South Carolina
Department of Revenue

Annual Accountability Report

Fiscal Year 2008-2009

Mark Sanford, Governor
Ray N. Stevens, Director

Accountability Report Transmittal Form

Agency Name - South Carolina Department of Revenue

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I. Executive Summary
I.1 Mission, Vision, and Values:

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

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

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

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

In concert with our mission, the Department collects approximately 91% of the state's general fund. Total annual net collections by the Department amount to $7.7 billion through all of our collection and enforcement activities from the 32 taxes we administer and other collection activities for which we are responsible. (See Figure 7.1.1)

Total enforced collections this year was $717 million. This amount includes enforced collection efforts on behalf of the state as well as dollars collected on behalf of entities outside of South Carolina state government (e.g., Internal Revenue Service (IRS); Association of Counties). Enforced collections increased approximately 2% over last year. (See Figure 7.1.2)

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

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

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

The Department continues to be a leader in the percentage of individual income tax returns received that are filed by electronic/non-paper methods. The latest available information (April, 2009) from the Federation of Tax Administrators (FTA) placed South Carolina tied for seventh in the top ten states in this area. South Carolina's percentage of 79%, up from 71% from last year, trailed only Mississippi (84%), Iowa (82%), Minnesota (82%), Montana (82%), Indiana (81%), and California (80%). Promoting electronic filing has been a significant cost and time saver for the Department, the State, and the taxpayer. (See Figure 7.1.4)

Electronic collection processes also have allowed the Agency to collect an average of 73% of total tax dollars electronically. (See Figure 7.3.4)

I.2. Major Achievements from Past Year:
All Department business plans tie directly to the Strategic Plan. Director Stevens again led the Agency in developing a strong and challenging annual business plan. This enables us to maintain focus on our major long-term goals and objectives.

This year DOR continued to make major strides in the processing of tax returns from receipt of mail to processing of refunds and depositing of money to files being stored and scanned. This fiscal year, we deposited 1,847,642 checks, processed 61,162 batches, and gross deposited monies totaling $9,975,909,753. Processing improvements allowed us to reduce deposit opportunity cost dollars to $51,936, a decrease of 54% over the past year. (Figure 7.3.3)

Total enforced collections this year increased to $717 million, an increase of 2%. (Figure 7.1.2) Audit collections increased by $65.2 million, a 76% increase.

Our annual customer service survey, conducted and analyzed by the University of South Carolina, found a 95.5% satisfaction level for the amount of time it took to receive a state income tax refund check. (Figure 7.2.4) This is a remarkable statistic, due in part to implementation of over 200 process improvements in the Revenue Operations area alone by both

frontline employees and management. The focus on process improvement across the Agency has significant benefits for DOR, but ultimately also for SC citizens and the Agency's stakeholders.

Achievements related to the major strategic objectives this year included:
(Note: See section 2, Strategic Plan chart for the list of objectives and numeric references.)

<u>Find Non-filers:</u>
Individual Income Tax (IIT) Non-filers – The Filing Enforcement Section implemented a manual adjustment process in the Data Warehouse Discover Tax system to perform desk audits on all failure to file notices sent to potential non-filers. This process improvement helped ensure more accurate notice to the taxpayer on the front end. As of June 30, we sent 3,483 IIT non-filer notices for a total of $14,511,463 assessed using this new process. A field referral process was also developed and business rules were established to identify cases that need to be referred to a field auditor. During FY09, we collected $9,613,333 on notices sent to taxpayers.

Use Tax Non-filers – DOR continues to exchange information with the other Southeastern Association of Tax Administrators (SEATA) states on a monthly basis. We also are continuing to identify possible non-filers through the U.S. Customs project and the U.S. Coast Guard. We are continuing to obtain information from transportation companies on furniture deliveries from North Carolina into this state. In addition, warranty information from manufacturers of All Terrain Vehicles and similar products enable us to assess for use tax on these items. Five hundred twelve assessments were issued regarding a use tax project for airplanes certified with the FAA and yielded $64,760. Through the methods listed above, DOR has collected $538,405 on 2,618 use tax assessments in FY09.

Nexus/Discovery – Nexus/Discovery focuses on the large multi-state and multi-nation corporations doing business in South Carolina, but who are not reporting in South Carolina. This section registered a total of 323 taxpayers and collected $14,796,746. (See Figure 7.1.3) Over 500 questionnaires were sent to potential nexus non-filer cases. Areas of focus this year included issues relating to credit card companies, manufacturers, franchisors, and medical companies.

<u>Establish a Data Warehouse:</u>
The purpose of this project is to use data warehouse technology to identify uncollected revenues which consist of taxes due from non-filers, under reporters, and failure-to-pay taxpayers. Primary emphasis is on Individual Income, Sales and Use, and Corporate taxes. This multi-year project collected $44.3 million in FY09. Approximately $119 million has been collected over the last four years through the Data Warehouse.

<u>Maximize Voluntary Compliance through Fair Share Activities:</u>
DOR recognized that many tax issues exist in South Carolina where there is general disagreement in the interpretation and application of the tax statutes. Director Stevens assembled

a team of agency staff to identify tax issues suitable for resolution through litigation. At the same time, the legal staff was organized to better assist the audit staff in providing constant legal support while auditing some of the specific issues identified.

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

Implement a Formal Audit Program:
As a part of our long-term strategy and in connection with the Fair Share program above, DOR formalized its audit approach. With the increasing capability of technology, and the need to wisely use audit resources, a formal audit plan was implemented. This plan structured the audit selection program and also has allowed the audit staff to better identify and target training needs of DOR auditors. Through this approach, audit collections have increased in FY09 to $151.3 million from $86.1 million in FY08. Approximately 100 audit cases have been forwarded to the Litigation Section for Department decisions and litigation.

Utilize Improved Work Flows:
This fiscal year, collection processes were evaluated for effectiveness and efficiency. One of the processes evaluated was the failure to file work flow. Within this work flow, notices are sent to a taxpayer when they fail to file a tax return. To reduce costs and attempt to collect delinquent taxes earlier in the work flow, DOR has ceased sending the initial notice (failure to file notice) for Sales and Withholding taxes. This elimination will save the Department approximately $20,000 per quarter in postage alone.

In addition to the evaluation of processes, collection methods were also examined. One method, telecollecting, (collecting via the telephone) has proven to be a cost efficient way of collecting delinquent taxes. This year, DOR initiated a pilot program where all newly hired Revenue Officers' primary job duty is telecollecting. This effort will improve efficiency by reducing travel costs.

Drive One-Stop Business Registration:
The goal of this project is to be a "one-stop" gateway for business and professional registration and licensing for services offered by federal, state and local governments within South Carolina. This enterprise project is an example of how collaboration between agencies not only benefits the taxpayer, but also increases the cost efficiency of the agencies involved in the streamlined processes. Partners in the South Carolina Business One Stop (SCBOS) project have included the

Secretary of State, Employment Security Commission, Department of Health and Environmental Control, Department of Consumer Affairs, Department of Labor, Licensing and Regulation, Office of CIO (Budget and Control Board), Department of Commerce, S.C. Chamber of Commerce, S.C. Association of Counties and the Municipal Association of S.C. (See Figures 7.6.1-7.6.3)

Effectiveness of the program was evidenced this year by the following projects:
- Identified the top 20 business forms across state agencies. Plans to move the forms online within SCBOS are underway so that business users and agencies can operate more efficiently.
- Of the top 20 business forms, numbers three and four are forms used by the Employment Security Commission. Progress is underway to integrate the agency into SCBOS.
- Revised workflows for Alcoholic Beverage Licensing (ABL) to better assist taxpayers in the application process.
- Automated the process of notification between the Secretary of State and Department of Revenue when corporations are dissolved for failure to comply with state requirements, such as failure to pay corporate taxes. Automated the process of reinstatement of corporations who have been dissolved in this manner.
- Implemented four renewal applications for the Department of Consumer Affairs.
- Developed a marketing plan which included holding a workshop for close to 200 attendees on starting or expanding their business. SCBOS also worked in conjunction with DOR staff to produce a brochure encouraging taxpayers to file online.

Provide Stakeholder Education and Feedback:
In order to comply with the tax laws, taxpayers need to understand the laws and their filing obligations. A major part of this initiative involves taxpayer education seminars. This year, Sales and Use Tax seminars were held around the state for the following industries: Education, Manufacturing, and Retail. Also, a new seminar was held in Myrtle Beach this year for businesses that are required to pay Admissions and Accommodations tax. In FY09, over 270 seminar registrations were received from taxpayers and DOR employees.

DOR also conducts free monthly Sales Tax Forms and Withholding Tax workshops. The target audience is new businesses. Prior to this year, all workshops were held in the Columbia Main Office. In response to taxpayer requests, workshops were held outside of Columbia this year in Anderson and Sumter. Based on the number of registrations received for these workshops, DOR may continue to hold workshops outside of Columbia in the future. A new corporate tax workshop began development in March 2009. In addition to workshop and seminar promotion through our employees, brochures, and online resources, bi-weekly e-mails are sent out over the Taxpayer Education Listserve.

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

Another way DOR is educating taxpayers is through electronic learning. The "General Business Tutorial" was developed this year which highlights the top 10 mistakes taxpayers make when filing sales or withholding tax returns and how to avoid these mistakes. Ten thousand CDs containing the tutorial have been produced and are being distributed to all new sales and withholding tax accounts. The tutorial is also available on the DOR website.

Develop the South Carolina Integrated Tax System (SCITS):
The SCITS project is a major five-year project to completely replace the existing aging computer system with a modern, state-of-the-art integrated tax system. This will provide enhanced services for both the taxpayer and the Agency. Customers will have access to their accounts seven days a week, 24 hours a day. The Agency plans to provide real time, "once and done" processing wherever possible. The first installment of this system was released on April 6, 2009. The first installment included the capture and routing of taxpayer paper forms and related payments. The second installment of SCITS was released on June 8, 2009. All DOR business and corporate demographic information was migrated to SCITS in installment two. The migration allowed for enhanced processing of Alcoholic Beverage Licensing accounts by linking or allowing the linkage of accounts to their respective officers and/or owners. The linkage facilitates a change from a manual to an automated review of rules to approve or deny licenses.

Provide Property Tax Training for Newly Elected County Auditors:
The Agency has responsibility to oversee elected and appointed officials of the 46 South Carolina counties with regard to the equalized administration of property tax laws. This initiative was to provide consistent guidance and education to the newly elected county auditors on the tax laws they are required to administer. The Property Section has partnered with the South Carolina Auditors, Treasurers and Tax Collectors organization (SCATT) and the South Carolina Association of Assessing Officials organization (SCAAO) to establish the programs. Courses developed under the plan by the Property Section were offered at the SCATT Academy in February 2009 and throughout the year to SCAAO members at various events. The courses ranged in level from beginner to intermediate and advanced. Veteran county officials oftentimes utilized beginner courses to brush up on skills. Courses were offered on a first come first served basis and were often filled to capacity each time offered. Course surveys were outstanding. The Property Section will present courses at the upcoming February SCATT Academy and for the upcoming licensing year for appraisers.

Improve Performance Measurement Systems and Processes:
Having appropriate measures defined and reporting mechanisms in place is the basis for making data-based decisions. DOR has analyzed existing dashboard performance measures for relevance to business operations. It was found that most of the data related to the performance measures is now in our Data Warehouse. DOR procured a business intelligence tool, Business Objects, to use in the timely delivery of these measures to all users. The goal is to provide relevant, timely measurements of agency performance to enable personnel to assess actual performance against expected performance during the period, instead of after the period ends. This will allow the Agency to adjust performance to better meet goals where needed.

In October 2008, 35 users attended an offsite meeting. The purpose of this meeting was to determine key performance measures and gather requirements for reports and dashboards to be integrated into Business Objects. The meeting allowed the users and the Business Objects team to gain a high level view of what measures are integral to the agency as a whole.

Based upon the requirements gathered, reports and dashboards were created in Business Objects. A team was formed to begin the creation of an executive scorecard within Business Objects that will contain summarized data at the agency level, but will also give the users the ability to "drill down" to more specific data for further analysis.

After user testing and sign-off, the corporate tax phase of Business Objects went into production on June 25, 2009. Rollouts of other tax phases will continue through the next fiscal year.

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

Upgrade Our Technology Infrastructure:
Upgrading our technology infrastructure is another of the multi-year projects. This year, the aging hardware used for our Data Warehouse was replaced by new servers. Another initiative is to move DOR off of Novell file shares. This process is complete throughout the DOR district offices, and plans are underway for the Main Office. The security policy documentation is 95% complete. Work continues on this project to ensure DOR's information is safeguarded.

Improve Revenue Processing Operations Performance:
Improving revenue processing operational performance is a major ongoing project. Two hundred twenty-two process improvements were made in Revenue Operations this year. (Figure

7.5.1) The Processing area has participated in the design, system testing, and user acceptance testing of the new integrated tax system, SCITS.

Forms continue to be modified to improve our scanning and imaging processes to reduce the need for verification and keying. (Figures 7.5.2a-7.5.2b) In FY09, the Scanner Section set a new high for 7,603,052 pages scanned, and a new monthly high of 125,907 checks scanned in April, 2009. Of the 222 process improvements, 115 were additional edits added to Data Entry Screens for keying individual income tax returns. These enhancements were implemented to reduce rework and help eliminate or reduce various errors from section to section. These improvements resulted in a reduction in the number of paper errors from 3,788 to 1,109. Also, the number of IIT paper errors was reduced by 11,610.

Individual income tax returns were processed on average within 22 days of receipt. Note that the 22 days includes seven days for the Treasurer's office to print the check. Processing of all 2008 current year individual income tax returns was completed by May 27, 2009, which is the earliest that individual income tax returns received by April 15th have ever been processed. In total, we processed 8.52 million transactions this year.

Opportunity cost data shows our efficiency in processing checks and returns and getting state funds deposited. Processing improvements allowed us to significantly reduced deposit opportunity cost from $114,000 to $51,936 when compared to FY08. The opportunity cost decrease represents a 54% decrease over the past year. (Figure 7.3.3) Opportunity cost hit all time monthly lows compared to previous years with the lowest at $213.16 in January 2009.

Develop Procedures for County Reimbursements:
Legislation required DOR to develop a program and plan of implementation to accurately and efficiently reimburse local taxing entities for the property tax exemption. DOR's new Local Government Services system now being used to collect and analyze data and issue reimbursements to counties, municipalities and school districts under all local government programs is in its second year after implementation. This includes programs previously administered using the Office of the Comptroller General's system, as well as new programs mandated under this legislation. Reimbursements totaling $1,111,628,192 were issued by DOR for FY09. Enhancements to this system are continuing to be made to provide ease of usability and update system errors.

Promote Electronic Filing
Promoting electronic filing is a significant cost and time saver to the Department, the State, and the taxpayer. In conjunction with SCBOS, DOR created brochures promoting electronic filing. The brochures were distributed to public libraries, DOR district offices, DOR employees conducting speaking engagements, and on CDs that are being distributed to all new sales and withholding account holders.

Updates were made to SCBOS, the DOR website, and the E-Pay website so that electronic filing information is more prominent on the first page of the site. Links on the webpage for low cost electronic filing vendors were moved to be more accessible to taxpayers. DOR also promotes electronic filing on local news stations, on state employee pay stubs, and through email.

Eight classes were held to educate DOR employees concerning electronic filing so that they are better equipped to promote these options to taxpayers.

Expand and Streamline Forms Review Process
DOR's tax forms are reviewed on an annual basis. Changes are made based upon legislative updates or to improve the processing of the form. In FY09, efforts were made to streamline the forms review process. In addition to our usual review teams, a new Miscellaneous License Tax and Motor Fuel review team was formed. Meetings were scheduled and structured tasks were assigned to each team. The forms review process is not only to improve the forms; it educates employees who may not directly work with the form about the tax type. The forms review process was completed in late March, earlier than expected.

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

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

Approximately 55% of DOR's workforce has a career path that promotes and rewards the development of increasingly complex job competencies. The state Office of Human Resources correlates our lower turnover rate to several things, including the prevalence of these structured development plans. DOR's turnover rate this year was 10.66%, compared to the state's turnover average of 12.61%. (See Figures 7.4.1-7.4.2)

We employed varied strategies to make DOR an employer of choice. We continue to expand recruiting, enhance new employee orientation processes, focus on training, increase recognition and wellness initiatives, and allow the option of flexible work benefits such as flex time, flex work week, and telecommuting in selected job areas.

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

Implement the Statewide E-Recruitment Initiative:
The marketplace of recruitment has become more competitive and, therefore, is more critical for us to address wisely. To better position state government to attract talented employees, the state purchased a new e-recruitment system that is in use throughout state government. It was implemented in FY07 within DOR. This online system has immensely increased the number of applicants for most positions. This year, we had 10,220 applicants, an increase of 145%, from the old system in FY07. The number of qualified applicants in the new system increased by 195% and 99.8% of applications were made online. This year, the Agency had a 90.6% acceptance rate of job offers. Advanced features in the E-Recruitment System, such as filtering and sorting applicants, and creating applicant notification letters, are being used to streamline the hiring process.

Ensuring a diverse workforce is another factor of significance to the Department. In FY09, the Department was ranked second among agencies of 501-1,000 employees and ranked eighth among all state agencies in the State Human Affairs Commission Report to the Legislature. DOR had a 96.5% EEO goal attainment, up from 95.4% in FY08. (Figure 7.4.3)

Enhance Tax Law and Systems Training:
It is important that our tax professionals are highly knowledgeable of both the tax laws and their duties in administering them. We use both structured training and on-the-job training to support this goal. This training includes technical tax law topics, disclosure training for all DOR employees, State Legislative Updates, and systems training. This year a minimum of 10,441 hours were dedicated to formal classroom training of employees. This averages 15.1 hours per authorized FTE position.

With the advent of the new SCITS system in FY09, the training team has designed and is implementing a massive and aggressive training plan to ensure that all DOR employees have the appropriate systems skills as the new system replaces the existing South Carolina Automated Tax System (SCATS). Over 62 SCITS class sessions were held throughout FY09.

In addition to SCITS training, the planning and development of Business Objects training began last fall, with classes set to begin in early FY10. Other training this year included an extensive two week training program for 31 new employees on tax systems and tax law.

I.3. Key Strategic Goals:
Our strategic plan focuses our efforts in four Key Result areas with associated strategies. After a comprehensive strategic plan review, we implemented an updated Strategic Plan on July 1, 2006. The current Key Strategic Goals are detailed in the Strategic Planning Chart below in Category 2.

I.4. Key Strategic Challenges:
The key strategic challenges that were revealed through our external and internal scans of the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis for the Strategic Plan include:

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

I.5. How the Accountability Report is Used to Improve Organizational Performance:
The Accountability Report has been used as a tool to capture the Department's strengths and opportunities for improvement. By identifying these challenges, we are able to capture the most immediate needs of the Agency. The self assessment which is realized as a result of preparing the report, allows us to focus on the vital few priorities for the coming year. They are incorporated into our annual business plan.

II. Organizational Profile

II.1. Main Products and Services:
The main products and services include:

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

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

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

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

- **All stakeholders**
  Publications and brochures
  Taxpayer Assistance Officers
  Taxpayer Advocate
  Taxpayer Education
  Compliance and Recovery Office
  FormsFax and Web Forms
  Five Regional Offices
  Satellite office hours at 18 locations in SC
  Summary of current year's new tax legislation
  Policy document listserve
  Experts on TV
  Speakers Bureau/Public Speaking/Toastmasters
  Credit card payment options
  Tax specific dedicated phone lines
  Tax specific email proxy boxes
  Electronic Funds Withdrawal (EFW) payment option
  Electronic filing options for tax returns
  Customer Contact Center
  Freedom of Information Act
  News Release Listserve
- **Elected Officials**
  Revenue collection and reporting
  Legislative liaisons
  Drafting assistance
  Courtesy calls
  Constituent services
  Proactive response to issues
- **Other state agencies**
  Revenue collection and reporting
  SCBOS
  Job Development Credit workshops with Commerce
  Dyed Fuel Program
  Use Tax compliance information
  Seats in our training sessions
  Governmental Enterprise Accounts Receivable (GEAR)
  Debt set-off program
  Printed tax messages on state payroll checks
- **Individual taxpayers**
  Forms drive through
  Volunteer Income Tax Assistance volunteers
  Publications for new residents; college tuition credits
  FreeFile, web extensions, and declarations
  Outreach to high schools, vocational schools, prisoners re: filing taxes
  Forms in libraries

- **Business taxpayers**
  Sales tax listserve
  Taxpayer education listserve
  Various workshops
  SC Business One Stop (SCBOS)
  Job Development Credit (JDC) workshops
  Business development
  Economic Incentives book
  Corporate Income Tax summary published with the Bureau of National Affairs
  Joint brochure created with SCBOS promoting electronic filing
  Special efforts related to sales tax holiday
  Special efforts for new local option tax counties
  Special efforts related to the Horry County tourism tax
  Special efforts related to SC Immigration Act
- **Tax practitioners**
  Forms design teams
  Joint seminars with IRS/ERO (Enrolled Agents)
  White-collar crimes course
  Articles in the CPA newsletter
  Speakers at CPA seminars
  Fed/State filers' handbooks
  Speakers for Payroll Association meeting
  Speakers for Clemson Tax Workshops
  Speakers for SC Chapter of the National Association of Tax Professionals
- **Regulated Businesses (bingo, alcoholic beverages)**
  Alcoholic Beverage Licensing (ABL) tracking process
  Bingo processing system
  Bingo paper rules
- **Statewide property taxpayers (e.g., manufacturers, motor carriers, utilities, car lines)**
  Changes to Fee In Lieu of Taxes (FILOT)
  Adding Business Personal Property (BPP) review
  Streamlining Motor Carrier Property Tax administration
- **Local Governments (property tax administration, local option taxes, index of taxpaying ability, exemptions)**
  Refund offset
  Governmental Enterprise Accounts Receivable (GEAR)
  Computer Assisted Mass Appraisal (CAMA)
  Motor Carrier Audits
  Fee in Lieu of Taxes (FILOT)
  Motor Vehicle Assessment Guides
  Visits to counties
  Seminars sponsored for county officials
  Focus groups on processes affecting counties
  Adding listserves for policy documents/comment
  Audit of Reimbursement for Legal Residents
- **Federal Government**
  IRS refund offset
  IRS Fed/state liaison
  IRS classes

Streamlined sales tax initiatives
- **Other state governments**
  Southeastern Association of Tax Administrators (SEATA)
  Federation of Tax Administrators (FTA)
  Exchange of use tax information
  Benchmarking processes
  Supply motor fuel training instructors nationwide

II.4. Key Suppliers and Partners:

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

We consider our partners to be many of the same as those included in our stakeholder group, but also included many contract personnel we have working on our SCITS and Data Warehouse. Additionally, we have numerous partners with our SCBOS registration program. Our partners include:

Secretary of State
Department of Health and Environmental Control
Department of Consumer Affairs
Department of Transportation
Public Service Commission
Print Vendors for tax forms
Software Vendors for electronic forms and filing
Employment Security Commission
Clemson University Extension
Department of Labor, Licensing, and Regulation
Department of Commerce
SC Chamber of Commerce
Municipal Association of SC
SC Association of Counties
Budget and Control Board
Board of Economic Advisors
RSI (Contractor)
Association of Certified Public Accountants (CPA)
Internal Revenue Service (IRS)
Small Business Chamber (Cyberwoven)
Probation, Parole & Pardon Services
US Small Business Association (SBA)
Department of Insurance
SCANA
SC Education Lottery

Department of Motor Vehicles
Small Business Centers
Department of Health & Human Services
SC Commission on Higher Education
Nonpublic Postsecondary Institution Licensing
Government Finance Officers Association of SC
SC School for the Deaf and the Blind
Greater Columbia Chamber of Commerce
Richland County Public Library
SC Board of Accountancy

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

As of the end of FY09, the Agency had a total of 692.5 authorized full-time permanent slots. Of those, 674.5 are state funded and 18 are other funded. These employees work in two central offices and five taxpayer service centers throughout South Carolina. In addition, we have non-resident tax auditors stationed in six major metropolitan areas across the United States. We supplement our five taxpayer service centers by staffing 18 "satellite" offices periodically throughout each month. Our permanent workforce has been supplemented by approximately 75 contract employees, 52 non-seasonal temporaries, and 77 seasonal temporary employees during peak months.

II.7. Regulatory Environment:

We administer laws under Titles 2, 4, 6, 11, 12, 16, 23, 33, 44, 46, 48, and 61 of the South Carolina Code of Laws and comply with the relevant Internal Revenue Service code sections. Also, we adhere to OSHA, employment and leave laws as well as any other customary regulations with which organizations must comply.
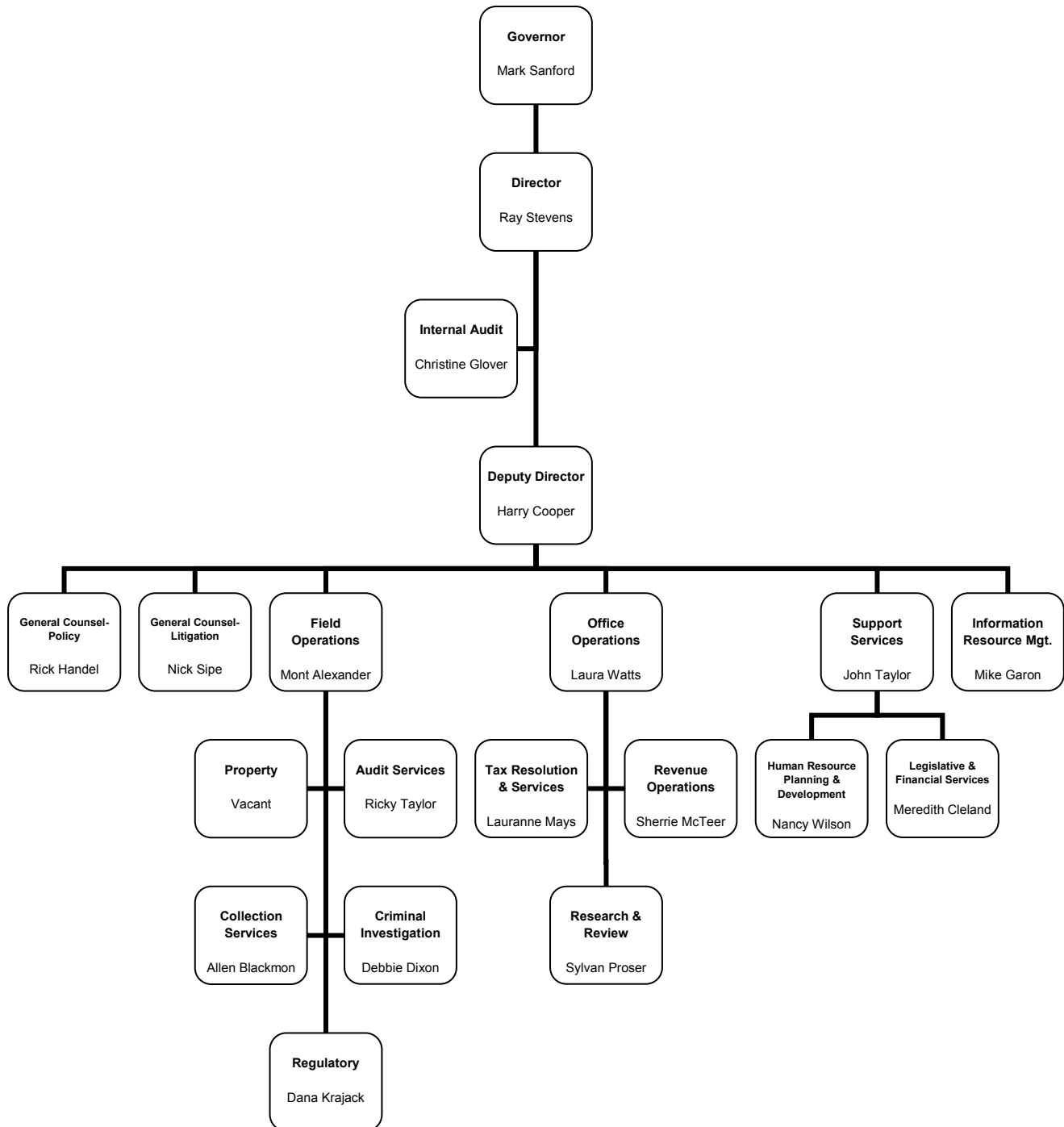
The Department is also a regulatory agency. We administer 32 state taxes and numerous fee, credit and exemption programs. We process 8.52 million transactions annually (See Figure 7.1.9) and collect approximately 91% of the State's general fund. The Agency also regulates and licenses retail establishments, bingo operations, and alcoholic beverage sellers. The Agency is in direct contact with almost every South Carolina resident and many non-resident taxpayers and corporations. We manage our enterprise in a customer-focused, fair, and efficient manner.

II.8. Performance Improvement System:

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

II.9. Organizational Structure:

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

Governor

Mark Sanford

Director

Ray Stevens

Internal Audit

Christine Glover

Deputy Director

Harry Cooper

General Counsel-Policy

Rick Handel

General Counsel-Litigation

Nick Sipe

Field Operations

Mont Alexander

Office Operations

Laura Watts

Support Services

John Taylor

Information Resource Mgt.

Mike Garon

Property

Vacant

Audit Services

Ricky Taylor

Tax Resolution & Services

Lauranne Mays

Revenue Operations

Sherrie McTeer

Human Resource Planning & Development

Nancy Wilson

Legislative & Financial Services

Meredith Cleland

Collection Services

Allen Blackmon

Criminal Investigation

Debbie Dixon

Research & Review

Sylvan Proser

Regulatory

Dana Krajack

Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	FY 07- 08 Actual Expenditures		FY 08- 09 Actual Expenditures		FY 09-10 Appropriations Act	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Personal Service	$ 27,788,931	$ 26,850,598	$ 28,393,915	$ 26,219,625	$ 29,133,382	$ 28,095,542
Other Operating	$ 33,338,317	$ 9,803,716	$ 30,325,816	$ 1,792,660	$ 16,948,857	$ 1,941,342
Special Items	$ -	$ -	$ -	$ -	$ -	$ -
Permanent Improvements	$ 84,573	$ -	$ 52,718	$ -	$ -	$ -
Case Services	$ -	$ -	$ -	$ -	$ -	$ -
Distributions to Subdivisions	$ -	$ -	$ -	$ -	$ -	$ -
Fringe Benefits	$ 8,114,892	$ 7,847,671	$ 8,555,273	$ 5,683,889	$ 6,130,705	$ 5,896,967
Non-recurring	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 69,326,713	$ 44,501,985	$ 67,327,722	$ 33,696,174	$ 52,212,944	$ 35,933,851

Other Expenditures

Sources of Funds	FY 07- 08 Actual Expenditures	FY 08 - 09 Actual Expenditures
Supplemental Bills	$ -	$ -
Capital Reserve Funds	$ -	$ -
Bonds	$ -	$ -

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 07-08 Budget Expenditures	FY 08-09 Budget Expenditures	Key Cross References for Financial Results*
I.A Administrative & Program Support	Agency administration and Internal Audit functions.	**State:** $558,181 **Federal:** $0 **Other:** $0 **Total:** $558,181 **% of Total Budget:** 1%	**State:** $620,264 **Federal:** $0 **Other:** $0 **Total:** $620,264 **% of Total Budget:** 1%	7.2.1, 7.2.4, 7.3.1-7.3.3, 7.6.5
II.A Programs & Services -- Support Services	Human Resources, Training and Development, Quality, Procurement & Facilities Mgmt, Budget & Finance, Information Resource & Technology Management and computerized systems management functions.	**State:** $14,185,516 **Federal:** $0 **Other:** $18,605,620 **Total:** $32,791,136 **% of Total Budget:** 47%	**State:** $6,704,425 **Federal:** $0 **Other:** $22,652,833 **Total:** $29,357,258 **% of Total Budget:** 44%	7.6.1-7.6.3
II.B Programs & Services -- Revenue & Regulatory Operations	Office and field tax audit & collection functions, tax revenue processing, Property Tax Administration and appraisal, agency litigation, and Regulatory (Alcoholic Beverage Licensing and Bingo) Administration.	**State:** 21,380,354 **Federal:** 0 **Other:** 1,106,494 **Total:** $22,486,848 **% of Total Budget:** 32%	**State:** 20,153,641 **Federal:** 0 **Other:** 2,611,796 **Total:** 22,765,437 **% of Total Budget:** 34%	7.1.1-7.2.5, 7.3.4, 7.5.1-7.5.2b
II.C Programs & Services -- Legal Policy & Legislative Svcs	Agency General Counsel; tax policy, bankruptcy matters and legislative services.	**State:** 530,263 **Federal:** 0 **Other:** 0 **Total:** $530,263 **% of Total Budget:** 1%	**State:** 533,956 **Federal:** 0 **Other:** 0 **Total:** 533,956 **% of Total Budget:** 1%	7.6.4
III.C Employee Benefits -- State Employer Contributions	Employer (agency) share of fringe benefits paid on state employee salaries.	**State:** 7,847,671 **Federal:** 0 **Other:** 267,221 **Total:** $8,114,892 **% of Total Budget:** 12%	**State:** 5,683,889 **Federal:** 0 **Other:** 2,871,384 **Total:** 8,555,273 **% of Total Budget:** 13%	7.4.1-7.4.3

Below: List any programs not included above and show the remainder of expenditures by source of funds.
Expenditures to record interest expense on tax refunds in accordance with GAAP are not included above. Expenditures recorded in program #II.A, Support Services. FY2008 amount $4,845,393. FY2009 amount $5,495,535.

Remainder of Expenditures:		
	State: $0 **Federal:** $197,099 **Other:** $4,648,294 **Total:** $4,845,393 **% of Total Budget:** 7%	**State:** $0 **Federal:** $204,287 **Other:** $5,291,248 **Total:** $5,495,535 **% of Total Budget:** 7%

*Key Cross-References are a link to the Category 7 – Business Results. These References provide a Chart number that is included in the 7th section of this document.

III. Elements of Malcolm Baldrige Criteria
Category 1 – Senior Leadership, Governance and Social Responsibility

1.1a-d. Senior leadership in the Agency consists of the Director, Ray N. Stevens, a Deputy Director, Senior Administrators, and Administrators of each of the major operating units. The Agency's leadership sets, deploys, and communicates short and long term direction and organizational priorities through the strategic planning process, the annual business planning component of that process and the five-year business plans developed for agency level objectives. Performance expectations that are detailed in each employee's Position Description and EPMS are tied to the Agency's four key result areas of the strategic plan. The strategic plan outlines our organizational values as described in the Executive Summary and includes a focus on innovation, empowerment, knowledge, and ethical behavior.

1.2. In FY08-09, the leadership team continued its focus on both internal and external customers by supporting activities for progress on our 18 major goals and the various underlying projects that are tracked at the agency level. These goals, objectives, and projects are tied numerically to the four key results of the strategic plan. Agency-level performance measures are likewise numerically tied to the key results. Management meets each Monday morning for reporting on these and other issues by our operating divisions.

Dashboard performance indicators are reviewed by the management team. Owners of the processes involved with any agency measurements are tasked with monitoring and using the data for process improvement and decision making. Progress on each annual business plan objective is reported quarterly. DOR procured a business intelligence tool, Business Objects, in FY08. It is being used to access and analyze the Data Warehouse. It is being rolled out in phases with the first phase, corporate tax, being completed on June 25, 2009. Business Objects will greatly enhance employees and management in monitoring their measures and adjusting performance in real time vs. at the end of a reporting period.

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

1.4. The Chief Financial Officer and staff, along with the Internal Audit staff are responsible for the accuracy and timeliness of reporting. DOR just completed the eleventh year of agency financial audits that resulted in no adverse findings. Our legal counsel, senior management team, and the Internal Audit staff have policies, procedures, and measures in place to ensure that the Department maintains accountability for all revenue and regulatory requirements. Our Internal Audit staff conducts audits of various processes within the Agency to ensure no improprieties exist. Additionally, employees are required annually to attend training on the confidentiality and

disclosure requirements. Each time an employee's computer is turned on, a reminder of confidentiality appears and action is required to proceed. These safeguards are employed to ensure no unauthorized information is revealed. In addition, all terminating employees and contractors are also required to sign an exit disclosure statement acknowledging that they are legally held to the same high standards of non-disclosure even after their employment has ended.

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

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

1.6. Quarterly employee coaching sessions are used not only to review progress on objectives that are tied to our four key result areas, but also to obtain their feedback on the effectiveness of leadership within the organization. Senior leadership supports leadership development both formally through training, and informally through coaching. DOR participates in and supports the Certified Public Manager program, as well as the Associate Public Manager program. Additional leadership training is conducted at DOR on specialized topics each year.

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

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

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

1.8. Senior leaders maintain a focus on improvement through the objectives and projects developed and detailed in the annual business planning step of the strategic planning process. All employees are encouraged to look for improvement opportunities while focusing on daily work or agency-wide objectives. Employees at our Market Pointe location use a Microsoft SharePoint worksheet to suggest process improvements to management.

1.9. Senior leaders are a key part of creating an environment that fosters organizational and workforce learning. This begins from very early in a new employee's life at DOR. Among other orientation strategies, the Director always talks to them about the importance of accountability, initiative, and connectivity. He sets the tone for this culture and the leadership team supports this message in everyday business dealings at the Agency. Process improvement is an important key theme of the Agency.

1.10. Senior leaders communicate with, engage, empower, and motivate the workforce throughout the organization most importantly by "walking the talk." The strategic plan guides the focus of the Agency business priorities. Its four key results (improve compliance; establish and maintain strong stakeholder relationships; maintain effective and efficient agency and enterprise services; and ensure a capable, satisfied, and diverse work team of DOR employees) are part of each employee's job. Senior leaders communicate this priority in person and through their management staff. Employees are empowered to make a difference, to be accountable, and to go beyond what is expected. In turn, the senior leadership team recognizes exemplary performance and effort through individual and team recognition. "Lunch with the Director" is a popular recognition tool. Stars are nominated by peers and management for this lunch. Another use of these luncheons is for state service recognition.

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

Direct e-mail, the Compliance and Recovery Office, and the Taxpayer Advocate are avenues for citizens to resolve concerns. Also, our Contact Center is used not only to help the taxpayer, but also to gain invaluable input to agency processes. We continue to train Contact Center employees and see this as a vital part of the Agency's listening and learning approach to gain input from the community at large.
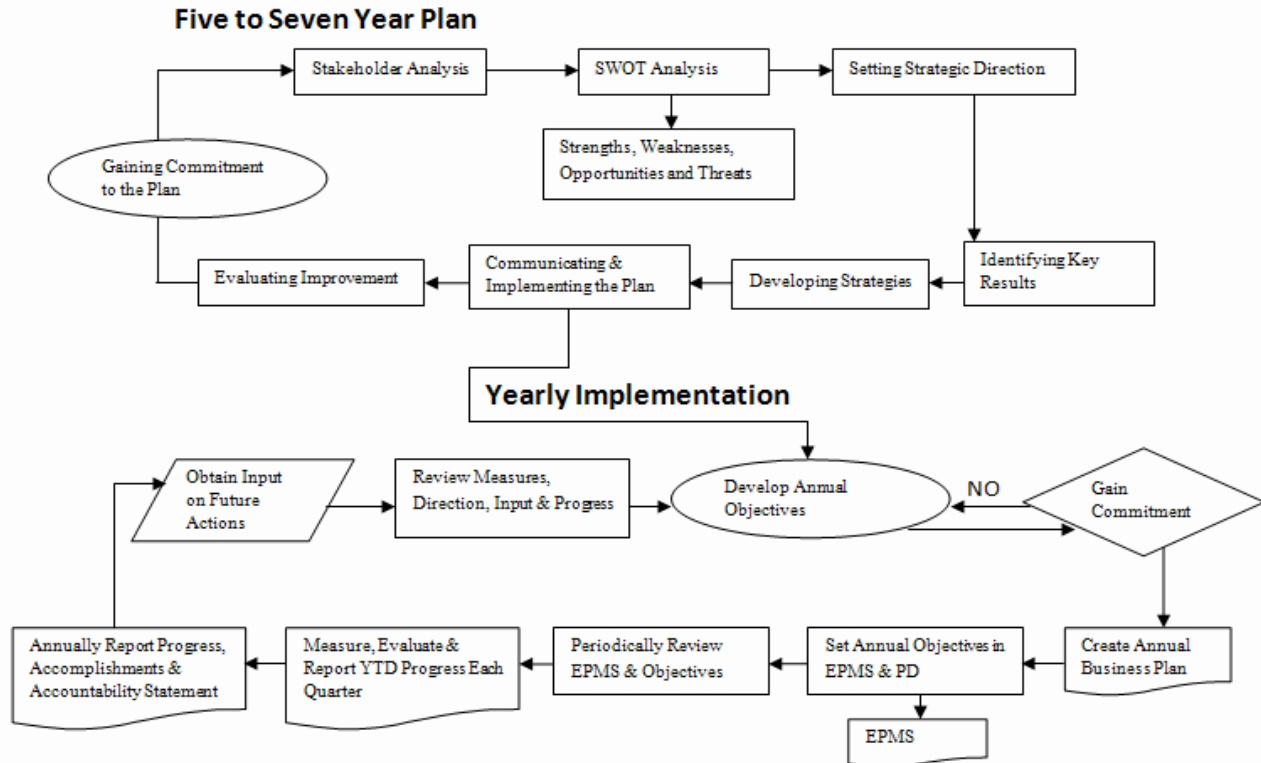
The Agency continues to support the government community as well. For example, DOR is a primary partner in Governmental Enterprise Accounts Receivable Collections (GEAR) and SCBOS processes. These projects have a direct positive impact on reducing the burden of compliance with our tax laws. We have also maintained a leadership role in the development of the integrated financial system that the state is adopting. On the state level, our employees lead or participate in multi-agency teams to improve the processes of government. We are actively involved with professional groups in leadership roles, such as the Federation of Tax Administrators' (FTA) Best Practices and Benchmarking Team. Mr. Stevens serves on the Coordinating Council for Economic Development; is an ex-officio member of the South Carolina Board of Economic Advisors; and is a member of the South Carolina Agency Directors Organization. These collaborative efforts help us to identify best practices, but also give us the opportunity to be a partner in continuously improving all governmental services for our citizens.

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

Senior leaders are highly involved in the support of these community endeavors. Both senior leaders and line employees participate in planning and advocating for these projects. They include the United Way, the Good Health Appeal, Cooperative Ministries, the Red Cross, Harvest Hope Food Bank, the national Multiple Sclerosis MS 150 bike tour, the Leukemia and Lymphoma Society, and our community schools.

Category 2 – Strategic Planning
2.1a. The Agency's strategic plan is the basis for both our long- and short-term planning processes. We review strategic issues facing us in the next five years. Our strategic planning process gives us a future-oriented basis for business decisions, resource allocation and management, and helps us stay focused on those things that are important priorities for the Agency. Below is a graphic of the Department's strategic planning model.

Five to Seven Year Plan

Stakeholder Analysis → SWOT Analysis → Setting Strategic Direction

Gaining Commitment to the Plan

Strengths, Weaknesses, Opportunities and Threats

Evaluating Improvement ← Communicating & Implementing the Plan ← Developing Strategies ← Identifying Key Results

Yearly Implementation

Obtain Input on Future Actions → Review Measures, Direction, Input & Progress → Develop Annual Objectives ← NO ← Gain Commitment

Annually Report Progress, Accomplishments & Accountability Statement ← Measure, Evaluate & Report YTD Progress Each Quarter ← Periodically Review EPMS & Objectives ← Set Annual Objectives in EPMS & PD ← Create Annual Business Plan

EPMS

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

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

2.1b-f. The key results, strategies, objectives, and projects of the strategic plan focus the agency on addressing short and longer-term priorities related to risks of any nature as well as the shifting technological, regulatory and customer preference arenas. As described in 2.1a above, through the SWOT analysis we have taken into consideration our workforce capabilities and needs, the

opportunities and barriers we are and will be facing, and organizational continuity issues that would need to be addressed in emergencies.

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

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

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

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

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

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

2.4. The strategic plan is communicated in group meetings and is reinforced by the supervisors within each division. In addition, other types of communication include other media such as e-mail, brochures, posters, and through our monthly DOR newsletter. For new employees, an orientation session called "DOR-101" educates employees about the Agency, the strategic plan, and the strategic planning process. Annual business plans are deployed throughout the Agency

by the division leadership teams. Individual work teams also identify continuous improvement projects that support strategic business needs.

2.5. As described in 2.2 above, we measure our progress on each action plan in the annual business plan through quarterly reporting. In addition, these are monitored by the respective leaders of the objective teams on a continual basis, and problems or obstacles are reported to the senior leadership team on a timely basis.

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

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

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

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 08-09 Key Agency Action Plan/Initiative(s) All objectives listed below are multi-year, major business projects. Milestones are set for each project to be completed during the fiscal year.	Key Cross References for Performance Measures*
I.A Administrative & Program Support	Key Result 2 – Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	Improving Revenue Processing Operations Performance	7.1.4-7.2.5, 7.5.1, 7.5.2a, 7.5.2b
II. A Programs & Services - Support Services	Key Result 1 – Maximize Compliance Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	Drive One-Stop Business Registration Provide Stakeholder Education and Feedback Promote Electronic Filing Provide Property Tax Training for	7.6.1-7.6.3 7.2.1, 7.2.4

		Newly Elected County Auditors	All measures in category 7
		Improve Performance Measurement Systems and Processes	
		Develop Procedures for County Reimbursement Under Property Tax Legislation (H4449)	
		Expand and Streamline Forms Review Process	
II.B Programs & Services - Revenue & Regulatory Operations	Key Result 1 – Maximize Compliance Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	Find Non-filers Establish a Data Warehouse Implement a Formal Audit Plan Utilize Improved Work Flows Develop the South Carolina Integrated Tax System (SCITS) Upgrade the Agency Website Upgrade Technology Infrastructure	7.1.3
II.C Programs & Services - Legal Policy & Legislative Svcs.	Key Result 1 – Maximize Compliance	Maximize Voluntary Compliance through Fair Share Activities	7.6.4
III.C Employee Benefits-State Employer Contributions	Key Result 4 - Capable, Satisfied, and Diverse Work Teams	Guide Agency Workforce Planning Initiatives Implement the Statewide E-Recruitment Initiative Enhance Tax Law and Systems Training	7.4.1-7.4.3

Category 3 – Customer Focus

3.1. Through our strategic planning process and implementation, the Agency's key customers and stakeholders have been identified as those who use state revenues; the agencies that rely upon state revenues; individual and business taxpayers of the state; tax practitioners acting on behalf of those taxpayers; regulated businesses; statewide property taxpayers; local governments; elected officials; and federal, state and local governments. We define our customer groups by the products and services they require. This allows us to determine and fulfill our customers'

key requirements by asking questions, defining terms, setting standards, and employing continuous improvement methodologies. Strategies are then built to address those requirements.

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

We are required to update our forms annually. Employee teams are formed each year to accomplish these updates and external focus groups are used to gain input for our Individual Income Tax, Sales and Use Tax, Corporate Tax, Miscellaneous Tax, Motor Fuel Tax, and Withholding Tax forms. This has proved invaluable in helping to build relationships and, more importantly, in gaining greater knowledge of the ever changing needs and expectations of customers and businesses.

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

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

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

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

3.6. We build positive relationships with customers and stakeholders in a number of ways as identified by the various groups and methods to address their particular needs detailed in the Organizational Profile. We understand that most taxpayers will voluntarily comply with the tax laws if the instructions are clear, understandable, and simple. With the expansion of the capabilities of our business registration website, SCBOS, we have made it easier to start a business in South Carolina and provide the information needed to get the right business licenses and set up tax accounts. We are partnering with multiple entities as members of the Executive Team for this project. These include: Secretary of State's office, Employment Security Commission, Department of Health and Environmental Control, Department of Consumer Affairs, Department of Labor, Licensing, and Regulation, Office of CIO (Budget and Control Board), Department of Commerce, S.C. Chamber of Commerce, S.C. Association of Counties, and the Municipal Association of S.C. Through our collaborative efforts we have streamlined the processes for new and existing businesses to obtain or renew licenses, permits, or registrations (LPR), make changes to existing LPR and file and pay taxes online.

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

The Agency has structured ways in which to educate and to be responsive to the various needs of our customers. In addition to personal telephone assistance, online learning, responding to mail and e-mail correspondence offered on our website, the Department provides:
- News releases for information of general interest to the public and information letters for information of general interest to tax professionals;
- Advisory opinions providing formal policy statements of the Department;
- Brochures for taxpayers, including:
  Moving to SC: A Tax Guide for New Residents
  Guide to SC Tuition Tax Credit
- Publications for business tax professionals include:
  South Carolina Sales Tax Newsletter (as changes occur)
  S.C. EFT Program Guide
  South Carolina Sales and Use Tax Manual
  Summary of South Carolina Corporate Income Taxes
  South Carolina Property Tax (each year)
  Simplifying Business Services (SCBOS/DOR brochure promoting electronic filing)
  South Carolina Department of Revenue Legislative Update (each year)
  South Carolina Tax Incentives for Economic Development (each year)

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

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

We offer a variety of methods for customers to file taxes, obtain forms, and register a business. Our website allows for certain tax filings and credit card payments, business registration, and answering questions. Both current and past year tax forms are available. Also available via the website and our Refund Hotline is refund status information. Internet filing is available for

Individual Income Tax, Sales Tax, and Withholding Tax. The Internet is also available for payments for sales, withholding, corporate, individual income tax, receivables, and approved pay plans. Through our other electronic payment option of electronic funds transfer (EFT), taxpayers can also pay withholding, corporate, and a number of the miscellaneous taxes including motor fuel and deed recording, among others. Through our online SCBOS project, business owners can register a business, and pay for their licenses and fees via the Internet.

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

Category 4 – Measurement, Analysis, and Knowledge Management
4.1-2. The agency leadership has long reviewed all types of data to ascertain the progress made in our operations, processes, and systems, and in turn to use that information for decision making and innovation throughout the Agency. Our key or "dashboard" measures are discussed in 4.3. These measures were synthesized from over 120 department measures, many of which continue to be reviewed at the operational versus executive leadership level. These measures were agreed upon by the leadership team as those that would provide an overall picture of the "health" of the Agency. They are reviewed on an annual basis to ensure that they are still appropriate and adequate to manage the agency. Additionally, each strategic objective and action plan includes measures that are developed to ascertain progress on the objective. The following characteristics of the measures are required:

> **Definition:** Give operational definition of measure.
> **Data Source(s):** Where does the data come from? (e.g., monthly mainframe collections report) Who collects the data if it doesn't come from the mainframe?
> **Why is it important?** Why this measure? What does it tell us? How does it relate to an important outcome? What decisions are affected by this measure?
> **Factors Affecting Performance:** What major variables will affect this measure? This could include both controllable and uncontrollable variables.
> **Analysis of Current Performance:** This section is updated each reporting period with year-to-date analysis. Describe special cause situations, trends, anomalies, or process changes that affect performance.

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

Measures are reported on by use of a standardized format that states the related key result, measure type (input, output, outcome), location of the data and charts, averages for the last five years, goals for this year, goals for the next five years, and the individual held accountable for the data. All dashboard measurement data is located in the "shared" directory of our Local Area Network and is accessible to our employees. The Agency continues to use these measures in the senior leadership appraisal system as they are aligned with the strategic plan and the managers' areas of responsibility.

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

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

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

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

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

We also use our electronic means to promote employees keeping abreast of the information and data that is compiled. Our "shared" directory and internal website, Dragnet, contains a wide variety of information on technical subjects and also includes a succession planning guide.

These documents can be completed by employees to allow for the seamless transfer of knowledge.

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

Category 5 – Workforce Focus
5.1. The Agency is organized in each division and section by natural work teams that have specific responsibilities and measurables that are monitored and reported as appropriate. These teams are empowered to cross team and division lines to communicate issues and to collaborate. Cross-divisional work teams are appointed to work on substantive improvements and implementation projects identified through the annual business planning process and tied to one of the four key results of the strategic plan. The talents and initiative of our employees are the ultimate keys to our success. Teams are used to study processes. This encourages and motivates employees to solve problems and make continuous improvements.

All Position Descriptions are written to tie directly to the mission of the organization. All EPMS documents tie directly to our strategic plan. Also, many frontline employees have a Job Development Plan that ensures progression in knowledge and skills and encourages employees to develop their potential.   See below:

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

5.2. Communication and knowledge sharing is fostered by the common focus of the strategic plan. Work flows across divisional structures within DOR and management is trained to timely identify problems and make process improvements in conjunction with others since we do not function in silos. Best practices are identified both within the organization and also through work with other state revenue departments. Periodically, other states' revenue departments call or visit SCDOR to benchmark with us.

5.3. Key result four of our strategic plan is to ensure a capable, satisfied, and diverse workforce. Our hiring practices fully support this goal. The process by which management recruits and hires is through the statewide NEOGOV system. This is an internet-based system that has resulted in a 145% increase in applicants at DOR in the past two years. Jobs are posted on the state website and individuals can easily submit their applications. DOR has a structured hiring process that involves training on the front end with new hiring officials. Current EEO goal attainment information is provided to each hiring manager with their file. Many of our jobs require a higher minimum training and education requirement than does the state job specifications due to the specialized nature and skills required for tax administration. We use a variety of strategies to retain the capable individuals that we hire. The results support our success in this regard. Figure 7.4.2 shows our turnover rate, which is less than the state average according to the state Office of Human Resources. Challenges in the process at any time could include our competitive position with regard to salary for capable professional positions, particularly in the information technology area.

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

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

5.6. The Agency has long held a leadership role in the state for our quality improvement and leadership training. For the last 18 years we have introduced our employees and many from other agencies to the quality tools and processes. Several of our leaders participate in the Certified Public Manger and Associate Public Manger programs to develop leadership attributes. Also DOR leaders attend various quality and leadership training.

The Agency addresses ethical issues such as bribery and disclosure awareness through formal classroom training, online learning, and through written information, such as brochures and flyers. Every new employee, including leaders, tour the agency and learn the tax processing procedures during our new employee orientation, DOR 101. Through this tour, employees gain knowledge of the operating areas throughout the agency.

Through the Business Objects rollout process, leaders had the opportunity to meet offsite. This meeting facilitated discussion across division lines and allowed leaders to see what performance measures and objectives are integral to the agency as a whole.

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

When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have technical training initiatives and quality and leadership initiatives. A sample of classroom training is listed below. Courses have been developed that address job

skills, performance excellence, diversity, management, and leadership training. Below is a sampling of the classroom training offered.

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

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

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

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

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

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

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

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

5.12. Employee well-being and satisfaction is a significant indicator of return on our investment. Our measures include results of focus groups, exit interview feedback, turnover, absenteeism, and grievance statistics. We couple the diversified state benefits package with other initiatives that have proven successful, such as ongoing health screenings, health fairs, a walking club, an exercise group, and the DOR golfers. A new DOR employee newsletter (DORPost) brings information to all employees monthly through email. Tuition reimbursement and variable work week or work hour options assist employees in balancing their personal lives and professional development needs. The availability of a laundry pickup and delivery service has been well received. The Employee Assistance Program is available to all employees. Formal appreciation events included an employee appreciation barbeque lunch, lunch with the Director program, and our Director's Shining STAR reserved parking space. All continue to be popular recognition options. Many work groups organize their own recognition celebrations on an ongoing basis.

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

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

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

Category 6 – Process Management

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

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

	Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes Motor Fuel Taxes Dry cleaning $9.5 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers	
Registration, Licensing, and Exemptions	Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering	Elected Officials Other agencies Local Governments Business Taxpayers Practitioners Citizens
Valuations	Manufacturing Property Utilities, carlines Business personal property Fee in lieu of taxes (FILOT) Motor Vehicle guides Motor Carrier	Local Governments Department of Public Safety Department of Transportation
Compliance	Audits and collections Data Reconciliations Code Enforcement Process Regulatory Violations Criminal Investigations/Prosecutions Assist Other Agencies/Governments	Elected Officials Other state agencies Local Governments Non-Business Taxpayers Business Taxpayers Practitioners
Guidance, Education, Marketing, and "Answers"	Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers Speakers Bureau Taxpayer Rights Advocate Training Rev'n U Publications New Legislation Guide Annual Report Legislative Affairs and Press Releases Forms Policy Documents Assist Other Agencies	Elected Officials Local Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens

	Local Government Liaison Provide Statistics/Data Education and Training	
Dispute Resolution	Mediation Negotiations Error and Assessment Notices Error & problem resolution Taxpayer Advocate Appeals Administrative law court and other court cases	Elected Officials Local Governments Non-Business Taxpayers Business Taxpayers Practitioners
Administration	Human Resource Planning and Development Information Technology Facility Management Financial Management Internal Audit	Elected Officials Local Governments Non-Business Taxpayers Business Taxpayers Practitioners DOR Staff

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

_____

Customer Service Design and Delivery
Diagnosis Worksheet Instructions

Describe the system

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

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

2. Identify the end users of the product. End users are customers who actually use the product to achieve a desired outcome. They are the people we had in mind when we created the product.

3. Define the outcomes (results) expected of the product for the end user(s) and the producer.

4. List the key product attributes likely to be expected by the end user(s). Examples include easy to use, fast, simple, accurate, etc.

5. Describe the major steps of the process that produces the product.

Check Vital Signs

6. Does the product meet the end users' expectations?

7. Is the product achieving the desired outcomes?

8. Is the process able to produce the product accurately?

9. Is the process able to produce the product in a timely manner?

10. Does the process take too long?

11. Does the process cost too much?

12. Is the process too complex?

Select Appropriate Change Process
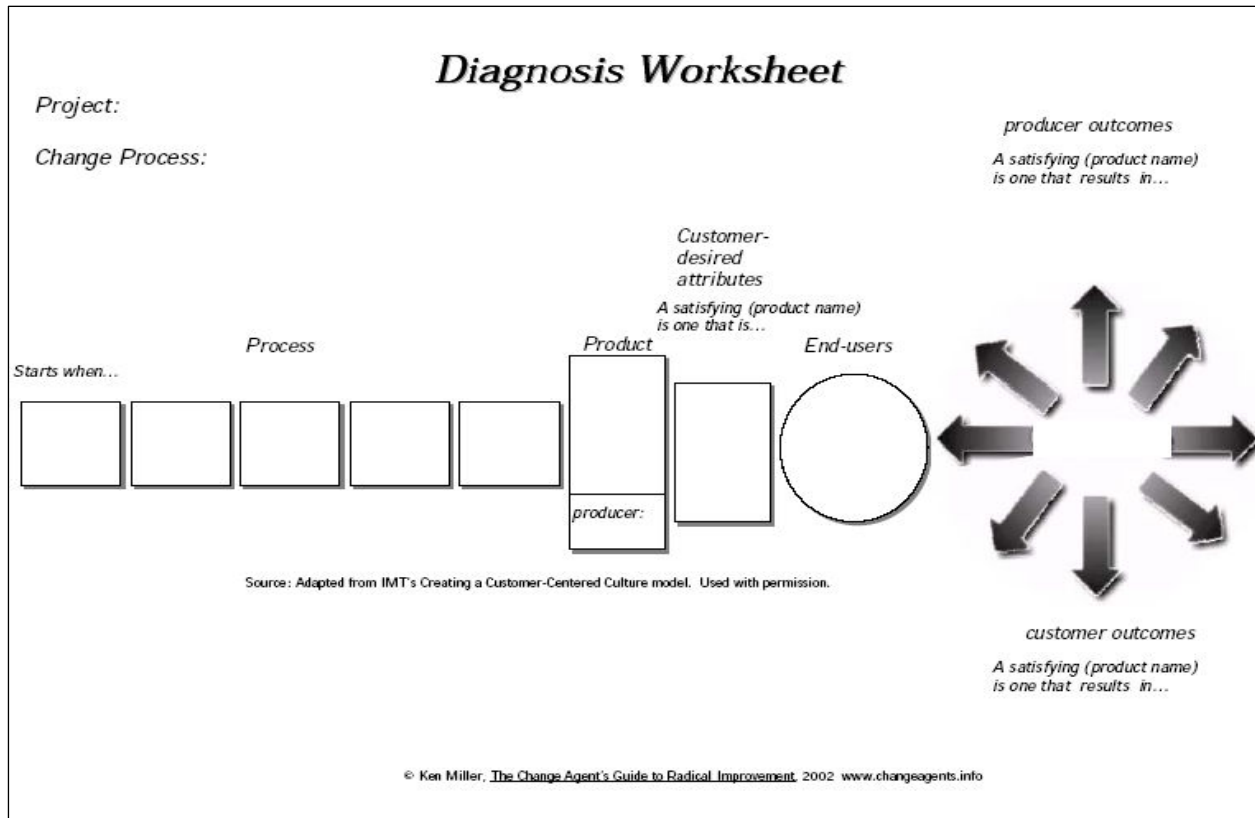
Fig. 6.1.2

Fig. 6.1.3

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

Category 7 – Results
7.1 Mission Accomplishment Category 3.1 lists our stakeholders and customers which include other state agencies, local governments, and the General Assembly. Our measures that deal with administering the revenue and regulatory laws of the state and collecting the revenue due the state are primary components of the assessment of how well we accomplish our mission.

Figure 7.1.1 shows our collections over prior fiscal years. The effects of the economic downturn have resulted in an 11% decrease in DOR's total collections.

Total Department of Revenue Collections

Fiscal Years	Collections (Billions)
2005	$7.3
2006	$8.1
2007	$8.8
2008	$8.7
2009	$7.7

■ Good
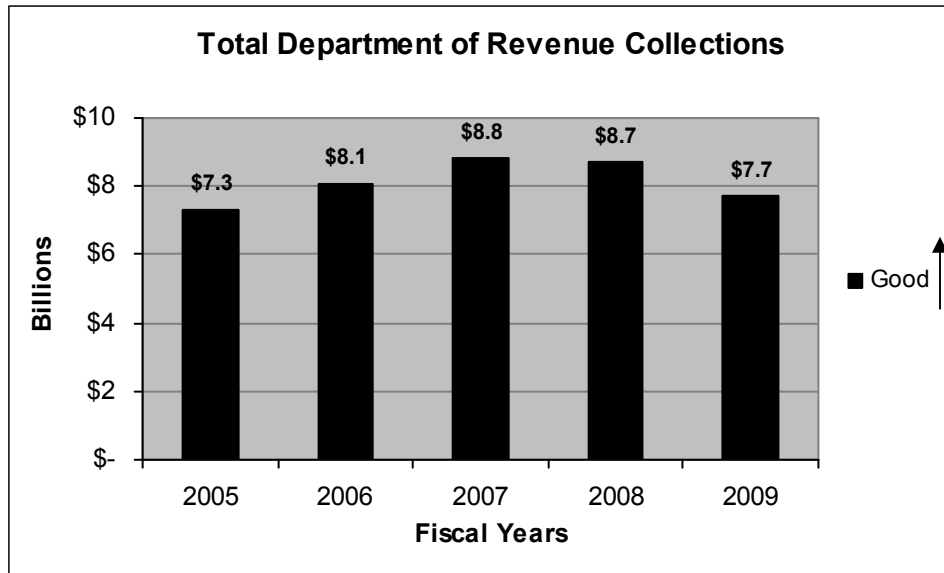
Fig. 7.1.1

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

Total Enforced Collections

Fiscal Years	Collections (Millions)
2005	$532
2006	$557
2007	$580
2008	$703
2009	$717

■ Good
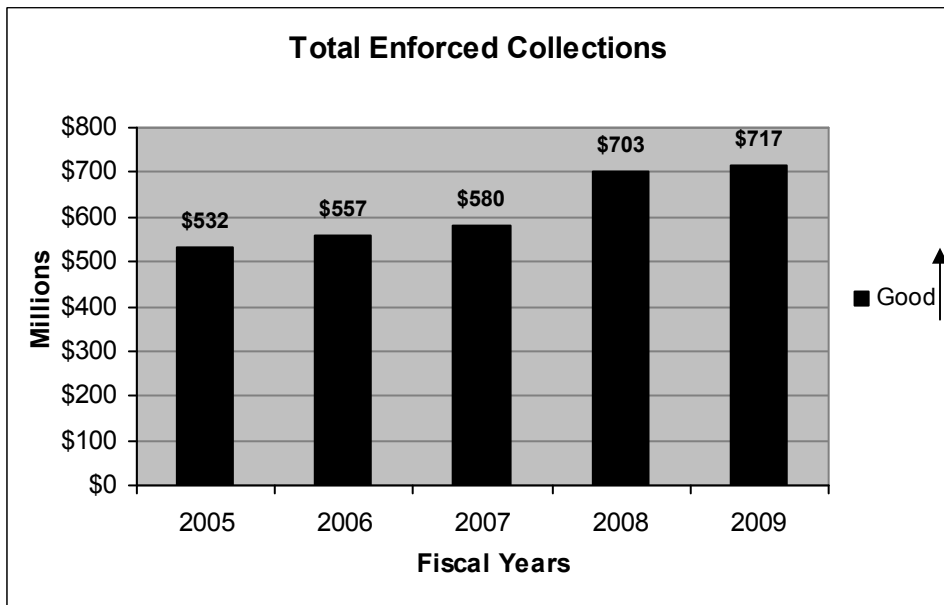
Fig. 7.1.2

For FY09, Nexus/Discovery unit has registered 323 non-filers and collected $14,796,746 (Figure 7.1.3). Areas of focus this year included issues relating to credit card companies, manufacturers, franchisors, and medical companies.

Nexus/Discovery Section Collection Dollars
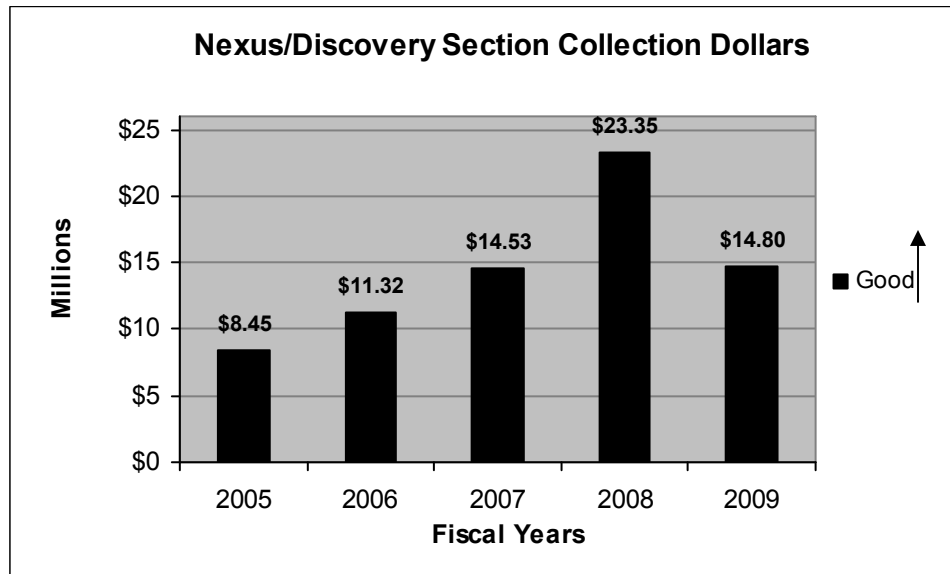
Fig. 7.1.3

The Federation of Tax Administrators ranked South Carolina tied for seventh in the nation for electronic filing of Individual Income Tax returns. Promoting electronic filing has been a significant cost and time saver for the Department, the State, and the taxpayer.

Highest Ranking States for Individual Income Tax Returns Filed Electronically (April 2009)
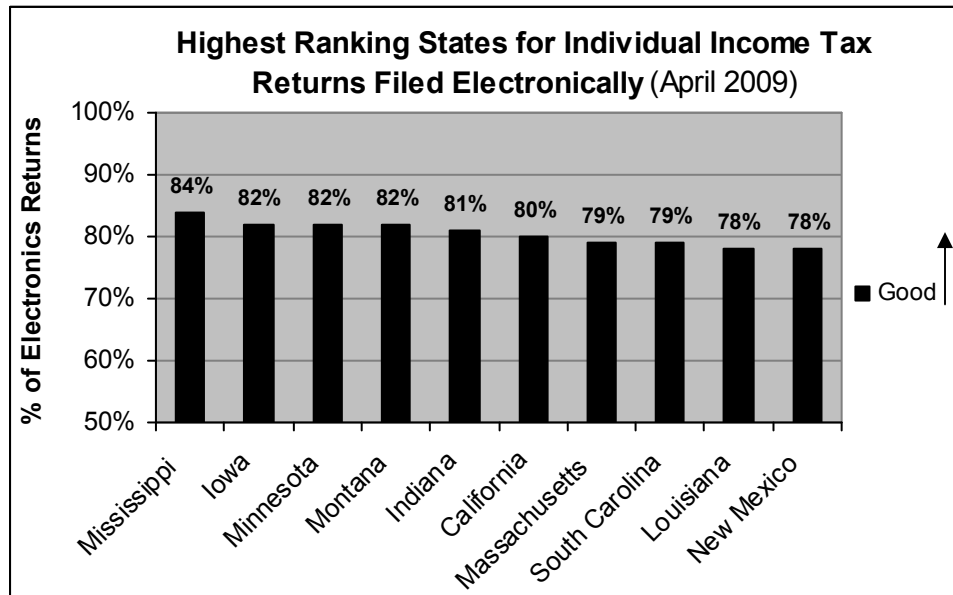
Fig. 7.1.4

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

Corporate Returns

Processed

300,000	
250,000	
200,000	
156,784	155,228	164,855	166,237	185,200

■ Good

Fiscal Years: 2005, 2006, 2007, 2008, 2009

Fig. 7.1.5

Individual Income Tax Returns

Processed

2,112,766 2,172,409 2,273,202 2,421,786 2,393,919

■ Good

Fiscal Years: 2005, 2006, 2007, 2008, 2009

Fig. 7.1.6

Sales and Use Tax Returns

Fiscal Years	# Processed
2005	1,036,998
2006	1,046,537
2007	1,063,454
2008	1,018,531
2009	1,056,982

■ Good

Fig. 7.1.7

Withholding Tax Returns

Fiscal Years	# Processed
2005	425,438
2006	434,799
2007	448,674
2008	461,554
2009	454,869

■ Good

Fig. 7.1.8

Figure 7.1.9 shows the total number of transactions processed decreased slightly from FY08.

Total # of Transactions Processed
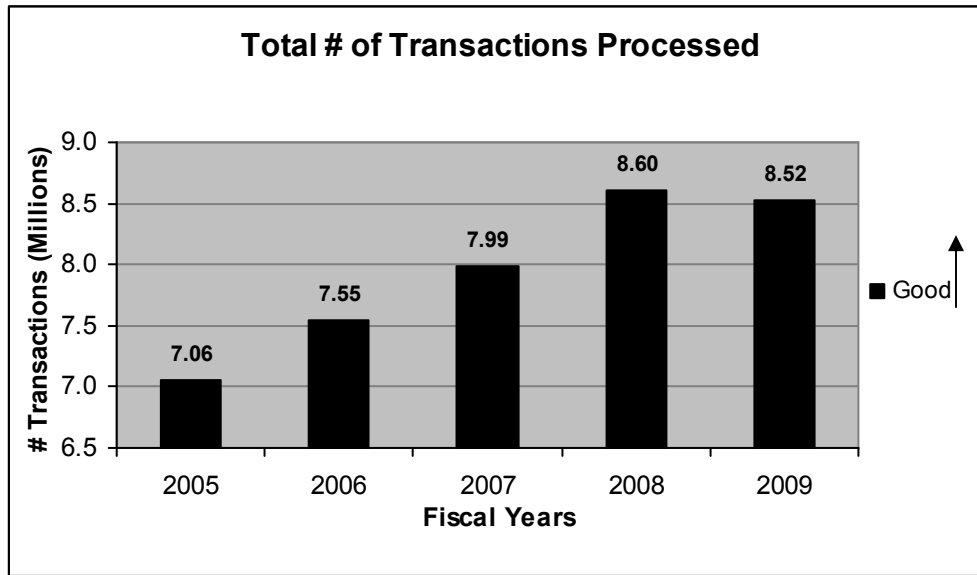
Fig. 7.1.9

7.2 Customer Satisfaction Results The Agency continues to use a market based survey conducted by the University of South Carolina to determine customer satisfaction with service delivery. Seventy-seven percent of survey respondents indicated that they were satisfied with the service they received from DOR. When adding the 13.9% of customers who had a neutral opinion of the services received to the satisfaction percentage, we found that only 9% of those surveyed expressed any dissatisfaction with DOR.

Satisfaction with Services Received
(Respondents with contact with the DOR in the past year)
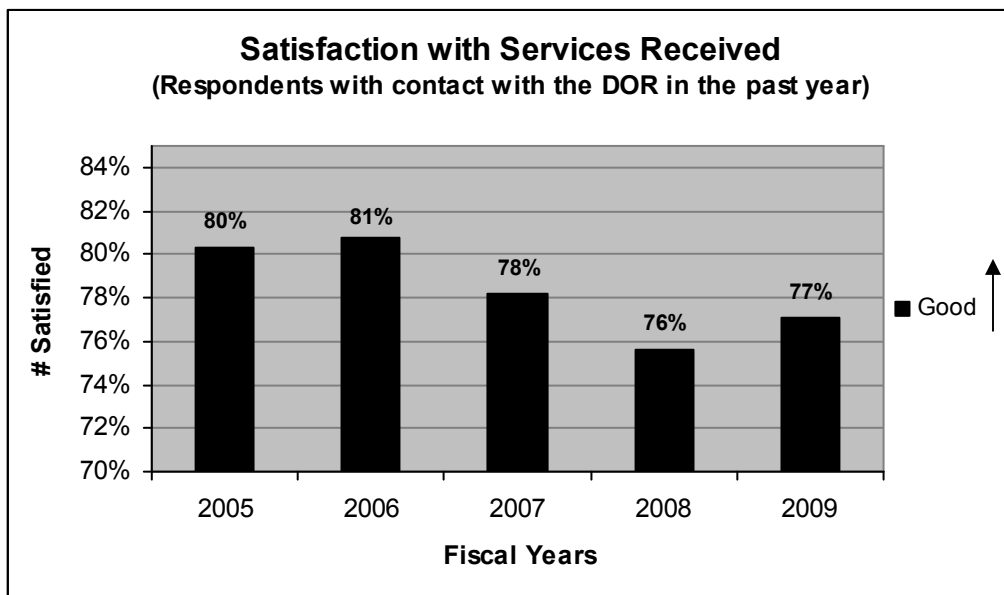
Fig. 7.2.1

Individual Income Tax filers are our largest customer segments. Taxpayers expect to receive their refund quickly, and DOR meets their expectations. Figure 7.2.2 indicates that 90% of our income tax checks are mailed or direct deposited within 30 days from date of receipt in our Mail Center. The decrease from 96% in FY08 was due to a 43% decrease of temporary employees hired to process IIT returns. Despite the reduction in temporary employees, all current year IIT returns were processed by May 27, 2009, which is our earliest complete date.

Paper Filed Individual Income Refunds Issued within 30 Days

Tax Years	Percentage
2004	96%
2005	95%
2006	99%
2007	96%
2008	90%

■ Good
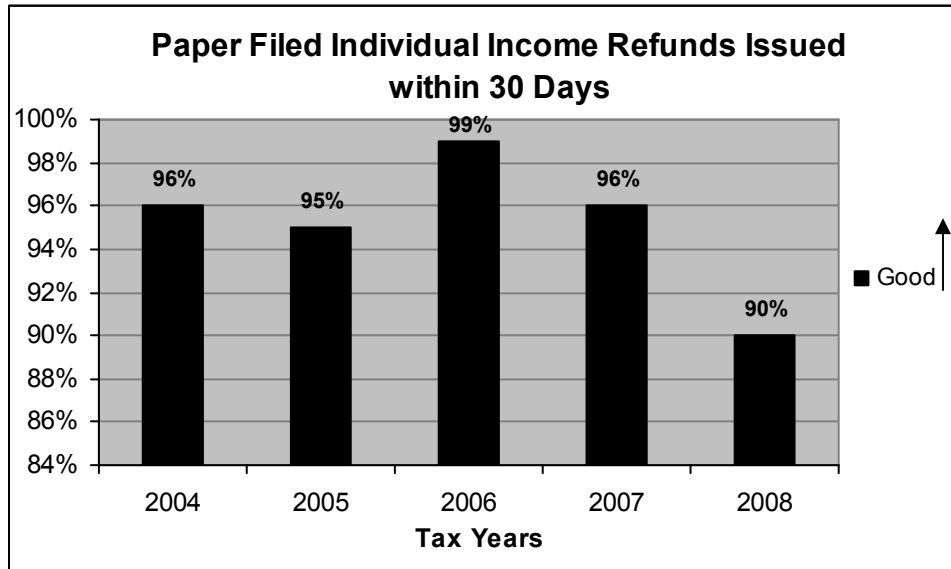
Fig. 7.2.2

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

Electronically Filed Individual Income Tax Refund Cycle within 10 days of Filing

Tax Years	Percentage
2004	99.1%
2005	98.7%
2006	98.4%
2007	99.5%
2008	99.0%

■ Good
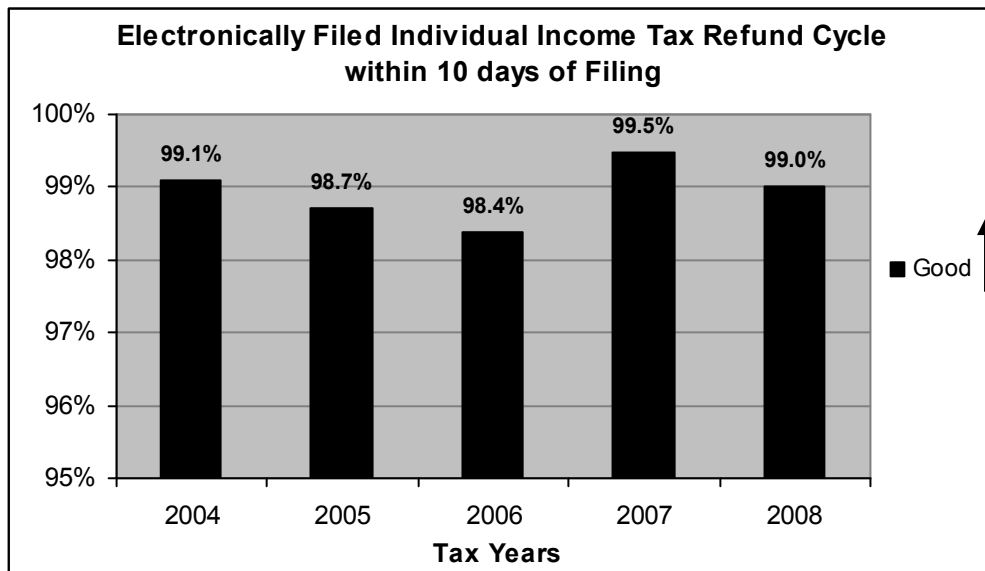
Fig.7.2.3

The USC survey, Figure 7.2.4, also showed there was an astonishing 95.5% satisfaction rate with the time it took respondents to receive their refunds.
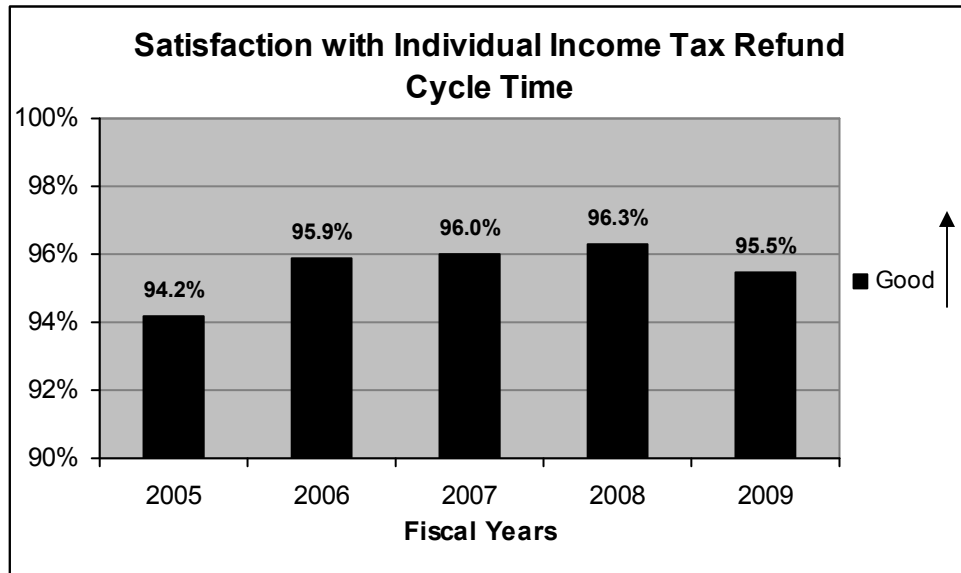
Satisfaction with Individual Income Tax Refund Cycle Time

Fiscal Year	Satisfaction
2005	94.2%
2006	95.9%
2007	96.0%
2008	96.3%
2009	95.5%

Fig. 7.2.4

Sales tax filers are our next largest customer group, and refund cycle time is important to them as well. Figure 7.2.5 shows the sales refund cycle time over the past five years. In FY09, the average number of days to issue a sales tax refund decreased 22% from the prior year.

Average Number of Days To Issue Sales Tax Refunds

Fiscal Year	# of Days
2005	121
2006	87
2007	79
2008	104
2009	81
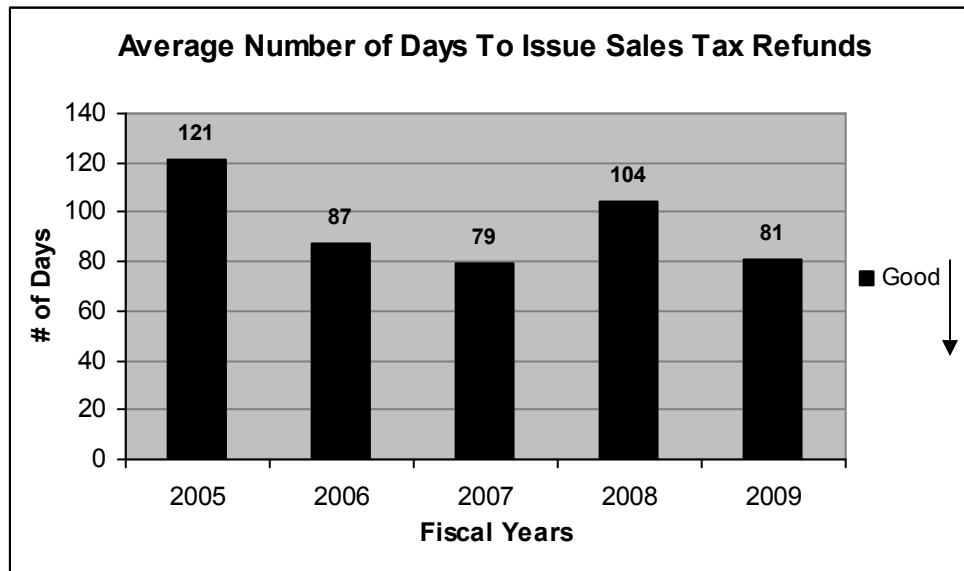
Fig. 7.2.5

7.3 Financial Performance Indicators: Figure 7.3.1 shows our cost for collecting $1.00 of tax was $.00767. This measure shows the effectiveness of our collection approaches.

Cost of Collections
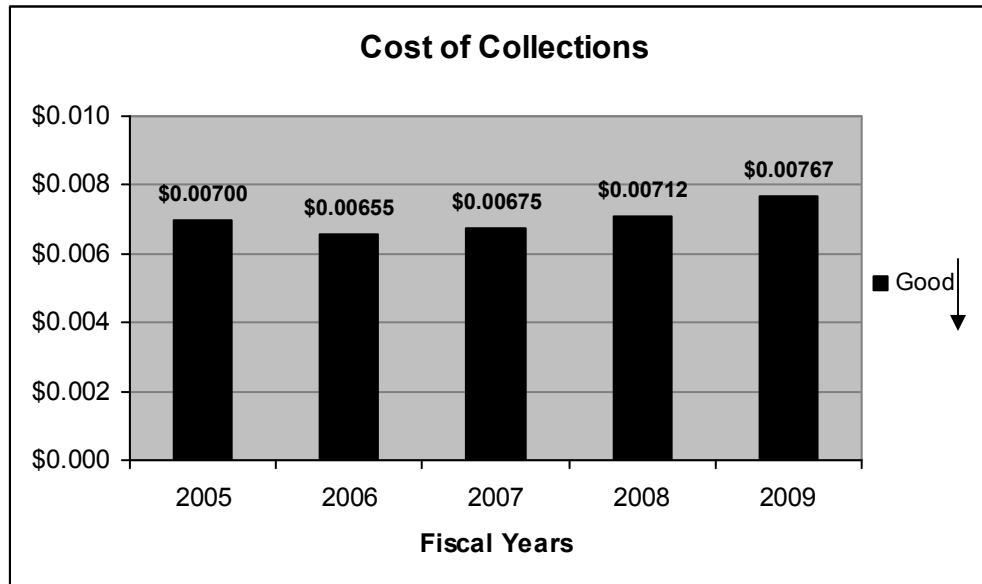
Fig. 7.3.1

The amount of dollars collected per filled full time employee (Figure 7.3.2) indicates our effectiveness and efficiency in the collection process with $12.8 million per employee.

Collections per Full Time Employee
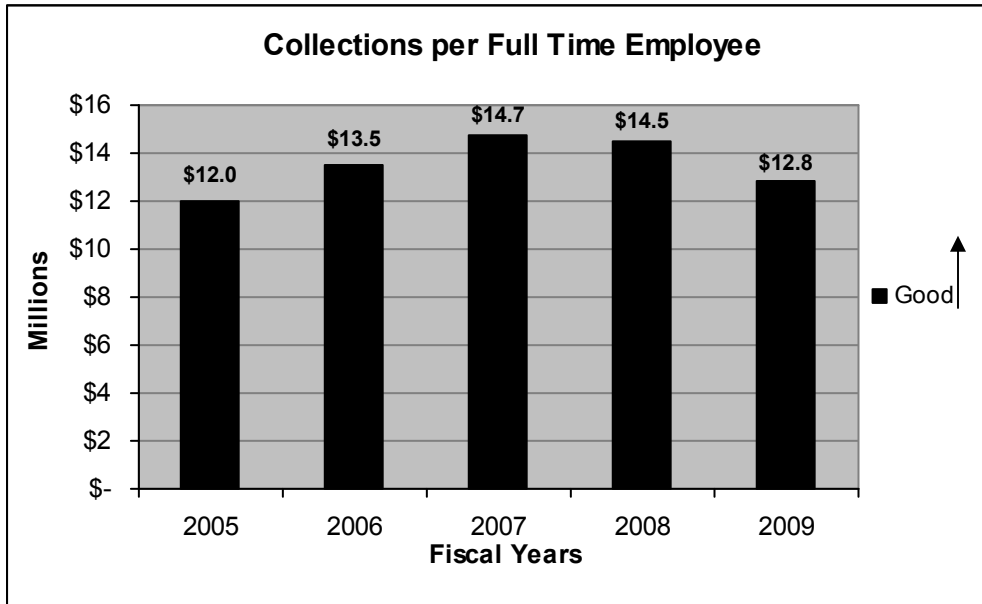
Fig. 7.3.2

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

Comparative Opportunity Cost

- 2005: $217,721
- 2006: $380,231
- 2007: $134,255
- 2008: $114,000
- 2009: $51,936

Fiscal Years — ■ Good
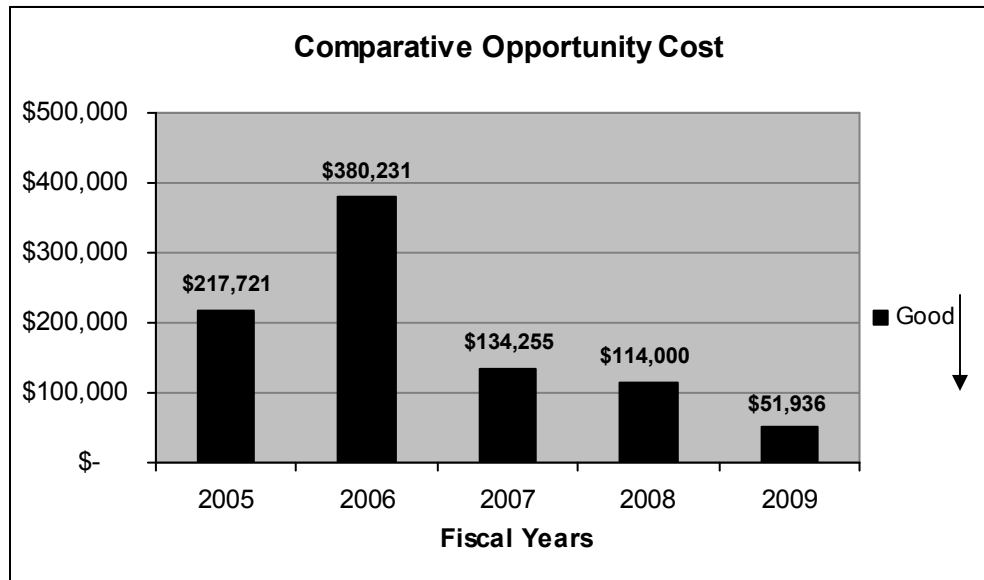
Fig. 7.3.3

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

Percentage of Dollars Deposited Electronically

- 2005: 65.08%
- 2006: 64.60%
- 2007: 65.08%
- 2008: 68.08%
- 2009: 73.00%

Fiscal Years — ■ Good
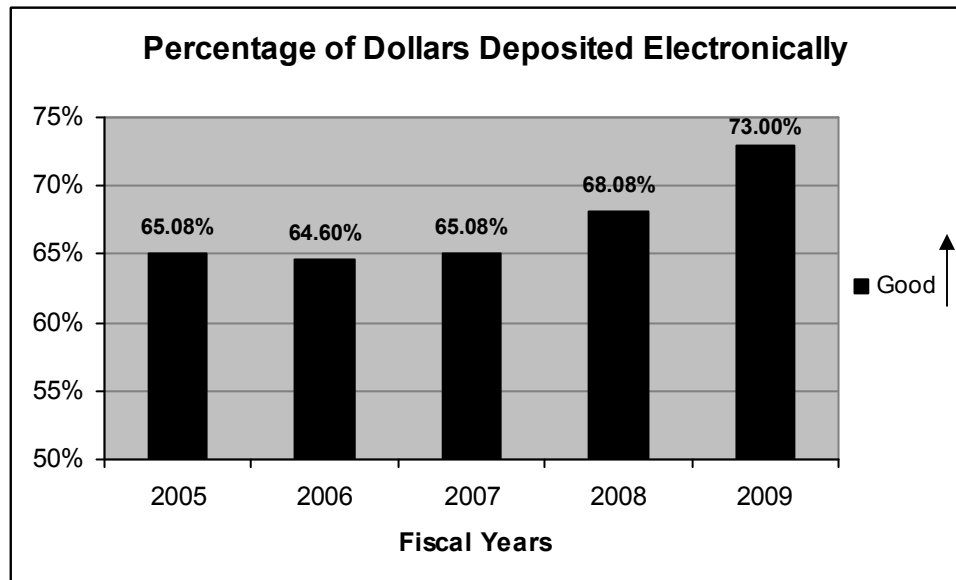
Fig 7.3.4

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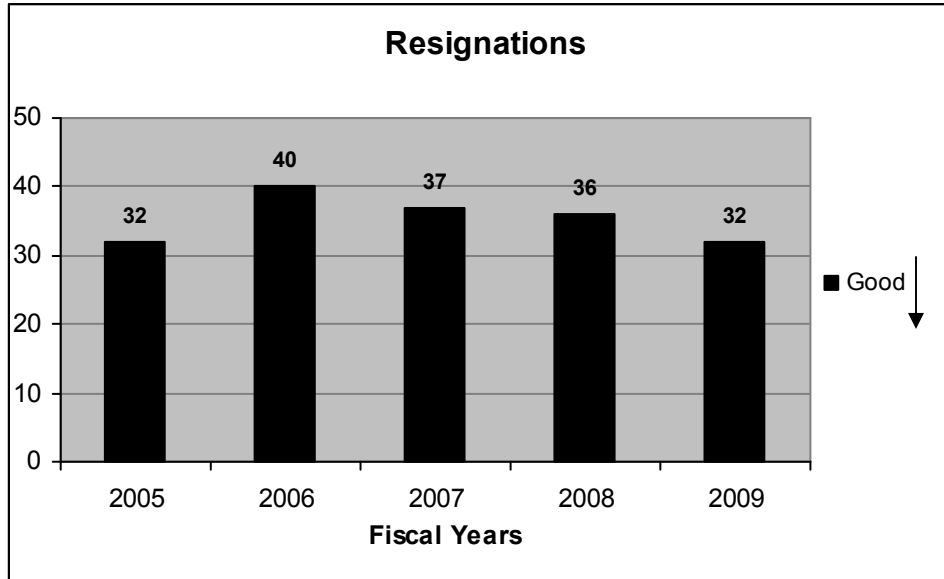

Fig. 7.4.1

Figure 7.4.2 is a comparative look at DOR's turnover rate to the average state turnover rate. In FY09, DOR's turnover rate was 10.66%, compared to the state average of 12.61%.
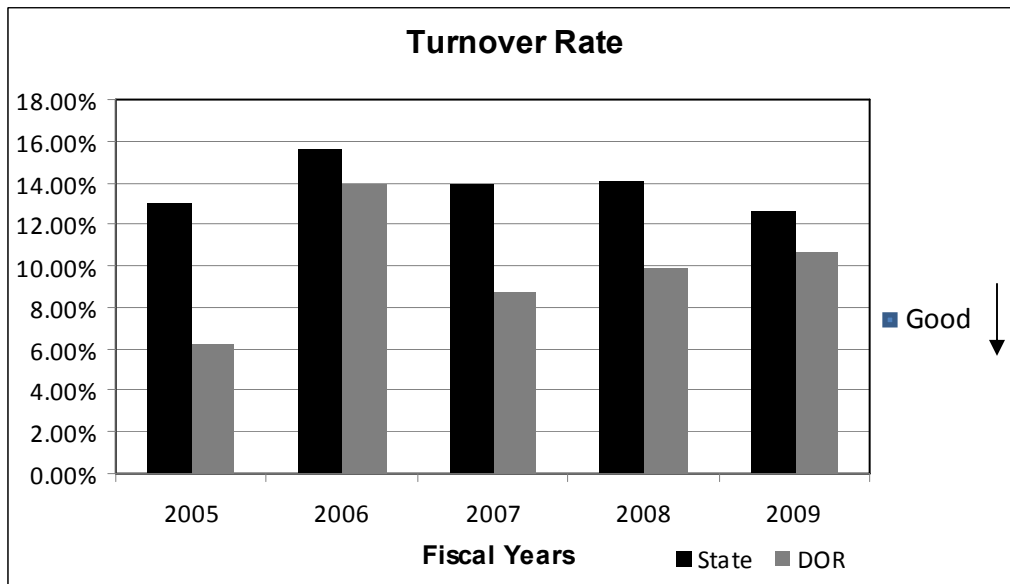
Fig. 7.4.2

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

Equal Opportunity Employment Rankings
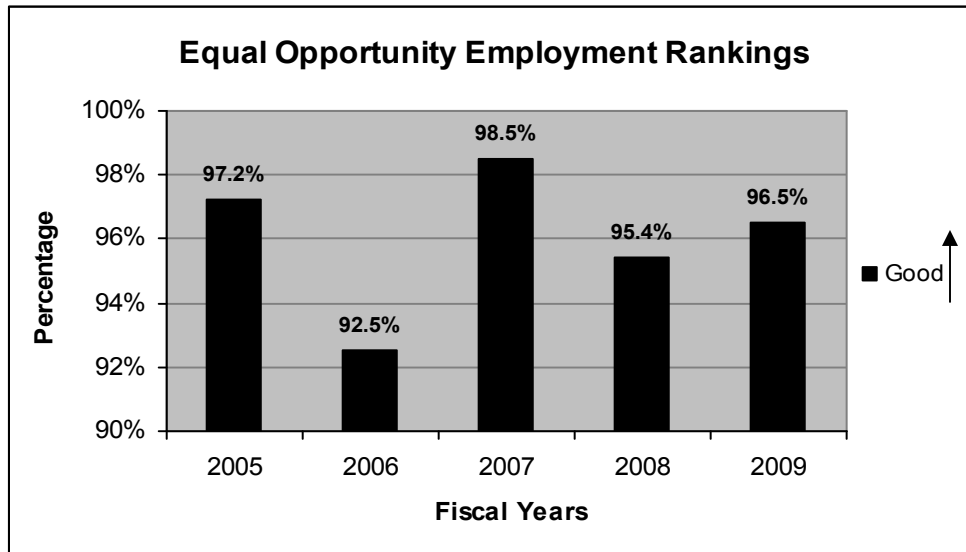
Fig. 7.4.3

7.5 Organizational Effectiveness/Operational Efficiency. DOR implemented the HIT (High Intensity Training) team concept this fiscal year. The team consists of star performers from each of the processing sections. When there is a bottleneck or backlog of work the HIT team is called to action. In March, we called the HIT Team to action to help us process the corporate declaration and tentative documents and payments. These are mailed to an assigned zip code plus four and are easily identified. The HIT team opened, verified, and prepared the documents and remittances for the scanner section, bypassing the manual processes. Figure 7.5.1 shows the bulk of the corporate mail was processed the same month received in 2009, whereas in 2008 the monies were spread across March and April, a much slower process.
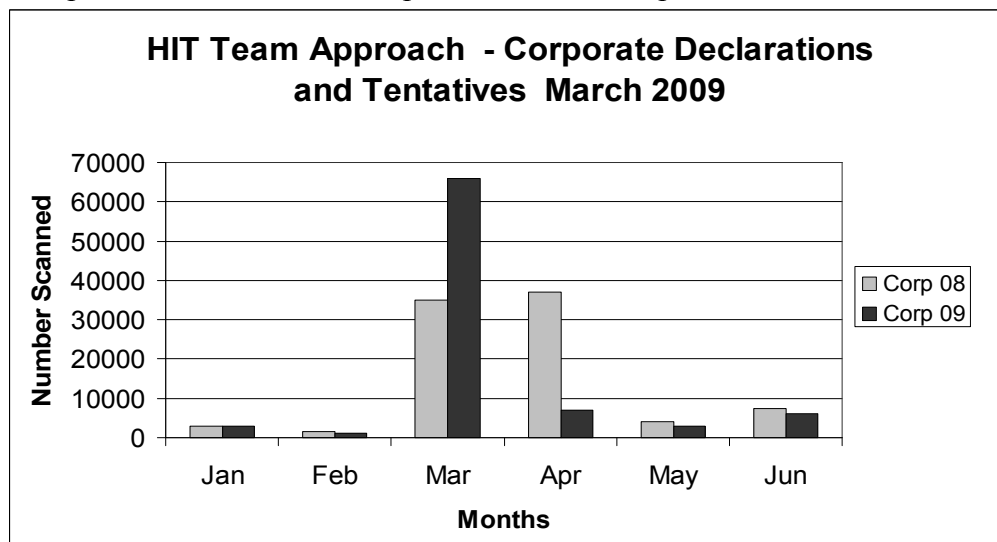

HIT Team Approach - Corporate Declarations and Tentatives March 2009

Fig. 7.5.1

With the implementation of the SCITS system, we have changed the process flow for some of our returns from mail receipt to deposit. With SCITS, some sales tax returns that were processed through our manual process can now be scanned. The new process flow, effective in June, 2009, eliminated several steps/sections. In addition, since the returns are scanned earlier in the process, employees have immediate access to the images for taxpayer assistance. Figure 7.5.2a compares the process of scanning sales returns compared to the old process of keying the sales returns. Figure 7.5.2b shows the significant increase in sales documents scanned from the implementation of SCITS in June, 2009.
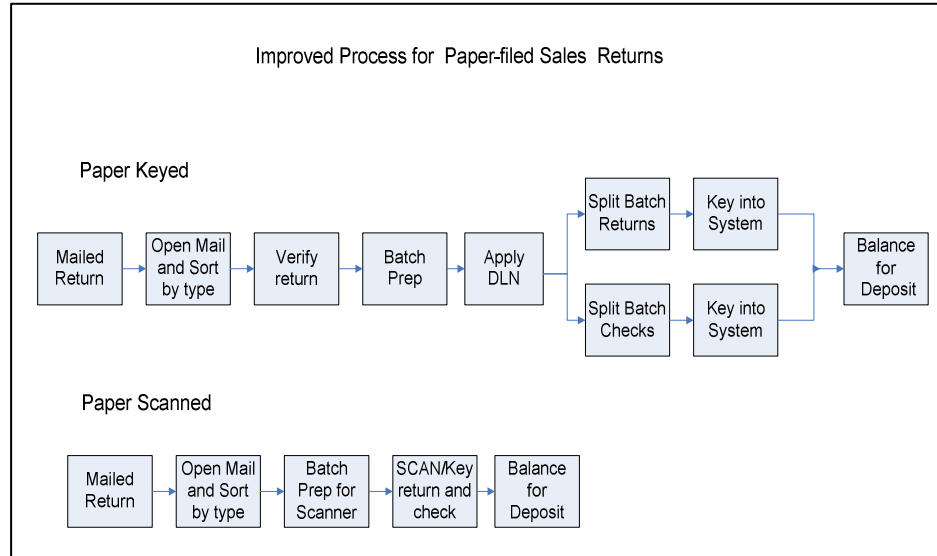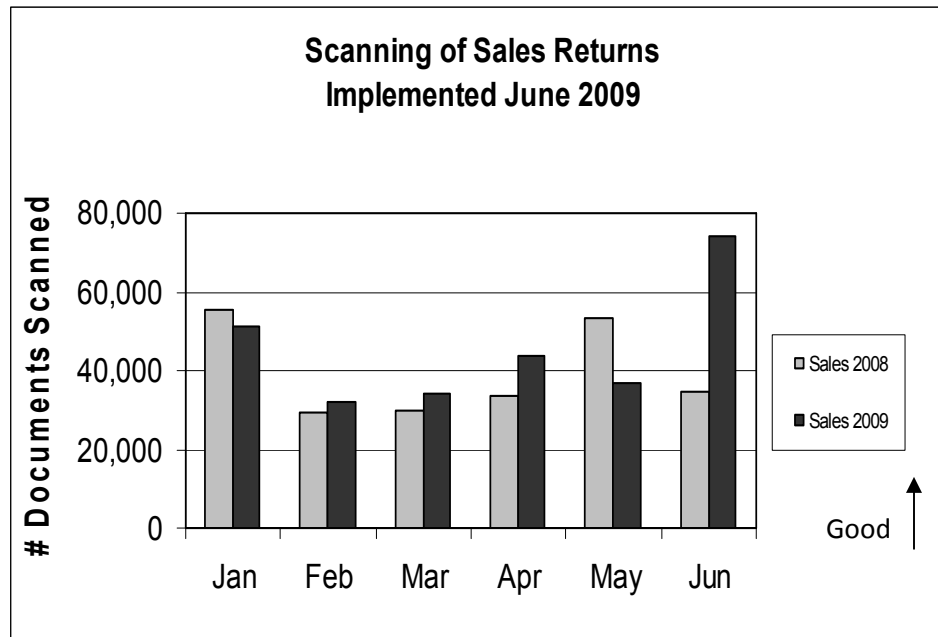

Fig. 7.5.2a

Fig. 7.5.2b

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

SCBOS has been available online to South Carolina businesses since May of 2005. SCBOS is a "one-stop" gateway for business and professional registration and licensing, for services offered by federal, state, and local governments within South Carolina. Figure 7.6.1 shows new users registered in SCBOS.
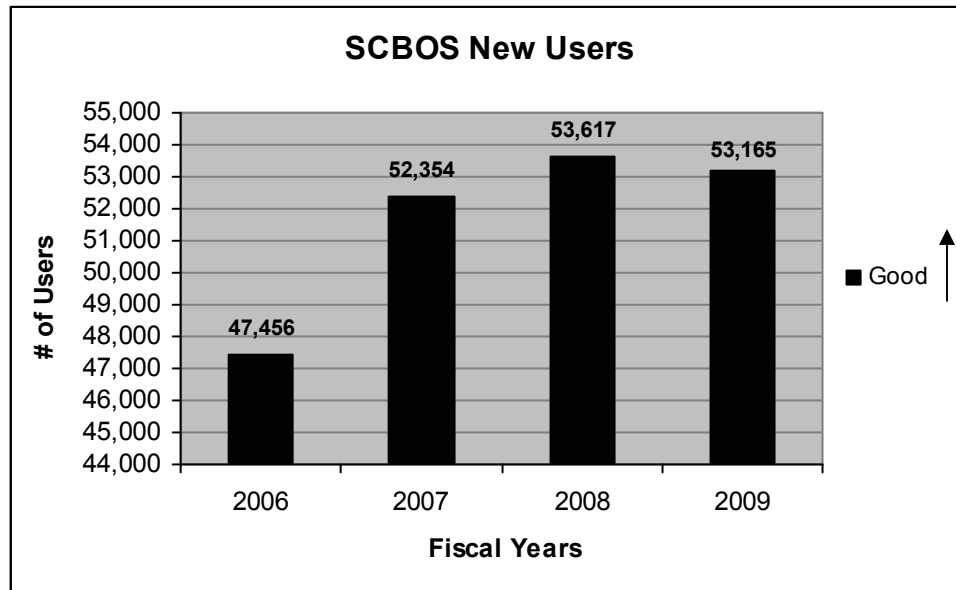

Fig. 7.6.1

The total number of businesses approved is shown in Figure 7.6.2. In FY09, 11,338 businesses were approved through SCBOS. The down economy may be a factor in the 36.5% decrease.
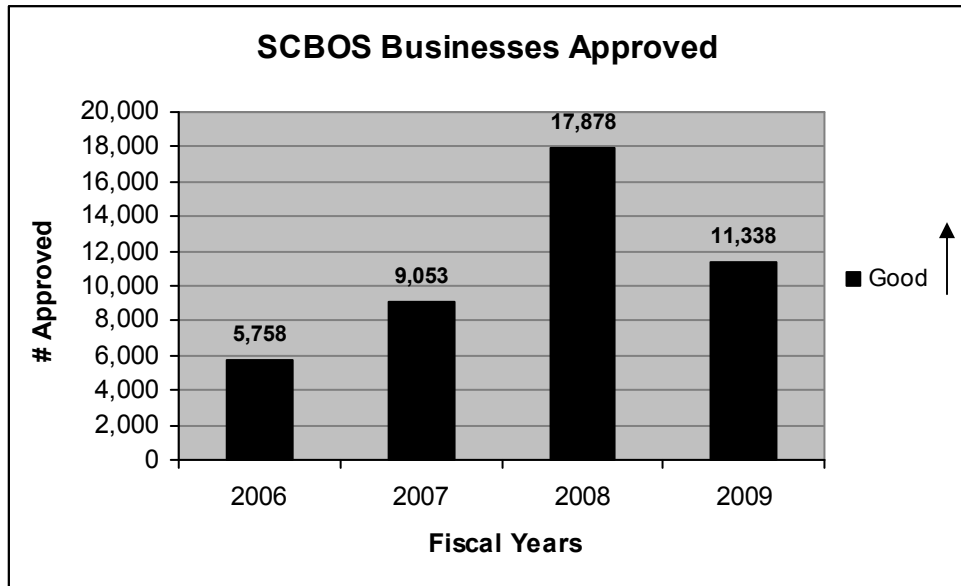

Fig. 7.6.2

Figure 7.6.3 indicates that the payments received have increased each year. In FY09, there was $2,103,714 in licenses, permits, and registrations (LPR) payments.
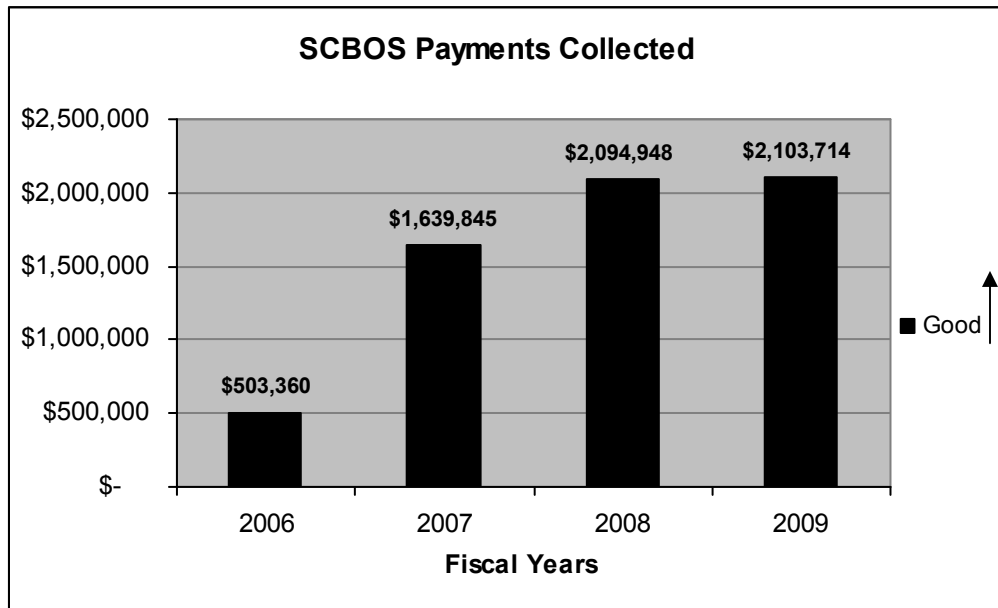

Fig. 7.6.3

We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and SCBOS programs. Currently we have 48 active entities participating in GEAR. GEAR collections for FY09 amounted to $7,719,522, an increase of 8.7% from FY08.
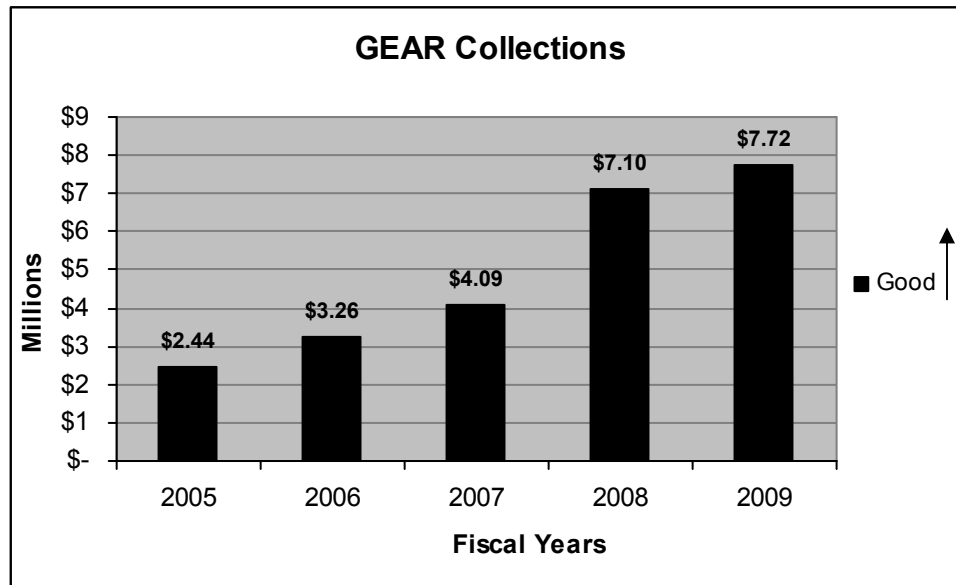
GEAR Collections

(Bar chart, Millions vs. Fiscal Years)

- 2005: $2.44
- 2006: $3.26
- 2007: $4.09
- 2008: $7.10
- 2009: $7.72

Legend: ■ Good

Fig. 7.6.4

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

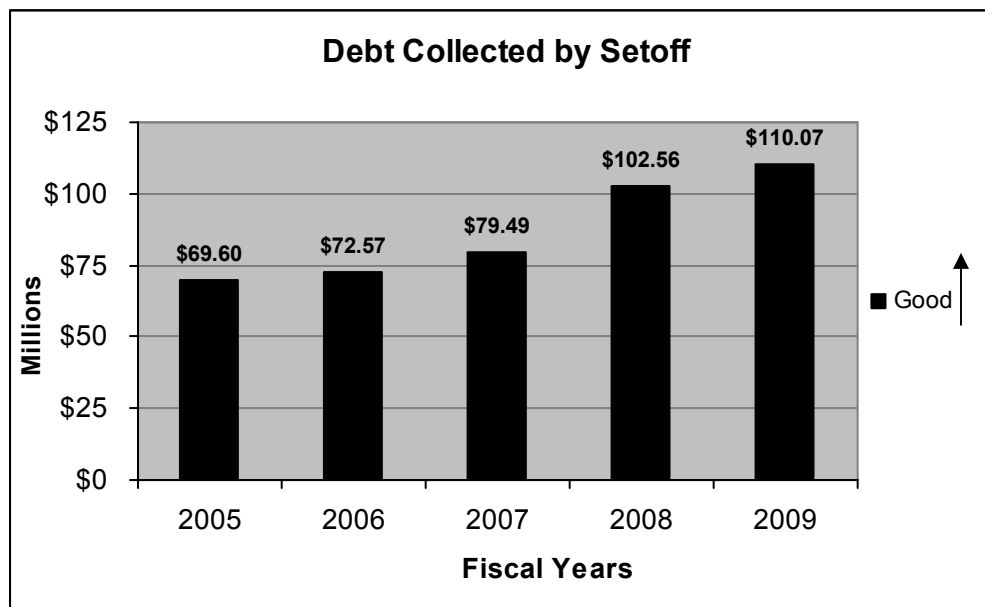Figure 7.6.5 shows that there is a steady increase in the amount collected.

Debt Collected by Setoff

(Bar chart, Millions vs. Fiscal Years)

- 2005: $69.60
- 2006: $72.57
- 2007: $79.49
- 2008: $102.56
- 2009: $110.07

Legend: ■ Good

Fig. 7.6.5