periodically to address workplace preparedness for emergencies and disasters.

Category 6 – Process Management

6.1–6.6. The Agency is aligned to its identified core processes and competencies. All products and services, which are either in place or to be designed, link to one of the core processes. The core processes were identified through the SWOT portion of the strategic planning cycle. Below is a table identifying these processes. (Figure 6.1.1) **Note:** Support processes are included in the Administration category.

Core Processes	Sub-Processes	Stakeholders
Revenue Processing & Allocation	Forms Design and Management Mail Processing Records Electronic funds transfer/electronic data interchange Electronic Filing/Payment Enforced collections deposits/cash management Payment Processing Return Processing Refund Processing Data Collection Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes	Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers Practitioners Citizens Comptroller General

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	<p>Motor Fuel Taxes Dry cleaning \$9.5 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers</p>	
<p>Registration, Licensing, and Exemptions</p>	<p>Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering</p>	<p>Elected Officials Other agencies Governments Business Taxpayers Practitioners Citizens</p>
<p>Valuations</p>	<p>Manufacturing Property Utilities, carlines Business personal property Fee in lieu of taxes (FILOT) Motor Vehicle guides Motor Carrier</p>	<p>Local Governments Department of Public Safety Department of Transportation</p>
<p>Compliance</p>	<p>Audits and collections Data Reconciliations Code Enforcement Process Regulatory Violations Criminal Investigations/Prosecutions Assist Other Agencies/Governments</p>	<p>Elected Officials Other state agencies Governments Non-Business Taxpayers Business Taxpayers Practitioners</p>
<p>Guidance, Education, Marketing, and “Answers”</p>	<p>Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers Speakers Bureau Taxpayer Rights Advocate Training Rev’n U Publications New Legislation Guide Annual Report Legislative Affairs and Press Releases Forms Policy Documents Assist Other Agencies Local Government Liaison Provide Statistics/Data Education and Training</p>	<p>Elected Officials Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens</p>
<p>Dispute Resolution</p>	<p>Mediation Negotiations Error and Assessment Notices Error & problem resolution Taxpayer Advocate Appeals Administrative law court and other court cases</p>	<p>Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners</p>
<p>Administration</p>	<p>Human Resource Planning and Development Information Technology Facility Management Financial Management</p>	<p>Elected Officials Governments Non-Business Taxpayers Business Taxpayers Practitioners DOR Staff</p>

Fig. 6.1.1

The agency utilizes the process where customers/stakeholders are defined by the products or services they receive, whether they are internal or external customers/stakeholders. This design and delivery model (Figures 6.1.2 and 6.1.3) requires us to look at how we can incorporate new technology, along with changing customer and mission related requirements, and it has given new insight to help us develop and implement appropriate improvements to our process. This model is the way in which we review all of our current processes for improvement opportunities or design of new processes. It shows how we ensure customer/stakeholder involvement.

Customer Service Design and Delivery Diagnosis Worksheet Instructions

Describe the system

1. Identify the product (and its producer) around which the symptoms/objectives seem to be centered.

Product – A deliverable created by work activity. Products are nouns, countable, and can be made plural with an “s”. Be as specific as possible. Examples include: PC repairs, purchase orders, financial audit reports, grant applications, strategic plans, etc.

2. Identify the end users of the product. End users are customers who actually use the product to achieve a desired outcome. They are the people we had in mind when we created the product.
3. Define the outcomes (results) expected of the product for the end user(s) and the producer.
4. List the key product attributes likely to be expected by the end user(s). Examples include easy to use, fast, simple, accurate, etc.
5. Describe the major steps of the process that produces the product.

Check Vital Signs

6. Does the product meet the end users’ expectations?
7. Is the product achieving the desired outcomes?
8. Is the process able to produce the product accurately?
9. Is the process able to produce the product in a timely manner?
10. Does the process take too long?
11. Does the process cost too much?
12. Is the process too complex?

Select Appropriate Change Process

© Ken Miller, The Change Agent’s Guide to Radical Improvement, 2002. www.changeagents.info

Fig. 6.1.2

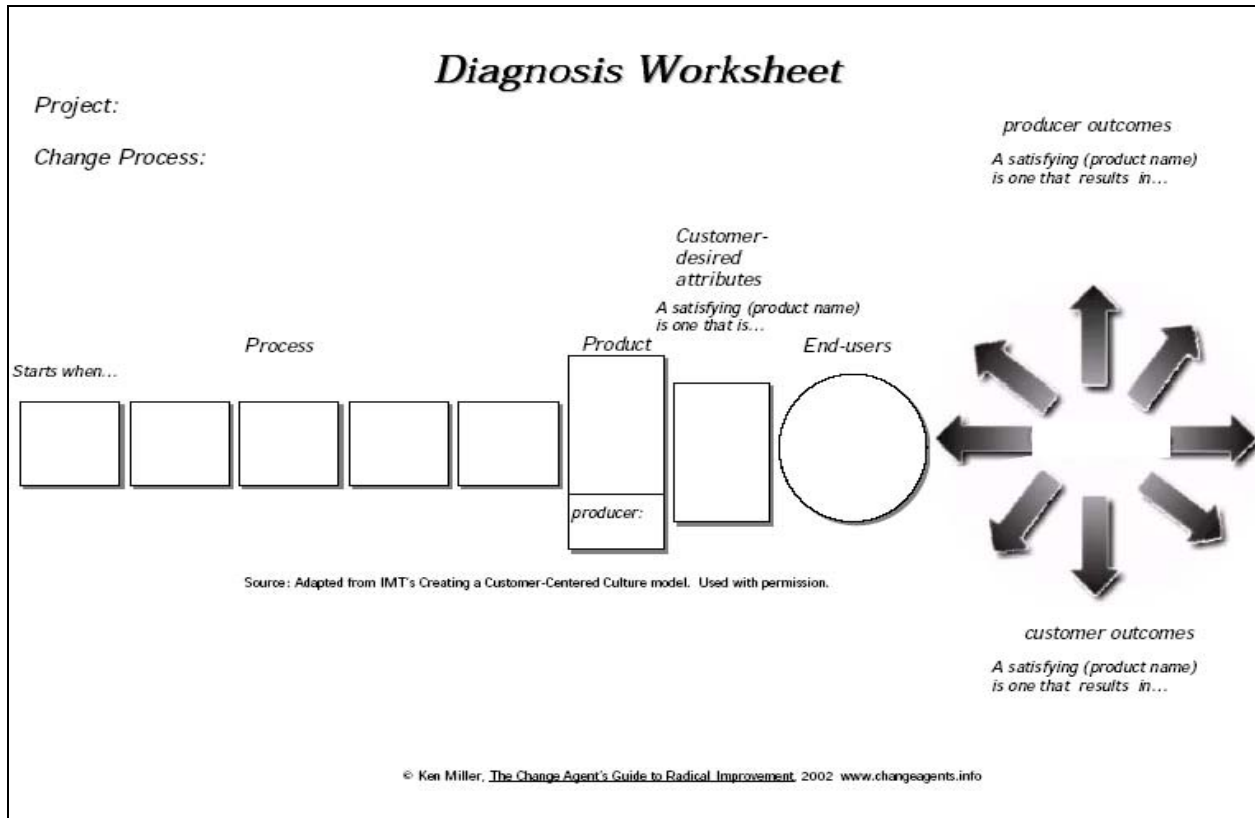


Fig. 6.1.3

6.7. As a part of identifying customer and stakeholder needs, identifying resource needs, and looking at the environmental scan of strengths, weaknesses, opportunities and threats, we determine resources needs and prioritize resources to fit within our projected budget and financial obligations. Our budget is categorized by the major activities of the agency and resources are allocated using an activity based costing process. We develop projected budgets forecasting expenditures for the next five years to allow the agency to monitor long term projects and anticipate the impact of future budgetary changes.

Category 7 – Results

7.1 Mission Accomplishment Category 3.1 lists our stakeholders and customers which include other state agencies, local governments, and the General Assembly. Our measures that deal with administering the revenue and regulatory laws of the state and collecting the revenue due the state are primary components of the assessment of how well we accomplish our mission. Figure 7.1.1 shows our collections over the prior fiscal years.

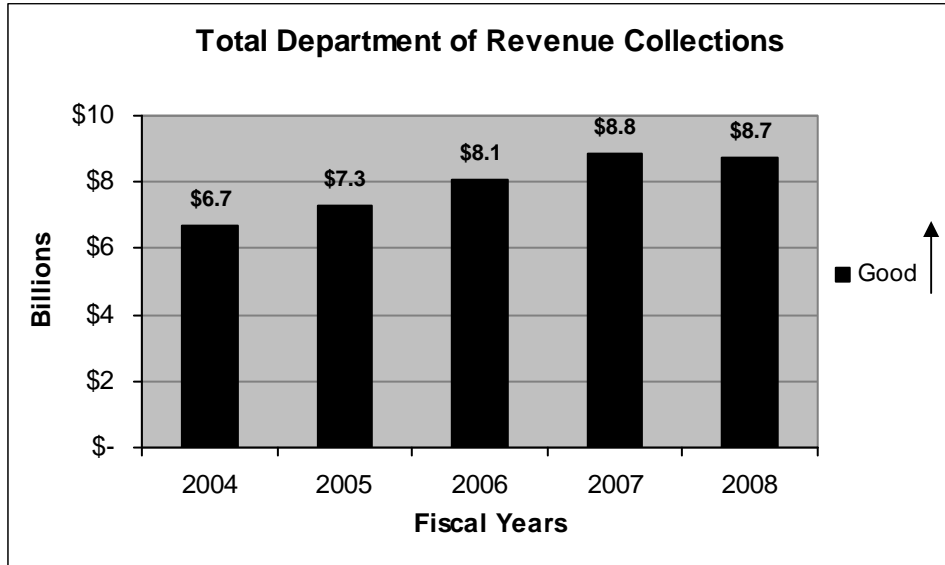


Fig. 7.1.1

With our mission of collecting the tax revenues due to the state, Figure 7.1.2 shows the total enforced collections and its growth over prior years.

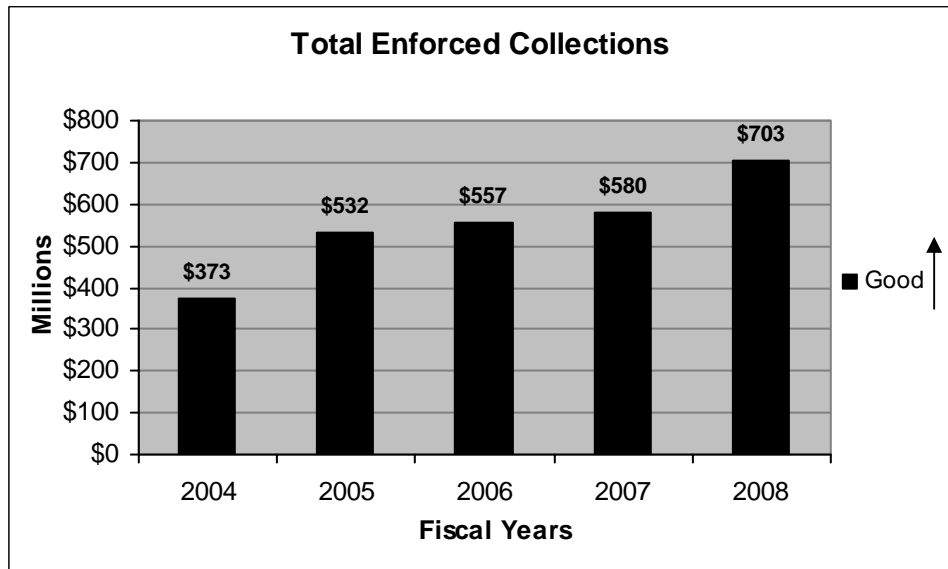


Fig. 7.1.2

For FY 08, Nexus/Discovery unit has registered 377 non-filers and collected \$23,348,221 (Figure 7.1.3). Areas of focus this year included issues relating to credit card companies, franchisors, medical companies, and accommodations providers.

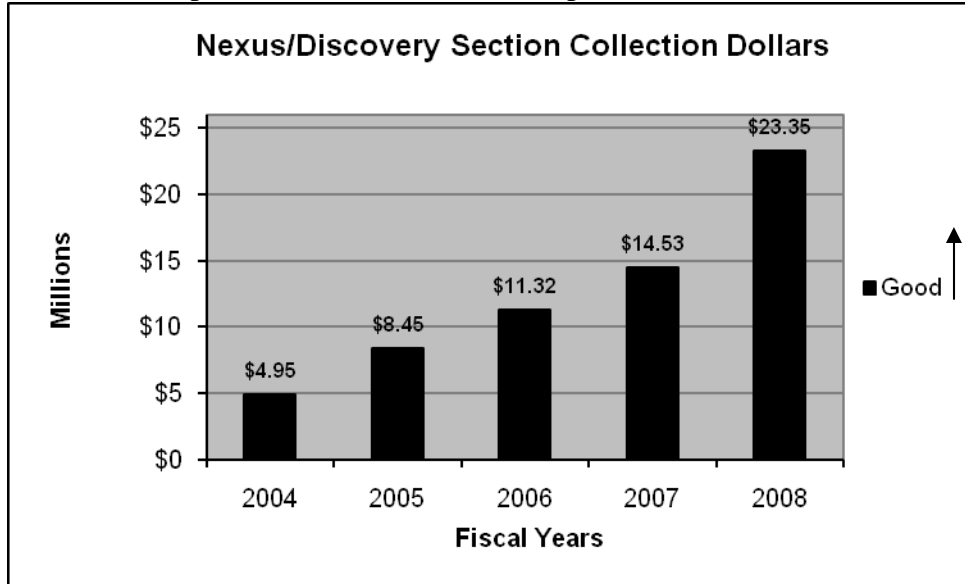


Fig. 7.1.3

This year the Federation of Tax Administrators placed South Carolina seventh in the nation for electronic filing of Individual Income Tax returns. This type of filing is not required in South Carolina; therefore, maintaining our position as leaders is a substantial accomplishment. Promoting electronic filing has been a significant cost and time saver for the Department, the State, and the taxpayer.

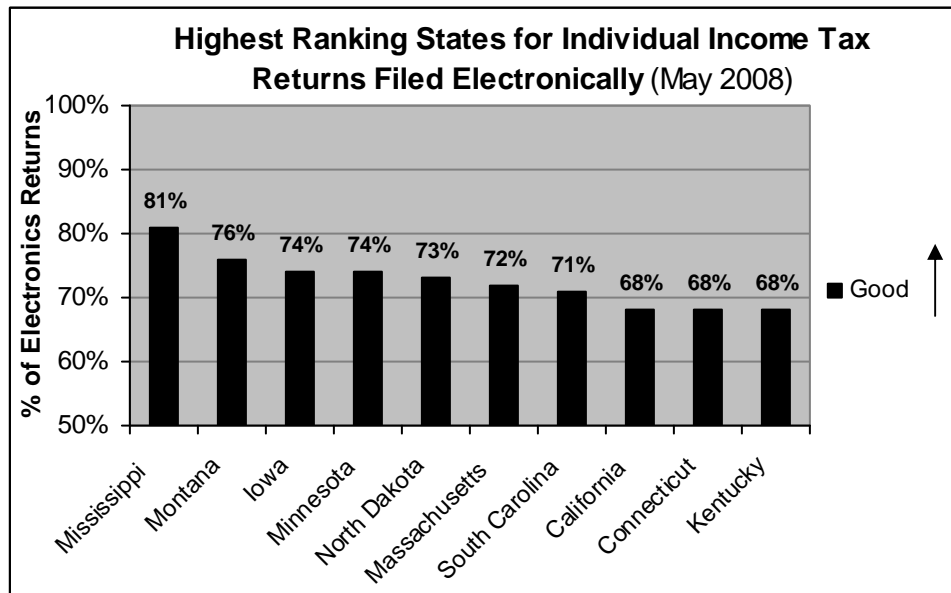


Fig. 7.1.4

Figures 7.1.5 – 7.1.8 show the total number of returns we have processed in the four top tax types.

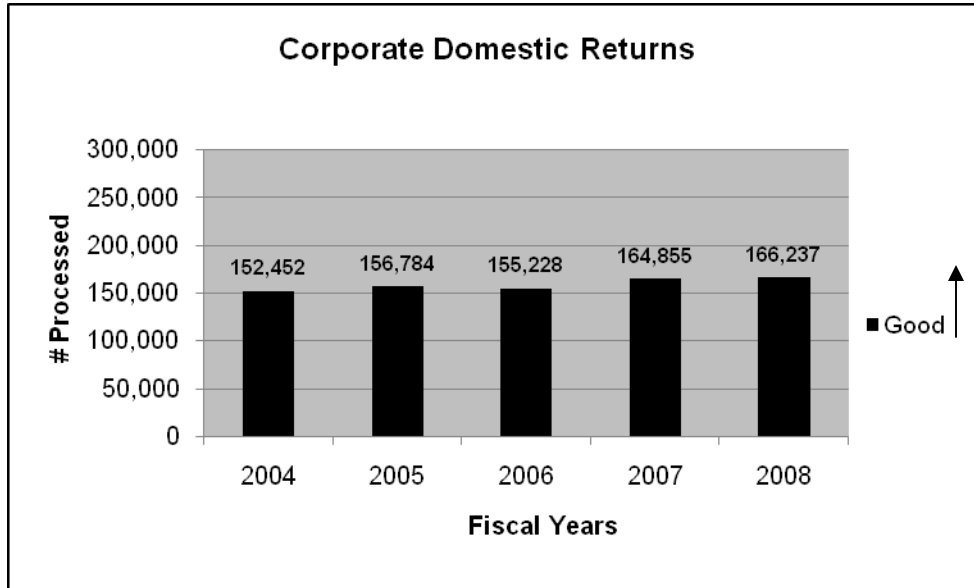


Fig. 7.1.5

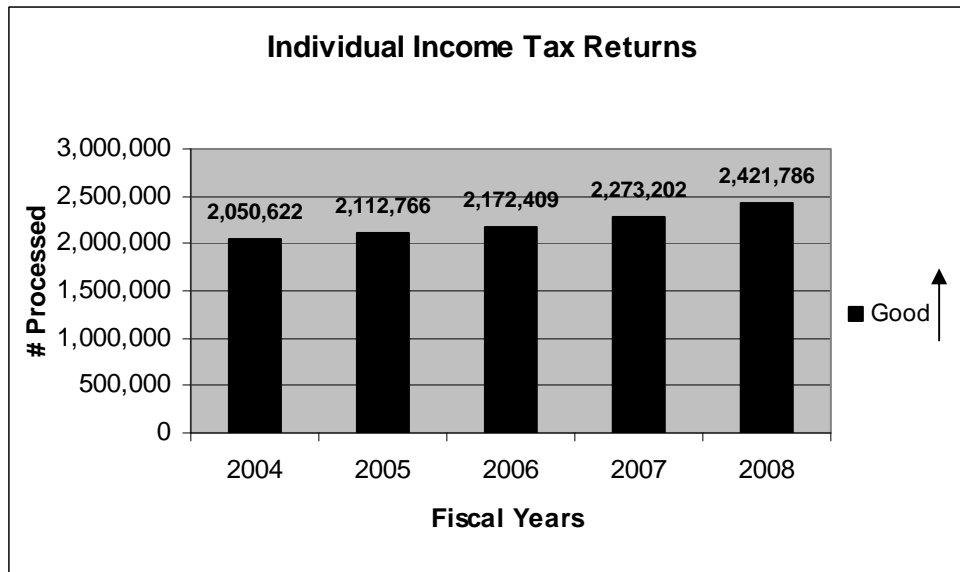


Fig. 7.1.6

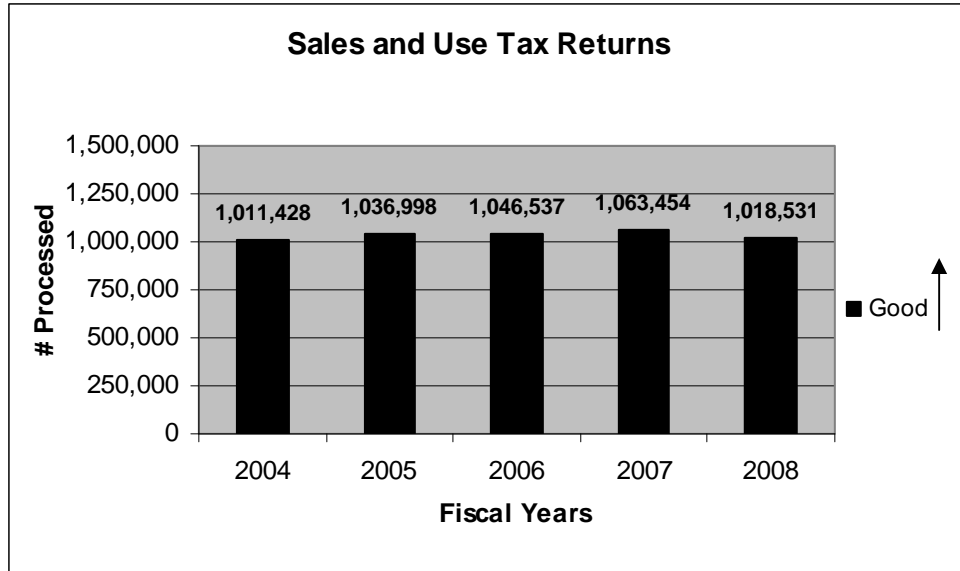


Fig. 7.1.7

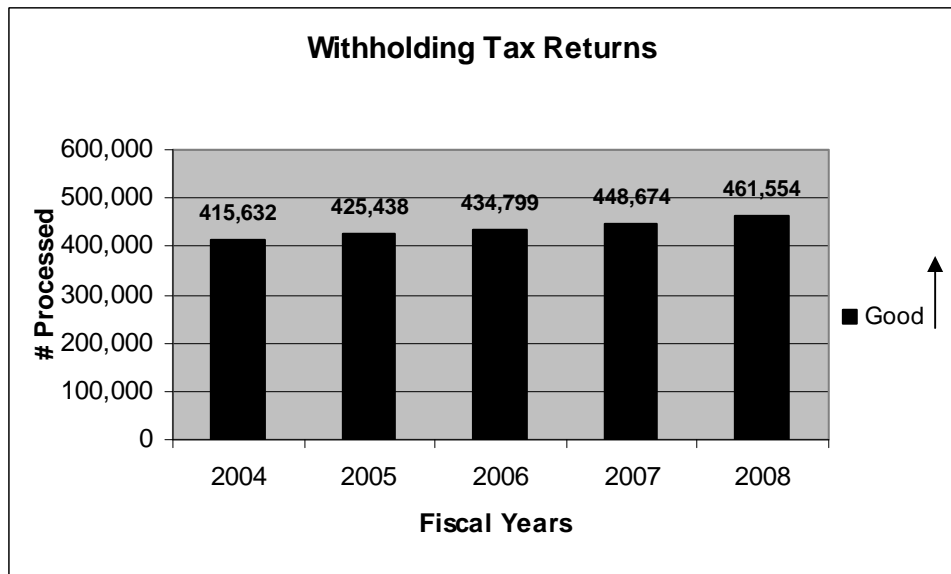


Fig. 7.1.8

Figure 7.1.9 shows the total number of transactions increasing over the last five years. In FY 08, the number of transactions processed increased by 7% over FY 07.

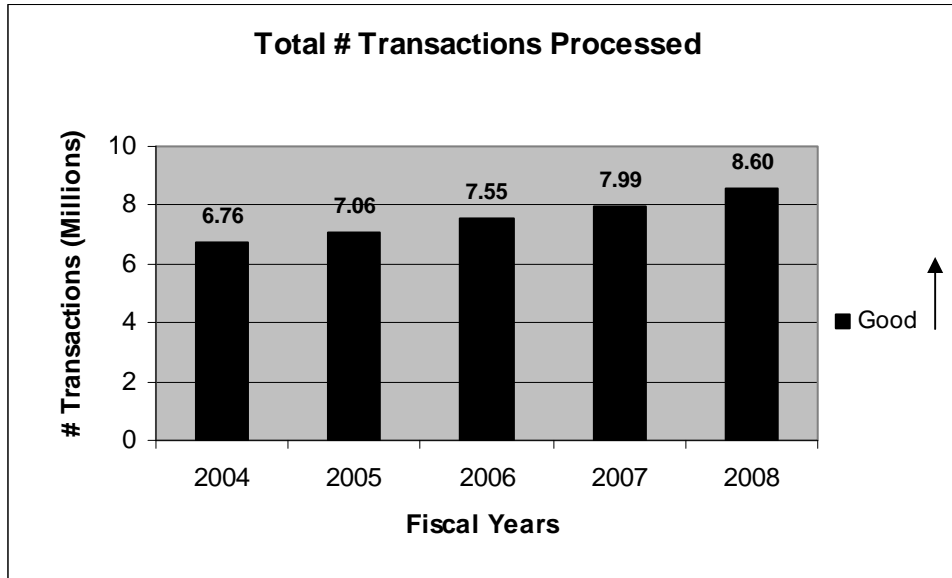


Fig. 7.1.9

7.2 Customer Satisfaction Results The Agency continues to use a market based survey conducted by the University of South Carolina to determine customer satisfaction with service delivery. Only 6% of survey respondents indicated any degree of dissatisfaction with DOR’s services. This represents a significant decline over the past two years.

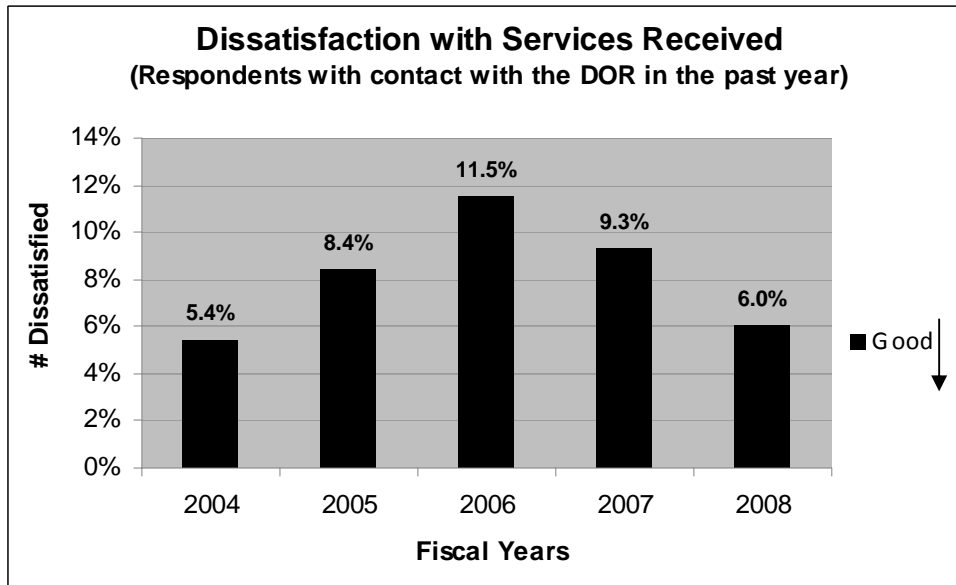


Fig. 7.2.1

Individual Income Tax filers are one of our largest customer segments. Receiving their refund quickly is their expectation and the DOR delivers. Figure 7.2.2 indicates that 96% of our income tax checks are mailed or direct deposited within 30 days from date of receipt in our Mail Center. The decrease from 99% in FY07 was due to the sheer volume of returns and inability to find qualified temporary data entry employees early in the year.

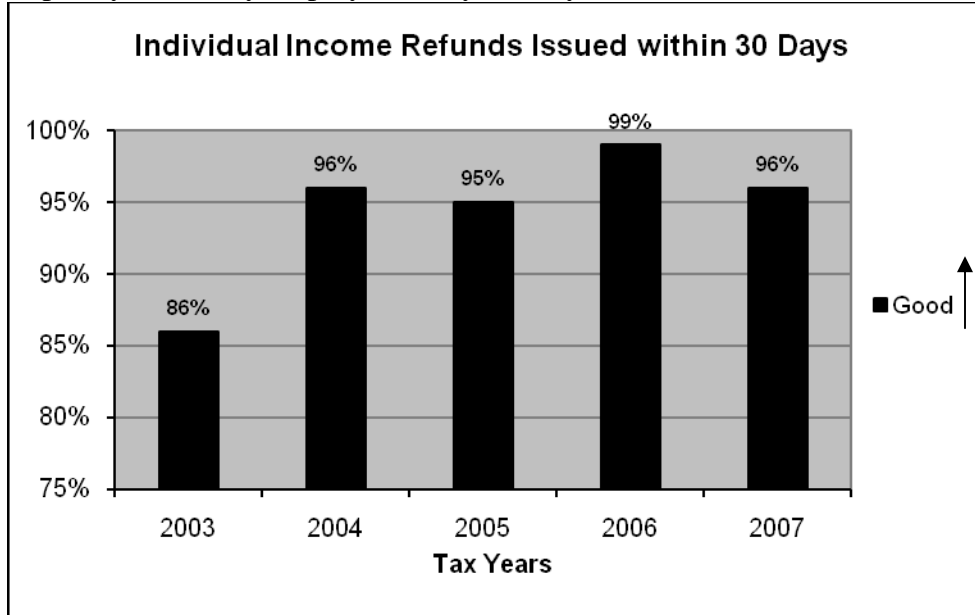


Fig. 7.2.2

In our electronic processing, Figure 7.2.3, we continue to issue refunds in a timely fashion. 99.5% of electronically filed refunds were issued in less than 10 days.

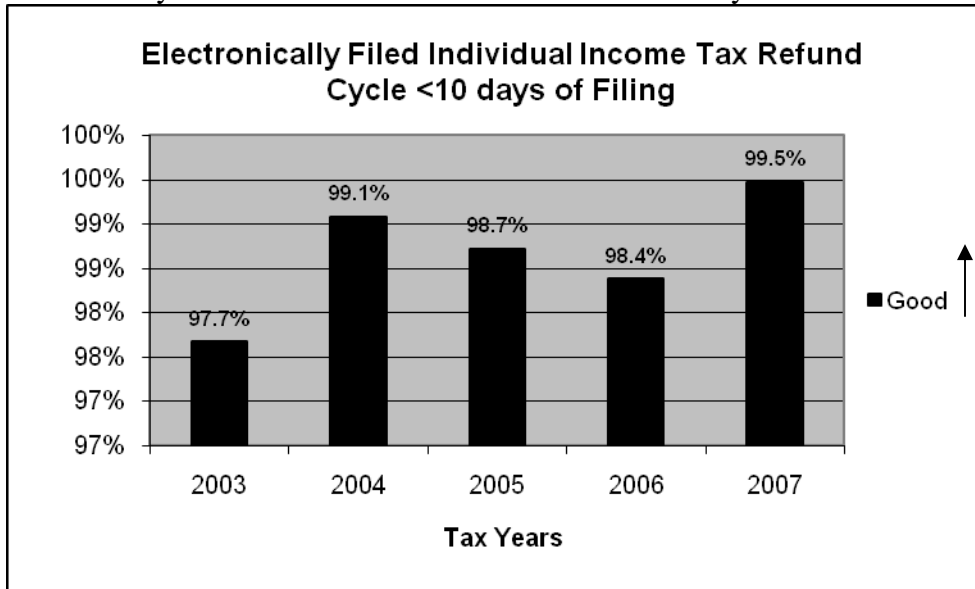


Fig.7.2.3

The USC survey, Figure 7.2.4, also showed there was an astonishing 96.3% satisfaction rate with the time it took respondents to receive their refunds.

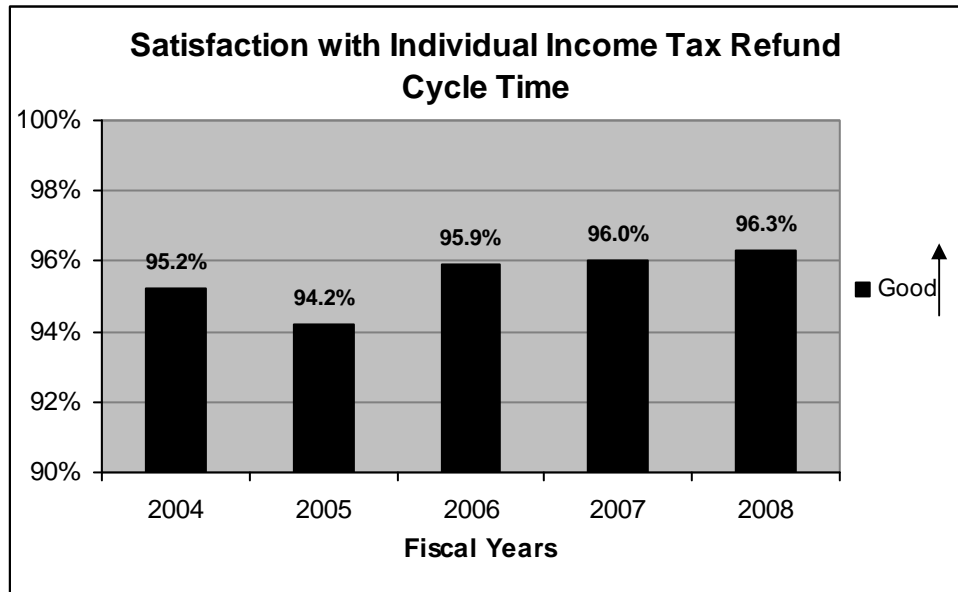


Fig. 7.2.4

Sales tax filers are our next largest customer group, and refund cycle time is important to them as well. Figure 7.2.5 shows the sales refund cycle time over the past five years. In FY 08, the number of days to issue sales refunds reflects a significant increase; however, this is a result of clean up of the backlog of older refunds. During FY 08, the backlog of old refund requests was reduced from 600 to 3.

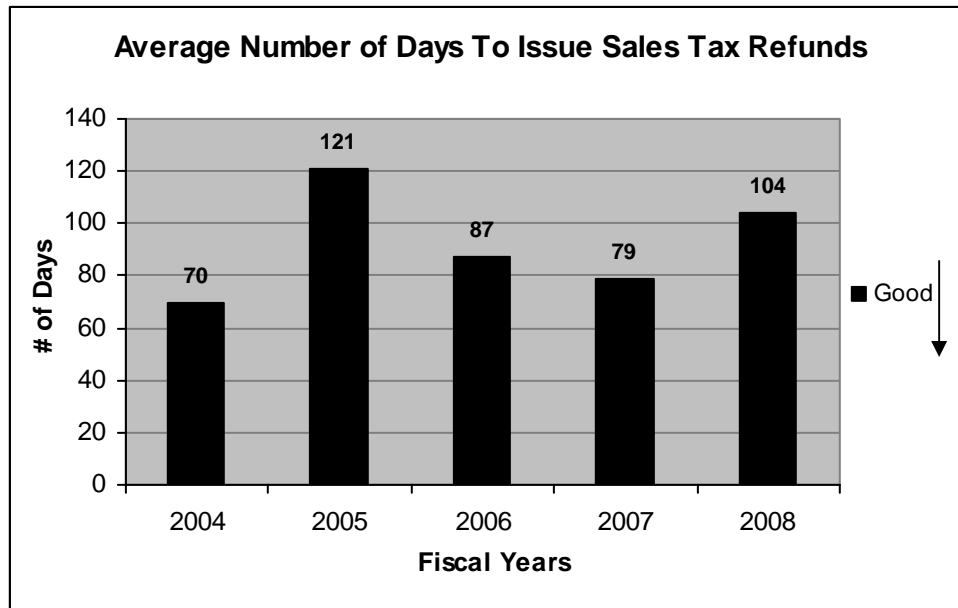


Fig. 7.2.5

7.3 Financial Performance Indicators: Figure 7.3.1 shows our cost for collecting \$1.00 of tax was \$.00712. This measure shows the effectiveness of our collection approaches.

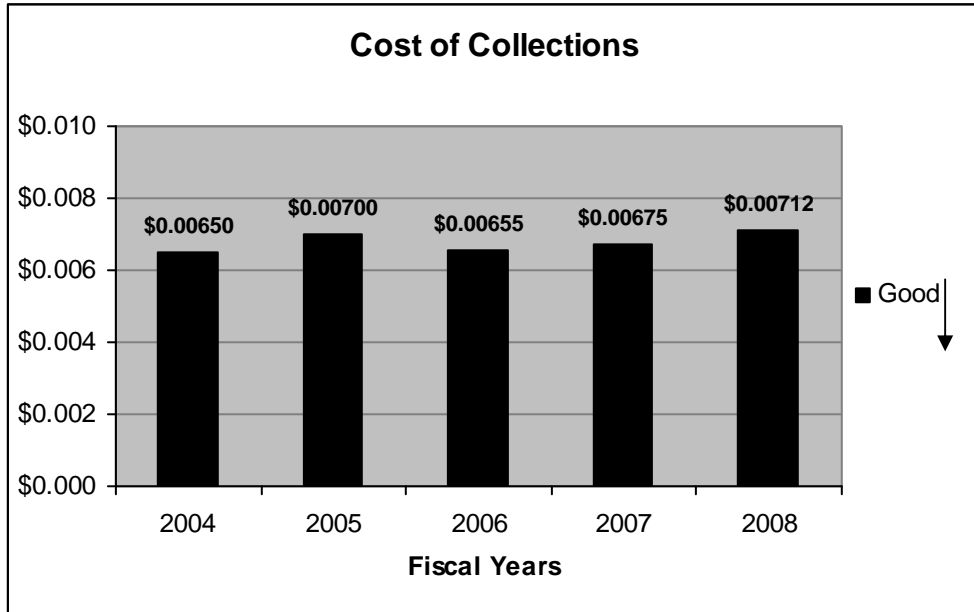


Fig. 7.3.1

The amount of dollars collected per filled full time employee (Figure 7.3.2) indicates our effectiveness and efficiency in the collection process of \$14.5 million per employee.

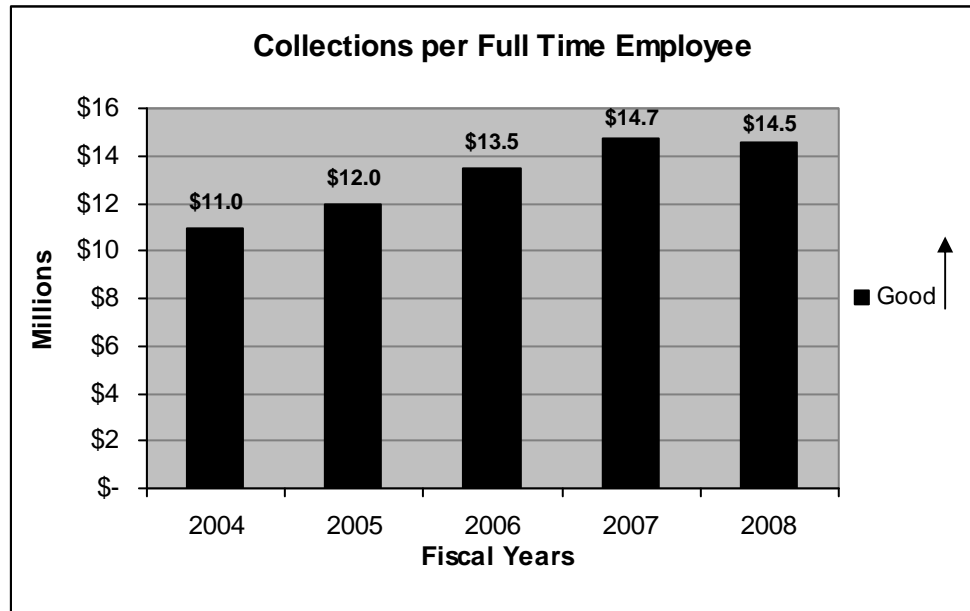


Fig. 7.3.2

Opportunity cost data shows our efficiency in processing checks and returns and getting state funds deposited. Figure 7.3.3 is a five-year comparison of the data. This information fluctuates with the changing interest rate.

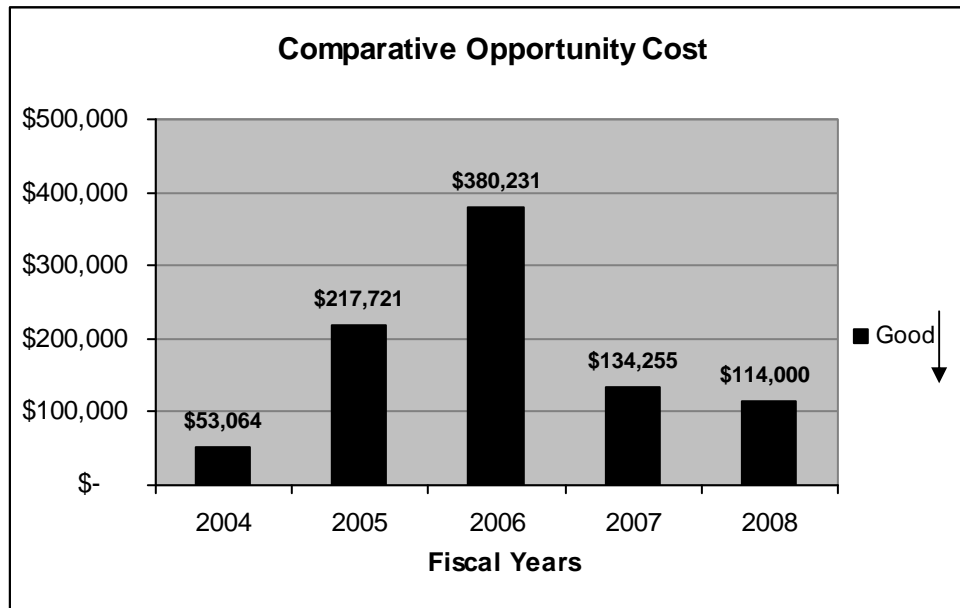


Fig. 7.3.3

Figure 7.3.4 indicates the growth in the dollars deposited electronically and in the various technological methods taxpayers used in paying their obligations this past year. Taxpayers using these alternative methods not only allow the DOR to both get the money in the bank and process transactions quicker, but also to do so virtually error free.

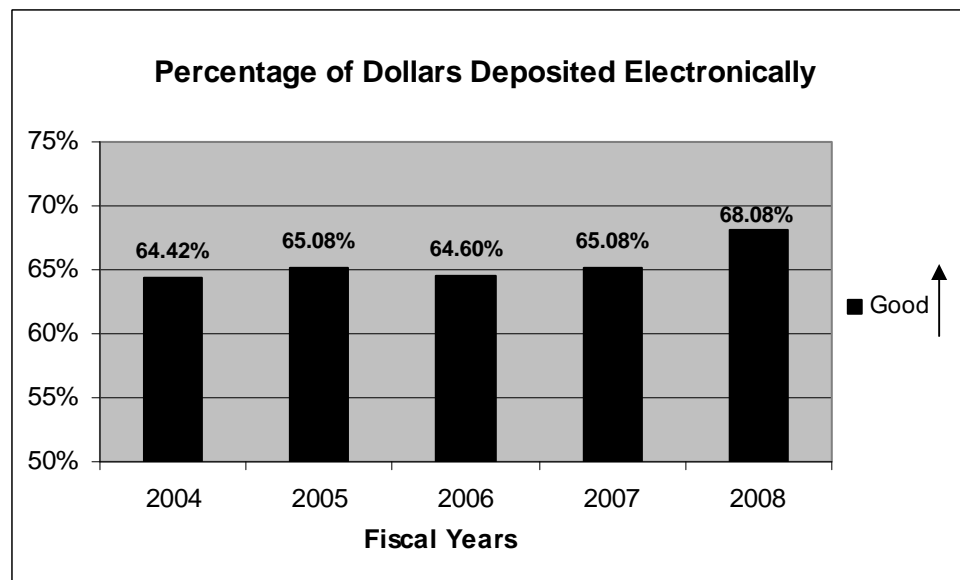


Fig 7.3.4

7.4 Workforce Results Among the workforce measures monitored, we track the number of employees voluntarily resigning. This excludes retirees. (Figure 7.4.1) While resignations are affected by the economy, job market, employee relocation, family needs and other factors, we believe that lower turnover is one indicator of employee satisfaction.

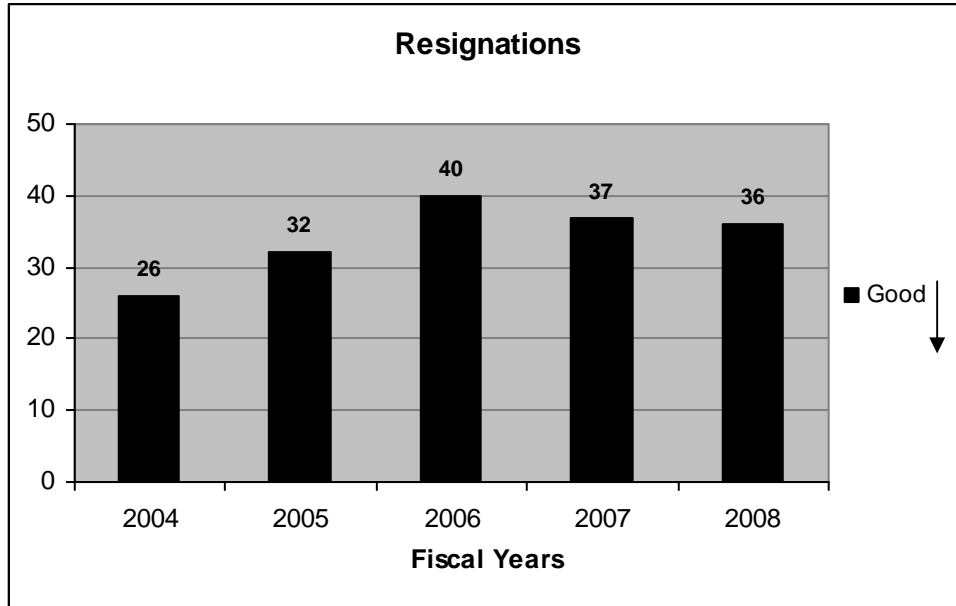


Fig. 7.4.1

Figure 7.4.2 is a comparative look at DOR's turnover rate to the average state turnover rate. In FY 08, DOR's turnover rate was 9.9%, compared to the state average of 14.06%.

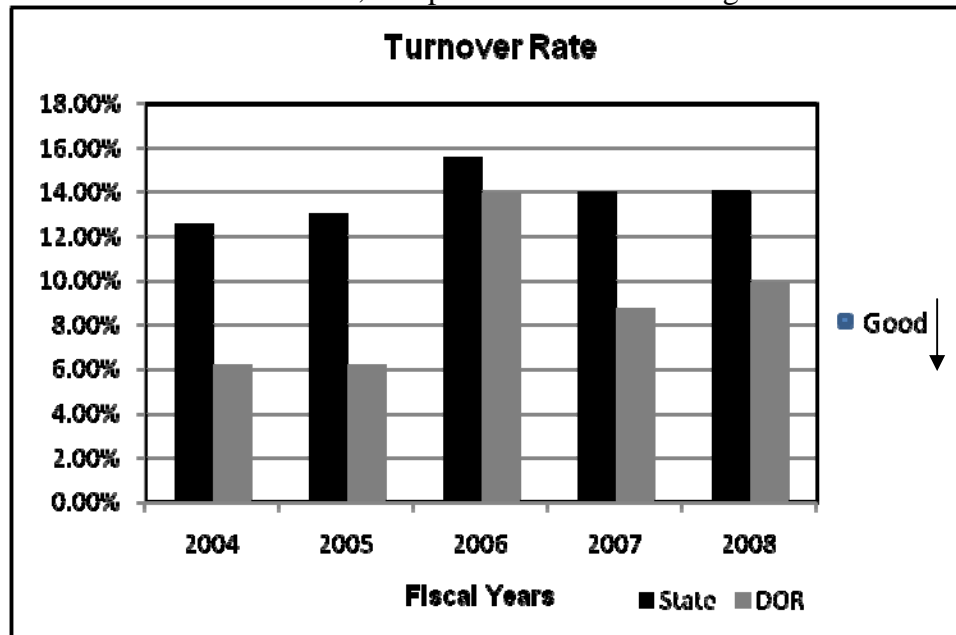


Fig. 7.4.2

Our Equal Employment Opportunity data (Figure 7.4.3) shows the agency’s percent of goal attainment in promoting a diverse workforce. The Agency was ranked fourth among all state agencies with 501 – 1,000 employees.

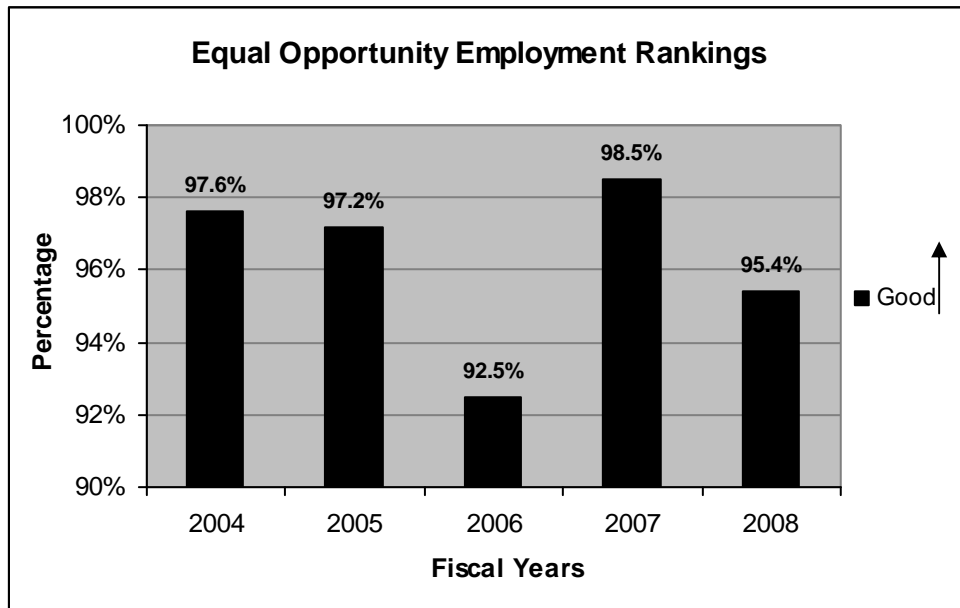


Fig. 7.4.3

7.5 Organizational Effectiveness/Operational Efficiency. In January 2008, DOR eliminated our microfilm process and started scanning important documents. By scanning, DOR employees have access to the documents at their desktop, as opposed to having to request the paper copy. Scanning is a safer process as it does not expose the Agency’s employees to the hazardous chemicals that the microfilming process entails. Figure 7.5.1 shows the number of documents microfilmed in 2007 compared to the number of documents scanned in 2008.

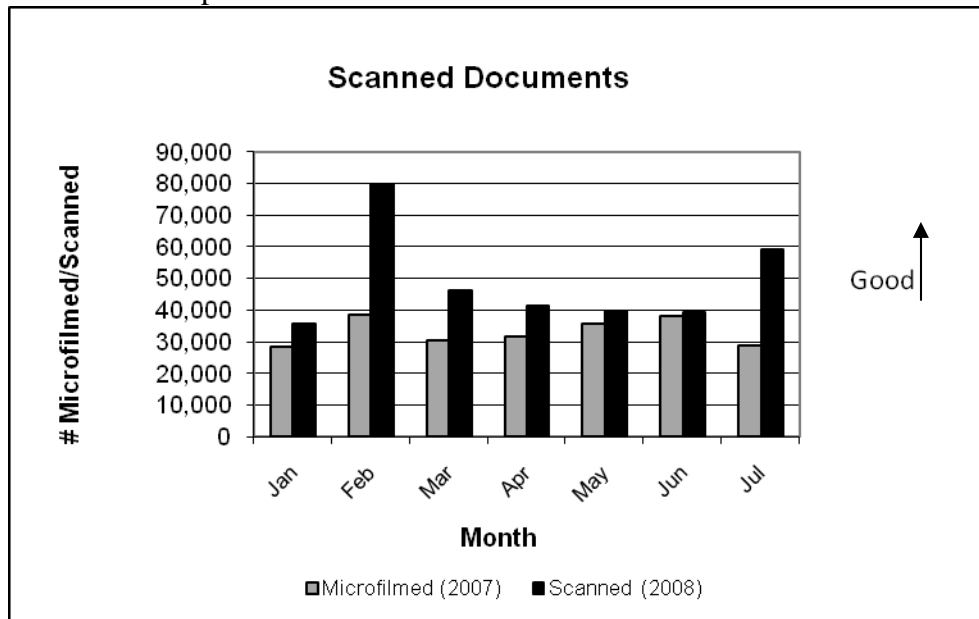


Fig. 7.5.1

In FY 08, the Revenue Operations section improved the procedure of processing corporate barcode returns by reviewing the procedure and making necessary changes. The changes allowed the section to move corporate barcode returns through the process more quickly, which led to the returns being received by the Corporate Tax section in a timely manner. Figure 7.5.2 is a comparison of the number of corporate barcode returns processed from January 2008 through June 2008 under the new procedure, and the number of corporate barcode returns processed from January 2007 through June 2007.

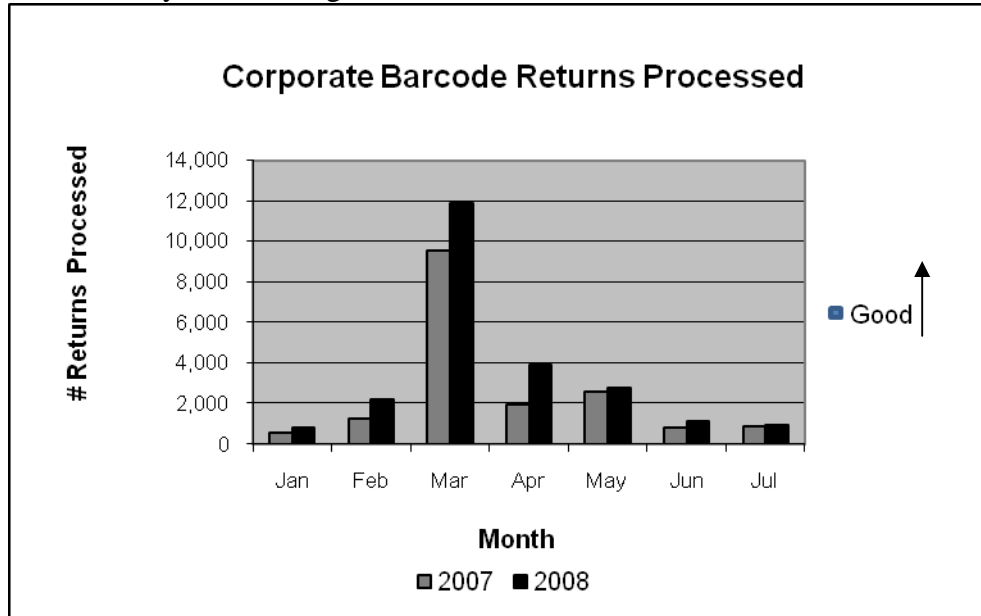


Fig. 7.5.2

7.6 Regulatory/Legal Compliance and Citizenship. The Agency has had no regulatory violations or significant findings by those external entities that are in positions to do so in the past fiscal year. Some of these entities include: State Auditor; Legislative Audit Council; Internal Revenue Service; Occupational Safety and Health Organization; State Materials Management; the Budget and Control Board, and State Fire Marshal.

Statistics for our SCBOS registration program show a significant growth in community support. The program has been available online to South Carolina businesses since May of 2005. SCBOS is a “one-stop” gateway for business and professional registration and licensing, for services offered by federal, state and local government within South Carolina.

Figure 7.6.1 shows new users registered in SCBOS.

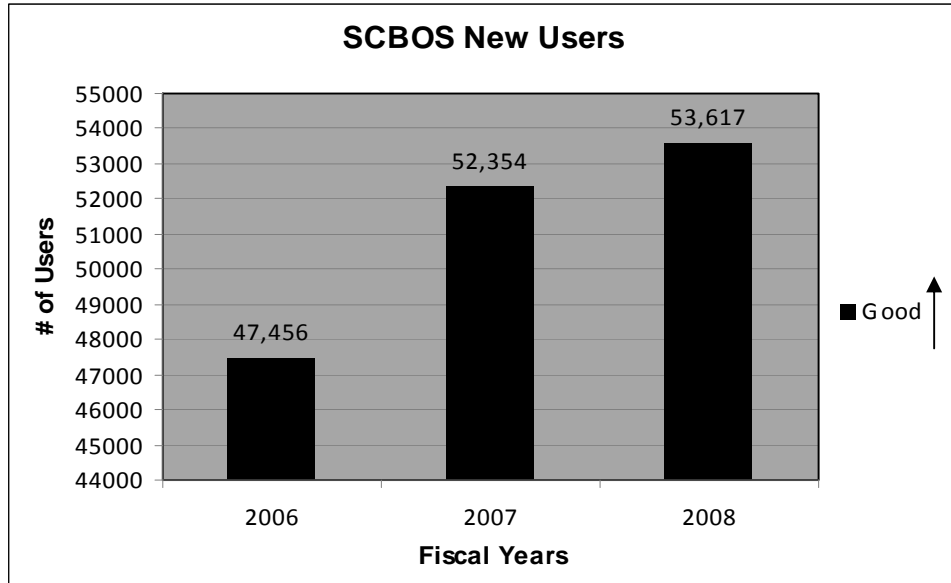


Fig. 7.6.1

The total number of businesses approved is shown in Figure 7.6.2. As of the beginning of FY08, 57,908 licenses, permits and registrations have been approved for 17,878 approved businesses and 7,366 existing businesses in the program.

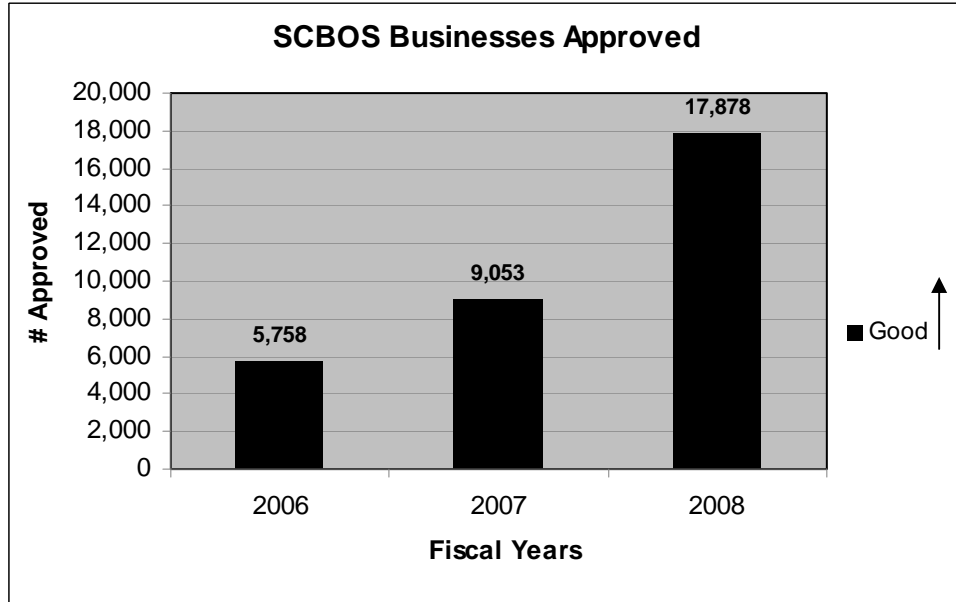


Fig. 7.6.2

Figure 7.6.3 indicates that the payments received have increased each quarter. As of the beginning of FY 08, there has been \$2,094,948 in licenses, permits, and registrations (LPR) payments.

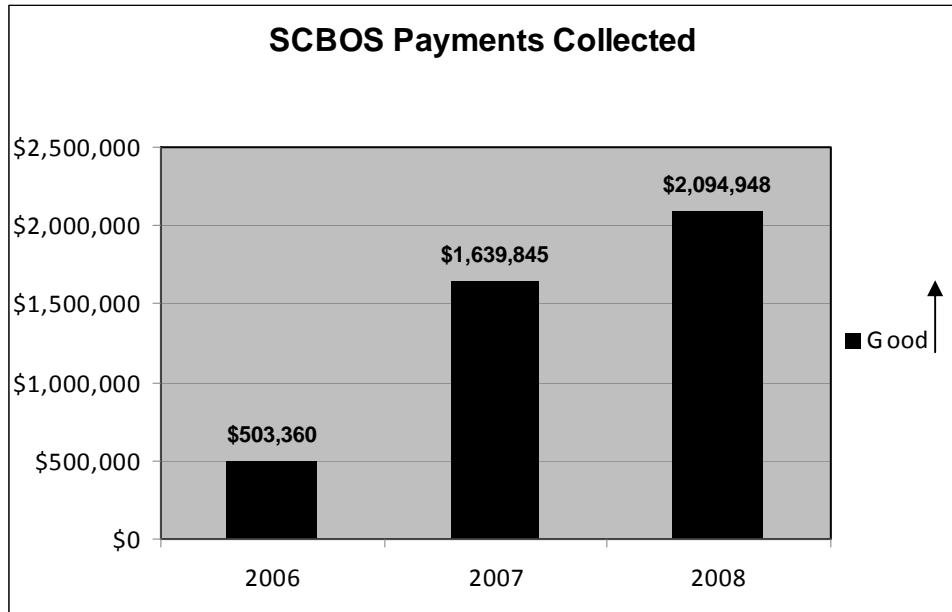


Fig. 7.6.3

We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and SCBOS programs. Currently we have 44 active entities participating in GEAR. GEAR collections for FY 08 amount to \$7,100,000, an increase of 73% from FY 07. (Figure 7.6.4)

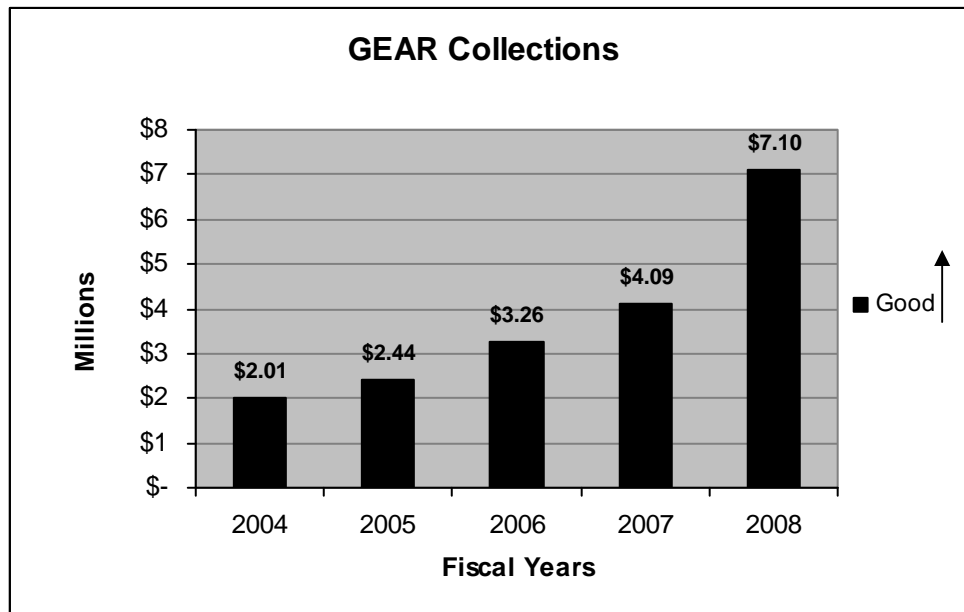


Fig. 7.6.4

The agency provides a service for stakeholders in the collection of debts for other governmental, health care and educational institutions through our debt setoff program. Under this program, these entities provide us with an electronic listing of their debtors. We match refunds against those lists to capture the refund and then send the amount owed to the appropriate institution.

Figure 7.6.5 shows that there is a steady increase in the amount collected.

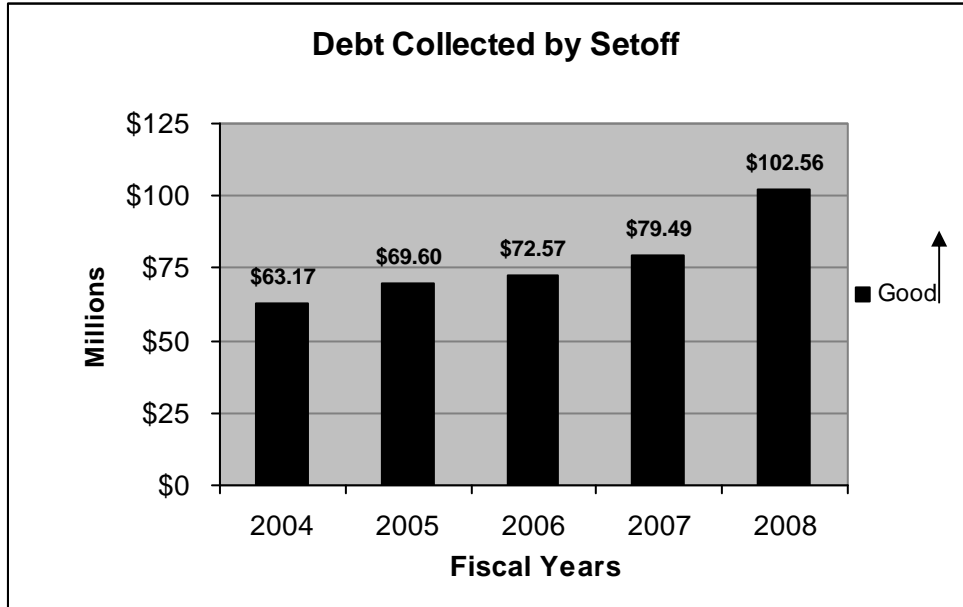


Fig. 7.6.5