

**SOUTH CAROLINA DEPARTMENT OF  
CONSUMER AFFAIRS**

**ANNUAL  
ACCOUNTABILITY  
REPORT**

**FISCAL YEAR 2000-2001**

## **Accountability Report Transmittal Form**

**Agency Name:** South Carolina Department of Consumer Affairs

**Date of Submission:** August 31, 2001

**Agency Director:** Philip S. Porter

**Agency Contact Person:** Steve O'Keefe

**Agency Contact's Telephone Number:** (803) 734-4172

## Section I – Executive Summary

### Major Achievements for Fiscal Year 2001

Mediated and closed 78.9% of consumer complaints as “satisfied,” which in part is the result of the “open-view analysis” approach to processing, evaluating, and mediating consumer complaints. This approach frequently identifies violations and/or businesses that are not mentioned in the consumer’s complaint and assists in determining the probable basis and merit of every complaint filed with the Department.

Demonstrated our “global customer base” by recovering \$1,074,639.29 in refunds, credits, and adjustments for consumers living in South Carolina, other parts of the United States, as well as foreign countries.

Received and processed 5,981 consumer complaints, which is an 18.29% increase from FY00. On average, received and processed 498 complaints monthly.

Filed an action against First Freedom Financial and Greg Holloway in Charleston County alleging violations of the prohibition against advance fees when assisting someone in obtaining a loan or line of credit, of the unconscionable debt collection provisions, and of the Unfair Trade Practices Act. A Preliminary Injunction was granted, and Judge Newman signed the Order in May 2001. The Department is proceeding with discovery.

Continued to see the benefit of an agreement reached between the Department and BellSouth under which, among other things, BellSouth committed to lower local rates by \$1 per month for a minimum of five years. Based on the number of BellSouth residential and business customers, this reduction in rates was approximately \$33,000,000 during FY01.

Initiated an educational campaign on predatory lending practices with federal, state, and local organizations. This campaign was the theme for the 2001 National Consumer Protection Week that included:

- Statewide teleconference on predatory lending issues reaching 40,000 consumers,
- Legislative breakfast held for members of the House and Senate to create an awareness of predatory lending practices and included more than 80 proclamations from South Carolina mayors against predatory lending, and
- Brochure titled *Predatory Lending – Promising Dreams – Delivering Nightmares*.

Hosted *Ads Demand Sense*, an educational conference designed to enhance the understanding of advertising for elementary students. Forty 4<sup>th</sup> and 5<sup>th</sup> graders from local schools participated in the seminar that provided the students a few fundamental and fun lessons on “separating fact from fiction.”

Hosted the *2001 Summer Consumer Institute for Teachers* with the Direct Selling Education Foundation. This program featured a rigorous three-day professional seminar that highlighted consumer information and provided instruction on how to transform this information into educational lessons for students.

Initiated *First Point of Contact* program with the media. Information about the Department is strategically placed in media newsrooms so that initial calls for needed information come to the Department first. Staff lauded for quick response time and factual information.

Produced with SCETV the television special, *Personal and Confidential: A Matter of Privacy*. Program was designed to provide discussion on how consumers can safeguard their personal privacy and featured Senator Linda Short, House Speaker Pro Tempore Doug Smith, U.S. Attorney Scott Schools, and State Consumer Advocate Phil Porter.

Produced and distributed two consumer brochures:

- *Long Distance Shopping Guide: The Savvy Consumer's Guide to the Best Rates*, and
- *Stretching Your Energy Dollars: The Savvy Consumer's Guide to Energy Conservation Tips that Save Money*.

Succeeded in convincing the Public Service Commission to request authority from Federal Communications Commission to implement area code number conservation measures.

## **Mission and Values**

During fiscal year 2001, the Department of Consumer Affairs continued to evolve as an organization. Following is the Department's mission statement as of August 2001:

*To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education.*

The Department strives to be a CREDIT to our State by holding the following values as essential in our relationships and decision-making:

*Competence*  
*Respect*  
*Equality*  
*Dedication*  
*Integrity*  
*Timeliness*

## **Key Strategic Goals for the Present and Future Years**

- I. Obtain the necessary funding and personnel to effectively administer the laws assigned to the Department.
- II. Develop and enhance internal and external electronic capabilities to increase the Department's efficiency.
- III. Amplify external communications to increase the public's knowledge of the Department's services and accomplishments.
- IV. Refine internal communications to enable staff to perform at the highest level possible.
- V. Formalize the strategic planning process to continuously improve the Department's operations.

## **Opportunities and Barriers Affecting the Department's Success**

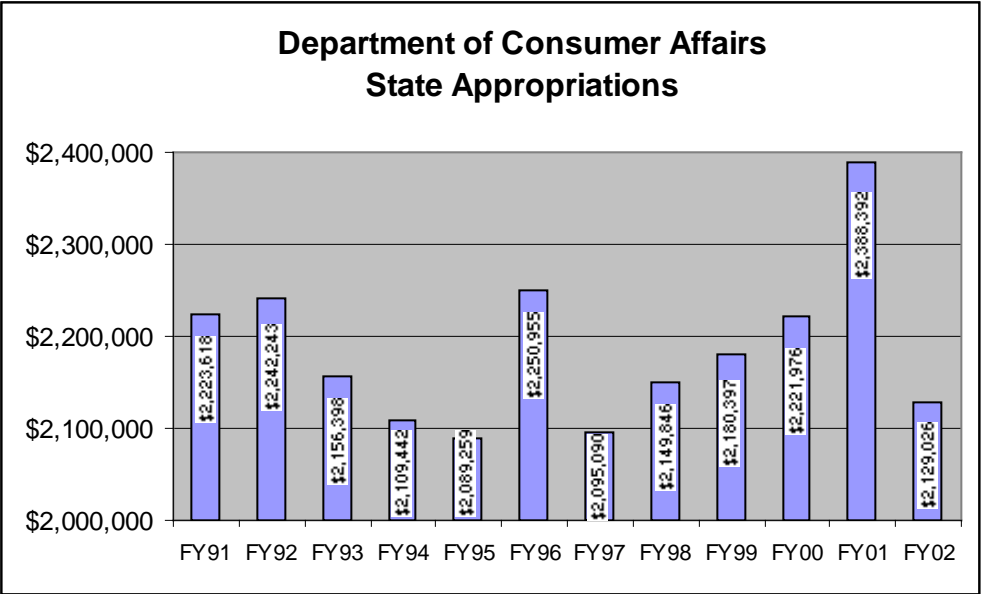
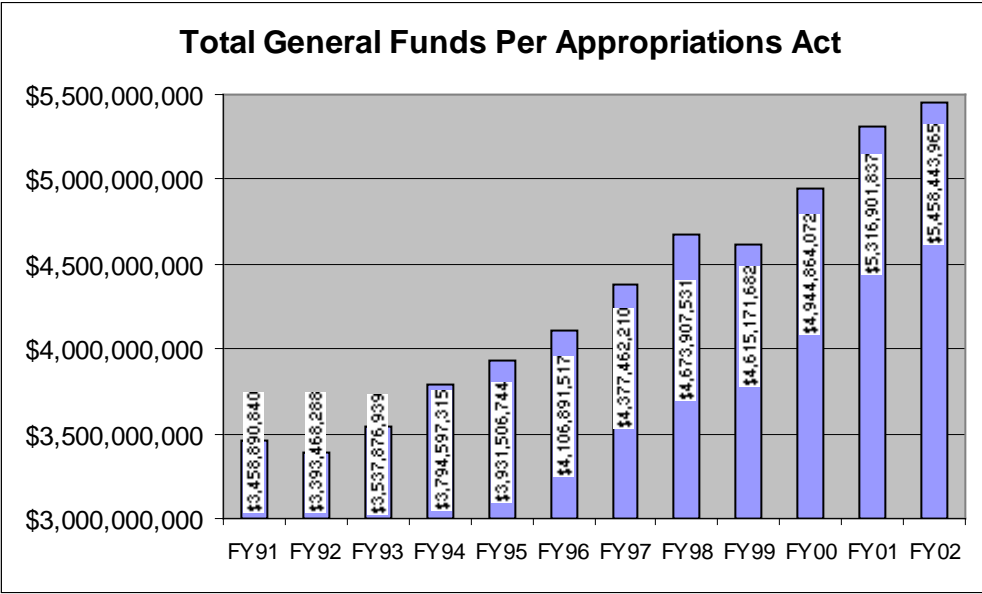
The Department supports the concept of deregulation of rates in order to make credit more freely available, but the deregulation that resulted from Act 385 of 1982 in some ways opened the door to the exceptionally high rate lenders operating today. It is unclear whether the General Assembly foresaw a market with such high rates, and the Department would welcome the General Assembly's review of Act 385 of 1982 to determine if steps could be taken to encourage better price competition or limit rates in certain consumer credit markets.

In the early 1990's South Carolina began to see an influx of various types of "fringe lenders" or lenders other than banks, thrifts, credit unions, or traditional consumer finance companies. Title lenders and payday lenders started businesses within the last ten years and are legally charging rates that often exceed 300% APR. The reason for these rates is the failure of vigorous price shopping by consumers and the failure of price competition between these creditors.

To complicate matters, no state agency has the authority to regulate or regularly examine home equity first mortgage loans, which makes it difficult to discover when these loans may violate the Consumer Protection Code. The Department does not see this type of loan unless it goes through a mortgage loan broker or a consumer files a complaint. Even if a complaint is filed, the Department has no means of requiring a review of the creditor's records unless the evidence in the complaint amounts to "probable cause" to believe the Code has been violated.

The Department's budget problems can be traced back to FY96 when Governor Beasley vetoed the Department's entire personnel budget for its Consumer Services Division. This division performs the statutorily required complaint mediation service that is essential to the Department's ability to determine patterns and trends in deceptive or unfair business practices. During FY96, the Department transferred \$207,533 from its operating account to its personnel budget to avoid closing down this vital part of the Department's operations. Fortunately the General Assembly appropriated \$107,000 for the Department's rent increase in FY01, but earmarked and carry forward funds are not at a level to sustain the Department over the long-term. Due to the FY02 budget cut and the lapsed carry forward funds, the Department is currently faced with the possibility of a budget deficit despite leaving seven vacant positions unfilled, delaying computer technology upgrades, and forecasting optimistic levels of earmarked revenue. This situation poses a serious threat to the Department's ability to retain personnel and continue to deliver quality services.

Despite the need to dedicate more resources to these problems, the General Assembly is seriously considering the mortgage loan broker bill (H3360), which would move the oversight of brokers from the Department to another state agency. If this bill were enacted, it would be virtually impossible for the Department to discover home equity first mortgages that violate the Code. This fact alone should be a red flag to the General Assembly. In light of the growing awareness of predatory lending practices and the dramatic increase in complaints the Department currently mediates with mortgage brokers, legislators should be keenly concerned about an attempt to change regulators. In addition, H3360 would have devastating effects on the Department financially (at least a reduction of \$300,000 per year).



As can be seen from the charts above, the Department’s budget has not kept pace with the increase in general funds over the last twelve fiscal years. In fact, the Department is currently operating with less state dollars and less staff than it was in FY91. It is difficult to see how the General Assembly can continue to increase the Department’s statutory responsibilities (see page 6 infra) without increasing its state appropriations. Without a large source of “other funds” like some other state agencies have available, the Department is limited in how it can mitigate the effect of any budget cut, let alone the loss of revenue if the broker program is moved. *The support of the General Assembly is critical for the Department to succeed.* It is our hope that the Department’s consumer credit expertise will be recognized, our stand against fraud will be enhanced, and our technology deficit will be rectified.

## Section II – Business Overview

### Number of Employees

The Department of Consumer Affairs currently has fifty-one (51) full-time positions. Forty-seven (47) of these positions are funded by state appropriations, and four (4) positions are funded by revenue generated from the licensing of mortgage loan brokers and staff leasing services.

### Location of Operations

The Department of Consumer Affairs is located in Columbia at 3600 Forest Drive, which is the only office operated by the Department. However, the Department provides statewide programs and services to the citizens of South Carolina. The Department provides a statewide toll-free phone number (1-800-922-1594) for consumers to request information and services provided by the Department.

### Expenditures/Appropriations Chart

	<b>99-00 Actual Expenditures</b>		<b>00-01 Actual Expenditures</b>		<b>01-02 Appropriations Act</b>	
<b>Major Budget Categories</b>	<b>Total Funds</b>	<b>General Funds</b>	<b>Total Funds</b>	<b>General Funds</b>	<b>Total Funds</b>	<b>General Funds</b>
Personal Service	\$1,603,771	\$1,525,247	\$1,747,208	\$1,603,660	\$1,480,612	\$1,361,532
Other Operating	\$792,542	\$431,128	\$847,697	\$464,845	\$619,406	\$351,098
Fringe Benefits	\$392,632	\$378,813	\$469,383	\$433,616	\$440,041	\$416,396
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,788,945</b>	<b>\$2,335,188</b>	<b>\$3,064,288</b>	<b>\$2,502,121</b>	<b>\$2,540,059</b>	<b>\$2,129,026</b>

### Key Customers and Suppliers

The Department's key customers are the consuming public, ratepayers, regulated and indirectly regulated businesses, law enforcement agencies, schools, community groups, vendors, the media, consumer protection organizations, the Council of Advisors on Consumer Credit, the Commission on Consumer Affairs, the Governor's Office, the General Assembly, and the U.S. Congress.

The Department's key suppliers include the consuming public, the General Assembly's constituency, the Board of Financial Institutions, Magistrate Court System, U.S. Congress, the Better Business Bureau's, vendors, and the media.

## **Description of Major Services**

The Department of Consumer Affairs was established by Act 1241 of 1974, which is known as the Consumer Protection Code and is the state law governing consumer credit transactions in South Carolina. As the state agency designed to represent the interest of consumers, the Department attempts to resolve complaints and seeks to inform and educate consumers to create an atmosphere in which consumers will be more aware of their rights and responsibilities in the marketplace.

The Consumer Protection Code authorizes the Department to provide the following services:

- Analyze and mediate individual complaints,
- Investigate business practices if a pattern of fraud is suspected,
- Refer to the appropriate agency with the authority to assist individuals,
- Inform about complaints filed against a business,
- Monitor the filing of notification fees and maximum rate schedules,
- Educate consumers about unfair and deceptive practices, and
- Provide legal action to prevent persons from violating the Consumer Protection Code and to prohibit unconscionable conduct.

Act 644 of 1978 amended the Consumer Protection Code to create the Division of Consumer Advocacy as a part of the Department of Consumer Affairs. The Advocacy Division was originally established to represent consumers at large before state and federal regulatory agencies that set utility rates, but Act 166 of 1987 expanded the division's responsibilities to include the analysis of auto insurance rate and recoupment filings. The Consumer Advocate was granted the authority to intervene in auto insurance filings at the Department of Insurance by Act 148 of 1989, the Automobile Insurance Reform Act. In addition, Act 63 of 1991 requires the Consumer Advocate to serve on the Solid Waste Advisory Council, and he must also participate in waste disposal cases as part of the Atlantic Interstate Low-Level Radioactive Waste Compact, which was implemented by Act 357 of 2000.

Over the years the General Assembly has given the Department additional areas of responsibility, including motor clubs (Act 400 of 1984), rent-to-own businesses (Act 121 of 1985), physical fitness services (Act 165 of 1985), pawnbrokers (Act 491 of 1988), mortgage loan brokers (Act 544 of 1988), telephone solicitations (Act 656 of 1988), continuing care retirement communities (Act 97 of 1989), express warranties on motor vehicles (Act 142 of 1989), athlete agents (Act 456 of 1990), motor vehicle subleasing (Act 132 of 1991), loan brokers (Act 452 of 1992), motor fuel pricing (Act 161 of 1993), staff leasing services (Act 169 of 1993), prize promotions (Act 483 of 1994), prepaid legal services (Act 328 of 2000), motor vehicle dealer closing fees (Act 387 of 2000, Part II, § 82), and prescription drug discount cards (Act 82 of 2001).

The Consumer Protection Code does not allow the Department to provide the following:

- Advise whether or not a business is reputable,
- Provide information on the location or phone number of a business,
- Recommend a company with which an individual should do business, or
- Handle a complaint filed by a business against another business.



## Organizational Structure

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

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

The Commission appointed Philip S. Porter as the Department's Administrator in March of 1995. Mr. Porter has been employed with the Department for over 23 years and currently serves as the Consumer Advocate in addition to his responsibility as the Department's Administrator.

The Department's leadership and management philosophy has been based on the principles of total quality management (TQM) and is currently evolving around the Baldrige Criteria. The current management team strives to create an environment in which open communications, customer satisfaction, and continuous improvement are a way of life for the organization. Senior management is lead by the Administrator and meets weekly to discuss policies, procedures, and customer expectations. The Department's current senior managers are:

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

The Council of Advisors on Consumer Credit assists the Administrator in obtaining compliance with the Consumer Protection Code. The Council is composed of sixteen members appointed by the Governor, one of whom is designated by the Governor as the Chairperson. It meets on the third Tuesday in the first month of each quarter to discuss credit and compliance issues. The Council's current membership is as follows:

Joyce M. Smart-Buchanan, <i>Chair</i> (2003)	Mauldin
Sharon C. Bramlett (2003)	Columbia
Elton K. Carrier (2004)	Charleston
Wendy J. Culler (2006)	Lancaster
Albert A. Glover, II (2006)	Ladson
Beatrice A. James (2003)	Florence
C. Brian McLane, Sr. (2006)	Columbia
Victor C. McLeod, III (2003)	Greenville
Gayle S. Phillips (2003)	Gaffney
Cassandra W. Rush (2005)	Columbia
John P. Seibels, Jr. (2005)	Charleston
Ulysses S. G. Sweeney, III (2004)	Marion
William D. VanHook (2004)	Charleston
Charles D. Walters (2005)	Greer
Brent A. Weaver (2003)	Lexington
F. Eugene Williams (2006)	Pinopolis

## Section III – Elements of the Malcolm Baldrige Award Criteria

### Category 1 – Leadership

#### 1. How do senior leaders set, deploy and communicate:

- a. **Short and long term direction?** Long-term goals continue to be influenced by statutory requirements, and senior management sets short-term objectives as issues arise in weekly meetings. Deployment is informal in that senior managers communicate goals and objectives verbally to their respective staffs. In fact, the Department is small enough where the Administrator can meet individually with each member of staff if necessary. The Department's strategic plan, monthly progress report, and meeting minutes for the Commission on Consumer Affairs are available to anyone on staff or the general public for review. The weekly internal newsletter, the Department's website, press releases, and public speaking engagements are other methods that have been used to communicate short and long term direction of the Department.
- b. **Performance expectations?** Performance expectations are set by annual performance evaluations and modified during the year as necessary. Supervisors attempt to acknowledge exceptional performance immediately, and deficient performance is noted as problems arise. Daily interaction between supervisor and employee enhances performance. If requested or necessary, one-on-one meetings between supervisor and employee are held so that needs and expectations can be fully discussed.
- c. **Organizational values?** Senior management leads by example; i.e., values are communicated implicitly rather than explicitly. Values could be communicated more formally, but when an employee is hired, one of the considerations is whether the applicant has similar values to those of the Department or division.
- d. **Empowerment and innovation?** Employees continue to demonstrate their empowerment and innovation by designing their own manuals and forms, hosting teleconferences and online chats, and taking advantage of online legal research. However, senior management admits that more could be done to encourage a more creative environment.
- e. **Organizational and employee learning?** Senior management encourages staff to take advantage of all types of learning opportunities, particularly those that have no cost such as State Library sponsored courses and seminars sponsored by the Budget and Control Board. All professionals on staff attend seminars to comply with their licensing requirements, and individual staff members attend conferences sponsored by national organizations of which they are members. Five staff members are alumni of the South Carolina Executive Institute. The Director of Computer Services has been providing computer training on a weekly basis during this summer. More cross training is needed to ensure back-up coverage. Employee training requests for training are assessed for departmental needs, and the cost will be paid if funds are available. At least one percent of the Department's budget will continue to be set aside for training purposes.

**f. Ethical behavior?** Management leads by example and does its best to hire people with a high standard of ethics and has been fortunate not to have problems with unethical conduct. The human resources manual, reprimands, and performance evaluations are the main methods of clarifying ethical behavior. The Department also provides the necessary continuing education reimbursement for ethics training required of licensed professionals on staff. If any ethical problem arose, it would be dealt with immediately under the guidelines set by the State Office of Human Resources. Senior management is considering the implementation of ethical statements that employees would be required to sign.

**2. How do senior leaders establish and promote a focus on customers?**

The Commission on Consumer Affairs requires the Administrator to report each month on the Department's progress on the Baldrige Criteria, and senior management meets regularly to move it forward. For example, the Department provided agency-wide training on customer satisfaction and telephone skills.

**3. What key performance measures are regularly reviewed by your senior leaders?**

Senior management regularly reviews the following measures:

- Dollars saved for consumers through complaint mediation, on-site compliance reviews, and intervention in utility and insurance cases,
- Satisfactory closing rate on consumer complaints,
- Top complaint categories and the top categories for savings,
- Employee evaluations,
- Speaker evaluations,
- Volume data, and
- Revenue and expenditures.

**4. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?**

Senior management evaluates the findings and feedback and takes corrective action if necessary. An employee questionnaire, which was completed in December 2000, indicated that senior management needed to encourage more feedback from employees, so a suggestion box was established. Another staff survey was recently distributed to further improve communication throughout the Department. Recent audits have not indicated any exceptions. Senior management will be exploring other revenue sources to resolve computer problems and personnel issues.

**5. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?**

First and foremost, the Consumer Services Division uses an “open-view analysis” approach to processing, evaluating, and mediating consumer complaints. This approach frequently identifies violations and/or businesses that are not mentioned in the consumer’s complaint and assists in determining the probable basis and merit of every complaint filed with the Department.

Due to budget restraints, resources in the Enforcement Division must focus services on industries having the largest financial impact on consumers; e.g., the mortgage loan broker program since brokers can greatly impact the expense of home ownership, the largest financial transaction for most consumers.

During the legislative session, senior management discusses the fairness and fiscal impact of consumer-related legislation in weekly meetings. The accessibility of the Department’s physical location to the public, employees, and regulated entities was a key factor when the Department was faced with relocating in 1999.

**6. How does senior leadership set and communicate key organizational priorities for improvement?**

Senior management analyzes the trends and growth of regulated industries and realigns priorities based on industry needs and the Department’s capabilities. The communication methods mentioned in the answer to 1a above are also used to communicate priorities for improvement.

**7. How does senior leadership and the agency actively support and strengthen the community? Include how you identify and determine areas of emphasis.**

Consumer education is an important part of the Department’s mission and provides excellent opportunities for the Department to be involved in communities across the State. Senior leaders regularly speak at schools and community organizations regarding consumer issues. The Department traditionally supports the State’s Annual United Way Campaign and Good Health Appeal. In fact, the Department was the recipient this year of the United Way Bronze Award for its 29.4% increase in the dollars pledged by employees from the 1999 to 2000 campaigns. This year the Department sponsored blood drives and participated in the Columbia Urban League’s job-site program for students. All employees are encouraged to get involved in community activities. Staff members serve on local, state, and national boards. Many employees are actively involved in church and other charitable and community efforts. Professionals are encouraged to do pro bono work by granting leave time.

**Category 2 – Strategic Planning**

**1. What is your Strategic Planning process, including participants, and how does it account for: a) customer needs and expectations; b) financial, societal and other risks; c) human resource capabilities and needs; d) operational capabilities and needs; and e) supplier/contractor/partner capabilities and needs?**

As indicated throughout this report, the Department has processes in place for evaluating these areas, but a more formalized strategic planning process is just beginning to take form. The Department's last strategic plan, which was written in 1997, never got off the ground due to the relocation of the Department, substantial turnover on the Commission on Consumer Affairs, and discouraging results in the budget process. Resolving the critical issues that continue to face the Department will require the leadership of the Commission on Consumer Affairs, the direction of senior management, and the participation of all stakeholders including employees and members of the General Assembly.

Supplier capabilities are primarily controlled by the Procurement Code, but the Department tries to accommodate supplier needs when requested. Contractor credentials are evaluated on a case-by-case basis depending on what they can offer the Department in terms of testimony and how much the Department can afford to pay. Coalitions are brought together for specific issues, and meetings are held to determine the appropriate course or strategy.

The Office of Information Resources was asked to evaluate the Department's technology needs and presented recommendations in a series of proposals in late 1999 and early 2000. These recommendations were not funded during the last two budget cycles. Senior management is exploring other strategies and possible revenue sources to resolve critical issues.

**2. How do you develop and track action plans that address your key strategic objectives?**

Each division of the Department is assigned responsibilities in management meetings. In the Consumer Services Division, key performance measures are tracked via computer and reported at each monthly meeting of the Commission on Consumer Affairs. In the Enforcement Division, each attorney and deputy chief investigator must submit a monthly report to the Division Head who reports to the Commission. The Advocacy Division meets regularly and on an ad hoc basis and provides a detailed report to the Commission each month. In the Administration Division, financial action plans are monitored on a weekly basis for trends and comparisons to prior years and are also reported to the Commission monthly.

**3. How do you communicate and deploy your strategic objectives, action plans and performance measures?**

A monthly progress report is presented to the Commission on Consumer Affairs. The accountability report is presented to the Commission and submitted to the Office of State Budget each year. The Agency Head Evaluation is also presented to the Commission and submitted to the Agency Head Evaluation Committee each year. The communication methods mentioned in the answer to 1a in category 1 are also used to communicate strategies and results.

## **Category 3 – Customer Focus**

### **1. Identify key customers and stakeholders.**

The Department's key customers and stakeholders are the consuming public, ratepayers, regulated and indirectly regulated businesses, law enforcement agencies, schools, community groups, vendors, the media, consumer protection organizations, the Council of Advisors on Consumer Credit, the Commission on Consumer Affairs, the Governor's Office, the General Assembly, and the U.S. Congress.

### **2. How do you determine who your customers are and what are their key requirements?**

Our customers are defined by statute first then by recognizing how best to fulfill our statutory duties; e.g., partnerships with organizations with similar goals and objectives. However, in an attempt to formalize this process, each division met separately to create lists of customers during the Spring of 2001. Senior management reviewed these lists to create the master list found in the previous item.

Generally, all of the customers listed above insist that the Department encourage fairness in consumer transactions whenever possible. This key requirement can be found in the statutory authority given to the Department in the Consumer Protection Code and other consumer related legislation. However, customers' key requirements are ascertained more specifically through complaint mediation, public speaking engagements, educational workshops, surveys, online chats, and legislative activities.

The most common key requirements are:

- Timely processing of complaint or compliance review,
- Informed of the mediation or compliance process,
- Freedom of information regarding regulated businesses and businesses in general,
- Notification of results of mediation or compliance review,
- Updated, accurate, and written information regarding consumer related issues and topics,
- Education regarding deceptive and unfair business practices.

### **3. How do you keep your listening and learning methods current with changing customer/business needs?**

The Consumer Services Division resolves complaints everyday and tabulates results and industry trends every month. The Public Information and Education Division disseminates information whenever requested or necessary to alert the public. The Department attempts to keep current with customer/business needs through a monthly review of the complaints filed and the information requested. This review identifies the top issues of the day, which become areas that staff can focus upon in their own professional development in workshops, conferences, and continuing education courses.

The Department maintains a statewide toll-free telephone number. It is also in the process of compiling the results of a recent survey of consumers whose complaints were recently

mediated and closed by the Department. Collaborative efforts with other organizations and new technologies such as online chats have revealed changing customer/business needs. In the future, the Department will attempt to obtain feedback from other groups of customers so that more specific customer/business needs may be identified.

#### **4. How do you use information from customers/stakeholders to improve services or programs?**

Each staff member is empowered to resolve complaints without checking with management and is encouraged to notify his or her supervisor of any weakness identified within the Department. Management will attempt to pinpoint where the specific process broke down and fix the problem or implement a new procedure if necessary. Action taken by management is communicated through supervisors to the affected staff.

Complaint information is maintained in a database to bolster programs and services so that problem areas for the public can be identified, the public can be warned of alarming trends or deceptive business practices, and cases can be built for legal or legislative action. This database is vital for the Department to encourage fairness in consumer transactions whenever possible.

#### **5. How do you measure customer/stakeholder satisfaction?**

A “hard measure” of customer satisfaction, which has been utilized by the Department for many years, is the closing status of complaints. Each complaint is analyzed and given a closing status based on the following factors:

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

The Department distributed a customer survey in May 2001 to a random sample of consumers whose complaints were closed in early 2001. This survey asked for feedback on a broad range of issues and attempts to further identify customer satisfaction. The Department will develop surveys and other “soft measures” for more groups of customers in the future.

A variety of soft measures are currently utilized, including thank you letters from customers, invitations to participate in television programs or other collaborative efforts, issues raised by the Commission on Consumer Affairs or the Council of Advisors, and responses to the



Department's budget request from staff of the Governor's Office and members of the General Assembly.

**6. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.**

The Department builds coalitions, partners, and works on collaborative efforts by aggressively seeking cooperation from different community groups and quasi-consumer groups. Businesses complained against are customers, so the Department provides information to assist in bringing about a fair resolution to a complaint. The Enforcement Division provides advisory reviews to regulated businesses to bring them into compliance before they get into trouble. The Department provides continuing education to mortgage loan brokers at no charge to assist them in obtaining the required number of credits each year. Public speaking with civic and education groups and showing no bias in presentations and mediations are also helpful in building positive relationships. The Department attempts to be nonpartisan in its approach to legislative issues. Events such as the legislative breakfast held in February 2001 assist the Department in networking and communicating with legislators. The most important factor in building positive relationships, no matter who the customer is, has been providing timely information or results.

**Category 4 – Information and Analysis**

**1. How do you decide which operations, processes and systems to measure?**

The Consumer Protection Code requires the Department to focus upon advocacy, complaint mediation, credit and regulatory enforcement, and education. The Administrator selected cost efficiency levels. Complaints with an "unsatisfactory" closing status have been found to be key in discovering unfair trade practices, and stopping such practices has been an indicator of the Department's success.

**2. How do you ensure data quality, reliability, completeness and availability for decision-making?**

Guidelines have been established for complaint analysts to determine the closing status of each complaint. These guidelines are followed, and the Director of Consumer Services and the Deputy for Enforcement assist in the determination when requested. The Administrator does some spot-checking of problem complaints. Supervisors review the work product of employees. For example, the Deputy for Public Information and Education reviews press releases and then the Administrator does a second review.

**3. How do you use data/information analysis to provide effective support for decision-making?**

Trends, particularly top complaint categories, influence the Department's priorities, focus, and decisions. Utility and insurance filings are reviewed to determine if the Advocacy Division should intervene at the Public Service Commission or the Department of Insurance.

#### **4. How do you select and use comparative data and information?**

The Department attempts to acquire data from some or all of the Southeastern states depending on the issue. Decisions are based on what has happened historically. Data from the Consumer Services Division is analyzed monthly and compared to prior months and years for trends. Consumer needs are identified and made public through the media, public speaking engagements, legislators, etc.

### **Category 5 – Human Resource Focus**

#### **1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?**

First of all, the Department attempts to hire employees who have a “burning desire” and other intangibles that make them motivated on their own. Specific objectives are at times placed in employees’ planning documents. Training opportunities are made available for those employees whose talents or needs justify the training. Employees are encouraged to offer recommendations to improve operations and may submit thoughts or concerns via a suggestion box for review at senior management meetings. Other incentives currently under consideration include leave time or bonuses for employees who contribute valuable cost saving ideas.

#### **2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?**

Each employee is relied upon to assess their own training needs. Customers, especially the General Assembly, identify the friction areas/dissatisfaction that the Department should focus upon. Although supervisory training is ongoing, five members of management are graduates of the South Carolina Executive Institute. Staff received training in consumer satisfaction and telephone skills. New employee orientation is standard procedure for the Department, delivered to each employee in a timely basis. Senior management is currently examining recent surveys of staff and a random sample of customers.

#### **3. How does your employee performance management system, including feedback to and from employees, support high performance?**

Employees are asked to help design position descriptions, and duties/success criteria are signed off on. The Consumer Services and Enforcement Divisions have a weighted system that motivates the employee to focus on priorities. Promotions, merit increases, and bonuses have been based on ratings.

#### **4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?**

Due to its small size, the Department uses a very informal assessment. Well being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. The Director of Consumer Services examines each complaint analyst's number of pending, closed, and newly assigned complaints to get a sense for staff motivation. Staff meetings are held, and the monthly progress report summarizes each division's activities. An exit interview is held when employment is terminated to discover reasons for dissatisfaction, if any.

**5. How do you maintain a safe and healthy work environment?**

Safety and accessibility were important factors in selecting the Department's new location, and the floor plan was designed for safety. Comfort is a factor when selecting equipment. The Department sponsors a wellness program, and experts have been brought in to present tips on stress reduction, injury prevention, and diet. Staff is immediately notified of danger via signs or the intercom system.

**6. What is the extent of your involvement in the community?**

Consumer education is an important part of the Department's mission and provides excellent opportunities for the Department to be involved in communities across the State. Senior leaders regularly speak at schools and community organizations regarding consumer issues. The Department traditionally supports the State's Annual United Way Campaign and Good Health Appeal. In fact, the Department was the recipient this year of the United Way Bronze Award for its 29.4% increase in the dollars pledged by employees from the 1999 to 2000 campaigns. This year the Department sponsored blood drives and participated in the Columbia Urban League's job-site program for students. All employees are encouraged to get involved in community activities. Staff members serve on local, state, and national boards. Many employees are actively involved in church and other charitable and community efforts. Professionals are encouraged to do pro bono work by granting leave time.

**Category 6 – Process Management**

**1. What are your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?**

Divisions have been established to carry out each of the Department's four key processes (advocacy, complaint mediation, credit and regulatory enforcement, and education). Cost and staff capabilities are important considerations for any new program or redesign. New technology, such as the Internet, is incorporated as much as possible. Complaints are now accepted via e-mail. However, improvements to the Department's computer network are still needed to keep pace with customer demand and data security issues.

**2. How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?**

Daily supervision is main way the Department ensures that performance requirements are met. In the Consumer Services Division, a suspense report is generated everyday to consistently work complaint files and generate timely letters. The Administrator maintains a similar suspense file to set priorities and follow-up on matters. The Advocacy Division reviews notices and filing deadlines on a daily basis. Policy and procedure manuals are consulted when needed. The Commission on Consumer Affairs reviews the monthly progress report to discuss the Department's priorities and deficiencies.

**3. What are your key support processes, and how do you improve and update these processes to achieve better performance?**

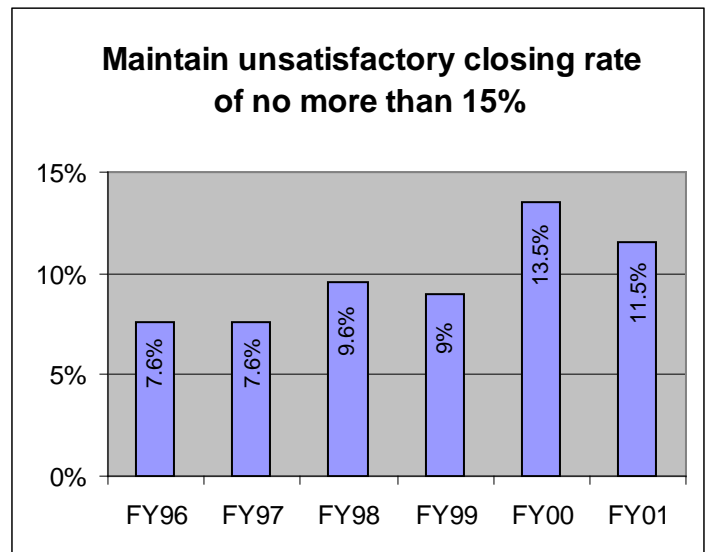
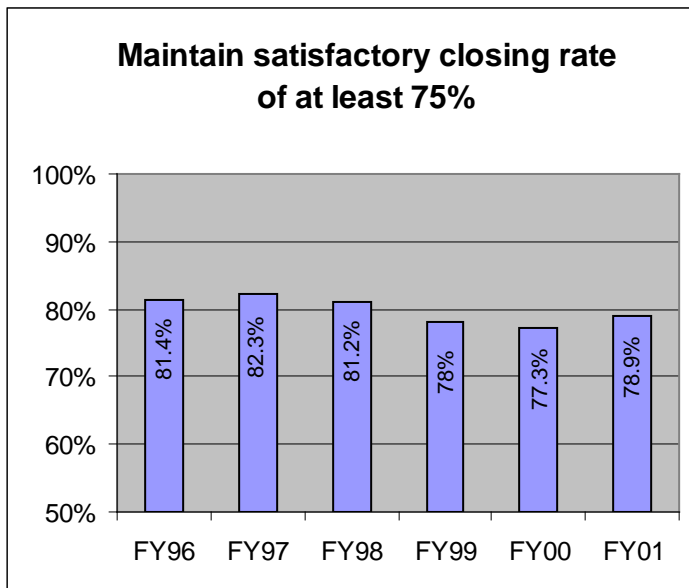
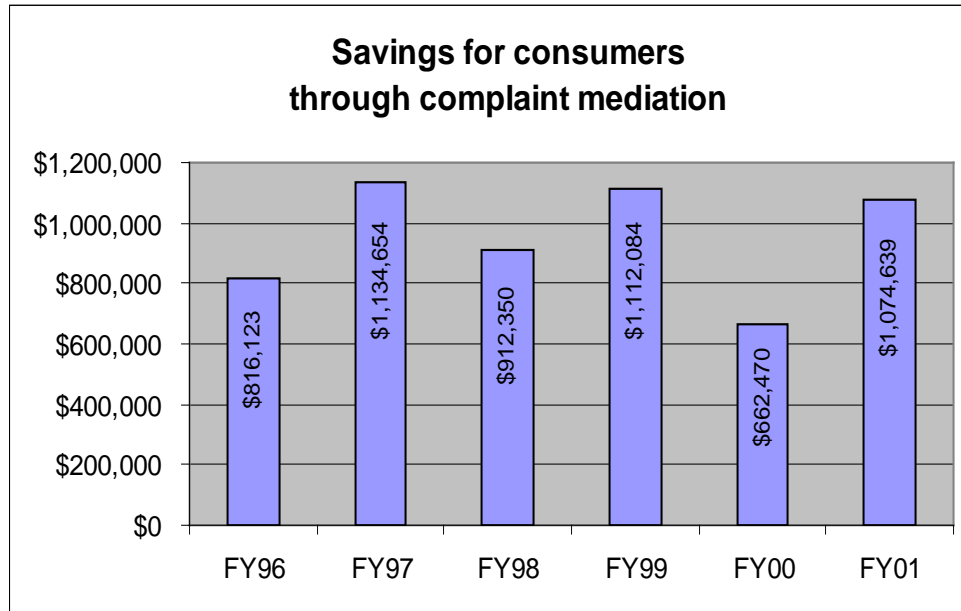
Key support processes include accounting, human resources, procurement, mail distribution, and computer services. The Deputy for Administration monitors the response time for these processes and takes corrective action, such as prioritizing, if necessary.

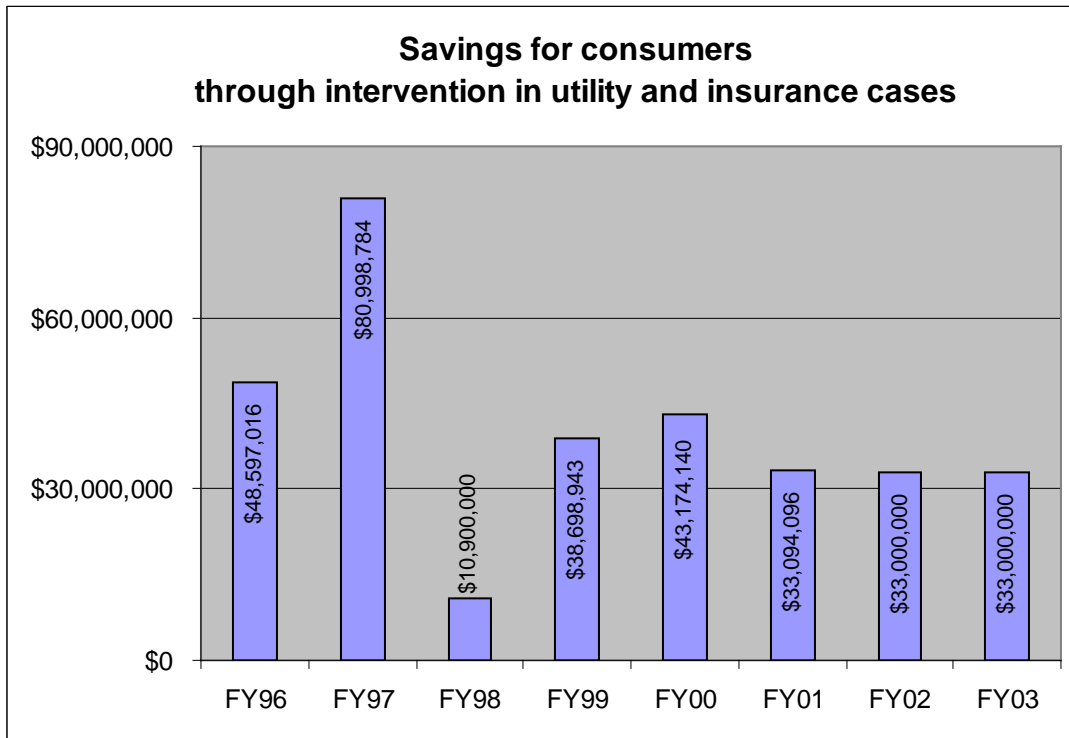
**4. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?**

Most of these interactions are improved through oral communications. However, the threat of legal action has been necessary on occasion. If performance is consistently below expectations, then the Department usually discontinues the relationship.

## Category 7 – Business Results

1. What are your performance levels and trends for the key measures of customer satisfaction?

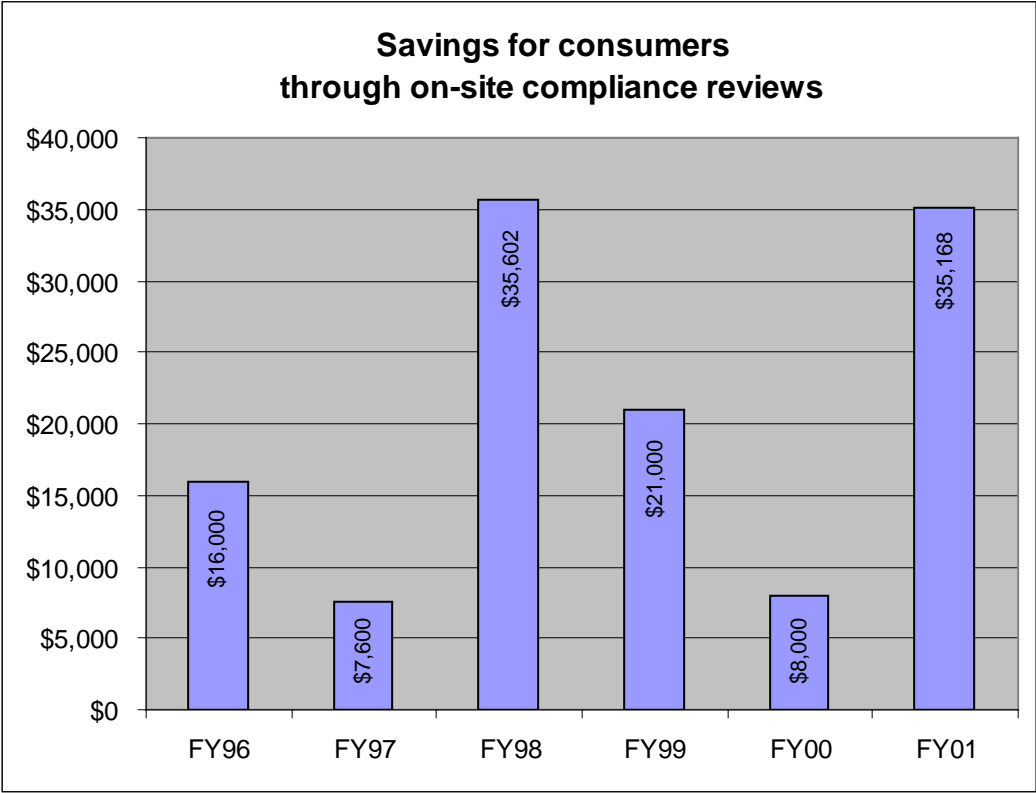




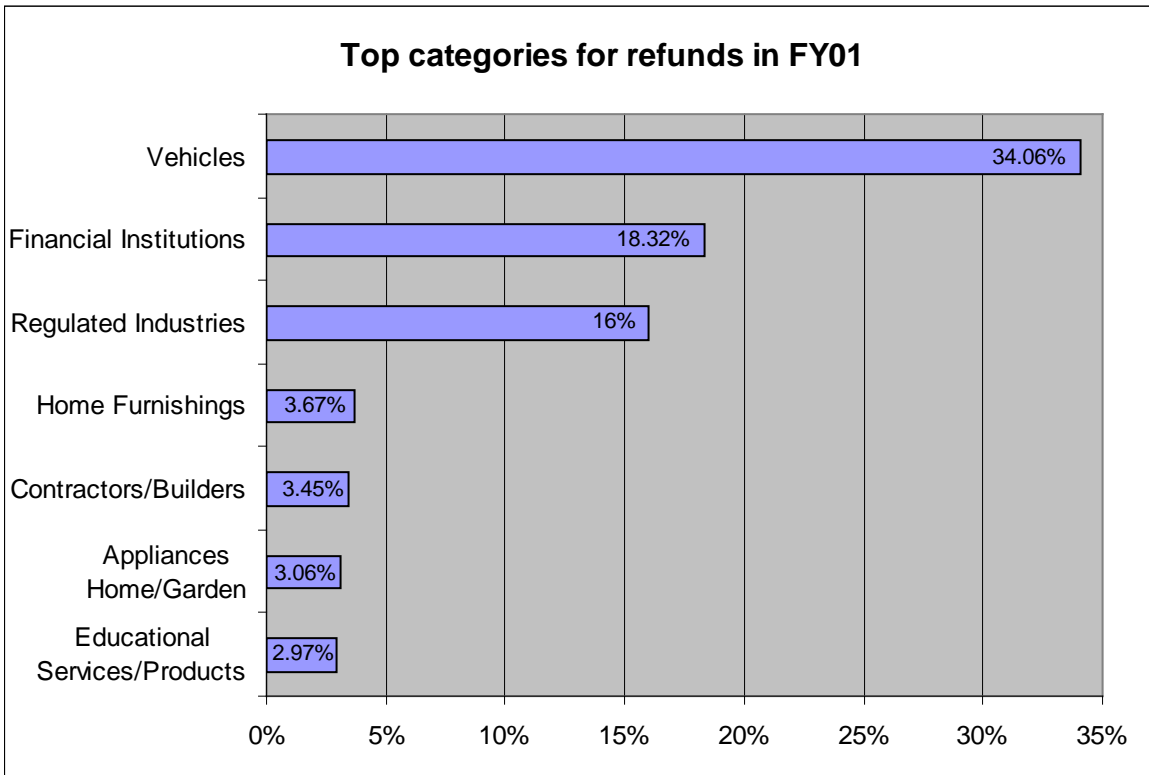
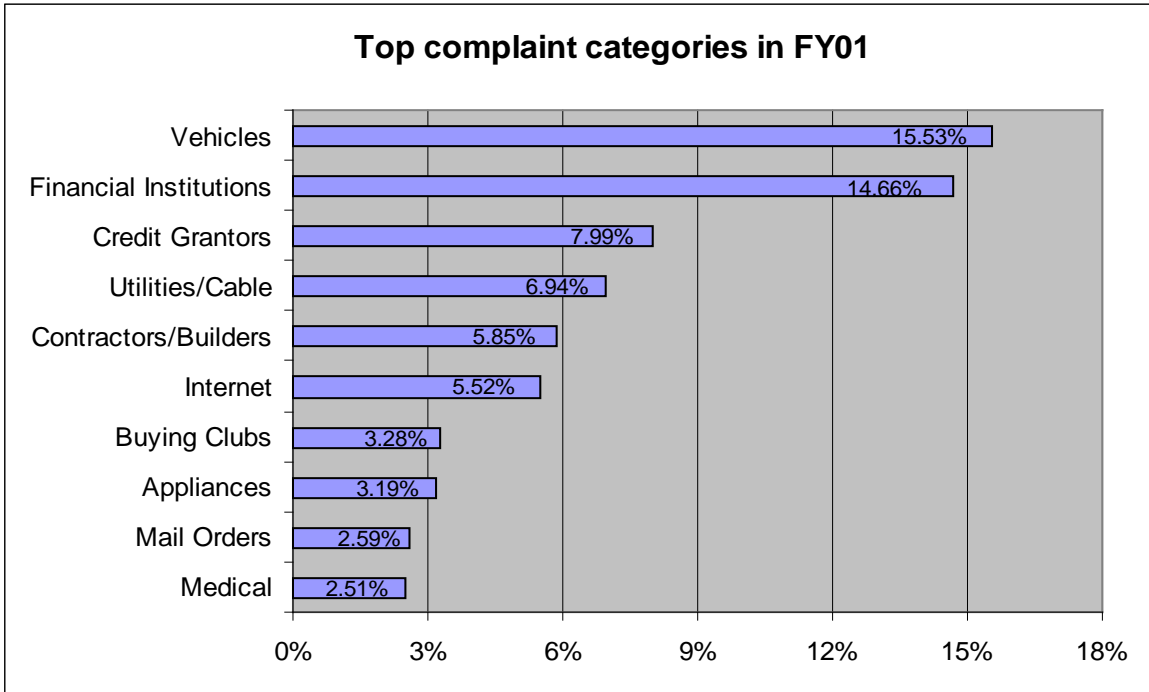
For FY02 and FY03, the Department anticipates savings for consumers in addition to the amounts reported in the chart above. In other words, the savings reported for FY02 and FY03 are the very least the Department will save for consumers in those years. In FY99, the Department and BellSouth reached an agreement under which, among other things, BellSouth committed to lower local rates for residential and business customers by \$1 per month for a minimum of five years. Based on the number of BellSouth residential and business customers, the reduction in rates will total approximately \$165,000,000 over the five-year period, or \$33,000,000 per year for five years. The Public Service Commission approved this settlement.

In FY01, Advocacy saved consumers \$94,096 through intervention in insurance cases.

Upon referral from the Department of Social Services and a former employee, Advocacy assisted two consumers with disputed medical bills, both of which resulted in savings of \$3,860 and \$1,765 to the consumers.

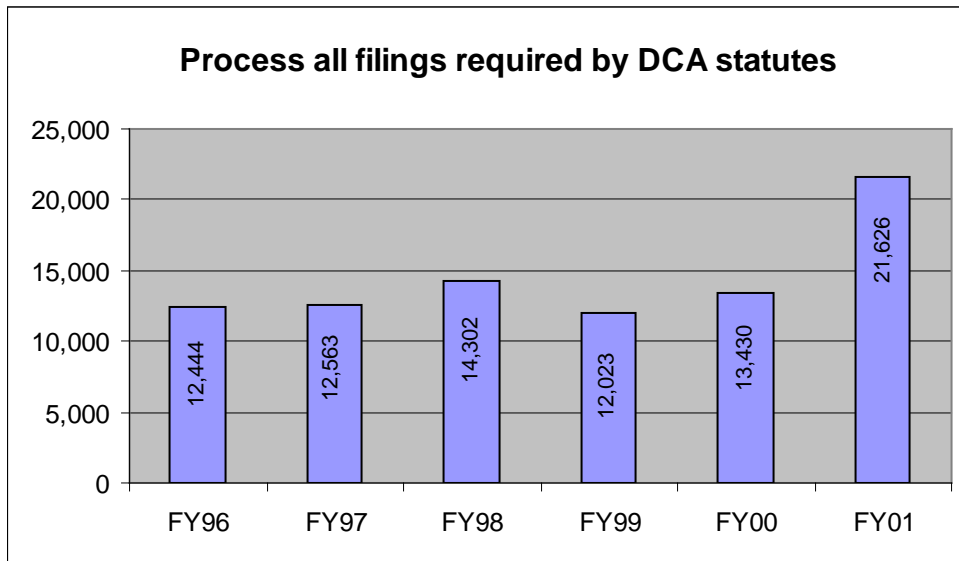
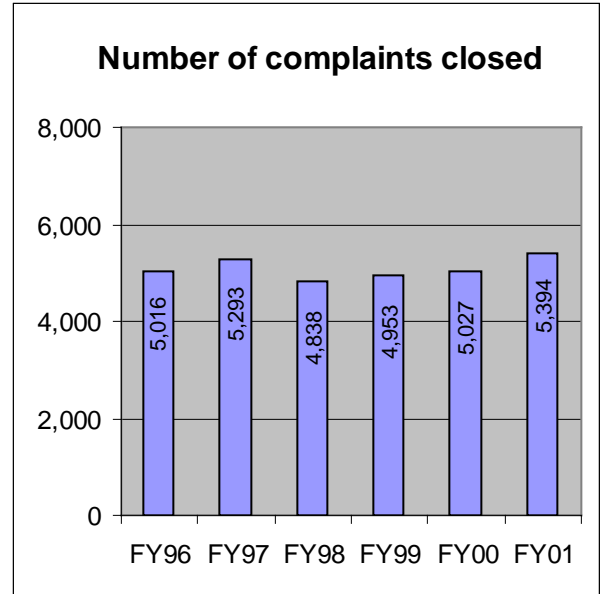
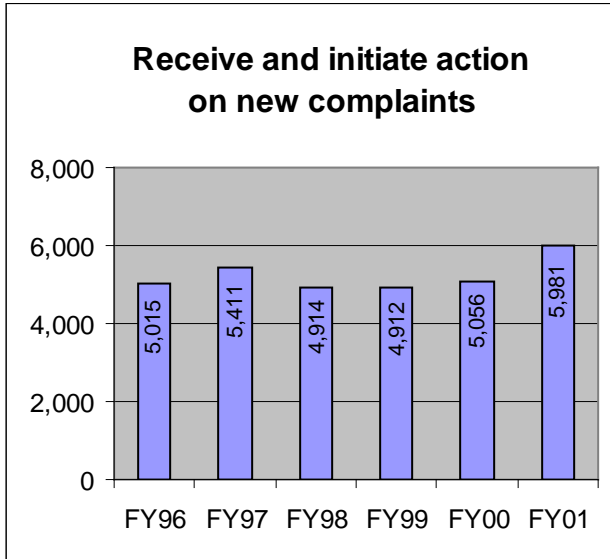


In FY01, an additional \$51,438.53 was refunded to consumers as a result of criminal investigations into odometer fraud and bonds taken from mortgage loan brokers and a physical fitness center.

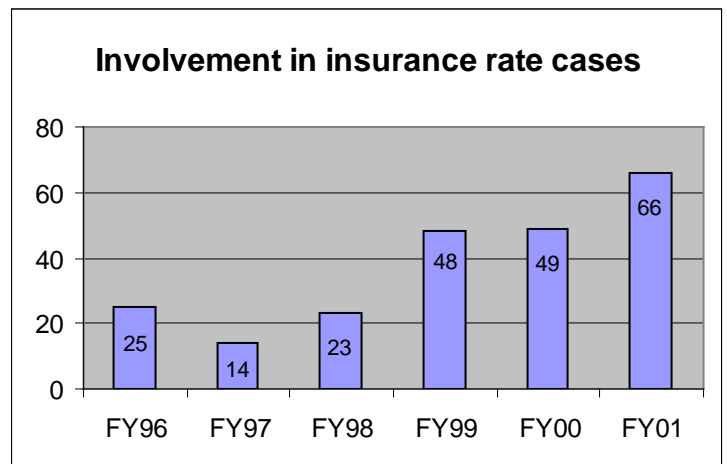
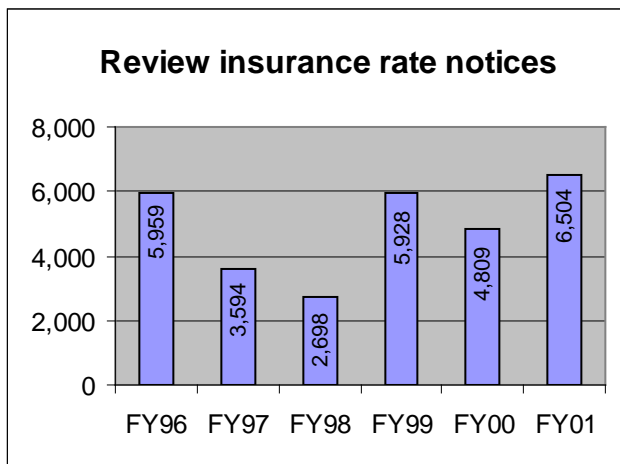
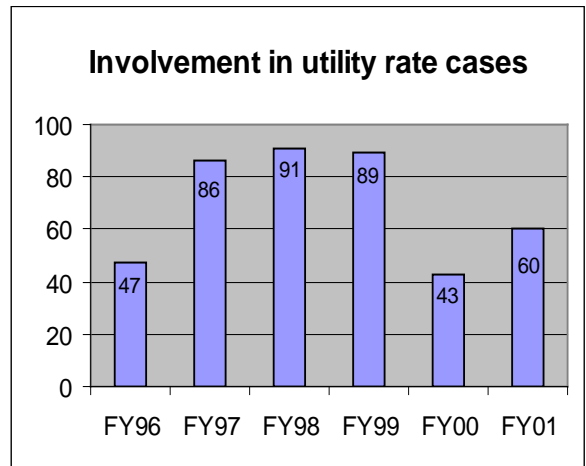
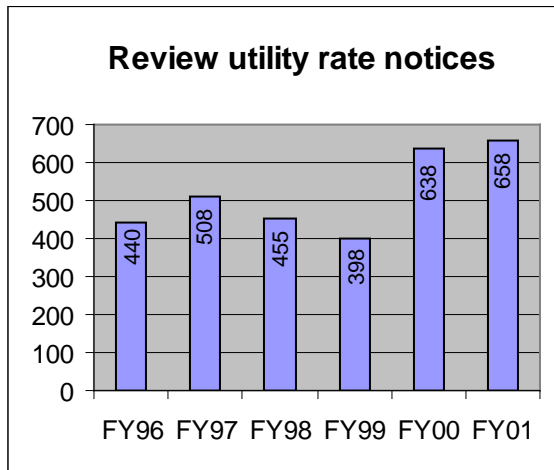


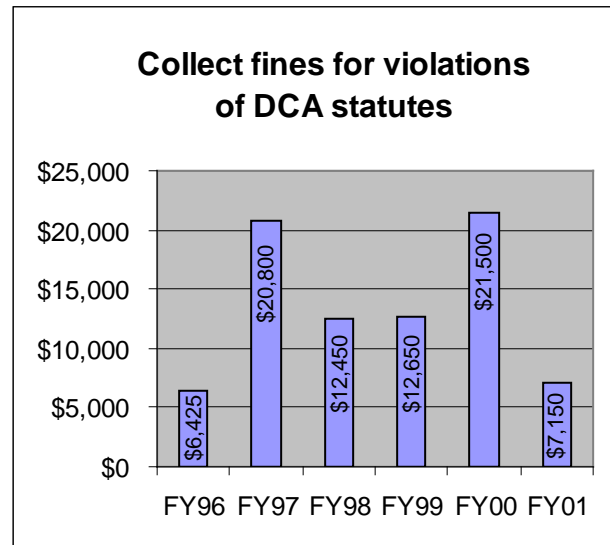
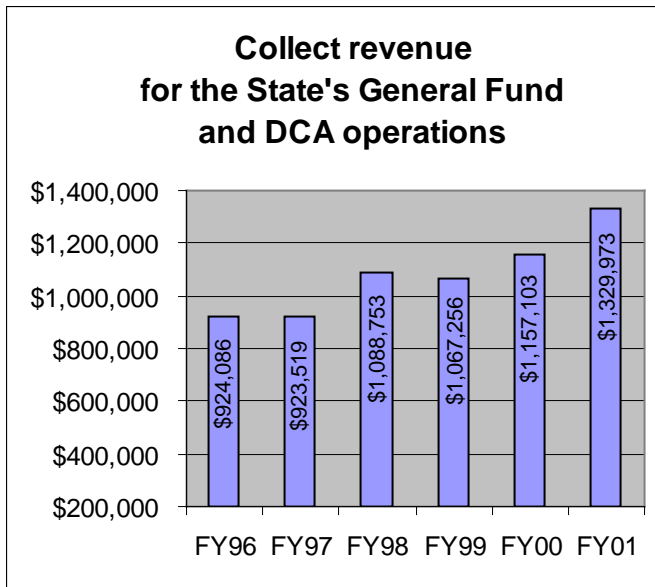


2. What are your performance levels and trends for the key measures of mission accomplishment?



FY01 included 8,313 filings for prepaid legal services, which is a new responsibility as of Act 328 of 2000.





FY01 included \$171,720 from prepaid legal services, which is a new responsibility as of Act 328 of 2000.

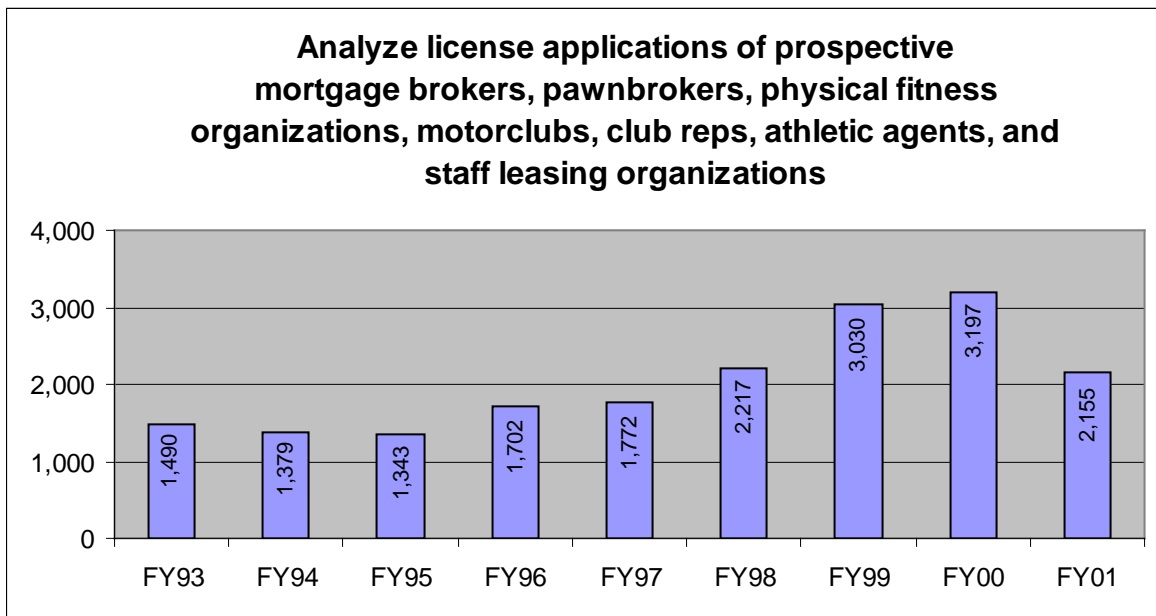
**3. What are your performance levels and trends for the key measures of employee satisfaction, involvement and development?**

Due to its small size, the Department has not formalized any employee satisfaction measures. Well being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. The Director of Consumer Services examines each complaint analyst's number of pending, closed, and newly assigned complaints to get a sense for staff motivation. An exit interview is held when employment is terminated to discover reasons for dissatisfaction, if any.

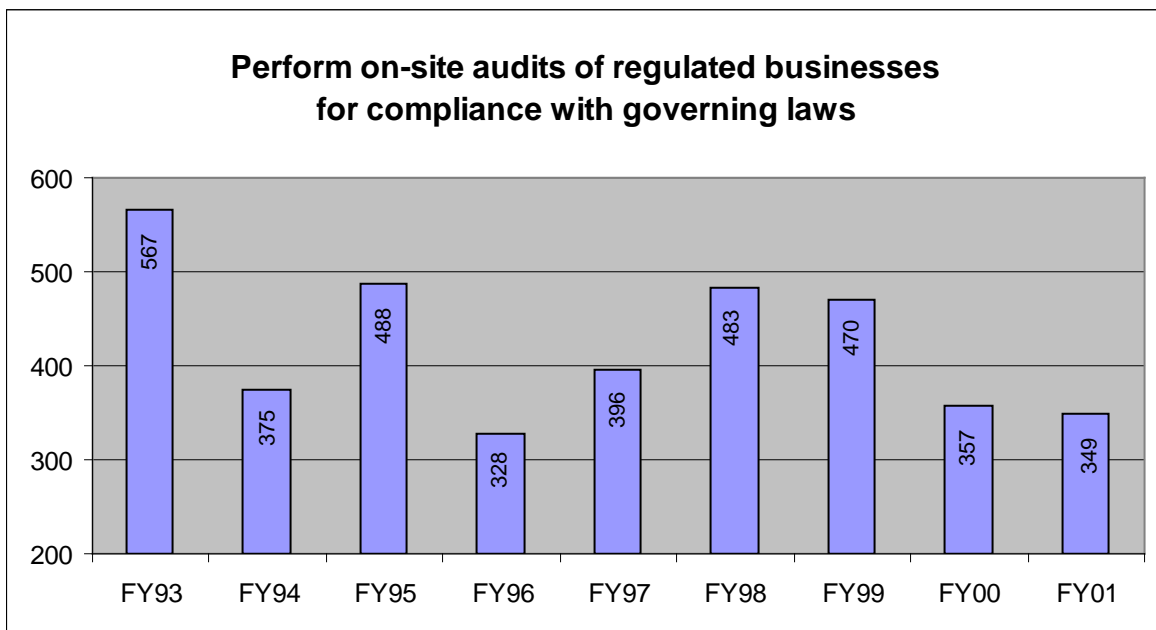
**4. What are your performance levels and trends for the key measures of supplier/contractor/partner performance?**

The Department has not established any key measurements for these relationships since results differ and vary depending on the transaction. Most of these interactions are improved through oral communications. However, the threat of legal action has been necessary on occasion. If performance is consistently below expectations, then the Department usually discontinues the relationship.

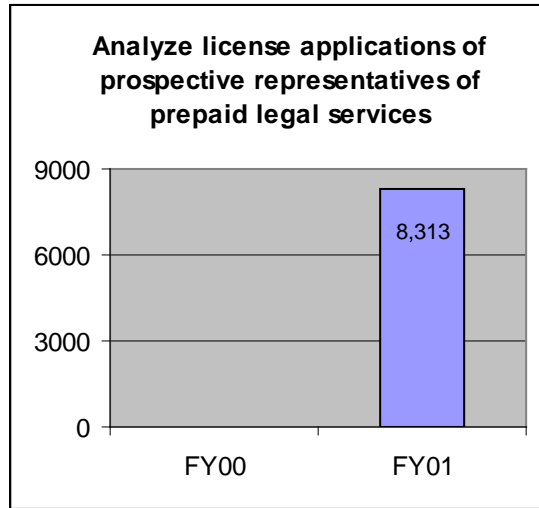
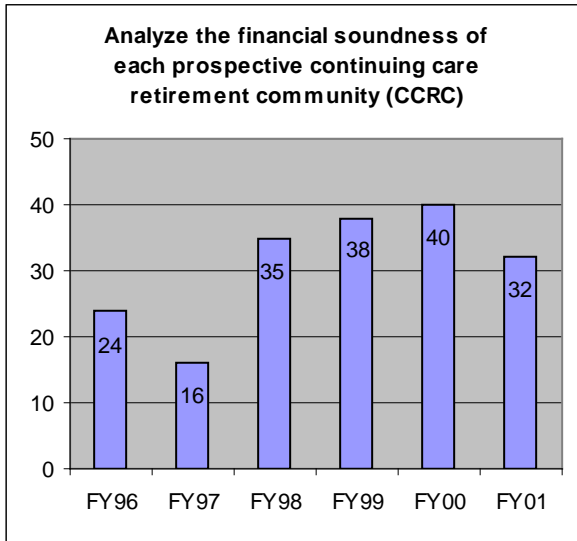
5. What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?



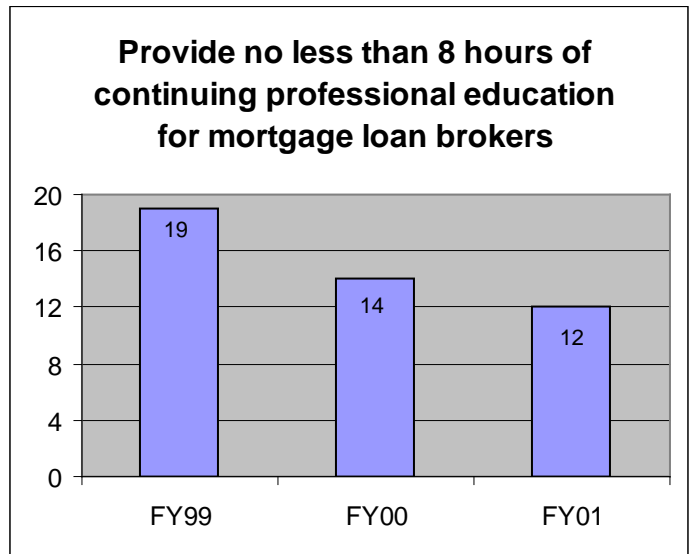
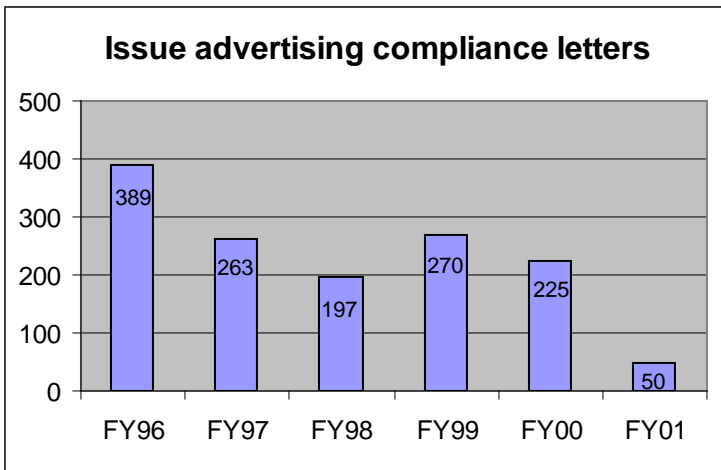
In FY00, the Enforcement Division analyzed a higher number of applications for motor club representatives than normal.

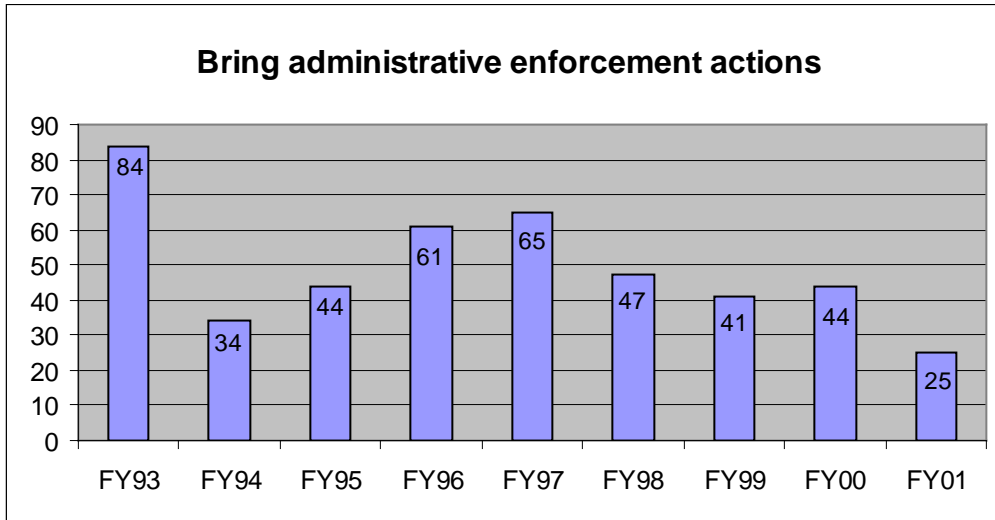


In FY01, compliance reviews were performed with three vacant investigator positions.

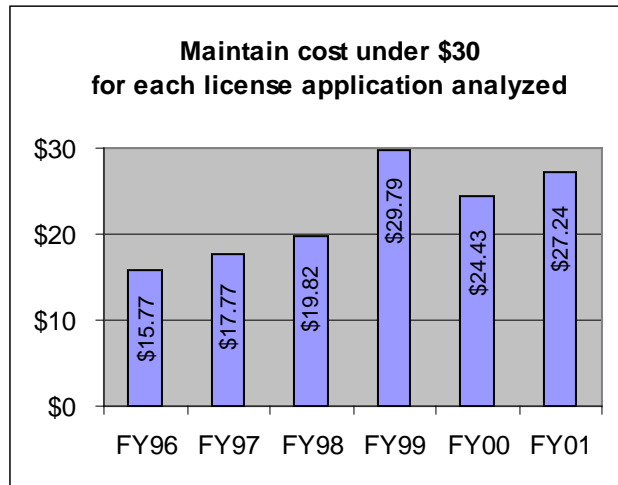
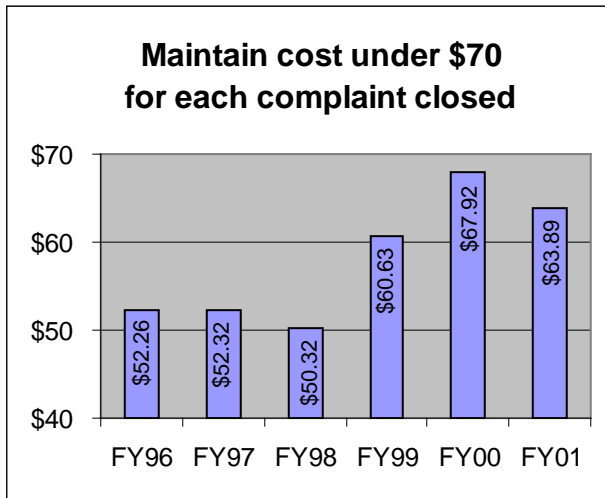


The oversight of prepaid legal services is a new responsibility as of Act 328 of 2000.





**6. What are your current levels and trends of financial performance?**



Previously reported financial data are not included in this report because they were based on assumptions that are no longer accurate. The Department is in the process of revising its approach to cost analysis.