

AGENCY NAME:

South Carolina Department of Revenue

AGENCY CODE:

R440

SECTION:

106



## Fiscal Year 2013-14 Accountability Report

### SUBMISSION FORM

#### AGENCY MISSION

The mission of the South Carolina Department of Revenue 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. The Department will administer these duties with a focus on information security and the protection of taxpayer information.

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Meredith Cleland	803- 898-5402	<a href="mailto:Clelandm@sctax.org">Clelandm@sctax.org</a>
SECONDARY CONTACT:	Virginia Wetzel	803-898-5281	<a href="mailto:wetzelv@sctax.org">wetzelv@sctax.org</a>

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

AGENCY DIRECTOR  
(SIGN/DATE):

(TYPE/PRINT NAME):

Rick Reames III

BOARD/CMSN CHAIR  
(SIGN/DATE):

(TYPE/PRINT NAME):

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## **AGENCY'S DISCUSSION AND ANALYSIS**

### **Mission, Vision, Culture, and Strategic Issues**

The mission of the SCDOR is to administer the revenue and regulatory laws of the state in a manner deserving the highest degree of public confidence in our integrity, effectiveness and fairness. The Department will administer these duties with a focus on information security and the protection of taxpayer information.

The Department strives to be an innovative and trustworthy service partner to all stakeholders. To accomplish this vision, the Department must:

- Understand and anticipate market needs and services.
- Consistently provide timely, streamlined communication to our stakeholders,
- Ensure functional security that balances enterprise risk management with quality, timely service.
- Build and maintain meaningful, ongoing dialog with key stakeholders to provide benchmark service for the state.
- Recruit, train, retain and reward employees who make a positive difference.

A strong and healthy organizational culture will drive our efforts and lead to success for all stakeholders. The Department strives to exemplify a culture that embodies:

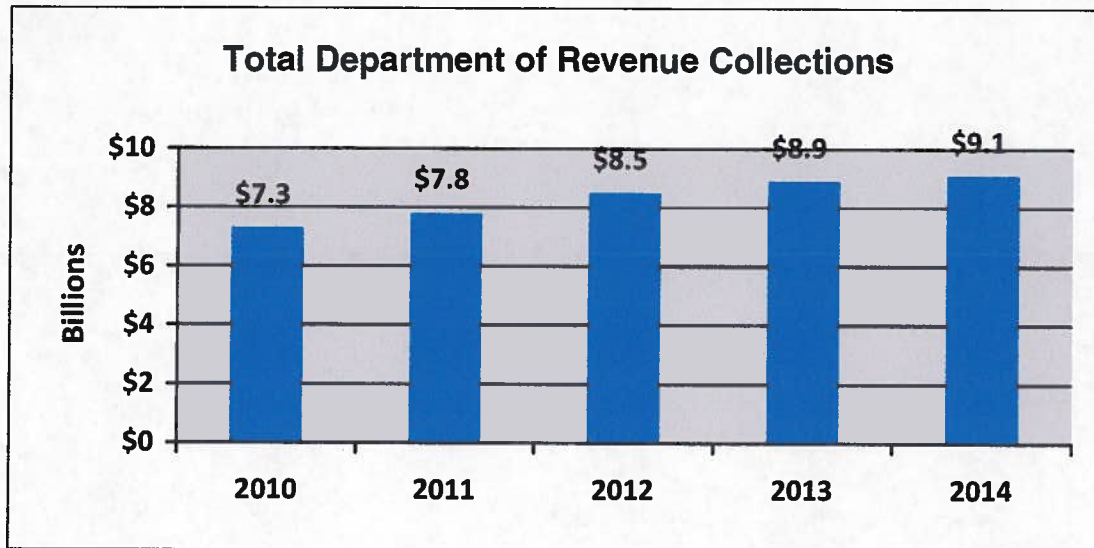
- Visionary and innovative planning.
- Proactive service-minded customer focus.
- Ownership of problems and accountability for solutions demonstrated through words and actions.
- Collaborate among teams for everyday process improvement.
- Commitment to enhancing and building employee skills and knowledge.
- Empowered employees who make a positive difference and are recognized for their contributions.
- Leadership that models integrity and collaboration across the agency to promote excellence.
- Security.

Strategic issues are the major concerns and challenges we will address to achieve the vision, fulfill the mission and sustain the organizational culture that drives the ultimate success of the SCDOR.

- Ensure continued ability to administer revenue and regulatory laws.
- Implement enterprise risk management.
- Recruit, train and retain a professional, capable workforce.
- Understand, anticipate and respond to market needs.
- Ensure functional security.
- Manage and build relationships with key stakeholders.
- Ensure streamlined and timely two-way communications with employees and taxpayers.

### SCDOR at a Glance

In concert with our mission, the SCDOR collects approximately 93.4% of the state's general fund. Collections by the Department totaled \$9.1 billion through all of our collection and enforcement activities, from the 32 taxes we administer and other collection activities for which we are responsible.



The SCDOR plays a major role in the state budget process. The agency's director represents the SCDOR in an ex-officio capacity at meetings of the Board of Economic Advisors (BEA). The SCDOR is instrumental in providing information to the BEA during the formulation of budget estimates for purposes of developing guidelines for the General Assembly and the Governor to establish the state budget. The Department is also in attendance at all budget related, legislative committee meetings to aide in the formulation of budget policies related to revenue collection.

In partnership with the Department of Commerce (DOC), the SCDOR is closely involved in the expansion of economic development in South Carolina. The director of the SCDOR is a member of the Coordinating Council for Economic Development and acting chairman of the Enterprise Program of the Council.

Through the administration of the tax credit programs in this state, the SCDOR plays a vital role in attracting new businesses and supporting the continued development of existing business within this state. The SCDOR is responsible for administering the following:

- Job tax credit.
- Economic impact zone investment tax credit.
- Corporate moratorium.
- Special allocations and apportionment of income program.
- Fee-in-Lieu of taxes program.
- Utility license tax credit.
- Job development credit (in partnership with DOC).

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### **Fiscal Year 2013/2014 Milestones**

During the past fiscal year the SCDOR focused on investing in our workforce, identifying and improving efficiencies, ensuring the security of taxpayer information, and finalizing a strategic direction for future utilization of information technology.

#### **Compliance Driven Accomplishments:**

- The agency began pursuing a new, integrated COTS (Commercial off the Shelf) tax system that will allow the SCDOR to have a comprehensive view of an individual's tax obligations and records and will offer new, user friendly electronic services to taxpayers. This new system will ultimately increase taxpayer compliance, improve customer service and workforce effectiveness, and strengthen partnerships with stakeholders. In effect, it will completely alter and improve the security and efficiencies of the SCDOR.
- The South Carolina State Survey conducted by the University of South Carolina reported that the satisfaction rate of individual income tax refund cycle times was 95.7% for the last year. The SCDOR has maintained an average 95.8% satisfaction rate for the last five years.
- Effective April 15, 2014, SC was ranked fourth in the nation among other states with 92% of individual income tax returns filed electronically. Electronic filing numbers continue to grow both in returns filed (60% of returns received are filed electronically) and payments received (84% of individual income tax collections were paid electronically). In addition, the Department was able to eliminate \$5 million in fraudulent income tax refunds.

#### **Strengthened Partnerships with External Stakeholders:**

- The SCDOR partnered with the Department of Employment and Workforce, the Secretary of State, and Consumer Affairs to continue working on new projects for the South Carolina Business One Stop (SCBOS) program.
- The SCDOR automated processes to provide business users with daily versus weekly updates of W-2 data.
- The SCDOR streamlined and improved the accommodation tax financial reporting between businesses and counties and municipalities.

#### **Improved Internal Relations and Communications:**

- In order to promote a cohesive, united workforce, the SCDOR conducted a well-designed strategic plan roll-out for all employees.
- The SCDOR improved the Health and Wellness Program with the addition of an employee walking challenge, weight loss program, and constant health check-ups.
- In order to retain a knowledgeable workforce, the SCDOR established a formal mentoring and agency leadership program.

#### **Taxpayer Security:**

- The most important layer of defense in protection of taxpayer information is the adoption of an internal security culture by SCDOR employees and vendors. In the last year, the SCDOR has implemented an annual in-house security awareness certification for all employees and vendors, changed the management and reporting structure to heighten

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security awareness and ownership, implemented a security incident response process to monitor and respond to potential security threats, completed a security risk assessment to ensure compliance with security requirements, and limited access to SCDOR systems to those employees with a business need.

#### **On the Horizon (Fiscal Year 2014/2015)**

In order to better serve taxpayers and improve business procedures, the SCDOR has contracted with Fast Enterprises, LLC for the implementation of a COTS tax system. The new tax system will strengthen stakeholder relationships as well as internal two-way communications and will enable the SCDOR to continue strengthening security.

Since it will help improve stakeholder relationships and business procedures, COTS will help reinforce and maintain a satisfied and capable workforce. Work on the four year installation project officially began August 25, 2014. Once completed, the project should enhance compliance and customer satisfaction as well as improve workforce effectiveness and stakeholder partnerships.



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Program Template

Program/Title	Purpose	FY 2012-13 Expenditures				FY 2013-14 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administrative & Program Support Personal Service	Agency Administration and Internal Audit functions.	\$ 593,900	\$ -	\$ -	\$ 593,900	\$ 970,393	\$ -	\$ -	\$ 970,393	All Objectives
II.A. Programs and Services Support Services Personal Services	Human Resources, Training and Development, Quality, Procurement & Facilities Management, Budget & Finance, Information Resource & Technology Management and Computerized Systems Management Functions.	\$ 9,350,255	\$ 22,431,649	\$ -	\$ 31,781,904	\$ 8,885,498	\$ 23,617,574	\$ -	\$ 32,503,072	All Objectives
II.B. Revenue & Regulation Personal Service	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.	\$ 22,676,581	\$ 2,645,274	\$ -	\$ 25,321,856	\$ 24,316,825	\$ 4,113,489	\$ -	\$ 28,430,314	All Objectives
II.C. Legal, Policy & Legislation Personal Service	Agency General Counsel; tax policy, bankruptcy matters and legislative services.	\$ 588,717	\$ -	\$ -	\$ 588,717	\$ 544,375	\$ -	\$ -	\$ 544,375	All Objectives
III.C. Employee Benefits: State Employee Contributions/ Employer Contributions	Employer (agency) share of fringe benefits paid on state employee salaries.	\$ 9,630,986	\$ 746,489	\$ -	\$ 10,377,474	\$ 9,757,759	\$ 730,748	\$ -	\$ 10,488,508	All Objectives

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Description
G	1			<b>Maximize Compliance and Collections</b>
S		1.1		<b>Establish an Agency-Wide Strategic Plan</b>
O		1.1.1		Created Strategic Plan and associated documents.
O		1.1.2		Rolled out Strategic Plan to all employees.
S		1.2		<b>Increase Electronic Filing for all Taxes</b>
O		1.2.1		Offered electronic filing options for Admissions Tax.
O		1.2.2		Expanded Epay services to all taxes paid by Electronic Funds Transfer (EFT).
O		1.2.3		Offered a fillable form for Sales Tax.
S		1.3		<b>Utilize and Strengthen Partnerships with External Stakeholders</b>
O		1.3.1		Established a new, secure data access portal for Local Government Officials to use for information related to exempt property, business personal property, and manufacturing.
O		1.3.2		Partnered with other State agencies through the South Carolina Business One Stop (SCBOS) to facilitate registrations and collections.
O		1.3.3		Partnered with Federal and State agencies to collect funds due from taxpayers.
G	2			<b>Improve Customer Service Relations with Taxpayers</b>
S		2.1		<b>Improve Response Time</b>
O		2.1.1		Increased system availability for use in the service of taxpayers.
O		2.1.2		Maintained a high taxpayer satisfaction rate with the speed of processing their tax refund.
O		2.1.3		Increased taxpayer satisfaction with the speed of service.
S		2.2		<b>Enhance Taxpayer Communications</b>
O		2.2.1		Reviewed and redesigned DOR letters, notices, forms, form instructions and Frequently Asked Questions (FAQ) sheets.
O		2.2.2		Held multiple Taxpayer Education classes and workshops.
O		2.2.3		Increased taxpayer satisfaction with the ease and quality of service.
G	3			<b>Protect Taxpayer Information</b>
S		3.1		<b>Establish a Mandatory Security Awareness Training Program for All Employees and Contractors</b>
O		3.1.1		Required all new employees, contractors, and on-site vendors to attend security awareness training.
O		3.1.2		Required security awareness refresher training and certification for all employees and contractors.
S		3.2		<b>Establish Disaster Recovery and Business Continuity Plans</b>
O		3.2.1		Conducted a Disaster Recovery and Business Continuity Strategic Assessment.
O		3.2.2		Documented Disaster Recovery and Business Continuity Plans based on the Strategic Assessment.
O		3.2.3		Conducted multiple exercise drills of the Disaster Recovery and Business Continuity Plans.
S		3.3		<b>Ensure Compliance with Security Requirements</b>
O		3.3.1		Conducted self assessments and reporting to regulatory bodies.
O		3.3.2		Attained successful completions to on-site compliance reviews conducted by outside parties and regulatory bodies.
S		3.4		<b>Continue to Enhance Security Landscape</b>
O		3.4.1		Conducted an information technology (IT) security risk assessment.
O		3.4.2		Established a Systems Security Plan (SSP).
G	4			<b>Develop and Retain a Competent, Productive, and Satisfied Workforce</b>
S		4.1		<b>Capitalize on Opportunities for Training, Mentoring, and Leadership Development</b>
O		4.1.1		Enrolled supervisors in the Certified Public Manager (CPM) and/or Associate Public Manager (APM) Programs.
O		4.1.2		Trained cross-divisional groups on process improvement principles and techniques focusing on team building and problem solving skills.

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Strategic Planning Template

Type	Goal	<u>Item #</u> Strat	Object	Description
O			4.1.3	Trained cross-divisional groups on leadership principles and techniques.
S		4.2		<b>Expand Employee Recognition Throughout the Agency</b>
O			4.2.1	Initiated an on-the-spot award program.
O			4.2.2	Sponsored a 2014 Employee Recognition Day.
S		4.3		<b>Establish a Culture of Wellness</b>
O			4.3.1	Established an Agency-Wide Health and Wellness Program.



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Performance Measurement Template									
Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	Total Revenue Collections	\$8.9 Billion	\$9.1 Billion	\$9.1 Billion	July 1 - June 30	DOR Monthly Comparative Revenue Report	Monthly	\$6.1 billion was collected for the General Fund.	1.1.1, 1.1.2, 1.2.1, 1.2.2, 1.2.3, 1.3.1, 1.3.2, 1.3.3
2	Percentage of Tax Returns Filed Electronically	60%	64%	70%	Tax Year. Need Dates??	Key Performance Indicator Report	Annually	Of the 7 million returns collected for Tax Year 2013, 4.5 million were filed electronically.	1.2.1, 1.2.2, 1.2.3, 1.3.2, 1.3.3, 2.1.1, 2.1.3, 2.2.1, 2.2.2
3	Percentage of Total Dollars Collected through Electronic Services	81%	83%	90%	July 1 - June 30	Key Performance Indicator Report	Monthly	Of the \$11.5 billion dollars collected from returns filed prior to adjustments of any type, 9.6 billion dollars were collected through electronic file services.	1.2.1, 1.2.2, 1.2.3, 1.3.2, 1.3.3, 2.1.1, 2.1.3, 2.2.1, 2.2.2
4	South Carolina's national ranking of collections received through electronic services for income tax by the Federal Tax Administration	4th	5th	1st at 100%	January 1 - December 31	Federal Tax Administration's Ranking of Electronic Filing of Individual Income Tax Returns	Annually	84% of individual income tax collections were paid electronically.	1.1.1, 1.1.2, 1.2.2, 1.3.3, 2.1.1, 2.1.3, 2.2.1, 2.2.2, 2.2.3
5	Number of New Filing Registrants and Associated Total Dollars Collected	275 Registrants \$9 Million	322 Registrants \$10.9 Million	300 Registrants \$10 Million	July 1 - June 30	Information is gathered from SC DOR's registration database, other state agencies, regional and national exchange programs, internet, auditor referrals and trade publications	Daily	Information is gathered from SC DOR's registration database, other state agencies, regional and national exchange programs, internet, auditor referrals and trade publications	1.3.2, 1.3.3, 2.1.1
6	Number of Actions Completed by the South Carolina Business One Stop Program (SCBOS)	259,000	277,000	300,000	July 1 - June 30	SCBOS Reports	Monthly	Actions include business filings, licensing, registrations, issuance of permits, state taxes and payments.	1.3.2
7	Collections from the Governmental Enterprise Accounts Receivable Program (GEAR)	\$11,787,791.00	\$14,181,967.00	\$14,200,000.00	July 1 - June 30	Business Objects GEAR Report	Monthly	DOR partners with governmental entities to collect debt from participants either through a refund set-off or through a levy process.	1.3.3
8	Collections from the Debt Set-off Program	\$134,056,903.00	\$135,258,418.00	\$136,000,000.00	Fiscal Year	Returns Processed Debt Refund Report	Monthly	DOR partners with governmental entities to collect debt from participants through a refund set-off process.	1.3.3

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Performance Measurement Template									
Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
9	Percentage of Taxpayers Satisfied with the Speed of State Income Tax Refunds	95.7	97.20%	100%	2014 Tax Season	University of South Carolina College of Arts and Sciences. Institute of Public Service and Policy Research. South Carolina State Survey prepared for the South Carolina Department of Revenue.	Annually	Of the approximate 800 participant sample size, 97.2% reported they were satisfied and 2.8% reported they were dissatisfied with the amount of time it took to receive a state income tax refund.	2.1.2
10	Percentage of Taxpayer Population Satisfied with the Quality of Services Provided	67.40%	70.70%	100%	2014 Tax Season	University of South Carolina College of Arts and Sciences. Institute of Public Service and Policy Research. South Carolina State Survey prepared for the South Carolina Department of Revenue.	Annually	Of the approximate 800 participant sample size, 70.7% reported they were either very satisfied or somewhat satisfied with the quality of services provided.	2.2.3
11	Percentage of DOR Notices and Letters Amended for Accuracy and Effectiveness	NA	54%	100%	July 1 - June 30	Customer Service Forms and Notices Team Report	Annually	Of the 75 existing notices and forms available to taxpayers, 9 notices did not require a change, 12 notices were determined to be obsolete, and 15 notices are pending review.	2.2.1
12	Number of Taxpayer Education Courses Offered and Number of Participants	5 506	5 530	5 550	July 1 - June 30	DOR's Training Calendar and Attendance Records	Monthly	The following courses were offered: Sales Tax Forms, Withholding, Corporate, Advanced Corporate Workshops and a Sales and Use Tax Seminar (42 sessions).	2.2.2
13	Number of Internal Education Courses Offered and Number of Participants	NA	5 154	6 175	July 1 - June 30	DOR's Training Calendar and Attendance Records	Monthly	The following courses were offered: Customer Service Skills, Process Improvement, Enhanced Systems Training, and Leadership Training (29 sessions).	2.2.2, 4.1.2, 4.1.3

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<b>Performance Measurement Template</b>									
<b>Item</b>	<b>Performance Measure</b>	<b>Last Value</b>	<b>Current Value</b>	<b>Target Value</b>	<b>Time Applicable</b>	<b>Data Source and Availability</b>	<b>Reporting Freq.</b>	<b>Calculation Method</b>	<b>Associated Objective(s)</b>
14	Number of New Employees/Contractors and Existing Employees Who Attended Security Awareness Training.	NA	112 New Hires 710 SCDOR Employees	All New Hires and Existing Employees	July 1 - June 30	DOR's Training Calendar and Attendance Records	Quarterly	All 112 new employees and contractors hired during FY 14 attended Security Awareness Training (22 sessions). All employees were required to attend a refresher security awareness training (32 sessions).	3.1.1, 3.1.2
15	Number of DOR Certified Public Manager (CPM) Graduates	6	2	3	July 1 - June 30	Office of Human Resources CPM Graduates	Annually	DOR encourages voluntary participation into this program.	4.1.1
16	Number of DOR Associate Public Manager (APM) Certifications	14	7	5	July 1 - June 30	Office of Human Resources CPM Graduates	Annually	DOR requires all agency supervisors to enroll into this program.	4.1.1
17	SCDOR Blood Drive Results: Number of Donors Units of Blood Collected Number of Lives Saved	NA	40 Donors 37 Units Collected 111 Lives Saved	35 Donors 35 Units 100 Lives Saved	6-Aug-14	Health and Wellness Team Report	Annually	Blood drive results were calculated by the American Red Cross.	4.3.1
18	Number of Participants at the 2014 DOR Health Fair	NA	150	200	One time event	Health and Wellness Team Report	Annually	The Health Fair included a welcome booth with overall health information, a banana and water giveaway, life style changes booth, walking initiative booth, biggest loser booth, and a "Move It and/or Lose It" seminar.	4.3.1