SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

ANNUAL ACCOUNTABILITY REPORT

FISCAL YEAR 2006-2007

Accountability Report Transmittal Form

Agency Name: South Carolina Department of Consumer Affairs

Date of Submission: September 14, 2007

Agency Director: Brandolyn Thomas Pinkston

Agency Contact Persons: Herbert Walker and Alice Brooks

Agency Contact's Telephone Number: (803) 734-4277 or (803) 734-4190

TABLE OF CONTENTS

Executive Summary

Meeting Daily Challenges with Innovative Solutions

The South Carolina Department of Consumer Affairs (SCDCA) is pleased to present an account of its achievements and projects in this 2007 Accountability Report. **This state government agency has an ongoing commitment to creating a modern department capable of responding to 21st century challenges.** Protecting consumers and meeting their needs with excellent service, while championing dialogue with businesses has long been a hallmark of SCDCA. In a world characterized by change, combining these dynamics helps South Carolina's citizens grow in knowledge, productivity and self-reliance. The State of South Carolina, the nation, and the world benefit from the efficient and dedicated Department staff that provides valuable services and programs for its consumers. At SCDCA there is a belief that creative, responsible risk-taking in the pursuit of improved customer service is an action to be applauded and encouraged.

In recent years, SCDCA has met challenges head-on by providing the public faster and easier access to information and services. While there seems to have been a slight improvement in state revenues recently, years of a weak economy and budget reductions have placed SCDCA in a 'catch-up' mode, especially in the areas of technology and personnel. However, even with those challenges, in 2007 SCDCA garnered a significant return-on-investment for consumers and businesses alike. **Nearly $2.5 million was recovered** for consumers and a **savings for businesses of more than $90 million** (Savings occurs on an annual basis as a result of the Department's intervention.).

SCDCA continues to accomplish its mission of enforcing laws that prohibit business practices that are unfair or deceptive to consumers, without impeding legitimate business activity. All of this is done in tandem with promoting informed consumer choice and public education.

Mission and Values

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:

C ompetence
R espect
E quality
D edication
I ntegrity
T imeliness

Key Strategic Goals for the Present and Future Years

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

Using the "open-view analysis" approach for processing, evaluating and mediating complaints, SCDCA handled more than 7,000 written complaints (1,351 of which are still pending). The 'open view analysis' 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. **The top complaint categories were vehicle issues, financial institution matters, and debt collection.**

Additionally, **SCDCA** launched on-line complaint filing and the Buyer Beware program in 2003. Both are widely utilized today.

SCDCA continues to expand its outreach to consumers by opening locations in underserved cities and towns across the state: launching ASK CONSUMER AFFAIRS, an interactive on-line chat service to assist consumers with questions and issues (**provided nearly 1500 on-line live chats**).

The Department also continues to hold its monthly "After Hours" seminars and late-night operations **open to 7:00 pm** to assist working consumers**.** Topics have included everything from *Identity Theft* and *Credit Repair* to *Bankruptcy Workshop*, *Hiring a Contractor*, *Being a Good Consumer*, and *The Complaint Process*.

Another effort that will expand the development of online programs is a continued partnership with the Department of Revenue, other public and private sector agencies, and the SCBOS program.

A major press conference in May, convened by the SC Secretary of State, not only announced the second anniversary for the South Carolina Business One Stop (SCBOS) program, but it showcased the SC Department of Consumer Affairs newest service. By working with SCBOS, SCDCA became the first state agency that provides filings for registered creditors and maximum rates in "real time."

Non-recurring funds in FY06-07 provided $300,000 for a WEB-enabled licensing and consumer complaint computer system to be developed in the new Microsoft DOTNET application system---an effort to enhance the efficiency ratio for processing consumer complaints and regulatory licensing applications. Continued technological modifications will ensure that SCDCA can adequately fulfill its regulatory oversight responsibilities and make enhancements in the area of improved financial systems and accountability. The enhancement of SCDCA's external electronic capabilities is fueled by citizens who want the ability to receive information and services anytime and anywhere from government **(SCDCA's web hits totaled 4,352,435 in FY07).** This means that the web is the critical path for delivery. Additionally, the Department seeks to maintain the security of information as the number of threats to the safety of public records increase. To accomplish this, extensive training of key SCDCA staff on information sharing, privacy issues and communication networks must be acquired.

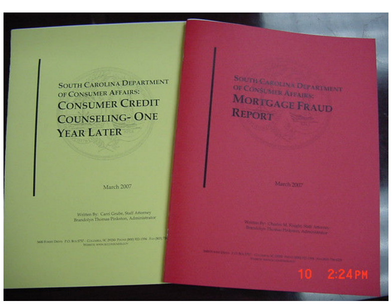
MAJOR ACCOMPLISHMENTS

SCDCA is uniquely positioned to continue meeting the public's information needs since education is one of the primary focal points of the Department – hence the need to promote lifelong consumer education to our citizens. SCDCA successfully brings together a vast array of useful state and federal information and makes it easily accessible to the public. **Whether citizens want information in print, electronically, or over the telephone, SCDCA is their help desk for everyday life – giving answers and assistance they trust about the things that matter**. **SCDCA continues to win accolades** from the media and from government colleagues for the excellence of its products.

The Department was presented the **ACE Award** for its monthly publication, *Consumer Alert*, by the **National Association of Consumer Agency Administrators** (NACAA). Even with the increasing public shift to online information and SCDCA embracing and harnessing innovation and technology, the Department continues to distribute thousands of publications on subjects such as identity theft, credit, predatory lending, avoiding scams and fraud, and learning about the state consumer related laws and regulations that affect consumers' daily lives.

SCDCA released two reports during a press conference on March 12, 2007. **"Consumer Credit Counseling-One Year Later" and "The State of Mortgage Fraud in South Carolina" were produced to highlight SCDCA's accountability commitment to the citizens of South Carolina in these areas**.

The State of Mortgage Fraud in South Carolina looks at mortgage fraud conditions and trends across the state and recommends improvements to consumers. The report is a collaborative effort from SCDCA's sponsored South Carolina Mortgage Fraud Task Force.



In the 2007 report from the Mortgage Asset Research Institute, **South Carolina continues to show significant improvements in its efforts to reduce mortgage fraud---dropping from number one (1) in the nation in 2001 to number twenty-two (22) in 2006**. SCDCA's Mortgage Fraud Report is included in the testimony of Denise Leonard (Director, National Mortgage Broker Association) before the United States Senate Subcommittee on Housing, Transportation and Community Development.

The Department hosted "Scam Jam: A forum designed to educate caregivers and providers on preventing fraud targeted at older adults," on February 27, 2007, in cooperation with the AARP, Direct Selling Association, and the Lieutenant Governor's Office on Aging. Guest speakers included Kevin McDonald (U.S. Attorney's Office), Thomas Sheaffer (IRS), Misty Fallik (Direct Selling Education Foundation), Gail Hillebrand (Consumers Union), and Clarissa Hampton-Cain (Lt. Governor's Office on Aging). Session topics covered mortgage scams, senior citizen scams, tax scams, pyramid scams, identity theft and Medicare fraud. Approximately 70 senior consumers, senior care providers and presenters attended the one-day workshop. All participants enjoyed lunch and received an informational packet free of charge.

SCDCA offered a free conference to consumers in observance of National Homeownership Month. *HOMEBUYING 101: Building the Foundation for Your American Dream* was held on June 27. Over 150 first time home buyers attended. The conference assisted consumers in learning the importance of homeownership, the role of the lender, financial and household budgeting techniques, credit issues and analysis of the credit report in the home buying process.

The **Consumer Spirit Awards**, which began as part of the Department's 30th Anniversary celebration in 2005, were brought back in 2007 by staff consensus and will be an annual tradition in February, *National Consumer Month*. It gives the Department an opportunity to recognize the outstanding contributions of individuals and organizations whose work reflects the purpose and mission of the Department of Consumer Affairs.

The *Media Partnership Award* is presented to a media organization or individual demonstrating exemplary interest in consumer issues and/or increased awareness of these through investigation and coverage via mass communication. The 2007 winner is **Heather Sullivan**, consumer reporter, WSPA, Spartanburg.

The *Governmental Excellence Award* is presented to an individual or organization employed by state or federal government demonstrating commendable initiative in utilizing decision-making authority on behalf of consumers. The 2007 recipient is **Senator Linda Short.**

The *Dublin/Robinson Consumer Champion Award* is presented to an individual who has demonstrated excellent consumer service in his/her community by initiating consumer advocacy programs and/or actively participating in such activities. The 2007 winner is **Jean Bridges** of Columbia for her outstanding volunteer work with many organizations, including the AARP.

The Dublin/Robinson Consumer Champion Award also holds particular significance for the Department because of the individuals in whose honor the award is named. **Rose Dublin** and **Debra Robinson** were cherished employees who passed away while in service at the Department of Consumer Affairs. Their many selfless years of support on behalf of consumers is the inspiration for this award.

The Department's public information efforts have been aggressive, resulting in many media opportunities statewide as well as a partnership with the State Employment Security Commission and ETV with the production of the monthly "Carolina Works" television show.

The Department prides itself on teamwork and staff collaboration. SCDCA has provided many opportunities for two-way communication to promote information sharing, retention and cross training. The methods include input on program changes, divisional meetings, an internal communication organ, one-on-one communication with management, staff group reads, staff retreats and in 2007 a ***Think Tank***, a place where intra-divisional staff can feel more free to propose and debate ideas that benefit and enhance the operations of the organization. All of these are vital methods for training and gaining staff buy-in towards breaking down barriers to communication.

COMPUTER POLICIES

SCDCA developed several Department wide policies and procedures, which included the following topic or subjects: Acceptable Use Computer Policy, Computer Maintenance Policy, Agency's Online Privacy Policy and Agency's Online Children's Page Privacy Policy.

MAJOR ACHIEVEMENTS THROUGH VOLUNTARY COMPLAINT MEDIATION

The Department mediated and **closed 82.3% 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.

The agency demonstrated its "global customer base" by **recovering $2,473,758.19** in refunds, credits and adjustments for consumers living in South Carolina, other parts of the United States, as well as foreign countries. (Of that figure, $1,297,135.30 is from Consumer Services and $1,176,622.89 from Legal.)

- Handled more than 7,000 complaints during FY06-07, 1,351 of which are still pending
- Number of services provided (walk-ins, referrals, general questions, etc.): 17,177
- Held numerous training sessions for Services and other DCA staff
- Staff participated in a division retreat that resulted in improved performance and morale
- Partnered with other divisions to present after-hours seminars for consumers
- Division director was a lecturer at several continuing legal education programs for attorneys and other professionals, consumer clinics and consumer/housing fairs
- Developed and strengthened partnerships with legal aid, USC School of Law Pro Bono Program, the governor's office, as well as legislators and state agencies, and other public and private agencies

MAJOR ACHIEVEMENTS THROUGH COMPLIANCE AND ENFORCEMENT ACTIVITY

- Processed 24,359 licensing applications and other filings for regulated businesses

  The Department received oversight for preneed funeral contracts on July 1, 2006. At the time of this change, there were 284 funeral homes licensed to sell preneed contracts. In its first year of oversight, the Department licensed an additional 16 funeral homes to sell preneed contracts and reviewed 7,617 contracts.

- Conducted 551 compliance reviews and inspections of regulated businesses and an additional 19 advisory reviews
- Brought 25 administrative enforcement actions
- Conducted four criminal investigations, resulting in three convictions, two fines totaling $8,000.00 and $139,150.00 in restitution
- Returned $1,176,622.89 in consumer refunds

MAJOR ACHIEVEMENTS THROUGH ADVOCACY AND INTERVENTION

- Investigated complaints on and sent warning letters to seven establishments selling tinted contact lens without a valid prescription. Prosecuted two actions resulting in the collection of $3,000 in fines.
- Processed 17 new applications for Professional Employer Organization (PEO) licenses.
- Reviewed nearly 3,000 insurance notices.
- Saved businesses that buy workers' compensation insurance roughly $90 million per year as a result of involvement in the filings of the National Council on Compensation Insurance (NECI) for approval of new loss costs and rates for assigned risk workers' compensation insurance.
- Processed 18 new applications for Discount Medical Plan Organization (DMPO) licenses.
- Processed 33 applications for Continuing Care Retirement Community (CCRC) licenses.

MAJOR ACHIEVEMENTS THROUGH COOPERATIVE EFFORTS WITH THE GENERAL ASSEMBLY, BUSINESSES AND THE COMMUNITY.

SOUTH CAROLINA BUSINESS ONE-STOP

The Administrative Division entered in a partnership effort with South Carolina Business One–Stop (SCBOS), resulting in the Department of Consumer Affairs becoming one of five core state agencies participating in a user-friendly online business license/registration filing system, which will cut the red tape associated with opening and operating a business in South Carolina. SCBOS saves time and money by streamlining access to information, helping business owners determine exactly which documents they are required to have, and expediting registrations and fee payments in real time. Four of the agency's business registration forms are being developed in a web-based business application and will be merged into SCBOS in the fall of 2006.

MARKETING AND ADMINISTRATIVE PROGRAMS

The Administration Division continues an outreach and marketing program to increase the regulatory awareness for businesses that extend consumer credit in the form of credit sales. Partnerships and networking initiatives have been established with other organizations working closely with the business community. These organizations include the State Chamber of Commerce, the Small Business Chamber of Commerce, the SC Municipal Association, the SC Association of Counties, Richland and Lexington County Business Licensing, City of Columbia Business Licensing, Department of Motor Vehicles–Dealer Licensing, the SC Automobile Dealers Association and the SC Department of Revenue.

The Administration Division also processed over 25,000 revenue transactions, which resulted in $2,026,400 in revenue for the General Fund and agency earmarked accounts. The division assessed and collected $26,976 in fines and penalties from registered creditors.

MAJOR ACHIEVEMENTS THROUGH OUTREACH, PARTNERSHIPS, AND CUSTOMER FOCUS GROUPS

SHRED DAY

The South Carolina Department of Consumer Affairs (SCDCA), in partnerships with several private sector vendors such as Global Paper Shredding Inc., Confidential Solutions Unlimited Inc., and SHRED 360, held several free "Shred Days" in 2006-2007 at convenient locations in the metro Columbia area. "Shred Day" provided consumers and businesses the opportunity to have their confidential documents shredded, free of charge. Consumers and businesses were invited to bring confidential documents, including check stubs, bank statements, credit card offers, floppy disks, CDs and pill bottles to have them shredded**.** The events have proved so popular, consumer demand has led SCDCA to plan similar events statewide for 2007-2008.

COALITION AGAINST FRAUD

The Department continues to work with the *Coalition Against Fraud* – a joint venture of the Department, the FBI, U.S. Secret Service, U.S. Attorney General's Office, Sheriff's Association and the U.S. Attorney's office. The group will work together to educate and inform the public on fraudulent and deceptive practices and how to protect themselves. The group publishes a quarterly newsletter called the ***Fraud Alert***.

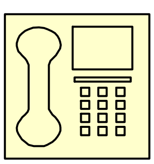
SATELLITE LOCATIONS

The Department continues its monthly visits to Gaffney, Laurens and Summerville. Despite budget reductions, this is part of the Department's commitment to outreach—to be visible in areas across the state where consumers are not familiar with our services and provide them with what they need most: help and information. This effort was made possible through a collaborative effort with the county administrators in those areas. Satellite offices located at these locations have been very successful. Plans are being made to open additional locations in Florence, Dillon, Spartanburg, Woodruff, Blacksburg and the counties of Jasper/Hampton/Allendale. Part-time staff has been hired in Gaffney and Laurens to represent the Agency in the upstate. These staff members meet with consumers in various locations. Also, they meet with governmental and nonprofit agencies to provide education on the Agency as well as consumer issues.

BUSINESS LIAISON

The Services Division established a Business Liaison position – an Analyst who is "on call" to assist businesses that have questions about compliance with the Consumer Protection Code. Additionally, this person identifies South Carolina businesses that have numerous complaints. These businesses are offered assistance on various topics such as communication with consumers, clarification of policies and consumer law.

TELE-TIPS



In its continued efforts to provide excellent service to the citizens of South Carolina, the Department has launched its latest outreach service—**Tele-Tips**. Tele-Tips is an automated service that allows consumers to telephone the Department and receive recorded information on a variety of consumer issues. The goal is to continue to make receiving helpful information easy, fast and accessible. Covered topics include: how to file a complaint, debt collection, purchase of vehicles and fraud. This is another example of the Department's use of technology to meet the increasing demands of the citizens of this State. The Tele-Tips line is available 24 hours a day, 7 days a week. Consumers can access the Tele-Tips information by dialing 803.734.4215 or 1.888.734.4215 (toll-free in SC) and following prompts.

ASK CONSUMER AFFAIRS

The Department of Consumer Affairs has made it easier for consumers to get assistance on-line with its new web-based program, **Ask Consumer Affairs**. This interactive forum provides consumers with the ability to ask important consumer related questions and receive a timely response. The goal is to make receiving helpful information easy and fast. We believe that too often consumers do not find consumer protection information until it is too late. Through **Ask Consumer Affairs**, the Department continues its commitment to educating and informing South Carolinians, so that they can make good and wise choices in the marketplace. Department staff initiated a pilot of the **Ask Consumer Affairs** program in late November 2005. Since that time, more than 700 on-line discussions with staff have occurred on topics ranging from mortgage loans, credit, buying cars, scams and how to file a complaint with the Department. This is an effort by the Department to utilize technology to better serve the citizens of South Carolina. On-line services are available Monday through Friday – 8:30 A.M.–5:00 P.M. To access this new feature, go to the Department's website at www.scconsumer.gov. Click on **LIVE CHAT**, and a communication specialist will be there to assist you **LIVE**.

Creation of Boards and Roundtables
To improve dialogue with businesses regulated by the Department the customer-focused advisory boards and roundtables were established for the **Prepaid Legal, Mortgage Broker, Professional Employer Organization Services, Consumer Credit Counseling, Athletic Agents, Preneed Burial Contracts and Pawnbroker regulatory programs.** Discussion includes ways to enhance services the Department provides through drafting and amending legislation, licensing, training and education, on-line filing, outreach efforts and publications for the general public. These groups meet quarterly. Additionally, the Department held a forum for law enforcement officers which focused on ways of working cooperatively to protect consumers against fraudulent and deceptive practices.

Affordable Housing Coalition of South Carolina
The primary mission of this organization is to promote safe, fair and affordable housing in South Carolina. Staff serves as an ex-officio member of the coalition.

Palmetto Affordable Housing Forum
The Department is one of five partner agencies in this major annual conference: the SC State Housing Finance and Development Authority, the US Department of Housing and Urban Development, USDA-Rural Development, and the Affordable Housing Coalition of South Carolina.

South Carolina Libraries
The Department has an ongoing partnership with South Carolina libraries to maintain consumer information displays at branches throughout the state.

S.C. Department of Education – Family Consumer Sciences
Staff works closely with the Education Department, providing input on consumer issues and financial literacy curriculum.

U.S. Consumer Product Safety Commission
Staff made periodic and random Recall Effectiveness Checks throughout the state. Additionally, the Public Information Division, in conjunction with the U.S. Consumer Product Safety Commission, coordinated a workshop to help improve the safety of South Carolina's citizens. Focusing on the areas of older consumer safety, injury prevention, product safety, and public

awareness, the day-long seminar featured speakers from DHEC, S.C. Labor, Licensing, and Regulation, the Silver-Haired Legislators, and the S.C. Lieutenant Governor's Office on Aging.

JUMPSTART BOARD
Staff served as a founding, at-large board member of S.C. JumpStart, a clearing house of financial literacy education curriculum.

LIFESMARTS---THE ULTIMATE CONSUMER CHALLENGE /National Consumers League

The Education Division coordinated South Carolina's *LifeSmarts* competition. This national program helps high school students develop and demonstrate an understanding of consumer and marketplace issues. The program focuses on five key areas of consumer knowledge: personal finance, health and safety, environment, technology and consumer rights/responsibilities. LifeSmarts is sponsored by the National Consumers League and, at the state level, by the Department. The state competition was held on March 2, 2007 at the Lutheran Seminary in Columbia. Trinity Collegiate School of Darlington was the state winner and represented South Carolina at the national competition, April 2007, in Orlando, Florida.

ESSAY COMPETITION
The Department, along with several other organizations and agencies, sponsored the 2006 Insurance Fraud Essay Competition for middle and high school students. The theme, ***Why Should South Carolina Consumers Be Concerned About Insurance Fraud?,*** helped students understand how fraud directly affects the amount consumers pay in insurance premiums and its effect on consumers. The Department received 115 essays, and the ceremony for the 16 essay winners was held on November 15, 2006, in Charleston. South Carolina's Attorney General Henry McMaster was the featured speaker.

NATIONAL CONSUMER PROTECTION WEEK
During National Consumer Protection Week, the Department partnered with all county libraries to set up consumer education displays during the month of February. Due to this partnership, a number of libraries have decided to incorporate the consumer education materials as a permanent part of their resource display. The Department also created a financial literacy crossword puzzle and linked consumers to a consumer protection IQ challenge/quiz.

NATIONAL FAIR HOUSING MONTH
During the month of April, the Department posted daily financial literacy and fair housing tips for consumers on the SCDCA website's home page.

PRODUCT RECALLS
The Department continued its partnership with the Consumer Product Safety Commission by agreeing to make periodic recall effectiveness checks throughout the state. These checks help ensure that businesses are notified and aware of recalled items that could pose harm to consumers.

AFTER HOURS

SCDCA continued its successful effort to educate consumers who work during the day. ***SCDCA After Hours*** is a public information seminar held on the third Tuesday of each month.

Business Overview

Number of Employees

The Department of Consumer Affairs currently has sixty-five (65) full-time positions. Forty (40) of these positions are funded by state appropriations, and twenty-five (25) positions are funded by revenue generated from the licensing fees of mortgage loan brokers and loan originators, prepaid legal services, professional employer organizations, credit counseling organizations and from funeral homes that sell preneed funeral contracts.

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. ***Satellite locations were opened in Gaffney on July 28, 2003, Laurens on September 30, 2003, and also in Summerville on December 4, 2003. Visits are made to these locations on a monthly basis. Additional locations will include Spartanburg, Blacksburg, Florence, Dillon, Allendale County and Hampton County.***

Base Budget Expenditures and Appropriations

	05-06 Actual Expenditures		06-07 Actual Expenditures		07-08 Appropriations Act	
Major Budget Categories	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**	**Total Funds**	**General Funds**
Personal Service	$2,035,322	$1,291,019	$2,277,632	$1,452,421	$2,461,808	$1,521,422
Other Operating	$724,975	$103,378	$742,680	$216,830	$827,650	$245,586
"Increased enforcement" Special Items	$	$	$	$	$	$
Permanent Improvements	$	$	$	$	$	$
Case Services	$	$	$	$	$	$
Distributions to Subdivisions	$	$	$	$	$	$
Fringe Benefits	$506,299	$336,720	$586,498	$407,983	$702,799	$459,441
Non-recurring	$	$	$	$	$	$
Total	**$3,266,596**	**$1,731,117**	**$3,606,810**	**$2,077,234**	**$3,992,257**	**$2,226,449**

Other Expenditures

Sources of Funds	FY 05-06 Actual Expenditures	FY 06-07 Actual Expenditures
Computer Services and other operating expenses		144,534
Capital Reserve Funds	138,444	161,556
Bonds		

- **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, SC Magistrate Court System, U.S. Congress, the Better Business Bureaus, vendors, and the print and electronic 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 interests 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.

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. Act 195 of 2004 transferred the responsibility for intervention in utility rate cases to the Office of Regulatory Staff.

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.**

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.**

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), **Professional Employer Organizations** (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), **Discount Medical Plan Organizations** (Act 377 of 2006), **Credit Counseling** Act of 2005, **Preneed Funeral Contracts**, transferred from the Board of Financial Institutions on July 1, 2006, and the regulation of the sale of **cosmetic contact lens without a prescription from an authorized dispenser,** effective July 1, 2005.

- **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:

Lonnie Randolph, Jr., C*hair* (2004)	**Columbia**
Barbara B. League (2004)	Greenville
C. Wayne Powell (2007)	Gaffney
David Campbell (2009)	Columbia
Tony Macomson (2007)	Cowpens
Louis Mayrant, Jr. (2006)	Pineville
Wayne K. Sims (2006)	Columbia
Carole C. Wells (2008)	Woodruff
Mark Hammond, ex o*fficio* (2007)	Spartanburg

The current management team strives to create an environment in which open communication, customer satisfaction and continuous improvement are a way of life for the organization. Senior management is led by the Administrator and meets weekly to discuss policies, procedures and customer expectations. The Department's current senior managers are:

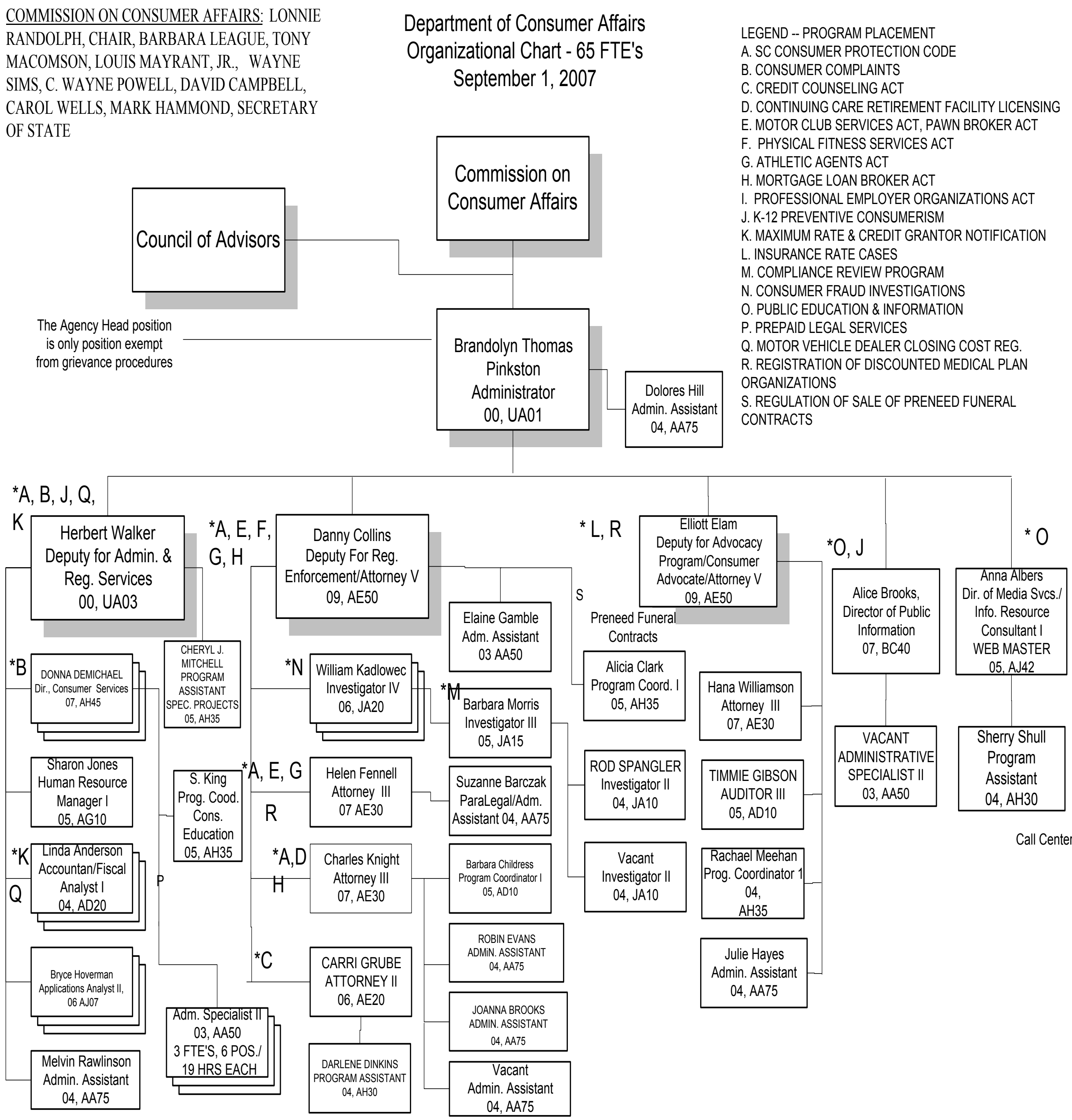
Administrator	**Brandolyn Thomas Pinkston**
Consumer Advocate/Deputy for Advocacy	Elliott Elam
Deputy for Administrative & Regulatory Service	Herbert Walker
Deputy for Enforcement	Danny Collins
Director of Public Information	Alice J. Brooks
Director of Consumer Services and Education	Donna DeMichael
Director of Media Services	Anna Albers

- **The Council of Advisors on Consumer Credit**

  The Council 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:

Sharon C. Bramlett, Chair (2010)	Columbia
Wendy J Culler, Vice Chair (2006)	Lancaster
Alan D. Gardner, II (2008)	Newberry
Ruth Ellen Hardee (2007)	Columbia
Beatrice A. James (2003)	Florence
Richard A. Jones (2005)	Gaffney
Scott M. Malyerck (2007)	Irmo
C. Brian McLane, Sr. (2007)	Columbia
Victor C. McLeod, III (2003)	Greenville
Cassandra W. Rush (2005)	Columbia
Alethea (Lisa) Samuel (2006)	Columbia
Randall C. Cole (2008)	Columbia
Ulysses S. G. Sweeney, III (2004)	Marion
William D. VanHook (2004)	Charleston
Brent A. Weaver (2003)	Lexington
John Page Seibels, Jr. (2005)	Charleston

Organizational Chart



Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 05-06 Budget Expenditures		FY 06-07 Budget Expenditures		Key Cross References for Financial Results*
III	Consumer Services and Education - Receive and process consumer complaints filed against businesses and provide a voluntary mediation program to resolve the complaint. Educate consumers on current consumer issues to help them become savvy consumers.	**State:**	434,486.00	**State:**	464,885.00	Charts 7.1, 7.1-2, 7.1-3, 7.1-7, 7.2-1, 7.2-5, 7.6-1
		Federal:		**Federal:**		
		Other:	28,736.00	**Other:**	14,970.00	
		Total:	463,222.00	**Total:**	479,855.00	
		13.60% of Total Budget:		**12.25% of Total Budget:**		
II	Legal Division - To Administer, interpret, and enforce the S.C. Consumer Protection Code. License, register and regulate mortgage brokers, pawnbrokers, physical fitness centers, continuing care retirement communities (CCRCs), motor clubs, Credit counseling organizations, prepaid legal services, athletic agents, and the sale of preneed funeral contracts.	**State:**	60,971.00	**State:**	159,470.00	Charts 7.1-5, 7.1-6, 7.2-2, 7.5-1, 7.5-2 7.5-3, 7.5-4, 7.5-5 7.5-6, 7.5-7 7.6-2
		Federal:	25,392.00	**Federal:**	9,301.00	
		Other:	942,076.00	**Other:**	991,460.00	
		Total:	1,028,439.00	**Total:**	1,160,231.00	
		30.20% of Total Budget:		**29.65% of Total Budget:**		
IV.	Advocacy Division - To provide legal representation for the consumer interest in matters involving property and casualty insurance and worker's compensation insurance. The Advocacy Division also regulates Professional Employer Organizations (PEO), the selling of cosmetic contact lens without a prescription and Discounted Medical Plan Organizations (DMPOs).	**State:**	203,145.00	**State:**	221,450.00	Charts 7.1-4, 7.2-3, 7.2.4
		Federal:		**Federal:**		
		Other:	36,824.00	**Other:**	52,368.00	
		Total:	239,969.00	**Total:**	273,818.00	
		7.04% of Total Budget:		**7.00% of Total Budget:**		
V.	Public Information - To inform South Carolina Consumers of market practices that are illegal, deceptive or unfair, and inform them of their rights.	**State:**	150,700.00	**State:**	161,469.00	
		Federal:		**Federal:**		
		Other:	9,112.00	**Other:**	17,476.00	
		Total:	159,812.00	**Total:**	178,945.00	
		4.69% of Total Budget:		**4.57% of Total Budget:**		
I.	Administration - To provide budgeting and accounting, human resources, procurement & supply, training and computer services for the agency. To administer the registered consumer credit grantor and maximum rate filing program.	**State:**	545,092.00	**State:**	661,978.00	Charts 7.1-6, 7.2-6, 7.2-7
		Federal:		**Federal:**	0.00	
		Other:	323,763.00	**Other:**	255,486.00	
		Total:	868,855.00	**Total:**	917,464.00	
		25.51% of Total Budget:		**23.45% of Total Budget:**		

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

Employer contributions

FY 05-06 Capital Reserve Fund – Technology - $138,444 - 4.06% of Total Budget
FY 06-07 Misc.operating expenses – Computer Services - $144,534 – 3.69% of Total Budget
FY 06-07 Capital Reserve Fund – Technology - $161,556 – 4.13% of Total Budget
FY 06-07 Satellite operations - $10,000 - .25% of Total Budget

	FY 05-06		FY 06-07	
Remainder of Expenditures:	**State:**	336,720.00	**State:**	407,983.00
Employer contributions	**Federal:**	.00	**Federal:**	0.00
	Other:	169,579.00	**Other:**	178,516.00
	Total:	506,295.00	**Total:**	586,499.00
	14.86% of Total Budget:		**15.00 of Total Budget:**	

* 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.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 06-07 Key Agency Action Plan/Initiative's)	Key Cross References for Performance Measures*
Agency Wide	I. Obtain the necessary funding and personnel to effectively administer the laws assigned to the Department	FY08-09 Budget request for $538,884 to fund seven (7) new FTEs . These positions include 6 FTEs for the Legal Division's regulatory programs, and 1 FTE for the Administrator's office to serve as an Executive Assistant to the Administrator. The budget request also includes $200,000 to cover a payroll shortfall associated with an effort to retain mission critical employees, enhance moral, and provide upward salary adjustments and reclassifications. A highly skilled and well trained workforce is essential for the Department to accomplish it's mission of protecting and educating consumers.	Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-6, 7.5-1, 7.5-2, 7.6-1, 7.6-2
Agency Wide	II. Develop and enhance internal and external electronic capabilities to increase the Department's efficiency.	Plans have been made to convert the agency's computer platform to WEB-Enabled application using Microsoft's .Net application development program. The first phase of this system has begun with the mortgage broker licensing program and four additional regulatory programs have been converted during FY06. Plans to continue with the conversion of the consumer complaint program and several other regulatory programs are in place. Funding in the amount of $300,000 has been earmarked for the .Net platform. Additional technology enhancements include the development of a Call Center and online access for six satellite offices, including an interactive web site for consumer information. The FY07-08 budget request included $200,000 for the development of a Media Center. This will allow the agency to take advantage of cutting edge technology for the development and distribution of DVD's and video tapes of consumer protection information. The strategic plan also includes the dissemination of Podcasts and Webcast along with the use of Real Simple Syndication (RSS) feeds. Through a joint venture with the Dept. of Revenue , the Agency added an online licensing/registration system for registered creditors as a new addition to South Carolina Business One Stop (SCBOS). This is the only live/real time system in State Government.	Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-4, 7.5-1, 7.5-2, 7.6-1, 7.6-2
V. Public Information, I. Admin., III. Consumer Services	III. Amplify external communications to increase the public's knowledge of the Department's services and accomplishments.	A. Focus consumer and business education efforts on areas where fraud, deception, unfair practices, and information gaps cause the greatest injury. B. Extend the reach of consumer and business education through private and public partnerships and the use of new media such as the Internet. C. Improve the timeliness of response to consumer and business inquiries. D. Increase public awareness of consumer protection problems and solutions by conducting and publishing studies on changes in the marketplace and the impact of business and government actions on consumers. We have increased our outreach efforts through the implementation of satellite offices in Gaffney, Laurens and Summerville. Plans have been made to add additional satellite offices in Florence and the Pee Dee area, along with locations in Spartanburg, Woodruff, Blacksburg, and Allendale/Hampton/Jasper counties. We have also developed a Buyers Beware List to expose unscrupulous businesses to the consuming public	Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-6, 7.5-1, 7.5-2, 7.6-1, 7.6-2
Agency wide	IV. Refine internal communications to enable staff to perform at the highest level possible	Started releasing the weekly newsletter to employees on a weekly basis. Agency wide staff meetings are held frequently to discuss goals and objectives for short and long term initiatives. In the past employees have shown resistance to change. SCDCA is meeting this challenge with employee involvement. Employees are encouraged to participate and provide input in the creation of new methods for providing and serving customers and meeting agency goals.	Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-8, 7.5-1, 7.5-2, 7.6-1, 7.6-2

I. Legal	V. Increase consumer services and protections by promoting and maintaining competence through ethical behavior by the professions.	Through the creation of Boards and having monthly meetings with the occupational professions licensed and regulated by the Department, more awareness of unethical behavior has been made and new ways of preventing and controlling unethical behavior has been discussed and implemented. Steps to provide additional oversight in the form of continuing education for some professions have been explored. New legislation was enacted to implement in FY07 a continuing education program for the PEO industry. Boards for the Pawn Broker industry and for the Funeral Homes that sell preneed funeral contracts are being implemented.	Charts 7.1-6, 7.2-7, 7.5-1, 7.5-2, 7.5-3, 7.5-4, 7.5-6, 7.5-7, 7.6-2

Elements of the Malcolm Baldrige Award Criteria

- **<u>Category 1 – Leadership</u>**

How do senior leaders set, deploy and communicate:

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. 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. Most recently, agency wide staff meetings have been used to deploy and communicate short- and long-term direction. In fact, the Administrator sets asides a day annually to discuss individual issues, performance feedback and other concerns from each staff member. This presents an opportunity to thank each staff member for the job they are doing. This coincides with the philosophy that the more feedback employees are given, the better able they are to respond to the needs of the Department. This leads to keeping staff motivated and engaged in their work.

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.

Organizational values?
At the Department of Consumer Affairs, we believe that a strong code of morality is the first step toward its success and that leadership at the most exudes optimism and confidence. This organization is guided by values and vision that help us to determine what is acceptable and unacceptable behavior, making sure that our actions are consistent with our purpose.

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. The Department is developing "learning organization" methods. Here, the best approaches from a wide variety of innovative approaches – both externally and internally - are used. To create an organization that will prosper and grow, the Department has facilitated "staff reads," encouraging all employees to read select books that focus on opportunities in the organization rather than on problems. Additionally, the Department held its first all-staff retreat, which took a hard look at the organization's strengths and weaknesses, and subsequently developed plans and strategies. Teams were used at the retreat and afterwards to tap the knowledge and resource of all staff. The Department recognizes that to remain competitive, it cannot solely rely on management to guide the development of the work process and the accomplishment of organizational goals. The Department involves all employees, senior level, middle management and especially those who are close to the problems and the customers. The 2006 retreat was also very successful.

Organizational and employee learning?
Quality leadership, continuous improvement and other progressive programs have been implemented into the culture of our operations. This translates into continuous "learning" by the organization. SCDCA has selected the best approaches from a wide variety of innovative quality programs, and if they work, are incorporated in the organization. SCDCA has integrated "systems thinking'' in its operations. This entails seeing how one event affects the entire organization, hence, not considering events in an organization in isolation. 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. Four staff members are alumni of the *South Carolina Executive Institute*. The Director of Public Information is a 1999 recipient of the Budget and Control Board's *Certified Public Manager* program and credential. The Director of Computer Services continues to provide periodic computer training to staff. More cross training will be to ensure back-up coverage. Employee training requests are assessed for departmental needs, and the costs covered as funds are available. At least one percent of the Department's budget will continue to be set aside for training purposes. Retreats and staff reading projects are also used to enhance employee and organizational learning as well as professional and personal development.

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.

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, and senior management meets regularly to promote a focus on customer service. For example, the Department provided agency-wide training on customer satisfaction and telephone skills.

How do senior leaders maintain fiscal, legal, and regulatory accountability?

Senior leaders are constantly reviewing fiscal reports, along with revenue collection and expenditure activities. Budgets are established and are not exceeded without the Agency Head Commission approval. Fiscal reports are reconciled with the Comptroller General's office and supervisors approve all reconciliations. Monthly reports are given to the Commission. Progress reports are made monthly to the Commission on regulatory issues and the licensing and regulatory activity for the month. Employees are accountable for any deficiencies noted in any fiscal, legal or regulatory responsibilities. SCDCA achieved a clean audit from the State Auditor's Office with no management letter comments.

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.

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 any employee feedback and takes corrective action if necessary. 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. When budget dollars were scarce, SCDCA allocated funds for employee development to assist in learning higher–level skills and new ways of viewing the world. Additionally, many opportunities for two-way communications are provided to promote information sharing, to motivate people and to boost productivity. The methods include: input on program changes, divisional meetings, various internal communications products and venues, one-on-one communication with management, staff group reads and staff retreats. All of these are vital methods for training staff and gaining their buy-in towards breaking down barriers to communication.

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 constraints, 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 relocated in 1999.

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 category 1.a) above (leadership communication) are also used to communicate priorities for improvement. Agency-wide staff meetings are used frequently to communicate key priorities to staff. Senior leaders are generally notified of key issues and priorities in group and individual discussions and meetings with the Administrator.

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 and civic groups regarding consumer issues. The Department traditionally supports the State's Annual United Way Campaign and Good Health Appeal. The Department has sponsored blood drives for the American Red Cross and provided food and monetary donations to the Harvest Hope Food Bank and the relocation of the Somali Bantu to the Columbia area. 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

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. Resolving the critical issues that continue to face the Department requires 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 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 quality and cost. Coalitions are convened for specific issues, and meetings are held to determine appropriate course.

The Office of Information Resources was asked to evaluate the Department's technology needs and presented recommendations in a series of proposals in 2000. These recommendations were not funded. Senior management explored other strategies and possible revenue sources to resolve critical issues. The Department contracted with the USC Computer Services Division to conduct an assessment of the agency's information technology and recommend the most cost-effective platforms for the future. The Department concluded the best strategy for enhancing computer services should involve applications that will be WEB-enabled and will provide access to agency data through the use of the internet and secured servers protected by firewalls.

What are you key strategic objectives? *See Strategic Planning Chart attached.*

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. Public Information staff track receipt and dispatch of FOIA requests, seek and monitor media coverage of consumer issues to ensure proper statewide dissemination of information.

What are your key action plan/initiatives? *See Strategic Planning Chart attached.*

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 as well as the Office of State Budget each year. The Agency Head Evaluation is also presented to the Commission and the Agency Head Evaluation Committee each year. Communication methods mentioned in the answer to 1.a) in category 1 are also used to communicate strategies and results. The Administrator has implemented Agency-wide staff and division meetings to keep staff informed about new strategic directives as well as to provide feedback on various issues affecting agency programs and operations.

- **<u>Category 3 – Customer Focus</u>**

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.

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. As new customers are identified, their needs and requirements are assessed, and they are added to the master list referred to above. 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 South Carolina 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, focus groups, 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.

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

The Consumer Services Division resolves complaints every day and tabulates results and industry trends every month. The Public Information Division disseminates information when requested and is proactive when 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. The

Department has recently established advisory boards and roundtables for the four major regulatory programs. Discussion includes ways to enhance services the Department provides through drafting and amending legislation, licensing, training and education, on-line filing, outreach efforts and publications for the general public.

How do you use information from customers/stakeholders to improve services or programs?

Embracing quality initiatives, 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.

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 to a random sample of consumers whose complaints were closed in the last quarter of fiscal year 2002. These surveys asked for feedback on a broad range of issues and attempts to further identify customer satisfaction. The surveys generated a response of 57% from the sampled population and an overall satisfaction rate of seven on a scale of zero-ten with ten representing complete 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 seminars and workshops, press conferences, 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.

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 several years ago 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. To improve dialogue with businesses regulated by the Department the customer-focused advisory boards and roundtables were established for the **Prepaid Legal, Mortgage Broker, Professional Employer Organizations and Pawnbroker regulatory programs.** Discussion includes ways to enhance services the Department provides through drafting and amending legislation, licensing, training and education, on-line filing, outreach efforts and publications for the general public. These groups meet quarterly. Additionally, the Department held a forum for law enforcement officers, which focused on ways of working cooperatively to protect consumers against fraudulent and deceptive practices.

- **Category 4 – Measurement, Analysis, and Knowledge Management**

How do you decide which operations, processes and systems to measure?
The South Carolina 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.

What are your key measures?
- Refunds, adjustments and credits achieved through complaint mediation
- Closing status for mediation of complaints
- Savings for consumers through intervention in utility and insurance cases
- Top categories for consumer complaints received
- Number complaints received annually
- Number of licensing and registration filings processed annually
- Cost to process a consumer complaint
- Cost to review a license application
- Number of onsite audits of regulated businesses

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 and offer 360° feedback.

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.

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.

How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?
Organizational knowledge is collected and maintained through Agency-wide staff meetings. These meetings are documented, and any best practices are communicated to all employees through the agency's internal newsletter, "The Week Ahead." Every news release or major public communiqué is sent to staff first. Weekly meetings are held to provide computer training and information sharing.

- **Category 5 – Human Resource Focus**

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

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 asked to assess his/her training needs. Customers, especially the General Assembly, identify the friction areas/dissatisfaction upon which the Department should focus. Although supervisory training is ongoing, staff also receive periodic customer service training. New employee orientation is standard procedure for the Department, delivered to each employee in a timely manner.

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

SCDCA makes employee development an ongoing, high-priority, conscious and concerted effort. When budget dollars were scarce, SCDCA allocated funds for employee development to assist in learning higher-level skills and new ways of viewing the world. Additionally, many opportunities for two-way communication are provided to promote information sharing, motivate people and boost productivity. The methods include: input on program changes; divisional meetings; internal communication products and venues, one-on-one communication with management, group reads and staff retreats. All of these are vital methods for training staff and gaining their buy-in towards breaking down barriers to communication. Employees are asked to help design position descriptions, and duties/success criteria are signed off on. The Consumer Services and Enforcement Divisions have used a weighted system that motivates the employee to focus on priorities. Promotions, merit increases and bonuses are based on ratings.

What formal and/or informal assessment methods and measures do you use to determine employee wellbeing, satisfaction, and motivation?

The Department uses a very informal assessment. Well-being is assessed through daily contact and by engaging staff in many opportunities for **communication. The Administrator has an "open-door" policy and once-a-year implements "15-minutes with the Administrator"** for ALL staff, which allows **them one-on-one conversation. The discussion focuses on ways to improve/enhance the overall program at the Department.** The Department's turnover rate has traditionally been low, and retention has been high. The lack of absenteeism has always been a good indicator of individual satisfaction. The Director of Consumer Services examines each complaint analyst's number of pending, closed and newly-assigned complaints to get a sense for time management and 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.

How do you maintain a safe and healthy work environment?

Safety and accessibility were important factors in selecting the Department's new location, and subsequent floor plan. The Department sponsors a wellness program, and experts have been brought in to present tips on stress reduction, injury prevention and diet. The Department has appointed a Coordinator for the State's Prevention Partner's Program. Employees have participated in stroke screening, stress management, aerobic exercise classes, wellness walks, blood pressure screening and the National "Wear Red Day," which included the purchase of Red Dress pins to bring awareness to heart disease as the number one killer of women. These programs have made our workforce stronger and healthier, therefore reducing the amount absenteeism and sick leave while promoting a healthy lifestyle. Employees are immediately notified of danger in the workplace via signs, email and the intercom system.

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. The Department has sponsored blood drives for the American Red Cross and provided food and a monetary donation to the Harvest Hope Food Bank and the relocation of the Somali Bantu project to the Columbia area. The Department currently sponsors a mentoring program for disadvantaged children and youth at Loric Avenue Recreation Center. 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. Also, professionals are encouraged to become involved in doing pro bono work.

- **Category 6 – Process Management**

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 and education, credit and regulatory enforcement, and public information). Cost and staff capabilities are important considerations for any new program or redesign. New technology is incorporated as much as possible. Complaints are now accepted via e-mail or online. However, improvements to the Department's computer network are still needed to keep pace with customer demand and data security issues.

How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?
Daily supervision is the main way the Department ensures that performance requirements are met. In the Consumer Services Division, a suspense report is generated every day 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.

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.

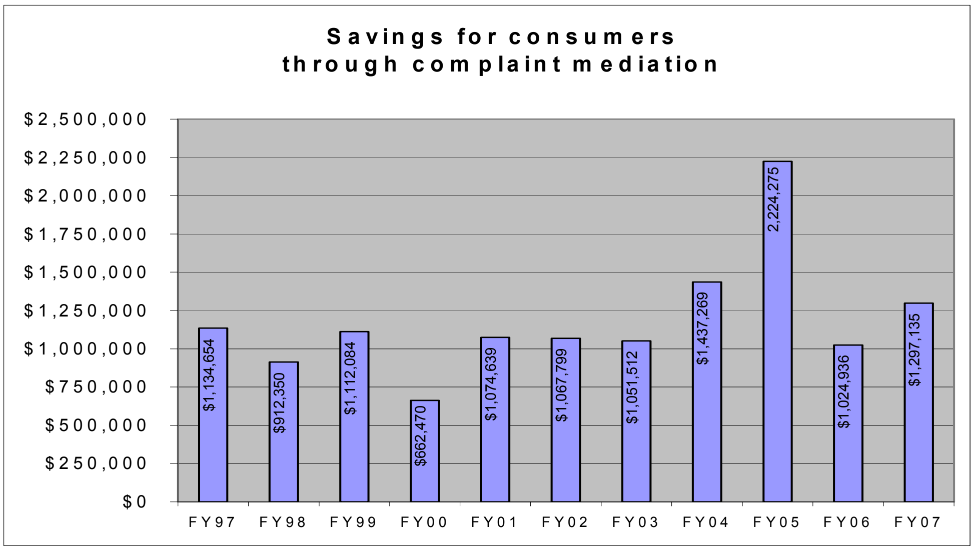
How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

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

- **<u>Category 7 – Business Results</u>**

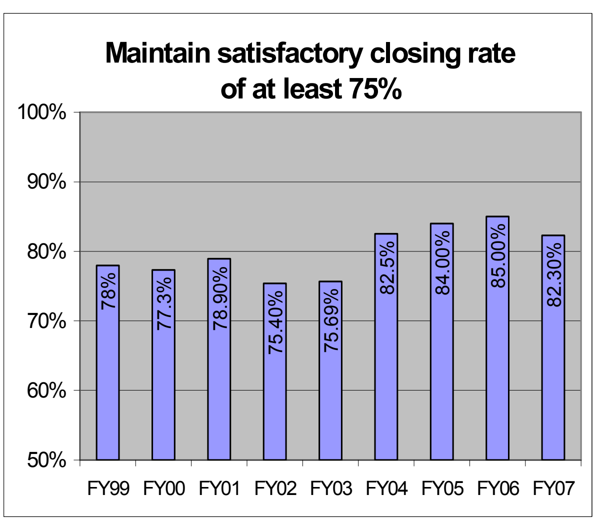
What are your performance levels and trends for the key measures of customer satisfaction?

<u>Chart 7.1</u>



The Department required a large automobile dealer operating in South Carolina to refund $1.3 million in excess finance charges to consumers in FY05 and continued in FY06 for failure to file a Maximum Rate Schedule in 2002 and 2003. Over $94,000 will be forwarded to the State Treasurer's Office as unclaimed property during FY06-07 (cash refunds) from this regulatory compliance action.

<u>Chart 7.1-2</u>



<u>Chart 7.1-3</u>

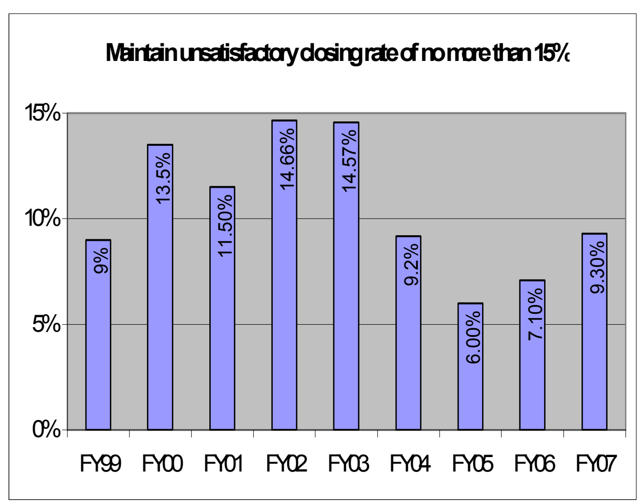
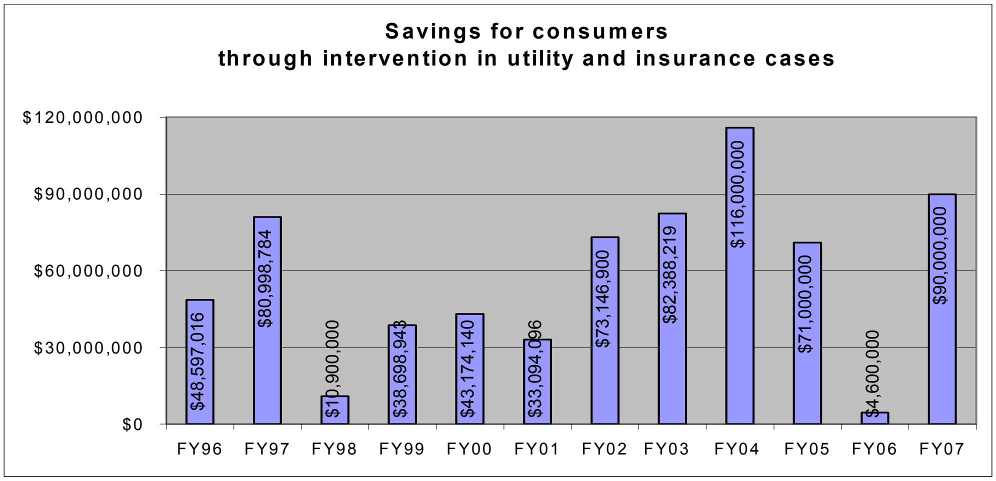


Chart 7.1-4

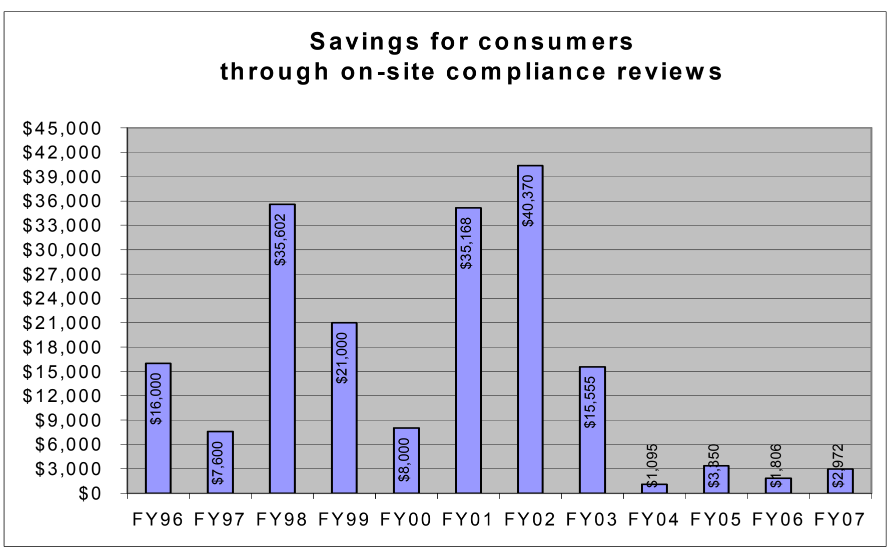


The Department anticipates continued savings for consumers in addition to the amounts reported above. The savings from past fiscal years will continue to benefit consumers until companies come back to the regulators to change rates.

In FY06, the Advocacy program saved workers' compensation insurance ratepayers in excess of $90 million as a result of involvement in the filings of the National Council on Compensation Insurance (NCCI) for approval of new loss costs and rates for assigned workers' compensation insurance.

Effective January 1, 2005, the Advocacy regulatory review program for utilities was transferred to the Office of Regulatory Staff.

Chart 7.1-5



In FY07, an additional $2,972 was refunded to consumers as a result of on-site compliance reviews of mortgage loan brokers, pawnbrokers and physical fitness centers.

Chart 7.1-6
Violations and Penalties assessed during FY07 totaled $117,124 for violations of the Consumer Protection Code and violations by regulated industries.

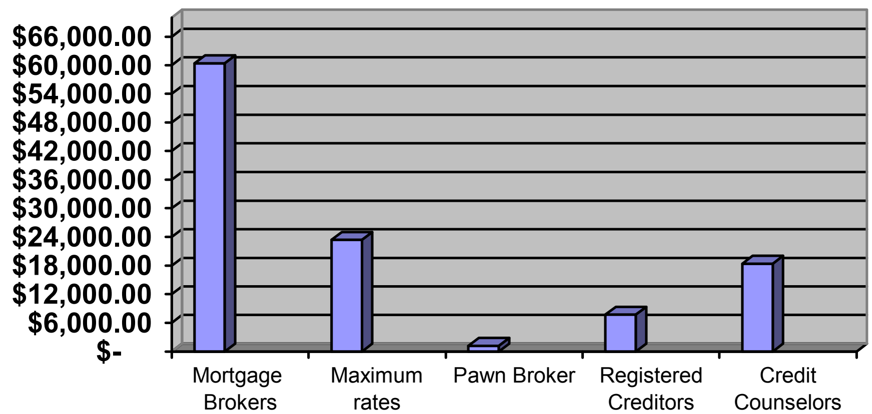
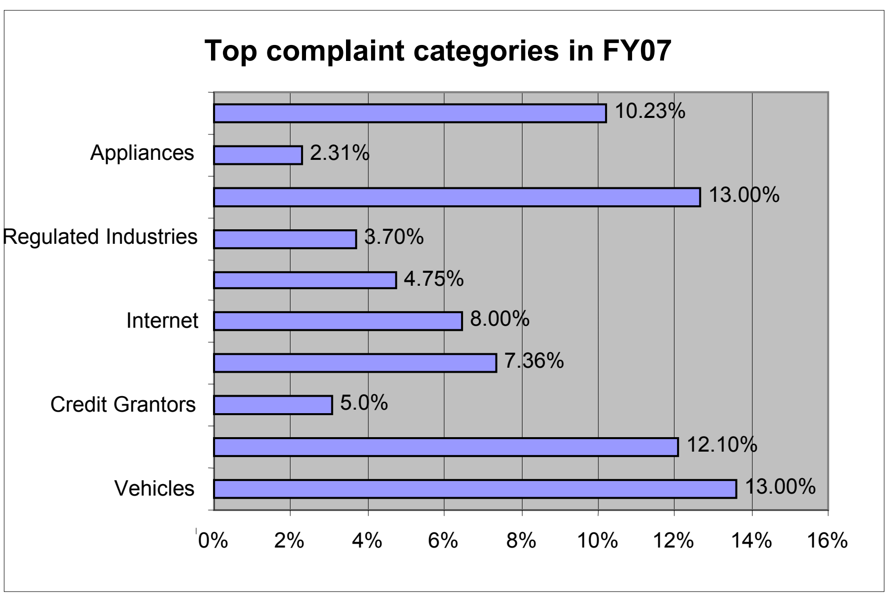
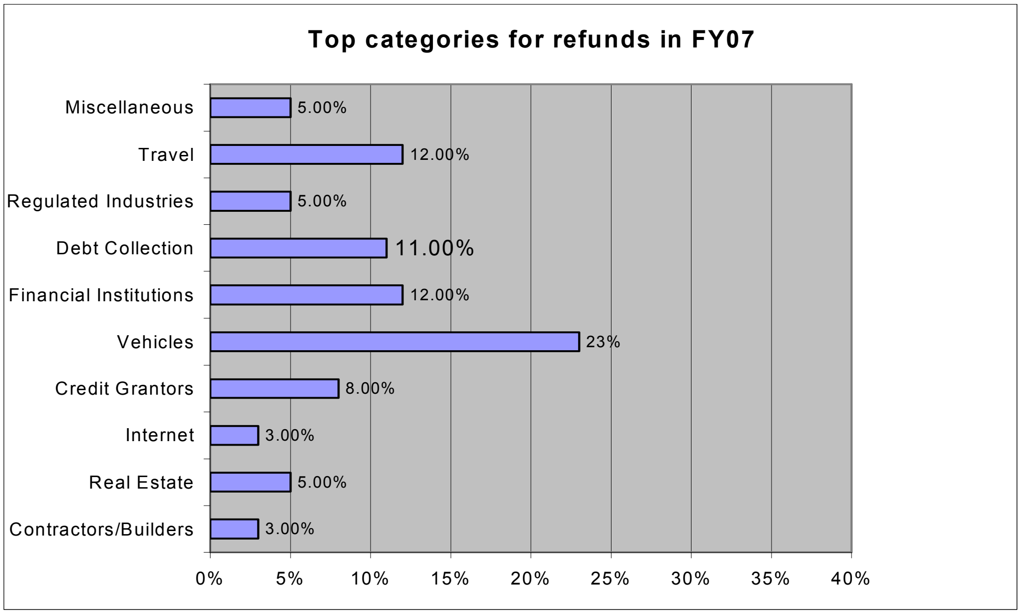


Chart 7.1-7



Vehicles continued to be the leading category for complaints received during FY07. The Department received a total of 748 vehicle complaints involving repairs, sales of motor vehicles, service contracts and repossessions. There were 717 new complaints received involving financial institutions. Complaints filed against businesses involving debt collection and harassment totaled 623 in FY07.

Chart 7.1-8



The Consumer Services Division achieved totaled refunds, credits and adjustments in the amount of $1,297,135 for FY07. A total of $144,830 in refunds involved Financial Institutions. Refunds for the vehicle category totaled $294,201 during the FY07.

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

Chart 7.2-1

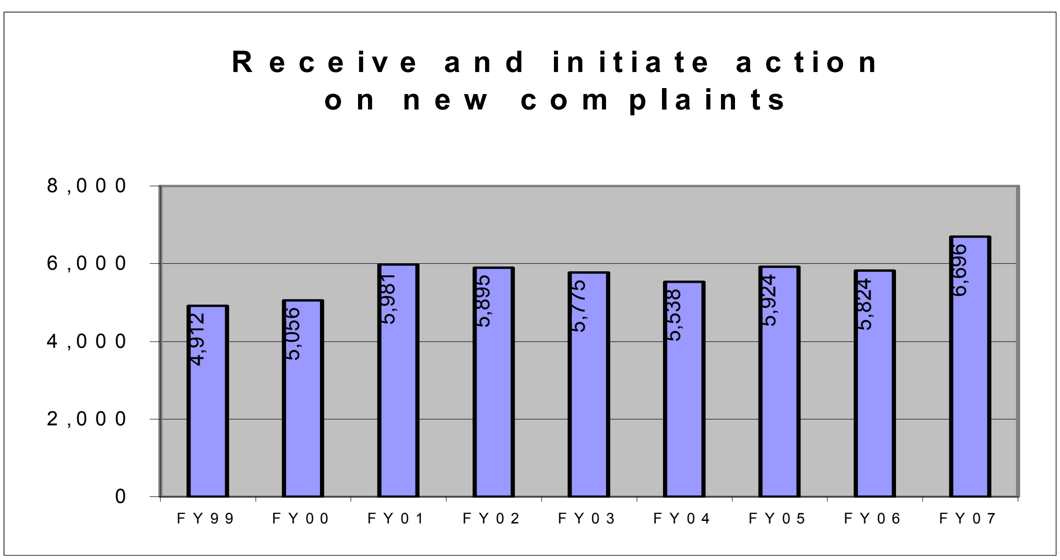
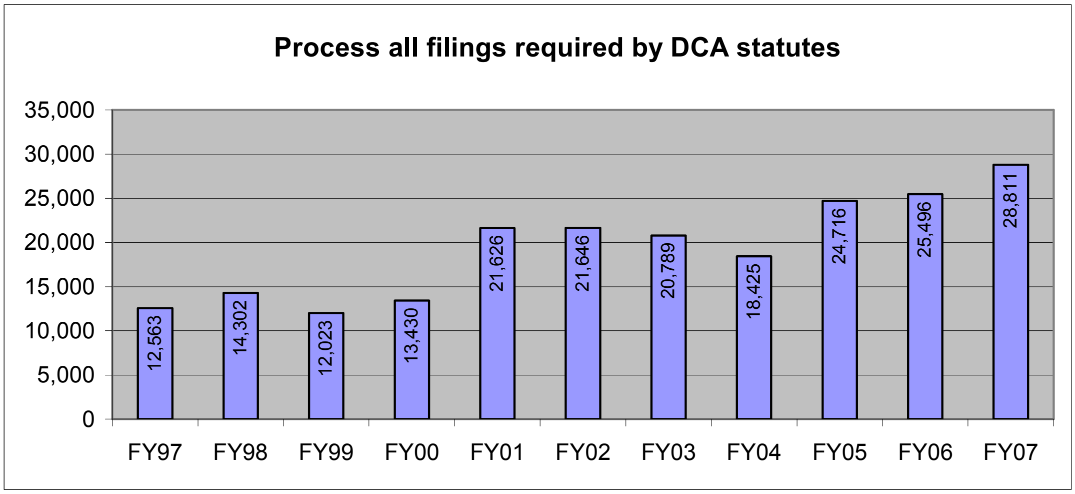


Chart 7.2-2



FY01 included 8,313 filings for prepaid legal services, which was a new responsibility as of Act 328 of 2000. FY02 includes 7,939 filings for prepaid legal services registrations and FY03 includes 7,450 filings for prepaid legal services. Due to a saturation of the industry market in South Carolina, FY04 registrations for prepaid legal representatives declined to 4,380. FY05 includes the first time licensing of 3,125 mortgage loan originators. FY06 includes the licensing 3,791 mortgage loan originators. FY07 includes 7,533 Preneed Funeral Contracts received for regulatory review and filing. There were 4,402 mortgage loan originators licensed in FY07.

Chart 7.2-3

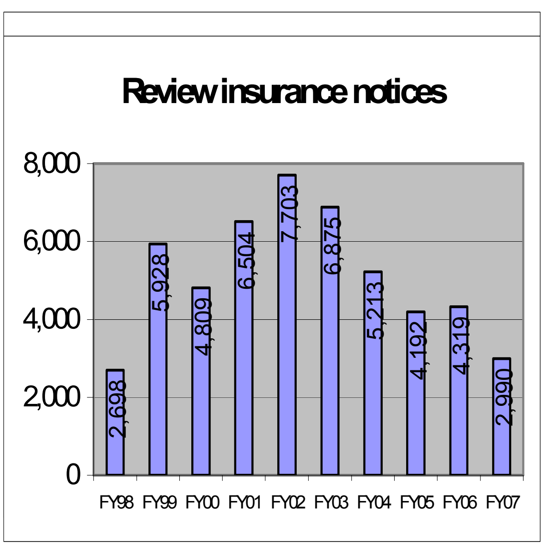
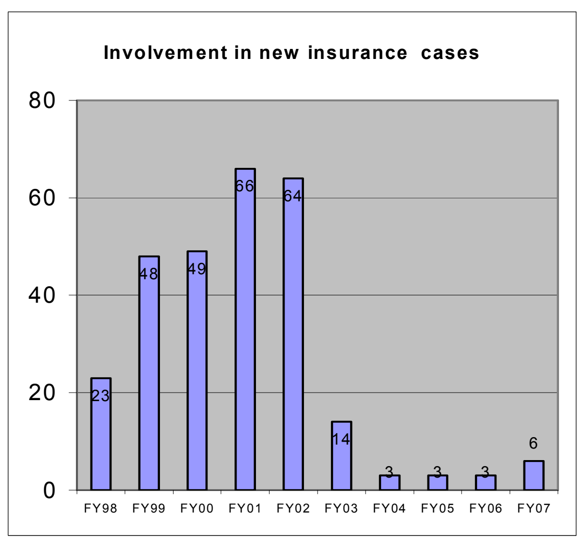


Chart 7.2-4



This chart depicts the # of new filings by insurance

This chart reflects the # of filings the CA either *companies for changes in rates or terms of policies. The Consumer Advocate reviews all notices for the impact on consumers. requested a hearing or settled with insurance company prior to a hearing.*

Chart 7.2-5

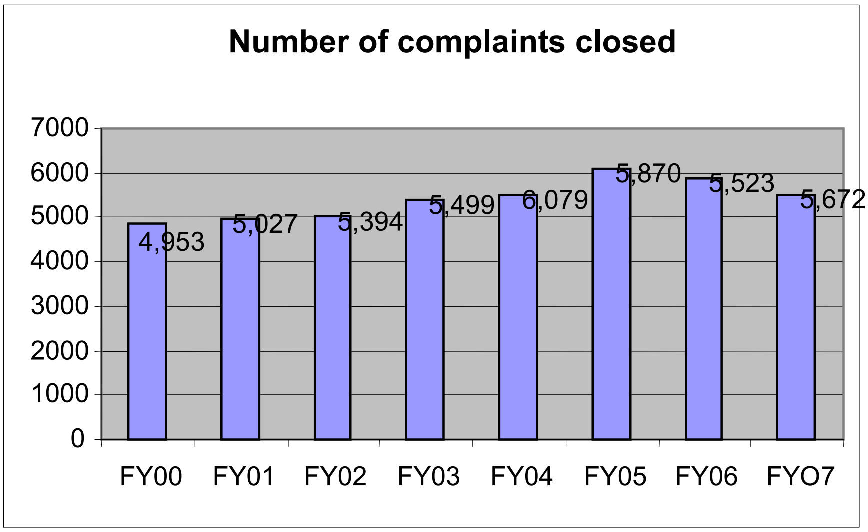


Chart 7.2-6

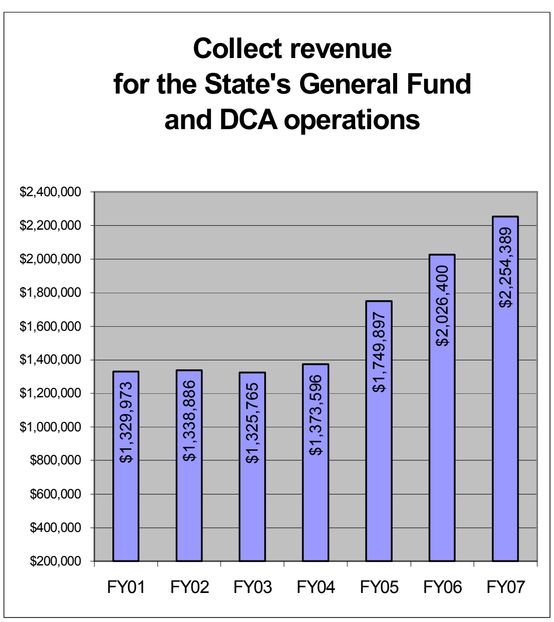
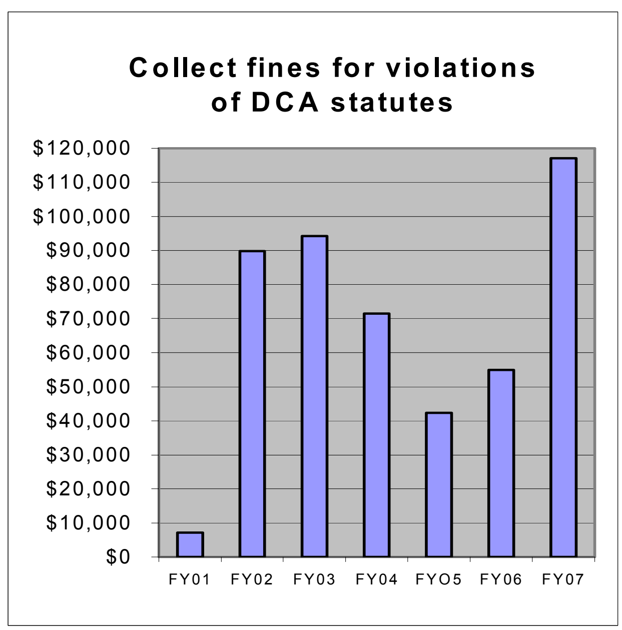


Chart 7.2-7



FY05 included $156,250 (revenue collection) from licensing fees for mortgage loan originators, which was a new responsibility added in FY05. The Department increased its enforcement efforts for businesses with delinquent filings for maximum rates and notifications in FY03. A total of $27,850 in penalties was collected from maximum rate filers and $14,863 was collected in penalties from notification filers in FY03. The Department also settled a case against Conseco, Inc. that provided for a fine of $30,000 in FY03. The Department collected $54,926 in penalties and fines for violation of the Consumer Protection Code in FY06. The Department increased its enforcement efforts for registered creditors and mortgage brokers during FY07, which resulted in increased collections for penalties and fines for a total of $117,124.

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

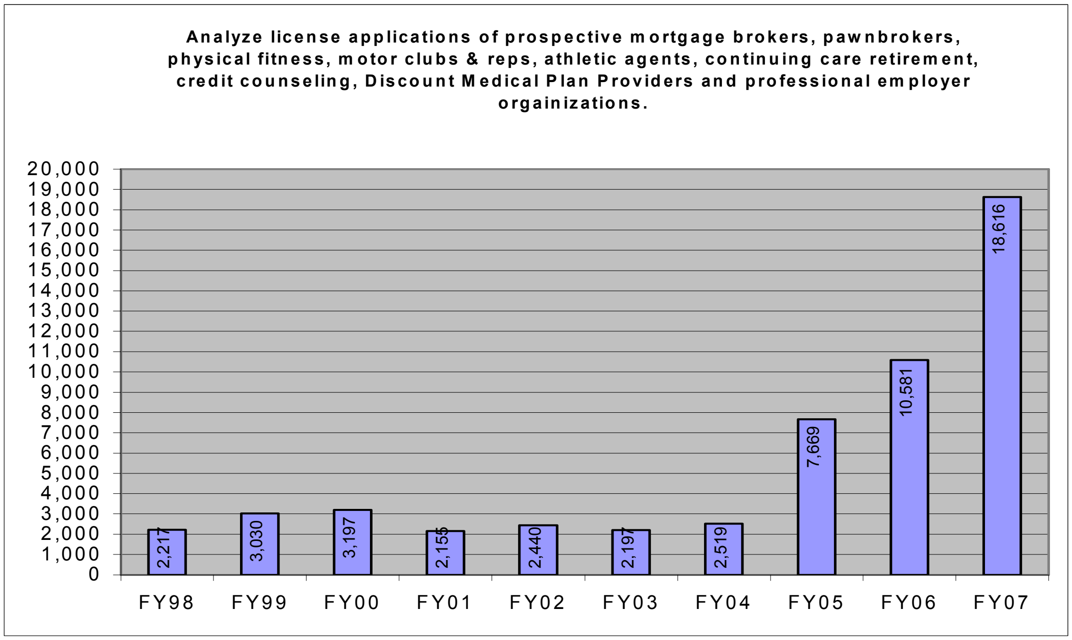
Due to its small size, the Department has not formalized any employee satisfaction measures. Well-being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. 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. A recent employee incentive program asked employees to develop a logo and a slogan for the Agency. Approximately 82% of all employees participated in the program. This is a good example of a key measure of employee involvement and development. There were over 75 slogans submitted and over 20 logo designs.

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, the Department usually discontinues the relationship.

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

Chart 7.5-1



In FY00 and FY99, the Department analyzed a higher number of applications for motor club representatives than normal. In FY05 the Department reviewed 3,536 loan originators and 1,248 mortgage loan broker license applications. This was the first year for mortgage loan originator licensing. In FY06, 3,791 loan originators were licensed and a total of 4,402 were licensed in FY07.

Chart 7.5-2

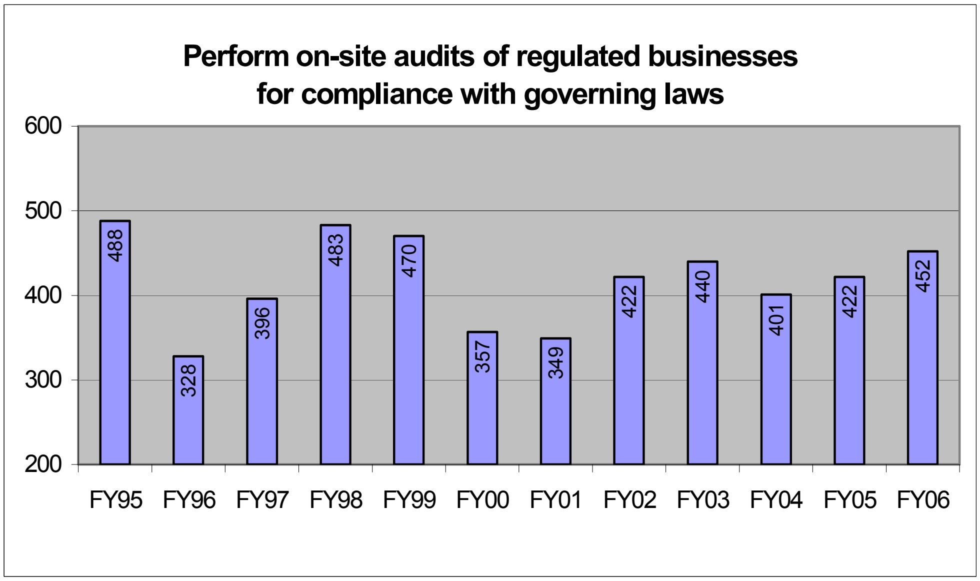
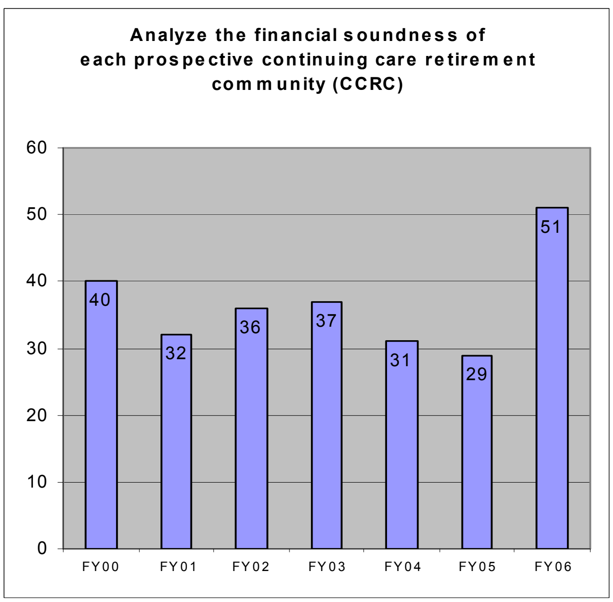
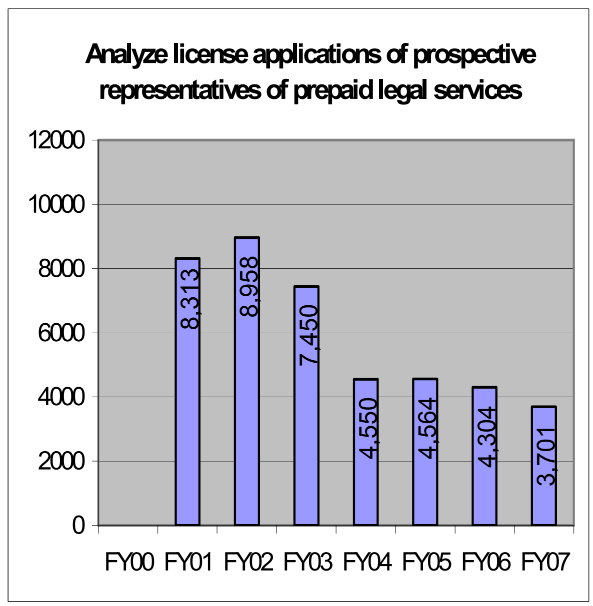


Chart 7.5-3



There were 31 continuing care retirement communities licensed in FY07.

Chart 7.5-4



The oversight of prepaid legal services is a new responsibility as of Act 328 of 2000. The decline in registrations beginning in FY04 was caused by market saturation in S.C. for prepaid legal services.

Chart 7.5-5

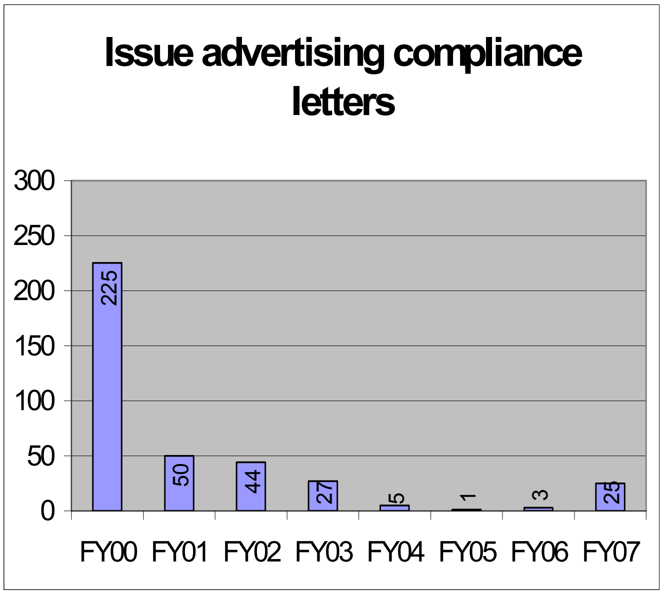
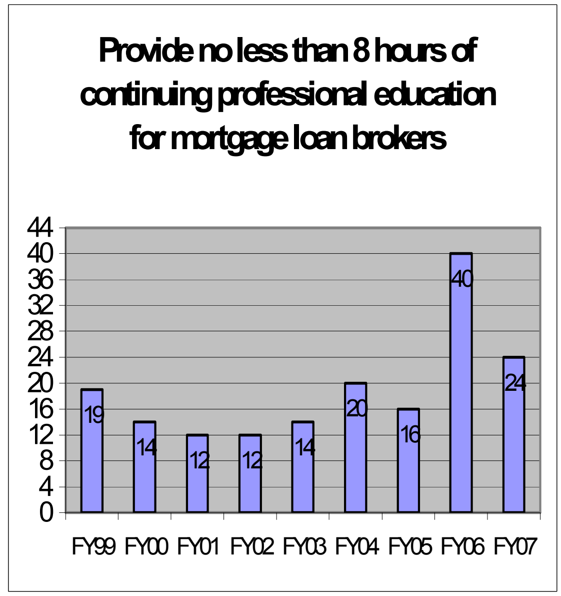
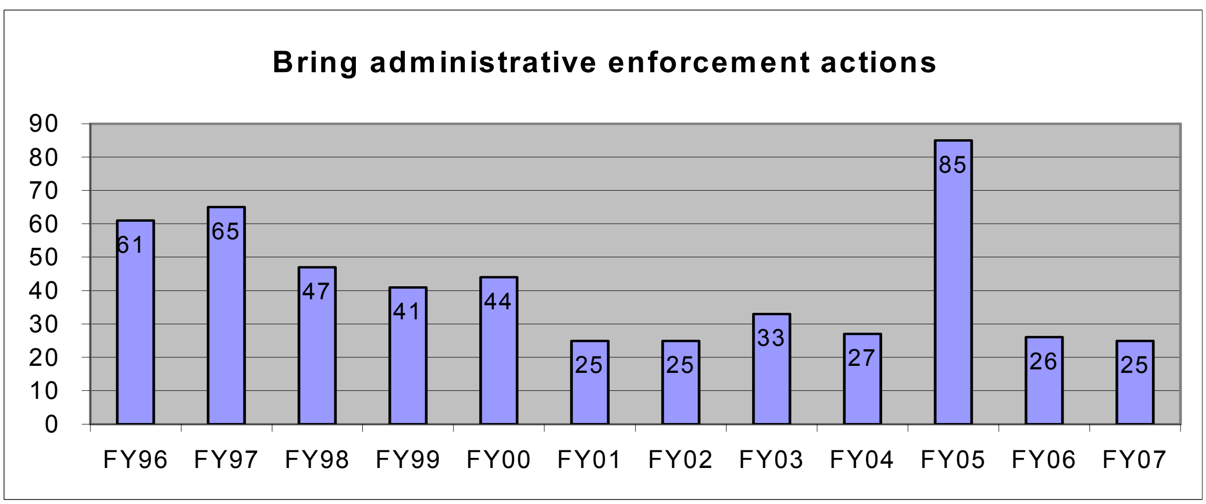


Chart 7.5-6



Through staff restructuring, the Legal Division was able to reinstate the automobile advertising advisory letter effort. In 2007, 118 letters were sent. The Advocacy Division provided six hours of continuing education for Professional Employer Organization licensees. The Advocacy Division also investigated a number of complaints involving the unlawful sale of contact lens without a valid prescription and sent 16 warning letters to businesses.

Chart 7.5-7



The Department filed an action against Conseco Finance Servicing Corporation on June 20, 2002, alleging numerous violations of debt collection laws. A settlement agreement was entered whereby Conseco agreed to make significant changes in its collection practices in South Carolina, pay $100 to each person who filed a debt collection complaint with the Department, and pay a fine of $30,000 to the Department to cover investigation and litigation expenses. Conseco filed for bankruptcy protection before all payments were made.

Administrative Hearings Table for FY06-07

<table>
<tr><th>Type of Business</th><th>No. Set</th><th colspan="2">Dismissed</th><th>Settled (Fine)</th><th colspan="3">Heard</th><th>Pending</th></tr>
<tr><td rowspan="2">Mortgage Broker</td><td rowspan="2">4</td><td colspan="2" rowspan="2">1</td><td rowspan="2"></td><td colspan="3">2</td><td rowspan="2">1</td></tr>
<tr><td colspan="3">($3,000 fine & $250 fine)</td></tr>
<tr><td>Credit Counseling Organizations</td><td>5</td><td colspan="2"></td><td>2
$3,000, $1,000</td><td colspan="3">2</td><td>1</td></tr>
<tr><td rowspan="3">Originator</td><td rowspan="3">9</td><td colspan="2">1</td><td rowspan="3"></td><td colspan="3">8</td><td rowspan="3"></td></tr>
<tr><td>App</td><td>Den</td><td>App</td><td>Den</td><td>Pen</td></tr>
<tr><td>1</td><td></td><td>4</td><td>4</td><td></td></tr>
<tr><td>Pawnbroker</td><td>4</td><td colspan="2">1</td><td>2</td><td colspan="3">(Fines $200, $,1000)</td><td>1</td></tr>
<tr><td>Physical Fitness</td><td>3</td><td colspan="2">0</td><td>3</td><td colspan="3"></td><td></td></tr>
<tr><td>Total</td><td>25</td><td colspan="2">3</td><td>7</td><td colspan="3">12</td><td>3</td></tr>
</table>

Table for Licensing Application Reviews

Business	Reviewed	Approved	Pending	Denied	Returned	Inactivate
Athletic Agents	72	9	56	0	1	6
Credit Counseling Organizations	81	36	38	0	0	7
Credit Counselors	1,001	402	455	2	0	142
Mortgage Brokers	1,272	805	215	6	0	246
Broker Originators	7,674	3,808	990	46	6	2,824
Motor Clubs	44	33	11	0	0	0
Motor Club Representatives	1,999	1,670	10	0	55	264
Pawnbrokers	245	217	10	1	0	17
Physical Fitness	607	478	83	0	0	46
Preneed Funeral Companies	38	16	22	0	0	0
Preneed Contractors	7,617	7,617	0	0	0	0
Prepaid Legal Companies	8	5	3	0	0	0
Prepaid Legal Representatives	3,701	3,660	7	8	3	23
Total	**24,359**	**18,756**	**1,900**	**63**	**65**	**3,575**

Table for Compliance Reviews

Mortgage Brokers	Pawnbrokers	Physical Fitness	Preneed	Total Reviews	Advisory Visits
271	81	73	107	551	19

Refunds from Legal and Enforcement Actions

- Consumer refunds from closed health spas: $96,531.83
- Consumer refunds from unlicensed credit counselors: $876,976.76
- Consumer refunds from compliance reviews: $2,971.78
- Consumer refunds from possible odometer tampering: $175,744.00
- Total consumer refunds from Legal Division activity: $1,176,622.89

What are your current levels and trends of financial performance?

Chart 7.6-1

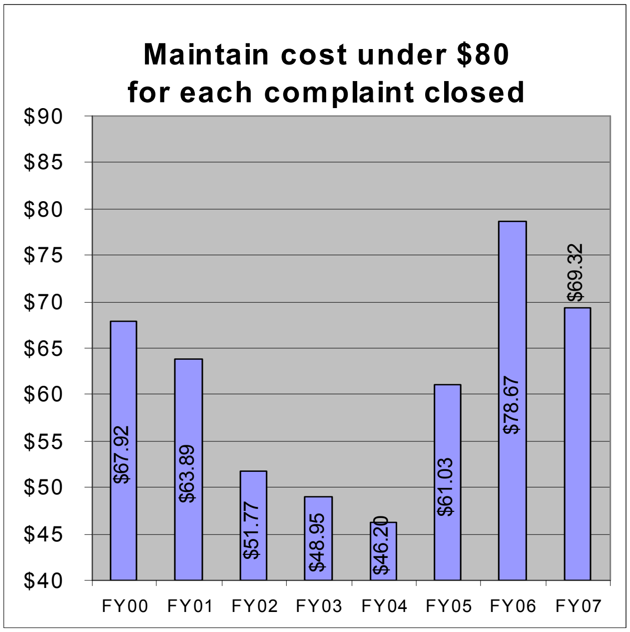
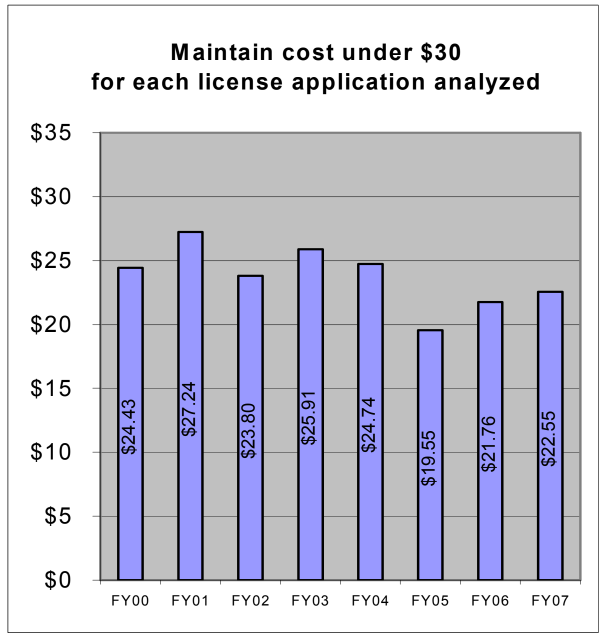


Chart 7.6-2



,