

**South Carolina
Department of Revenue**

**Annual Accountability
Report**

Fiscal Year 2009-2010

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

Accountability Report Transmittal Form

Agency Name - South Carolina Department of Revenue

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Agency Director – Ray N. Stevens

Agency Contact Person – Nancy H. Wilson

Agency Contact's Telephone Number – 803-898-5453

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 \$7.3 billion through all of our collection and enforcement activities from the 32 taxes we administer and other collection activities for which we are responsible. (Figure 7.1.1)

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 the 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), the 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.

I.2. Major Achievements from Past Year:

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

DOR continues 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 1,618,832 checks, processed 57,610 batches and gross deposited monies totaling \$9,740,887,503. Processing improvements allowed us to reduce deposit opportunity cost dollars to \$21,466, a decrease of 58% over the past year. (Figure 7.3.2)

Our annual customer service survey, conducted and analyzed by the University of South Carolina, found a 97% satisfaction level for the amount of time it took to receive a state income tax refund check. (Figure 7.2.4) This level is the highest percentage of satisfaction since the survey began in 1996. This remarkable statistic is due in part to the 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 the DOR, but ultimately also for SC citizens and the Agency's stakeholders.

Achievements related to the major strategic objectives this year included:

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

Find Non-filers:

Use Tax Non-filers – The DOR continues to identify possible non-filers through the U.S. Customs project, collecting \$186,823 on 346 assessments this fiscal year. Collections on non-filers identified through the use of U.S. Coast Guard information have totaled \$64,317 on 484 assessments. The DOR continues to obtain information from transportation companies on furniture deliveries from North Carolina into this State and \$132,970 was collected on 588 assessments during FY10. Also, through warranty information from manufacturers of All Terrain Vehicles (ATV's) and similar products, the DOR issued 1,042 assessments and collected \$166,037 for use tax on these items. Monthly exchange of information with the other Southeastern Association of Tax Administrators (SEATA) states has resulted in 19 assessments and collections of \$12,700. Audit of non-filers for airplane registrations with the Federal Aeronautics Administration has yielded collections of \$146,695 on 701 assessments. Through the methods listed above, the DOR has collected \$709,542 on 3,180 use tax assessments in FY10, a 31% increase from FY09.

Income Non-filers –The DOR continues to use the Data Warehouse pre-audit program to find individual income tax non-filers. Using this method, the DOR has issued 6,315 individual income tax non-filer notices and assessed \$26,607,158. Total collections this fiscal year on income non-filers were \$11,567,651.

Nexus/Discovery – Nexus/Discovery focuses on the large multi-state and multi-national corporations doing business in South Carolina, but who are not reporting in South Carolina. For FY10, the Nexus/ Discovery unit has registered 259 non-filers and collected \$25,652,535. (Figure 7.1.2) We have sent out 742 questionnaires to potential non-filers. Although fewer taxpayers were registered in FY10, the amount collected in this section increased 73% from

FY09. Projects this year include DOR internal database crosschecks and a Department of Employment and Workforce crosscheck, regional and national exchanges, internet research, accommodations and auditor referrals. We are focusing on credit card companies, the medical industry, manufacturers and franchisors.

Maintain a Data Warehouse:

The purpose of this project is to use data warehouse technology to identify uncollected revenues which consist of taxes due from non-filers, under reporters and failure-to-pay taxpayers. Data loaded in FY10 included W-2 information and Department of Employment and Workforce data, among others. Some tax forms have been revised to aid in the scanning and loading of the data into the warehouse. In addition to the compliance component, the data warehouse is used to pull data into our business intelligence program, Business Objects, and is the source for all data originating in the legacy tax systems.

Maximize Voluntary Compliance through Fair Share Activities:

DOR continues to resolve disputed issues through litigation on many tax issues in South Carolina where there is general disagreement in the interpretation and application of the tax statutes. Seven issues were identified during this fiscal year relating to taxpayers in the areas of licensing and sales of alcoholic beverages, income tax, sales tax, jobs tax credit and corporate license fees. Each issue was identified as a priority litigation project. Two issues have been heard by the S.C. Supreme Court and others are in various stages of the litigation process.

Utilize Improved Work Flows:

The purpose of this project is to use new tools from the data warehouse and Business Objects to improve work flows and increase taxpayer compliance and collections. In FY10, the Collections Division worked with the Business Objects developers to create a reporting system. One report created will be used to improve the work flow of assigning accounts to telecollectors in each district. Other reports were created for supervisors and managers to monitor the collections of their district and how they compare to other districts.

Increase Enforced Collections:

In order to increase enforced collections, the DOR was appropriated additional funds in FY10 to hire additional enforcement personnel to enhance audit and collection activity. These activities were to collect \$68 million in increased enforced collections. Enforcement personnel were hired in late June 2009 and attended an extensive two-week training program on DOR systems, law and procedures.

New personnel in our Collections area were assigned the job of telecollecting (collecting delinquent balances via the telephone). The telecollectors focused on new delinquent cases, which allowed more experienced personnel to collect on more complex cases. New personnel in our Audit area worked on additional individual income tax audits to increase enforced collections.

Through the above methods and projects, the DOR met our goal of \$68 million.

Drive One-Stop Business Registration:

The goal of the South Carolina Business One-Stop (SCBOS) system is to be a “one-stop” gateway for business and professional registration, licensing and filing for services offered by federal, state and local governments within South Carolina. In collaboration with many agencies across the State, SCBOS identified several projects this fiscal year to further their goal of simplifying electronic registration of businesses. (Figures 7.6.1-7.6.3) Below is a listing of some of the projects identified in FY10:

- The Department of Employment and Workforce has the number three and four top volume forms that businesses file with the State. These two forms were integrated into SCBOS on a pilot basis in June 2010. Full integration of the agency and the forms went live to the public on July 6, 2010.
- A system/disaster recovery environment was developed and implemented to ensure that SCBOS could remain functional should the primary environment go down.
- On April 15, 2010, the Department of Health and Environmental Control (DHEC) Application for Retail Food Permit was placed in SCBOS to allow business consumers the ability to file and pay the application fee for a retail food permit online.
- Renewal applications for the Department of Consumer Affairs were implemented in December 2009.
- Content was added and updated on the SCBOS website to help users complete transactions and enhanced the structure of the website for more navigational ease.
- Enhancements were made to SCBOS workflows to allow users to renew a permit or complete a transaction with a valid agency account number without having to first add their business to SCBOS.

Provide Stakeholder Education and Feedback:

One way to increase voluntary compliance with tax laws is to educate taxpayers on their filing obligations. The DOR accomplishes this goal by educating taxpayers through workshops, seminars, the website and by partnering with outside organizations to provide a helpful and friendly taxpayer education program.

Free workshops are held each year to educate taxpayers on the basics of sales, withholding and corporate taxes. Twenty-five Sales Tax Forms workshops were held this fiscal year with a total of 270 taxpayers registering. Nine Withholding Tax workshops were held which trained 127 taxpayers. The DOR has partnered with the Secretary of State’s Office and SCBOS to present a Basic Corporate Tax workshop for corporations. Five workshops were held in FY10 with 76 taxpayers in attendance. While the majority of the workshops were held in our main office in Columbia, three Sales Tax Forms and three Basic Withholding Tax workshops were held in Ridgeland, Florence and Greenville. The cities were chosen based on a non-compliance report produced in Business Objects stating that the counties in these areas had a high ratio of open accounts to delinquent taxes.

Fee-based seminars are offered for more in-depth training in Sales and Use Tax and are geared toward specific industries. Six seminars were held this fiscal year in the areas of Manufacturing, Education, Service Industry, Healthcare and Accommodations and Admissions taxes. Over 100 taxpayers attended these seminars.

DOR also provides instructors for various workshops and seminars around the State, such as the Small Business Tax workshops, Job Development Credit seminars and the Clemson Tax School workshops. The Small Business Tax Workshops are conducted by the Department of Employment and Workforce in conjunction with the IRS. In FY10, the DOR was part of 31 Small Business Tax workshops that served 491 taxpayers. Three Job Development Credit seminars were held by the Coordinating Council for Economic Development with 18 participants. Six sessions of the Clemson Tax School workshops were held this fiscal year with 942 tax professionals as well as 31 DOR employees attending.

Oftentimes, the DOR will provide speakers upon request by a group or association. This fiscal year, the DOR provided speakers for the Department of Agriculture's Agriculture Summit, the SC Association of Bridal Consultants and the Anderson Chamber of Commerce. The workshops benefitted 65 participants.

A cost effective way of educating taxpayers is through electronic learning (e-learning). The DOR regularly meets with the E-learning Developers Group and a State Government Idea Exchange Group as well as researches new web-based educational and meeting tools such as DimDim and Moodle. Taxpayers who follow the DOR on Twitter currently receive information on workshops, seminars and other DOR events.

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 system will provide enhanced services for both the taxpayer and the Agency. The Agency plans to provide real time, "once and done" processing wherever possible. In the area of deposit processing, SCITS has reduced the time it takes for payments to be deposited into the bank. SCITS has presented some challenges in the area of registration of taxpayers. Registration has seen increased processing times in FY10. To address this issue, the Agency initiated a special initiative to analyze processing workflows and determine what system and manual processing changes were needed to address the processing backlogs. The analysis effort was initiated in January 2010 and a report of findings and recommendations were provided March 17, 2010. A special team is implementing the recommendations with positive results already occurring. A follow-up analysis will occur during the first or second fiscal quarter of 2011 to determine results of changes.

The first two installments of SCITS were released in FY09. On October 12, 2009, the Withholding tax installment was the first tax installment in the new system. With this installment, all withholding financial transactions and return information were worked in SCITS. The next tax installment, Sales and Miscellaneous taxes, will "go live" on August 9, 2010. Other installments have been put on hold due to Agency budget constraints.

Provide Property Tax Training for Newly Elected County Auditors:

The Agency continues 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 develop and implement a comprehensive training program that offers basic introductory courses, as well as intermediate and advanced courses for newly elected or appointed officials on the tax laws they are required to administer. The Property Section presented, in conjunction with the

South Carolina Auditors, Treasurers and Tax Collectors organization (SCATT) and the South Carolina Association of Assessing Officials organization (SCAAO), an 18-hour SCATT Academy in February along with a seven-hour Mass Appraisal course for assessors throughout the spring at various locations across the State. An additional two-hour course was also provided to assessors on the topic of Agricultural Use Property Valuation. All elected and appointed individuals were given the opportunity to learn a variety of topics suited to their level of experience.

Upgrade the Agency Website:

With the ever increasing number of taxpayers going online, it is important to have a website that is user friendly and accurate. A special website team was organized during FY10 to upgrade and enhance the DOR's website. An Advisory Board consisting of experienced DOR personnel was formed to oversee the project. The Advisory Board made the decision to begin with the Taxes and Licenses sections of the website. Supervisors from each tax section were appointed to head their respective Author Group. Each Author Group conducted an assessment of their web page to determine which areas needed updating and which could be eliminated. The team is using the Alcoholic Beverage Licensing section's web page as a model. Two training sessions were held on the Microsoft CMS Software to educate team members on the technical processes regarding web pages.

Improve Performance Measurement Systems and Processes:

During FY10, performance measures and objectives from last year were reviewed to determine the ongoing need to report on them. Our business intelligence tool, Business Objects, will provide up-to-date data for analyzing agency performance. Many of the Agency's performance measures were placed in Business Objects as dashboards. These dashboards are updated monthly and are available to all agency employees. Viewing the information in the dashboards eliminates the calculating and keying of the information into the standard performance measure report format. The Annual Business Plan was completed and new objectives were created for this year.

One of the Agency's new objectives is to increase enforced collections. The amount of enforced collections was closely monitored by management, but many other employees were interested in the data as well. A dashboard was created in Business Objects and placed on the Agency's intranet, Dagnet, to chart the projected amount of enforced collections compared to the actual amount. This allowed all agency employees to view and track the amount of enforced collections each month.

Management meetings were held in October and January at Harbison Forest. The meetings allowed representatives from each division an opportunity to update the rest of agency management on current projects and issues. Many of the projects mentioned are agency objectives or performance measures.

The rollout of the business intelligence tool, Business Objects, continued. Report requirements were gathered for the Sales, Withholding, Audit, Collections and Miscellaneous Tax phases of the Business Objects project plan. Many of the reports for these phases have been created and users are in the process of testing and reviewing them. Seventeen Business Objects training

classes were held in FY10 with a total of 151 attendees. Training consisted of how to navigate through and use reports in Business Objects to track and analyze performance.

During FY10, meetings were held for both external and internal customers of the Department of Revenue. In February, a Local Government focus group was held at the DOR to discuss reporting needs and gain feedback from local government employees. Prior to Business Objects, the reports sent to local governments were either in PDF format or hard copy. A demonstration of new electronic sales and accommodations tax reports was shown during this meeting and received great feedback.

In April, meetings were held at Saluda Shoals Park for DOR employees in the Office Operations, Audit and Collections divisions to discuss reporting and data needs mainly from the Data Warehouse and Business Objects programs. With a list of new audit and collections projects identified, employees discussed the data needed to successfully implement the projects in the upcoming fiscal year.

Meetings were held to further the progress of the Executive Scorecard. The Executive Scorecard 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. This ability will not only be helpful to senior management, but also to employees who prepare objectives, performance measures and year end reports. Executive level reports have been added to SharePoint, where the Executive staff can easily view the performance of the Agency.

Streamline Office Operations Business Systems, Processes and Performance:

Improving revenue processing operational performance is a major ongoing project. With the implementation of SCITS in April 2009, the processing sections experienced a change in workflow for processing paper returns. With the change in workflow, our processes also changed. Over 202 process improvements were made in Office Operations this year to adapt to the changes in workflow.

DOR continues to use the HIT (High Intensity Training) team concept implemented in FY09. 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 upon to help reduce the workload which significantly improves processing times.

With the goal to increase the number of documents scanned, whether in front end processing or in Records, we have implemented a new process for casual scanning in the Records Section. The casual scanning of files that would normally have been sent for paper storage as action complete items from the sections in Office Operations are now being scanned and indexed by Records staff. This process gives employees throughout the Agency the ability to retrieve additional information for taxpayers from their desktop computer and do not have to request a paper copy of a document. This process will make us more efficient and provides us the ability to assist customers immediately. During FY10, Records staff continued to scan the tobacco returns and correspondence and is currently working on the sales multi-account correspondence. Figures 7.5.1-7.5.3 indicate the increase in the number of documents being scanned.

In June 2010, Office Operations implemented the “Sales Tax Two Step Process.” The returns are opened, verified and batched by one team member and then sent to Data Capture to be scanned and keyed, thus reducing the number of steps to two as opposed to three steps previously used. In June, we finished processing the bulk of sales tax returns in four days compared to seven to eight days as in the past. (Figure 7.5.2)

A new corporate tax process improvement team started in February 2010. We are reviewing the corporate processes from receipt of return to resolution of any errors and taxpayer correspondence or assistance. With this team we have implemented four process improvements and implemented three computer work requests to change our corporate reports which will allow us to work some errors from lists instead of the return. Our team will finish up its review of the processes during the first quarter of FY11. Our goal is to improve all corporate related processes and develop a plan that can be implemented to assist us in reducing our backlog and becoming current in processing. (Figure 7.5.3)

DOR reduced the time it took to process individual income tax returns to 15 days of receipt. In FY09, the average number of days to process these returns was 22 days. Note that the 15 days includes seven days for the Treasurer’s office to print the check. (Figures 7.2.2-7.2.3) In total, we processed 9.25 million transactions this year. (Figure 7.1.8)

Opportunity cost data shows our efficiency in processing checks and returns and getting state funds deposited. Processing improvements allowed us to significantly reduce deposit opportunity cost from \$51,936 to \$21,466 when compared to FY09. The opportunity cost decrease represents a 58% decrease over the past year. (Figure 7.3.2)

Increase Electronic Filing for All Tax Types:

Promoting electronic filing for all tax types is a significant cost and time saver to the Department, the State and the taxpayer. Two new developers, FileYourTaxes.com and Solutions for Progress, Inc., were approved this fiscal year as free filing products to allow taxpayers to file their individual income tax returns online.

The Free File Alliance is a group of tax software companies partnered with the IRS to provide free electronic income tax filing for certain taxpayers. South Carolina is represented on the Federation of Tax Administrator’s Free File Best Practices team. This team works in conjunction with the FTA, the Free File Alliance members and our sister states to improve the access and marketing of Free File products to our taxpayers. As of the most recent information, (June 2010) the DOR is running 11.57% ahead of last year’s Free File returns pace.

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 (June, 2010) from the Federation of Tax Administrators (FTA) placed South Carolina tenth in the top ten states. Although South Carolina fell from seventh to tenth place in the top ten states, South Carolina’s percentage of 81% is a 2% increase from FY09. (Figure 7.1.3)

To allow corporate taxpayers to file returns electronically, the Agency recruited new developers that already supported the DOR in other electronic filing methods to see if there was interest in FedState Corporate filing. Three new developers have been approved for filing tax year 2009

returns. The DOR received 23,909 corporate returns electronically during the last two quarters of FY10. Corporate FedState return numbers were running 35.25% ahead of last year.

The Sales Electronic Data Interchange System (EDI) area approved a new software vendor, Hot Spot, to allow taxpayers owing accommodation taxes to file their returns electronically. The new vendor brought between 200-300 new taxpayers to the Sales EDI program. Large dollar taxpayers who were mandated to file their returns electronically were contacted and educated on their filing options. The Sales EDI System processed 793,200 transactions for \$5.8 billion in payments.

This fiscal year, the DOR began accepting ACH credits for International ACH Transactions (IAT). IAT is a format for international funds to be accepted electronically. The DOR participated in a number of conference calls with the IRS, FTA and our partners in the tax preparation software industry regarding implementation of International ACH Transactions. Taxpayers are now able to submit IAT payments through several of our electronic payment systems.

DOR's Electronic Services section is represented on the Agency's website enhancement team and is working to make the Electronic Services web page more user friendly. A listserv has already been created for preparers to notify them of important information across all tax types. Twitter is also being used to communicate with taxpayers and tax preparers. The DOR has "tweeted" about filing deadlines for various tax types and notified its Twitter followers of activation of new programs and tools for e-commerce.

Through the above efforts to promote and increase electronic filing, the DOR processed 715,455 transactions for \$1,528,754,806 in Electronic Funds Withdrawal payments made through the FedState IIT program, payment plans and direct web filing/payment applications. In FY10, the Electronic Funds Transfer System and the Sales Electronic Data Interchange System processed 793,200 transactions for \$5,820,495,045 in payments.

In total, electronic collection processes have allowed the Agency to collect an average of 75.92% of tax dollars electronically, a 2.92% increase from FY09. (Figure 7.3.3)

Outsource W-2 Data Image and Capture:

Through an outsourcing project with SourceCorp, a contract vendor, the 2007 and 2008 W-2 employer information was scanned and loaded into the vendor's online system, FasTrieve and data files are produced to upload into the DOR's Data Warehouse. The 2009 W-2 information is currently being scanned and should be completed in August 2010. By having the employer W-2 information in our systems and the image available for viewing, DOR employees have an improved and expanded source of data available to audit returns. The Withholding tax section reviewed the withholding tax data in the FasTrieve system and identified 37 employers for 2008 that should have filed the W-2s electronically, but filed using paper. The taxpayers were contacted and educated about the electronic mandate. Also, the Withholding tax section has used the online FasTrieve system to access employer information that they use while performing the annual account reconciliation. This information is helpful in identifying potential withholding tax liabilities.

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 8,764 hours were dedicated to formal classroom training of employees. This training averages 12.5 hours per authorized FTE position.

The training team continues to research, develop and teach several SCITS classes to ensure that all DOR employees have the appropriate systems skills as the new system replaces the existing South Carolina Automated Tax System (SCATS). Not only are new classes being developed, but refresher classes are held for employees that may need more practice with the new system. Forty-five SCITS class sessions were held throughout FY10 with 546 employees attending.

In addition to SCITS training, employees were trained in our business intelligence program, Business Objects. Seventeen Business Objects courses were held and focused on different reports and data created for Collections, Office Operations and Audit users. One hundred fifty-one employees attended Business Objects classes.

In June 2010, the DOR began using the statewide South Carolina Enterprise Information System (SCEIS) Human Resources and Payroll module. Planning for training began in February 2010. Beginning in April 2010 and continuing through the end of May, 39 SCEIS Overview classes were held to expose approximately 700 employees to the new system. The Training staff, along with Human Resources, held seven Tutorial Days where employees could come to a training room to view the required SCEIS tutorials and ask any questions they may have about SCEIS. After the rollout of SCEIS, two classes were held for 26 supervisors and managers on the Manager Self-Service system in SCEIS.

Members of the training staff were also involved in the planning, preparation and development of training for 36 new hires that came on board during late June. Employees attended tax law training in Disclosure, CID referrals, Tax Forms, Sales Law and Cash Receipt Procedures. Tax system classes were held for this group which included Automated Collections System (ACS), Automated Receivable Management System (ARMS), Business Taxpayer Registration (BTR), Sales and Use Tax System, Taxpayer Accounting (TAS) and SCITS.

Current systems training classes continue to be offered in response to business needs and requests by agency personnel to both veteran DOR employees and new hires. In addition to the classes offered to the new hires in June, six ARMS classes were held with 81 attendees throughout the year. Five "DOR-101/Introduction to SCATS" classes have been held with 78 employees attending the classes.

Enhance Disclosure Awareness:

It is critically important that all taxpayer information is protected from disclosure. The DOR provides disclosure training to all full time employees, temporary employees and contractors through a three-point process: 1) Initial Certification; (2) Annual Recertification; and (3) Exit Disclosure Statement. A Disclosure Awareness Training Policy and Procedures document was developed and was given final approval by the Agency Director and Deputy Director. This

policy discussed the procedures for initial certification and annual recertification required by all employees and contractors. The Agency rollout of these new policies and procedures began in August 2009 prior to the new annual recertification period of September 1st through October 15th.

All new employees receive their initial certification of disclosure awareness on their first day of employment. The initial certification includes classroom instruction, viewing two online tutorials on disclosure and reading and signing the Confidentiality and Disclosure Requirements form. During FY10, 52 employees participated in the initial certification process.

The training staff received a DVD from the IRS concerning Federal Tax Information (FTI). The information from this DVD was converted to a flash file and was offered as an online tutorial for employees to use as part of their annual recertification for FY10. An IRS brochure concerning FTI was distributed to all employees, contractors and temporaries.

In addition to initial and annual disclosure training, we continue to enhance employee awareness by highlighting disclosure topics in a "Did You Know?" section in the employees' monthly newsletter. Disclosure bulletin boards were placed throughout the Agency highlighting penalties for disclosure and other information.

Plans are underway for FY11 annual recertification training. Videos of employees role playing disclosure scenarios were taken. Steps were taken to convert these videos to a Captivate file in which employees will view the scenarios, answer questions and their training will be tracked into our training database. We also plan to use an IRS video that is stored on the IRS website as additional awareness throughout FY11.

Each individual terminating their employment with the DOR must sign an Exit Disclosure Statement insuring that they are aware that they must not disclose any information learned at the DOR after their employment has ended.

Implement the South Carolina Enterprise Information System (SCEIS) Accounting and HR/Payroll

DOR Accounting and Human Resources departments have led agency efforts in the roll-out of the new South Carolina Enterprise Information System (SCEIS) throughout state government. This involved intensive and extensive study, planning, training and education of our agency employees since all were affected.

According to the project plan, SCEIS will:

- replace aging agency central systems (e.g. accounting system from 1980, payroll system from 1969)
- consolidate all state agency financial, procurement and human resources/payroll records into one central system
- provide consistency in business processes throughout state agencies
- offer higher level reporting capabilities for strategic decision making
- eliminate redundancies, reduce paper handling and provide more efficient processing all of which is expected to result in significant savings

- support improved services by state agencies, providing the citizens of the State with better service at reduced cost

The Finance portion of SCEIS went live for the DOR on November 2, 2009. The modules included in this portion were finance, budget and procurement. Once the system became more familiar to our users, it has been quite well received. For example, cycle time for vendor checks has been cut significantly. The travel module in the HR/Payroll module has reduced the travel reimbursement cycle time significantly. Travel reimbursements are appearing in bank accounts in as little as one to two days.

The HR/Payroll module went live for the DOR on June 2, 2010. Not only does SCEIS affect HR/Payroll core functions and personnel, but it also affects every employee. The Employee Self Service module was systematically rolled out in our agency through the help of the DOR's Training Staff. Sessions were held around the State for all employees and implementation went well. As to the core functions of HR/Payroll, the system holds great promise. The reports that are and will be available will enable us to more strategically plan HR issues.

Additional SCEIS functionality and reports are scheduled to be implemented in FY11. This should further enhance the benefit of the new system.

Build Employee Awareness of Key Strategic Initiatives:

In order to reach our goals and annual objectives, it is important that management effectively communicate with employees on the challenges and progress being made on those goals. This communication further helps all employees see their contribution to the Agency's progress, and also recognizes individual, team and Agency successes and accomplishments.

One method of communication that was enhanced this fiscal year was in our Audit and Collections areas. Senior management visited our district offices to update them on audit and collections projects and to share agency information. When actual visits were not possible, conference calls were set up with district supervisors and managers to keep them aware of agency progress and challenges.

In our Office Operations division, meetings were held throughout the fiscal year to inform supervisors of projects, initiatives, upcoming changes in the division and the agency and to emphasize a focus on process improvements and how these tie into the agency's strategic objectives. The communication was not just one way. Supervisors were asked to discuss what their area had been working on and any process improvement activities that had taken place. As each supervisor's presentation was complete, discussion was conducted as to how the process improvements and challenges tied to one or more of the agency objectives.

The monthly employee newsletter, DORPost, provided information to employees via email regarding disclosure awareness, implementation of the new SCEIS system and health and wellness information, among other initiatives.

Several celebrations were held to show appreciation of areas who met goals and succeeded in their process improvement efforts. Some of these celebrations included: A hotdog lunch for the processing sections to show appreciation for a very successful 2009 year; a "Hearty Thank You"

breakfast for the DOR's scanner section for training other employees in the division; "End of Individual Income Tax Season" lunch; and a "Grits for SCITS" breakfast for employees who tested our new tax system, SCITS.

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 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 education, information and tools
- 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, through 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
 - Budget and Control Board
 - Assistance to Department of Commerce in recruitment of industry
- **Individual taxpayers**
 - Forms drive-through
 - Volunteer Income Tax Assistance volunteers
 - Publications for new residents; college tuition credits
 - FreeFile, web extensions and declarations
 - 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

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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)
 - Articles in the CPA newsletter
 - Speakers at CPA seminars
 - Fed/State filers' handbooks
 - 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
 - Streamlining Business Personal Property 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
 - Training for Local Government Officials
- **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 Department of Employment and Workforce 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 includes 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
- Department of Employment and Workforce
- 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
- SOURCECORP, Incorporated

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

As of the end of FY10, the Agency had a total of 701.5 authorized full-time permanent slots. Of those, 683.5 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 65 contract employees, 49 non-seasonal temporaries and 70 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.

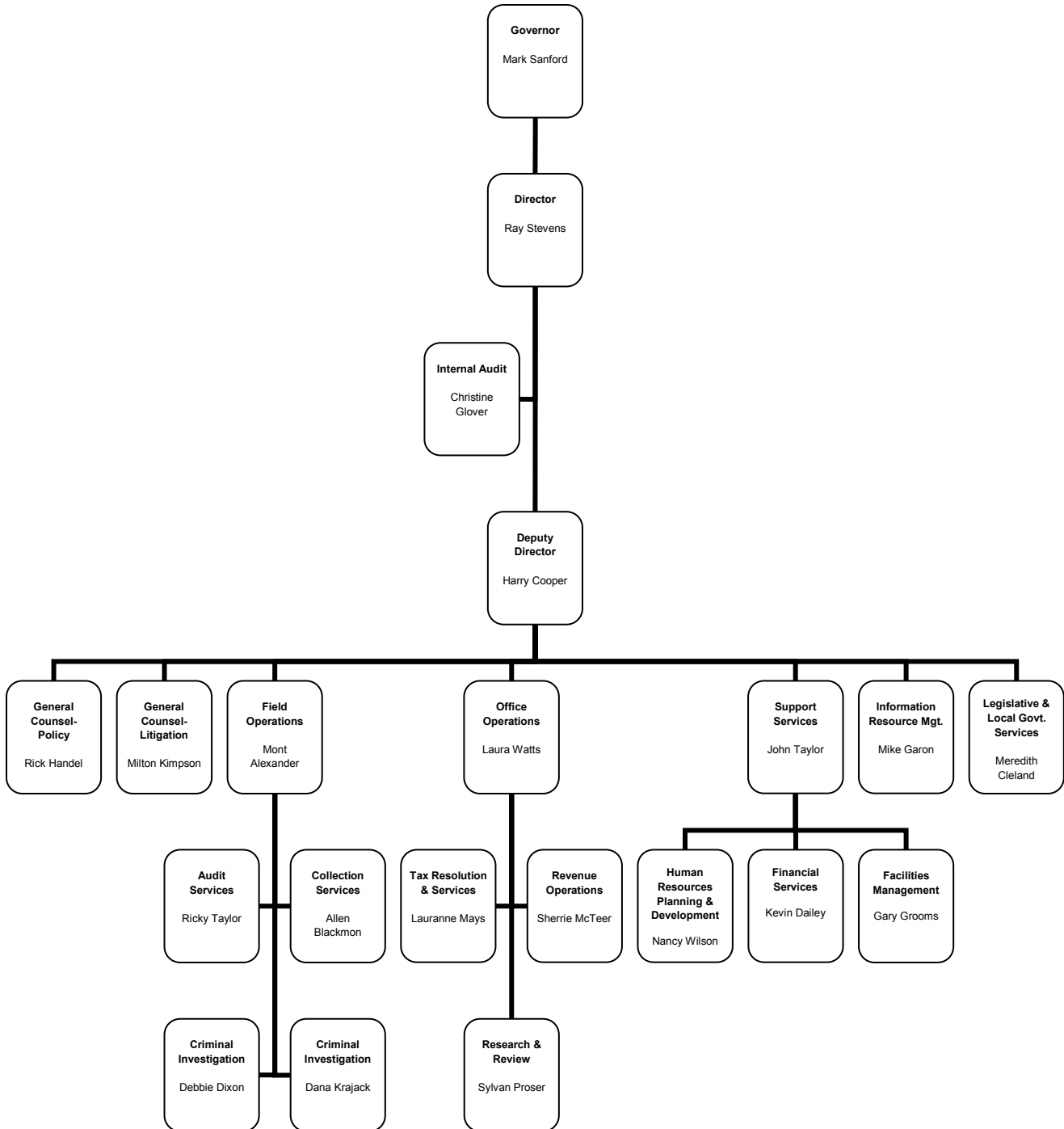
The Department is also a regulatory agency. We administer 32 state taxes and numerous fees, credits and exemptions. We process 9.25 million transactions annually (Figure 7.1.8) and collect approximately 91% of the state’s general fund. The Agency also regulates and licenses retail establishments, bingo 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. The DOR is a part of the Governor’s Cabinet. The chart below shows that structure and leadership.



Accountability Report Appropriations/Expenditures Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	FY 08- 09 Actual Expenditures		FY 09- 10 Actual Expenditures		FY 10-11 Appropriations Act	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Personal Service	\$ 28,393,915	\$ 26,219,625	\$ 27,769,646	\$ 25,932,227	\$ 30,881,000	\$ 29,730,956
Other Operating	\$ 30,325,816	\$ 1,792,660	\$ 26,382,058	\$ 2,441,197	\$ 23,093,903	\$ 2,865,274
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Improvements	\$ 52,718	\$ -	\$ 72,000	\$ -	\$ -	\$ -
Case Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	\$ 8,555,273	\$ 5,683,889	\$ 8,234,452	\$ 7,560,282	\$ 8,838,041	\$ 8,337,621
Non-recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 67,327,722	\$ 33,696,174	\$ 62,458,157	\$ 35,933,706	\$ 62,812,944	\$ 40,933,851

Other Expenditures

Sources of Funds	FY 08- 09 Actual Expenditures	FY 09 - 10 Actual Expenditures
Supplemental Bills	\$ -	\$ -
Capital Reserve Funds	\$ -	\$ -
Bonds	\$ -	\$ -

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Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 08-09 Budget Expenditures	FY 09-10 Budget Expenditures	Key Cross References for Financial Results*
I.A Administrative & Program Support	Agency administration and Internal Audit functions.	State: \$620,264 Federal: \$0 Other: \$0 Total: \$620,264 % of Total Budget: 1%	State: \$545,914 Federal: \$0 Other: \$0 Total: \$545,914 % of Total Budget: 1%	7.2.1, 7.2.4, 7.3.1-7.3.2, 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: \$6,704,425 Federal: \$0 Other: \$22,652,833 Total: \$29,357,258 % of Total Budget: 44%	State: \$7,012,812 Federal: \$0 Other: \$20,000,372 Total: \$27,013,184 % of Total Budget: 43%	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: \$20,153,641 Federal: \$0 Other: \$2,611,796 Total: \$22,765,437 % of Total Budget: 34%	State: \$20,283,532 Federal: \$0 Other: \$2,174,376 Total: \$22,457,908 % of Total Budget: 36%	7.1.1-7.2.5, 7.3.3, 7.5.1- 7.5.3
II.C Programs & Services -- Legal Policy & Legislative Svcs	Agency General Counsel; tax policy, bankruptcy matters and legislative services.	State: \$533,956 Federal: \$0 Other: \$0 Total: \$533,956 % of Total Budget: 1%	State: \$531,166 Federal: \$0 Other: \$0 Total: \$531,166 % 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: \$5,683,889 Federal: \$0 Other: \$2,871,384 Total: \$8,555,273 % of Total Budget: 13%	State: \$7,560,282 Federal: \$0 Other: \$674,170 Total: \$8,234,452 % 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. FY2009 amount \$5,495,535. FY2010 amount \$3,675,533.

Remainder of Expenditures:	State: \$0	State: \$0
	Federal: \$204,287	Federal: \$66,009
	Other: \$5,291,248	Other: \$3,609,524
	Total: \$5,495,535	Total: \$3,675,533
	% of Total Budget: 8%	% of Total Budget: 6%

*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 to customers and stakeholders both 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 FY09-10, 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. The DOR continues to use Business Objects to access and analyze the Data Warehouse and other internal data systems. Business Objects assists our processing sections to monitor the effects of newly implemented process improvements. Business Objects will greatly enhance employees and management in the monitoring of 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. This process allows us to develop organizational objectives and allocate resources appropriately to address the issues gleaned from the information and data collected. See Category 2. The DOR has an active risk management program and annually reviews operating areas to assess risks and exposures to minimize potential loss.

1.4. The Chief Financial Officer and staff, along with the Internal Audit staff are responsible for the accuracy and timeliness of reporting. The DOR is audited twice annually by the State Auditor's Office for financial audits, audited for procurement by MMO and audited for disclosure of federal information by the IRS. These external reviews have found no major findings in several years. 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, who reports directly to the director of the agency, performs programmatic and fiscal reviews and follows-up on audit findings to ensure no improprieties exist. Additionally, our disclosure training program requires employees to be recertified annually 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. The DOR participates in and supports the Certified Public Manager program, as well as the Associate Public Manager program. Additional leadership training is conducted at the 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. Plans are underway to

provide process improvement training in FY11 to several work teams, including management, so they will be better able to identify process improvements in their work areas.

1.9. Senior leaders are a key part of creating an environment that fosters organizational and workforce learning. This environment begins from very early in a new employee's life at the 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 "leading by example." 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. Each week, a Director's Shining Star is selected from nominations for our main office and our processing center. This Shining Star receives a certificate and a reserved parking spot for the week.

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, the 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, SCEIS. 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

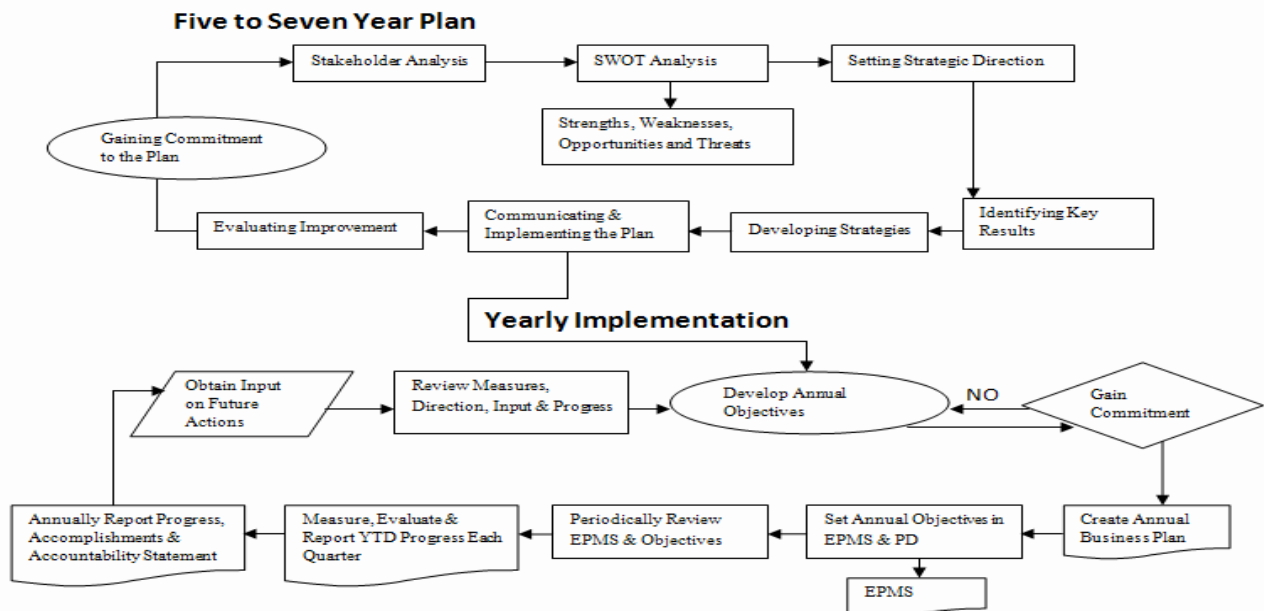
Economic Development; is an ex-officio member of the South Carolina Board of Economic Advisors; and is a member of the South Carolina Agency Directors Organization. These collaborative efforts help us to identify best practices, but also give us the opportunity to be a partner in continuously improving 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, Community Healthcare Charities 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. Our strategic plan is a five to seven year plan and employs an annual business planning process to identify, prioritize and report progress in four key result areas. Our strategic planning process gives us a future-oriented basis for business decisions, resource allocation and management and helps us stay focused on those things that are important priorities for the Agency. Below is a graphic of the Department’s strategic planning model.



We continue to focus on our customers and stakeholders through the SWOT portion of this process. It helps us identify our **Strengths, Weaknesses, Opportunities and Threats** 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 the 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. The DOR has a long range plan for improved use of technology. Significant technology initiatives in support of the Agency's strategic objectives include: SCITS, SCBOS, Data Warehouse and Business Objects. 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 plans 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.

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Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 09-10 Key Agency Action Plan/Initiative(s) Unless otherwise noted, 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	Streamline Office Operations Business Systems, Processes, & Performance Outsource W-2 Data Image & Capture	7.1.4-7.2.5, 7.5.1, 7.5.2, 7.5.3
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 Increase Electronic Filing Provide Property Tax Training for Newly Elected County Auditors Improve Performance Measurement Systems and Processes	7.6.1-7.6.3 7.2.1, 7.2.4 7.3.3 All measures in category 7
II.B Programs & Services - Revenue & Regulatory Operations	Key Result 1 – Maximize Compliance Key Result 2 - Strong Stakeholder Relationships Key Result 3 - Efficient and Effective Agency and Enterprise Services	Find Non-filers Maintain a Data Warehouse Utilize Improved Work Flows Develop the South Carolina Integrated Tax System (SCITS) Upgrade the Agency Website Increase Enforced Collections – Collect \$68 million in increased enforced collections in FY10	7.1.2 7.1.1, 7.3.1
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	Enhance Tax Law and Systems Training Build Employee Awareness of Key Strategic Initiatives Enhance Disclosure Awareness Implement SCEIS	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; elected officials; and federal, state and local governments. We define our customer groups by the products and services they require. The defining of needs 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. In FY10, a focus group was held with local government representatives that receive data from the DOR. Their input and feedback on the methods used to provide data helped the Business Objects team revise reports to make the data transfer easier.

Updating our website is a major product and will enhance the avenue for our customers to provide feedback and access services. SCBOS, our Internet registration and filing method, employs a feedback loop should a citizen wish to provide it. All notices that are sent by the Agency contain a telephone number for customers to make inquiries and suggestions. Our annual Customer Satisfaction Survey conducted by the University of South Carolina is another vehicle for us to gain feedback from our customers. We also continue to utilize our Contact Center and Taxpayer Service Centers to gain insight from callers and walk-ins on problems, preferences, concerns and trends. Our monthly Sales and Use and Withholding Tax forms workshops, the Small Business Workshop and the various other taxpayer education session participants are encouraged to provide feedback via written evaluations upon conclusion of each class. We use various methods 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. Forming employee teams 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, the DOR established a single customer sign-on for access to all DOR web applications requiring only one user name and password. This single sign-on allows our customers access to the information about their business in a more timely and streamlined fashion. Our website continues to be 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. (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 helps 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. Not only does SCBOS aid taxpayers in starting a business, it also fosters collaboration and partnerships with other public entities. These include: Secretary of State's office, Department of Employment and Workforce, 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 collaboration efforts with other public entities not only

help us identify best practices, but also give us the opportunity to be a partner in continuously improving all governmental services for our citizens.

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. The DOR provided speakers for The Department of Agriculture's Agriculture Summit, the SC Association of Bridal Consultants and the Anderson County Chamber of Commerce this fiscal year. 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;
- Twitter updates to taxpayers and tax professionals about filing deadlines and the activation of new programs and tools for electronic filing;
- 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 including:
 - 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)
 - Business Tax Guide*
 - Starting a Small Business in South Carolina*

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 seminars 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.

Most of the data related to performance measures is in our Data Warehouse. The DOR uses the business intelligence tool, Business Objects, to access data warehouse information and provide delivery of these measures to all users. This centralization of measurement and reporting greatly improves the timely availability of data, allowing users to assess actual performance to expected

performance during the period, instead of after the period ends. This assessment enables users to adjust performance to better meet goals, if needed. This fiscal year, work began on an Executive SharePoint site that will house high level, comparative performance reports for review of senior management.

Measures that are not yet available in Business Objects 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. The 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 all measures in the senior leadership appraisal system as they are aligned with the strategic plan and the managers’ areas of responsibility.

4.4. We participate in some of the FTA’s Benchmarking projects for our comparative data. 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. Business Objects (discussed in 4.3) is 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. Through quarterly reviews of performance data and quarterly updating of the annual business plan objectives, the DOR reviews its business processes in an effort to increase productivity and improve quality of services to our customers. Through this same process, 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. The 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, contain 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.

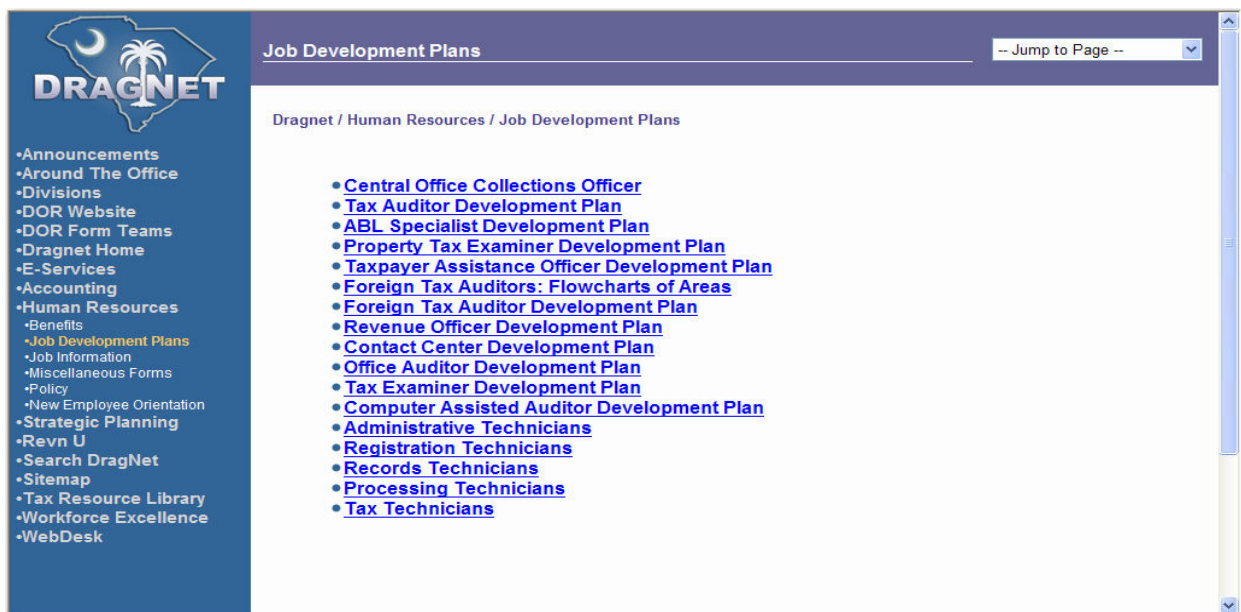
Over the past several years, job analysis processes were completed with the majority of job families throughout the agency documenting their duties, tasks, knowledge, skills, equipment, supplies, future issues and concerns. The job analysis tool continues to be used as a primary tool

in constructing new career paths and revising older ones. This analysis 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 study encourages and motivates employees to solve problems and make continuous improvements.

All Position Descriptions are written to tie directly to the mission of the organization. All EPMS documents 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 the 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 the DOR 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 DOR continues to use the NEOGOV system to recruit potential new hires. The 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 19 years we have introduced our employees and many from other agencies to the quality tools and processes. Process Improvement teams have been formed and will participate in process improvement training and workshops in FY11. Several of our leaders participate in the Certified Public Manger and Associate Public Manger programs to strengthen 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.

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

Expect More. Do More.

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

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

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

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

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

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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.

Expect More. Do More.

Classes Scheduled (All) For: **All Courses**

Course Title --- Enter text at left and click the GO button to search

Showing --- Title contains= % -Site= % -Category= % -Event Type= %

Class Date	Schd Time	Course Title	Id	Site	Location	Event Type	Status
9/15/2010	09:00AM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
9/15/2010	02:00PM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available
9/21/2010	09:00AM	Beginner Business Objects	SYS-146-I	Columbia Mill Building	Learning Center	Classroom	Available
9/22/2010	09:00AM	Withholding Tax Workshop	TAX-264	Columbia Mill Building	4th Floor Training Room	Classroom	Wait List
9/23/2010	09:30AM	Advanced ARMS (Main and Field)	SYS-127-C	MarketPointe	Technology Center	Classroom	Available
9/28/2010	09:00AM	Intermediate Business Objs.-Integra	SYS-146-J	Columbia Mill Building	Learning Center	Classroom	Available
9/30/2010	01:00PM	Intermediate Business Objects- MRS	SYS-146-K	Columbia Mill Building	Learning Center	Classroom	Available
10/6/2010	09:00AM	TA Overview - Rev ops	SYS 142K	MarketPointe	Technology Center	Classroom	Available
10/6/2010	01:15PM	TA Overview - Rev ops	SYS 142K	MarketPointe	Technology Center	Classroom	Available
10/7/2010	10:00AM	Advanced Business Objects	SYS-146-L	Columbia Mill Building	Learning Center	Classroom	Available
10/7/2010	10:15AM	Sales & Use Tax Sem. for Govt/Muni	TAX-263-G	Columbia	SpringHill Suites	Classroom	Available
10/12/2010	09:00AM	Sales Tax Forms Workshop	TAX-325	Columbia Mill Building	4th Floor Training Room	Classroom	Available

Select a Class Session in the list above to see actions for it here

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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.

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 the 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 and objectives and are able to execute the action plans. The training outlined above is evidence of the 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 implementation 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, weight loss program, healthy eating program, 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 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, the DOR's turnover is 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 (Figures 7.4.1-7.4.2) and grievances are unusual. This fact 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 of 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. The DOR works with Facilities Management to ensure a safe work environment and to conserve energy in its main buildings and district offices.

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.

S.C. Department of Revenue Accountability Report 2009 - 2010

Core Processes	Sub-Processes	Stakeholders
Revenue Processing & Allocation	Forms Design and Management Mail Processing Records Electronic funds transfer/electronic data interchange Electronic Filing/Payment Enforced collections deposits/cash management Payment Processing Return Processing Refund Processing Data Collection Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes Motor Fuel Taxes Dry cleaning \$9.5 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers	Elected Officials Other state agencies Local Governments Non-Business Taxpayers Business Taxpayers Practitioners Citizens Comptroller General
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	Elected Officials Local Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens

S.C. Department of Revenue Accountability Report 2009 - 2010

	Annual Report Legislative Affairs and Press Releases Forms Policy Documents Assist Other Agencies 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.

The DOR continues to look for opportunities to outsource business functions to reduce costs. The DOR contracts with private collection agencies to resolve in-state, out-of-state and difficult or aged accounts. We also utilize private sector companies in the areas of technology, such as, our Data Warehouse, SCITS and the imaging and capture of W-2 information.

Customer Service Design and Delivery Diagnosis Worksheet Instructions

Describe the system

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

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

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

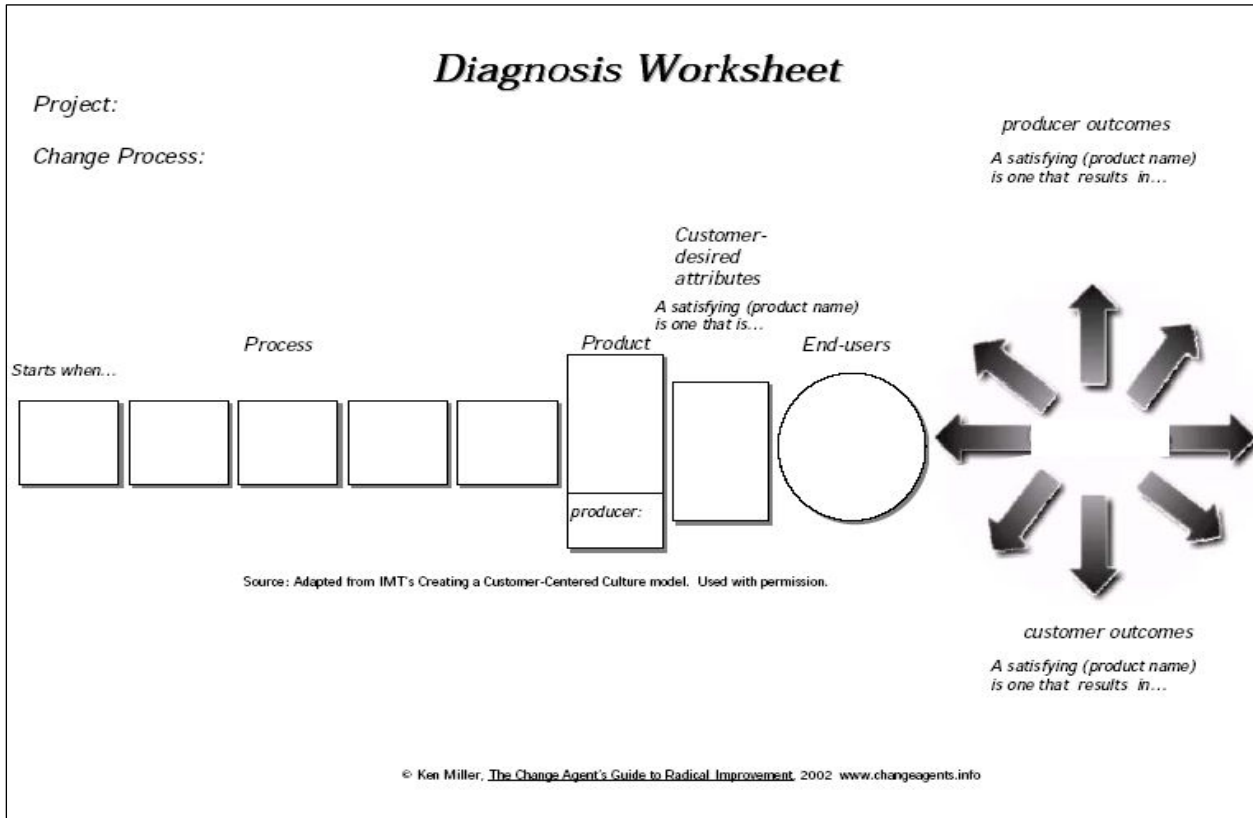
Check Vital Signs

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

Select Appropriate Change Process

© Ken Miller, [The Change Agent's Guide to Radical Improvement](http://www.changeagents.info), 2002. www.changeagents.info

Fig. 6.1.2



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 resource 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. Many of our long-term projects include the use of technology or major equipment. The DOR has maintenance agreements in place for all of these primary physical assets. The DOR uses a long-range plan for improving and or the replacing of aging major equipment.

While the majority of our operations are state funded, the DOR has secured provisos to be allowed reimbursement from revenue streams generated from new projects to supplement funds available from state appropriations.

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 DOR's total collections decreased slightly from FY09. The down economy continues to be an issue in collecting tax revenue.

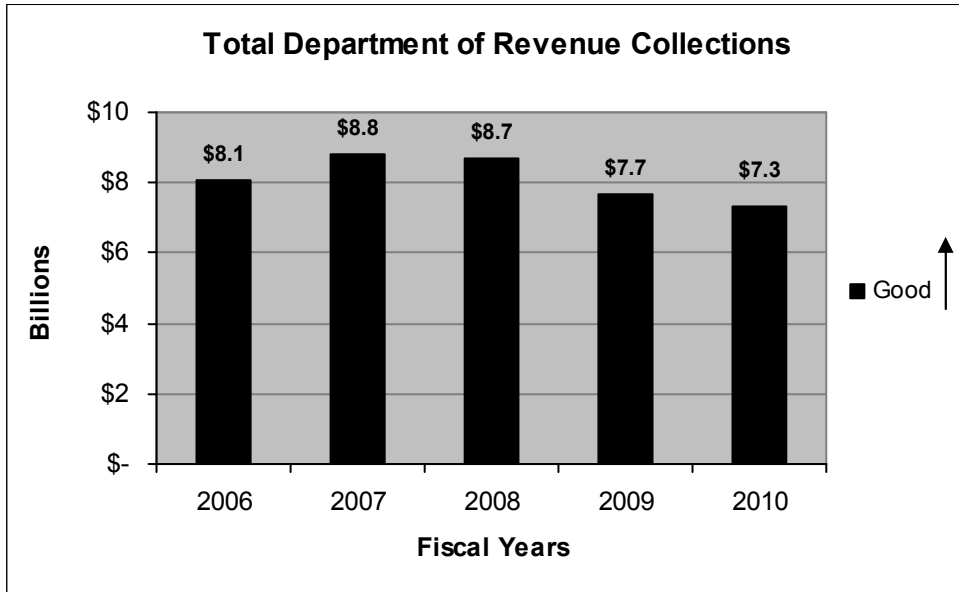


Fig. 7.1.1

For FY10, Nexus/Discovery unit has registered 259 non-filers and collected \$25,652,535, a 73% increase from FY09. (Figure 7.1.2) Areas of focus this year included issues relating to credit card companies, manufacturers, franchisors and medical companies.

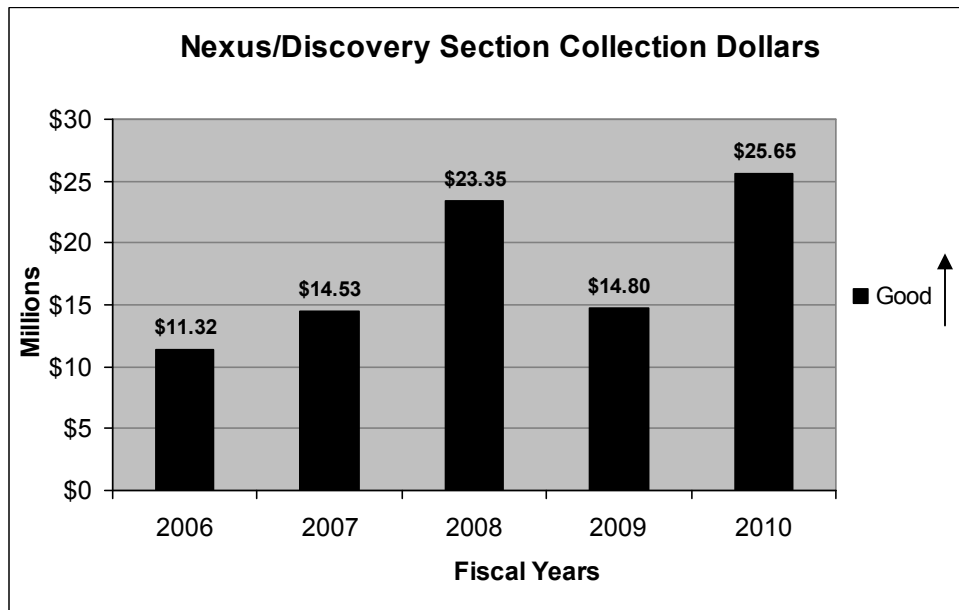


Fig. 7.1.2

The Federation of Tax Administrators ranked South Carolina tenth in the nation for electronic filing of Individual Income Tax returns. South Carolina's percentage increased 2% from FY09. Promoting electronic filing has been a significant cost and time saver for the Department, the State and the taxpayer.

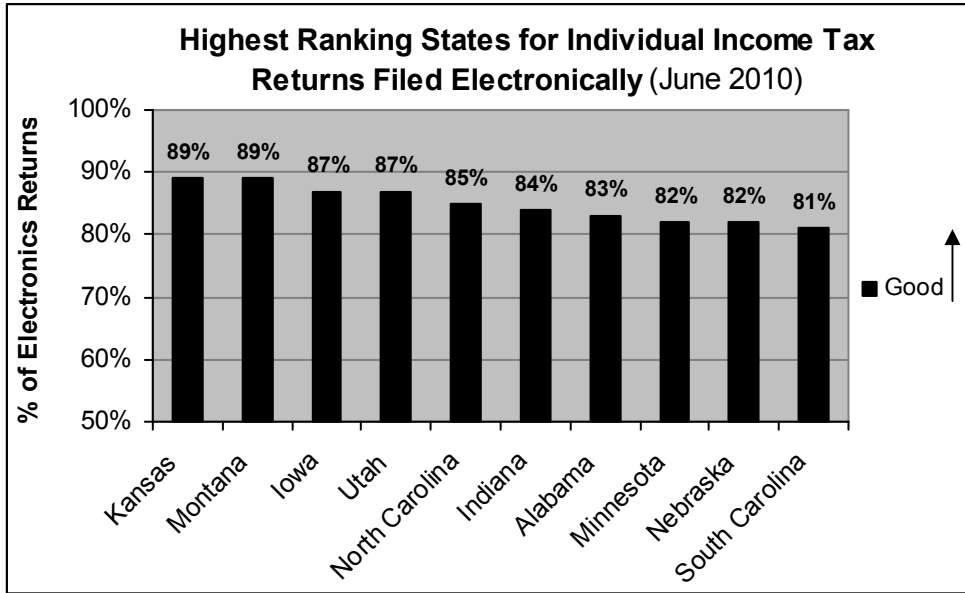


Fig. 7.1.3

Figures 7.1.4 – 7.1.7 show the total number of returns we have processed in the four top tax types.

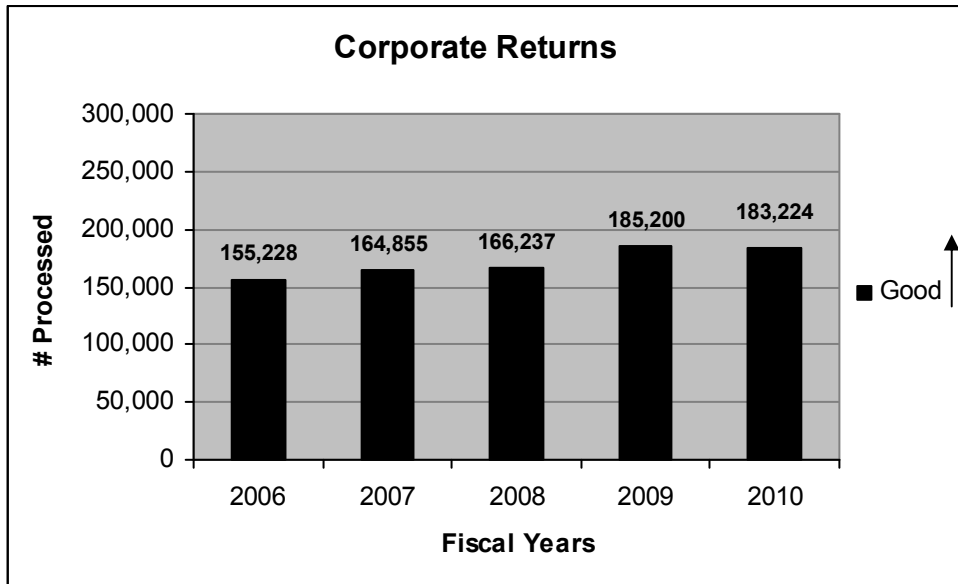


Fig. 7.1.4

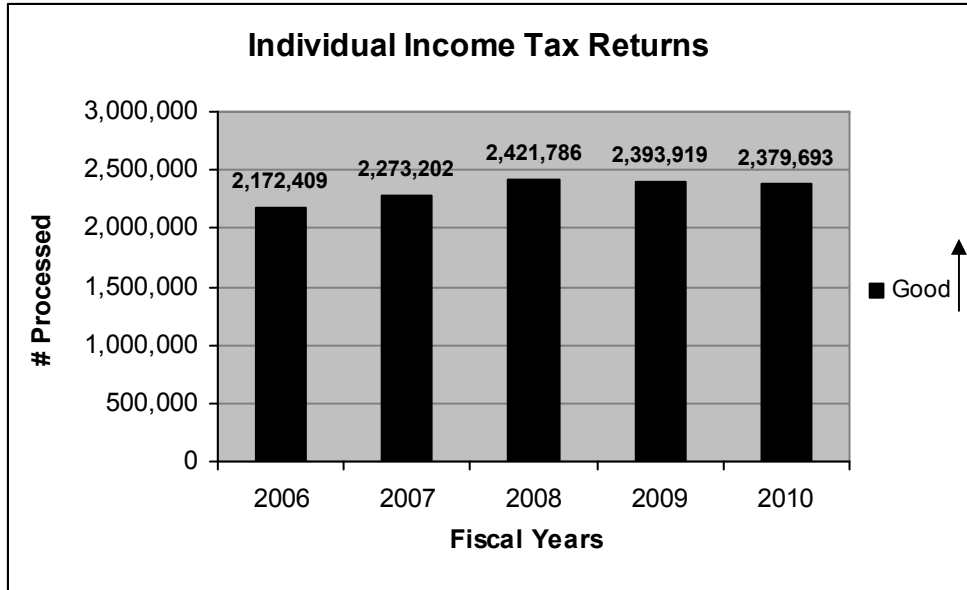


Fig. 7.1.5

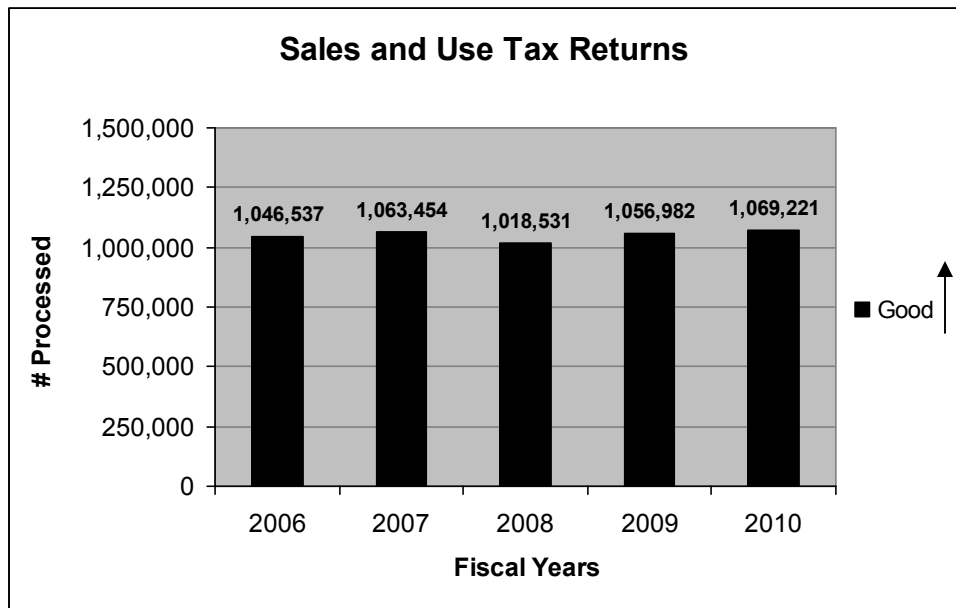


Fig. 7.1.6

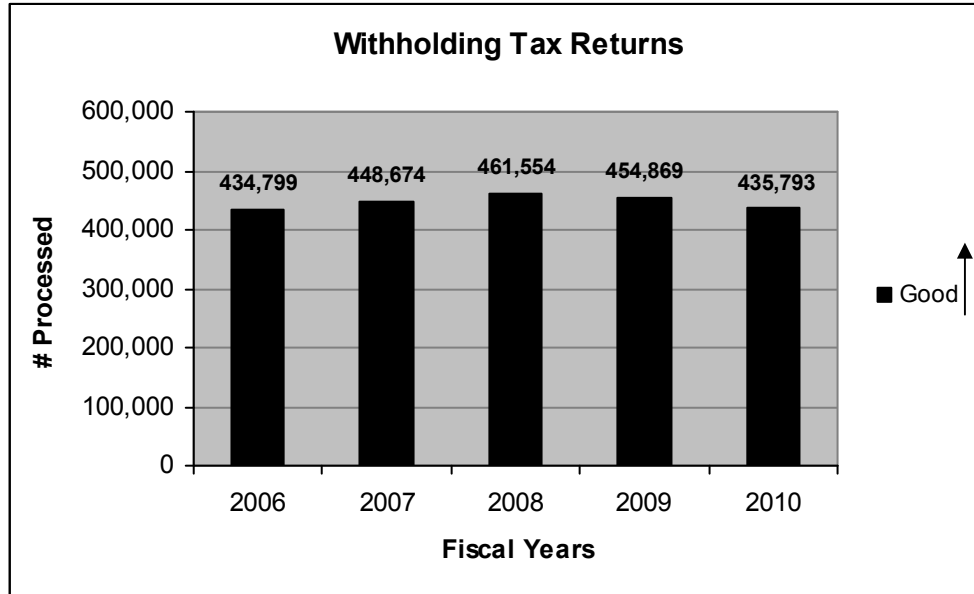


Fig. 7.1.7

Figure 7.1.8 shows an increase in the total number of transactions processed by the Agency for FY10. The number of transactions processed includes receivable payments, which were not reported previously.

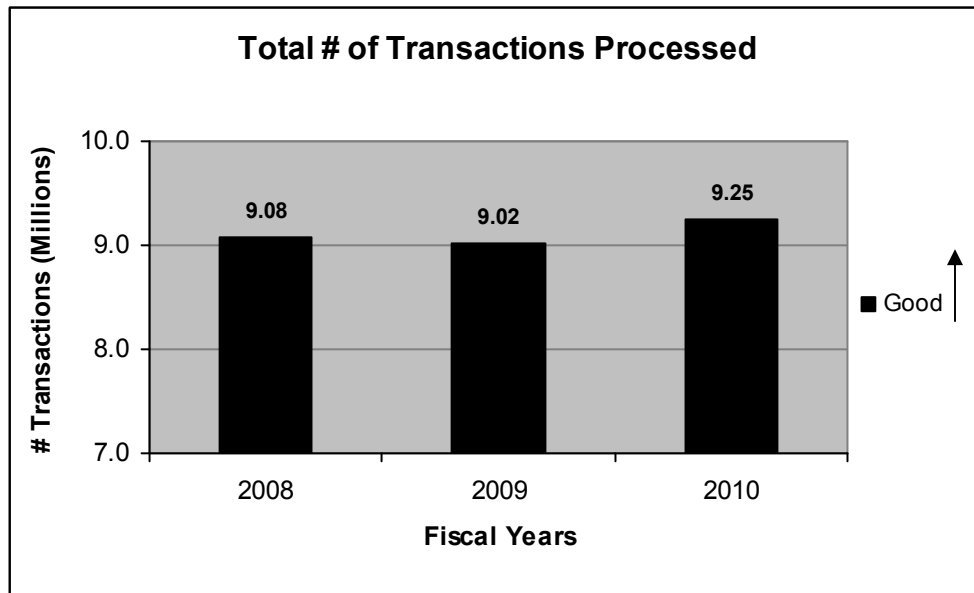


Fig. 7.1.8

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-three percent of survey respondents indicated that they were satisfied with the service they received from the DOR. While the satisfaction percentage decreased in FY10, the percentage of respondents who had a neutral opinion increased 4.9% from FY09. Only 8.4% of respondents expressed any dissatisfaction with the service they received.

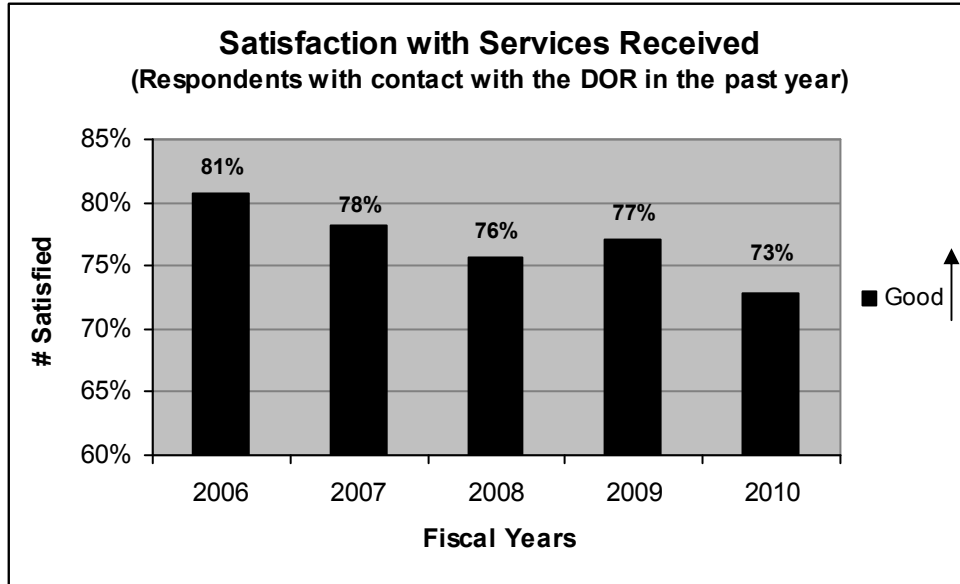


Fig. 7.2.1

Individual Income Tax filers are our largest customer segments. Taxpayers expect to receive their refund quickly and the DOR meets their expectations. Figure 7.2.2 indicates that 92% of our income tax checks are mailed or direct deposited within 30 days from date of receipt in our Mail Center. On average, the DOR processed paper individual income tax returns in 15 days of receipt, a seven day reduction from FY09.

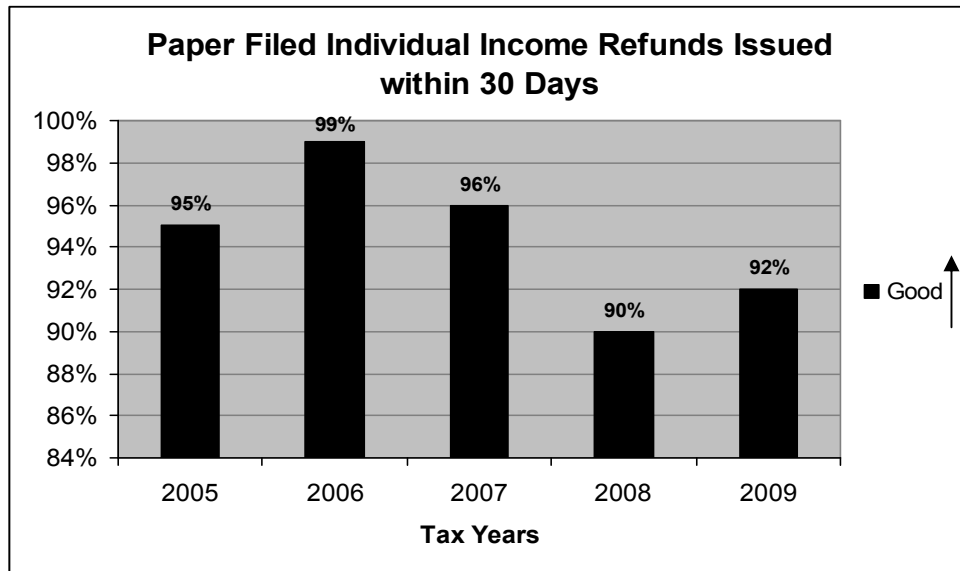


Fig. 7.2.2

In our electronic processing, Figure 7.2.3, we continue to issue refunds in a timely fashion. In FY10, 98.6% of electronically filed refunds were issued in less than 10 days.

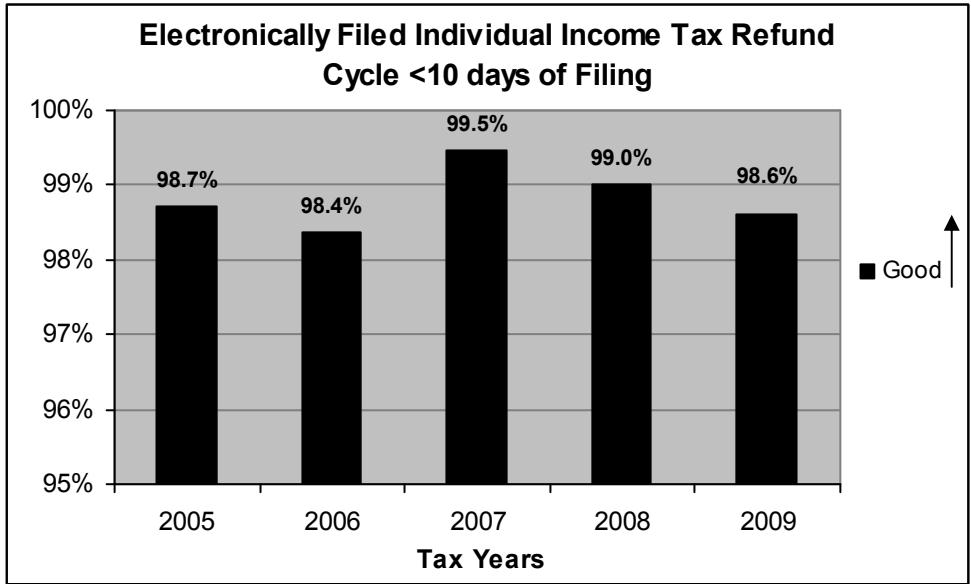


Fig.7.2.3

The USC survey, Figure 7.2.4, also showed there was an astonishing 97% satisfaction rate with the time it took to receive refunds. This percentage is the highest rating since the DOR began using the USC survey in 1996.

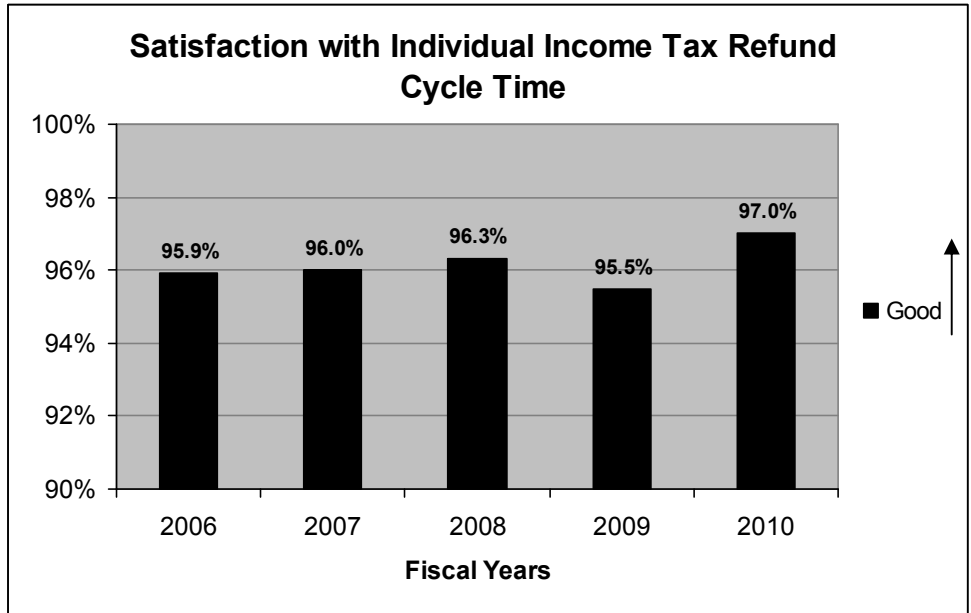


Fig. 7.2.4

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 FY10, the average number of days to issue a sales tax refund increased 13 days from the prior year. This increase was partly due to employee participation in extensive testing of our new tax system, SCITS.

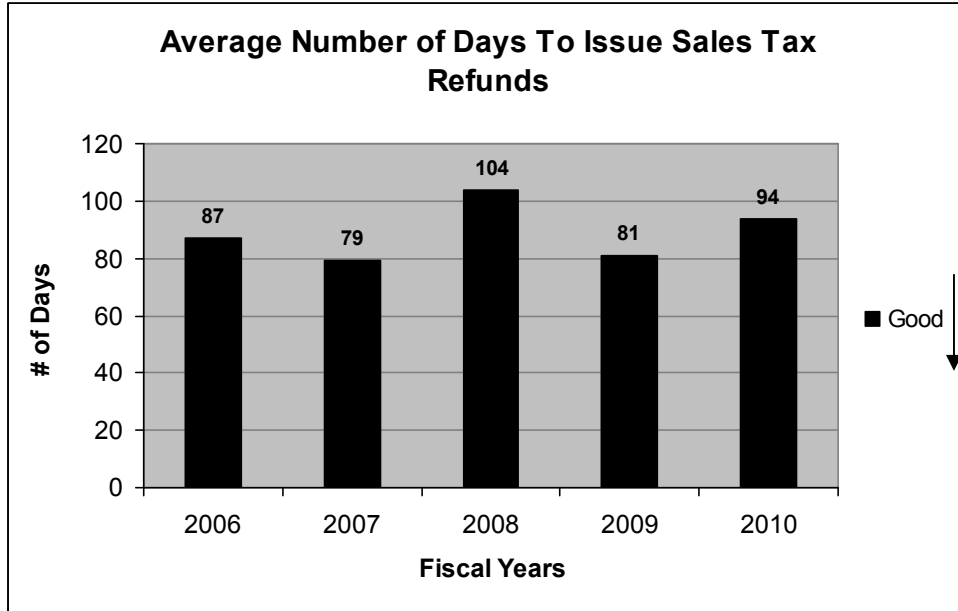


Fig. 7.2.5

7.3 Financial Performance Indicators: Figure 7.3.1 shows our cost for collecting \$1.00 of tax was \$.00782. This measure shows the effectiveness of our collection approaches.

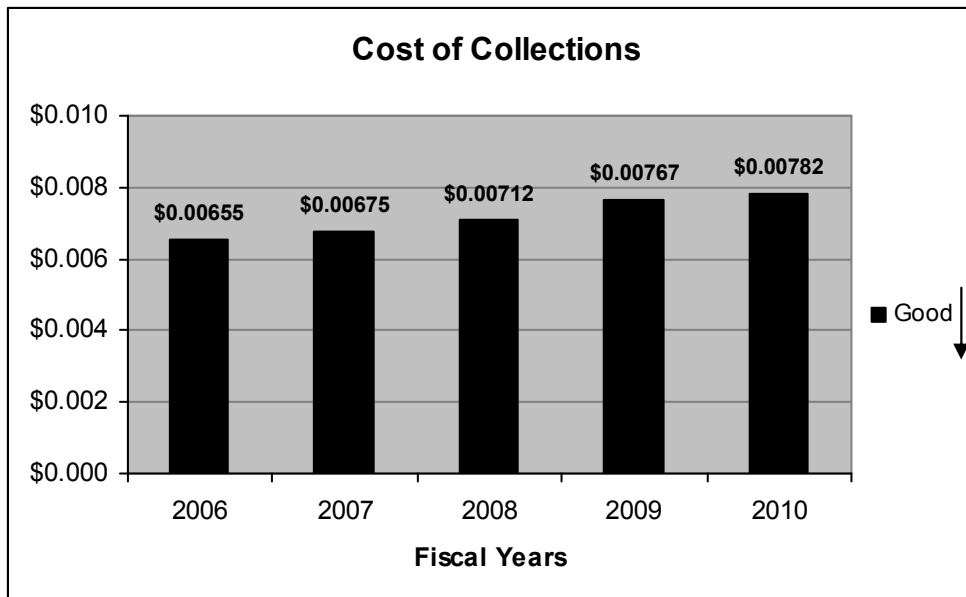


Fig. 7.3.1

Opportunity cost data shows our efficiency in processing checks and returns and getting state funds deposited. Figure 7.3.2 is a five-year comparison of the data. This information fluctuates with the changing interest rate.

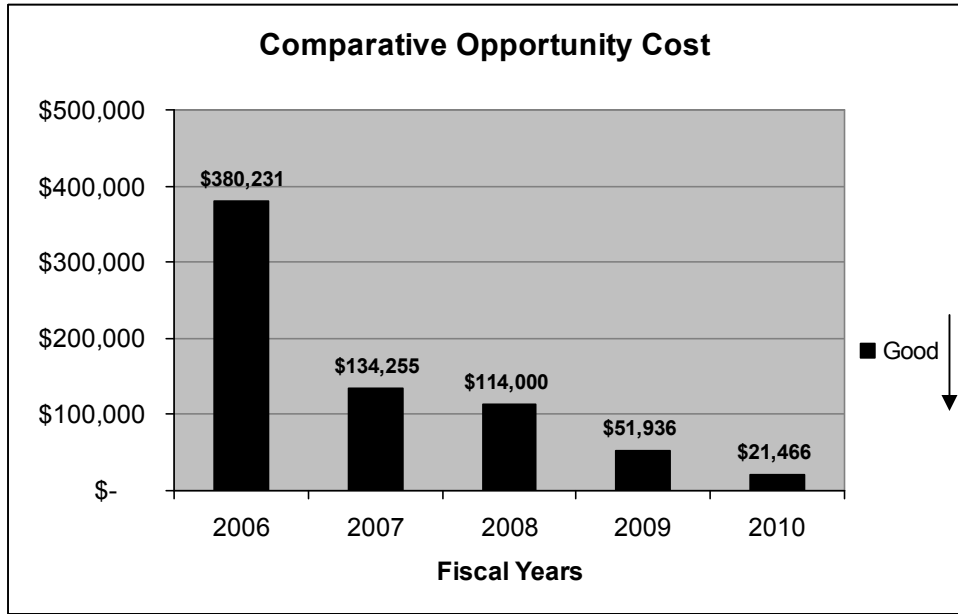


Fig. 7.3.2

Figure 7.3.3 indicates the growth in the dollars deposited electronically and in the various technological methods taxpayers used in paying their obligations this past year. Taxpayers using these alternative methods not only allow the DOR to both get the money in the bank and process transactions quicker, but also to do so virtually error free.

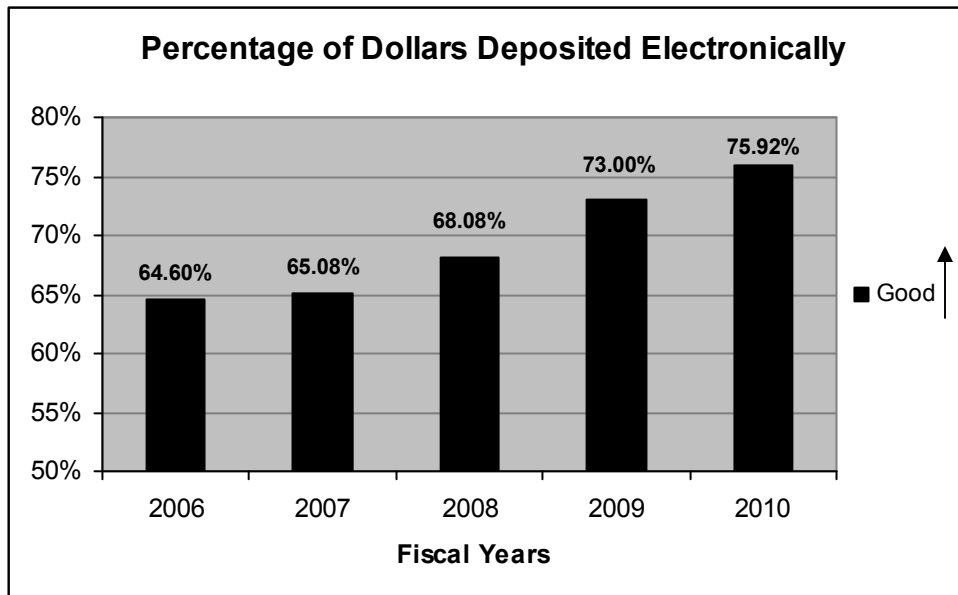


Fig 7.3.3

7.4 Workforce Results Among the workforce measures monitored, we track the number of employees voluntarily resigning. The number of resignations 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.

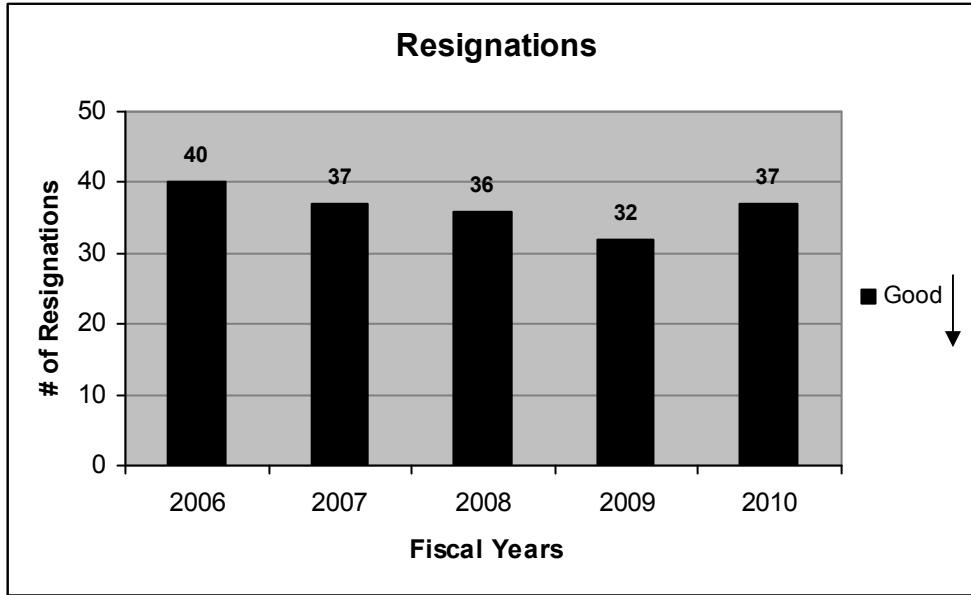


Fig. 7.4.1

Figure 7.4.2 is a comparative look at the DOR’s turnover rate to the average state turnover rate. In FY10, the DOR’s turnover rate was 10.63%, compared to the state average of 11.42%.

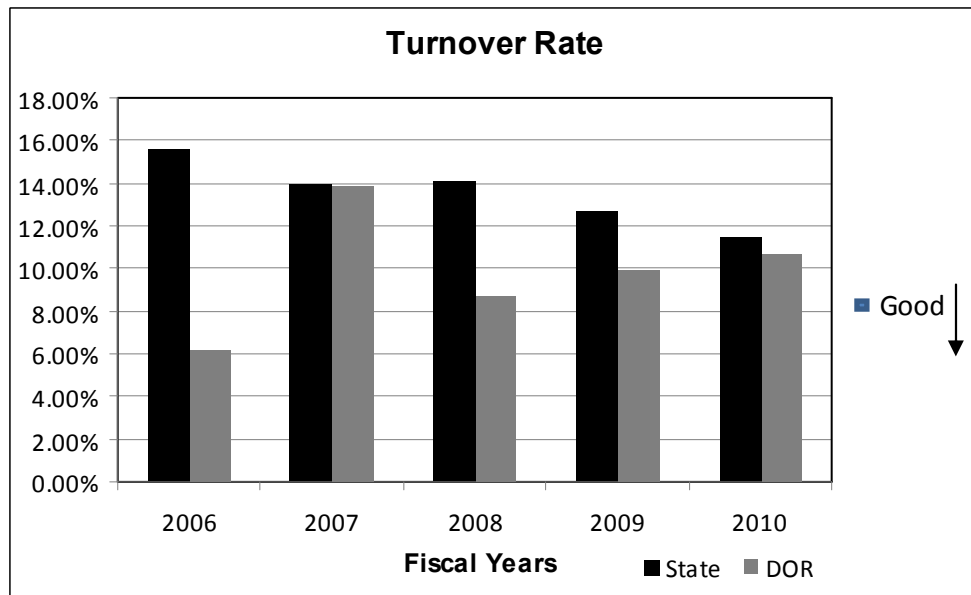


Fig. 7.4.2

Our Equal Employment Opportunity (EEO) data (Figure 7.4.3) shows the Agency’s percent of goal attainment in promoting a diverse workforce. Once again, the Department was recognized by the State Human Affairs Commission for excellent EEO rankings.

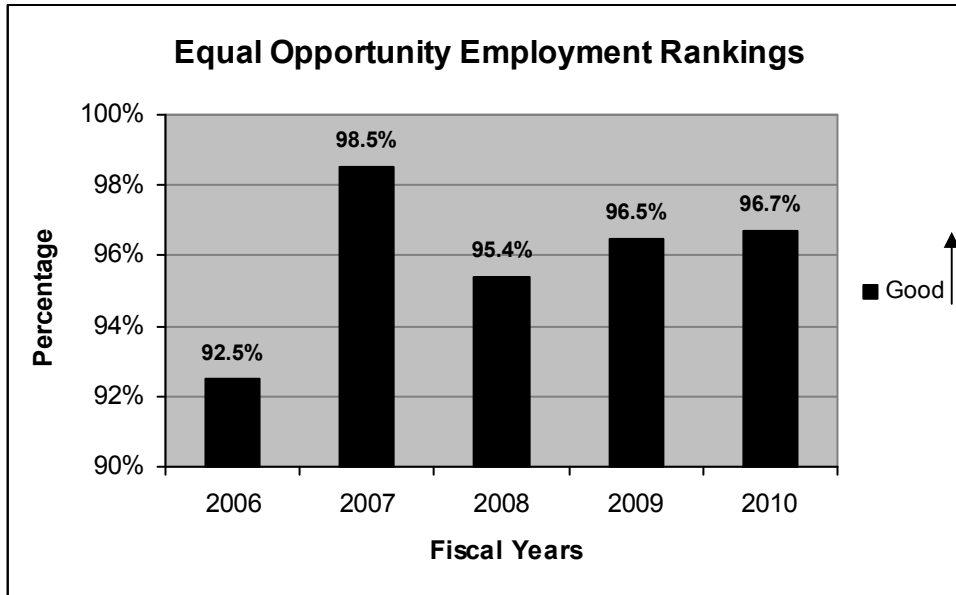


Fig. 7.4.3

7.5 Organizational Effectiveness/Operational Efficiency. The DOR is striving to increase the amount of documents that are scanned. Having more documents scanned gives employees throughout the Agency access to additional information at their desktop computer, as opposed to having to request the paper document from our Records section. The following charts indicate the increase in the number of tax documents being scanned.

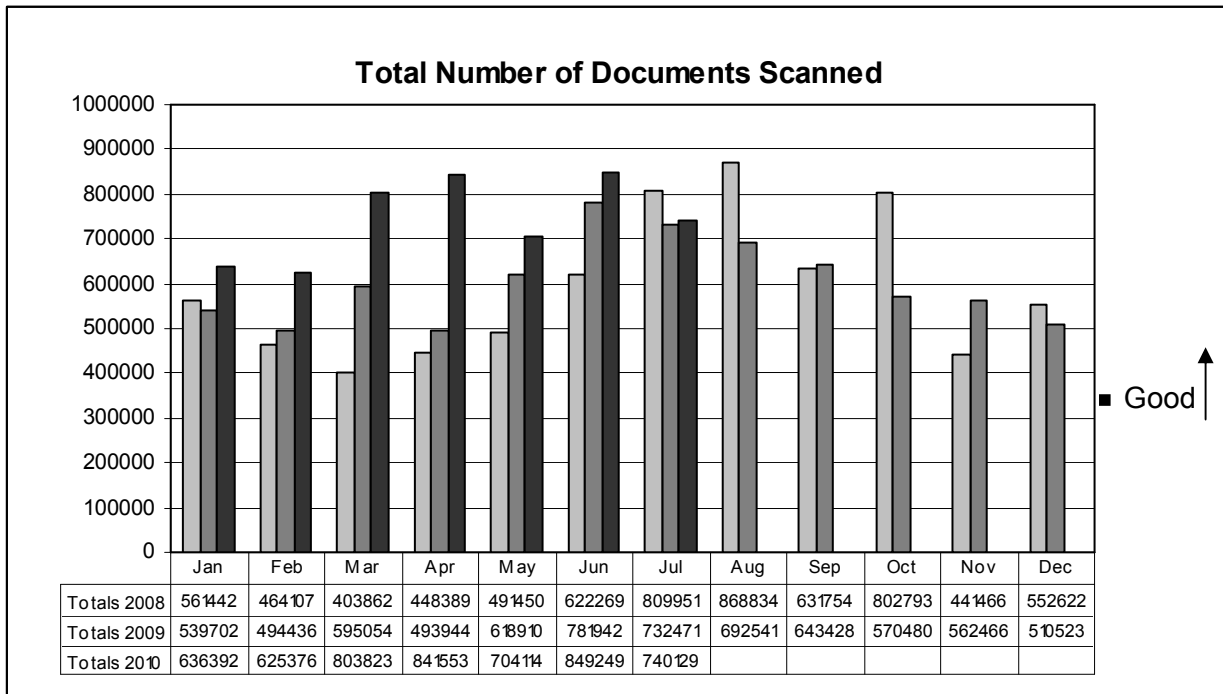


Fig. 7.5.1

As a result of over 200 process improvements in our Office Operations division, the scanning of sales tax documents significantly increased in the last two quarters of FY10. With the implementation of the “Sales Tax Two Step Process” in June 2010, sales tax returns were processed in four days as compared to seven days as in the past. In this process, returns are opened, verified and batched by one team member then immediately sent to be scanned and keyed, eliminating the middle step.

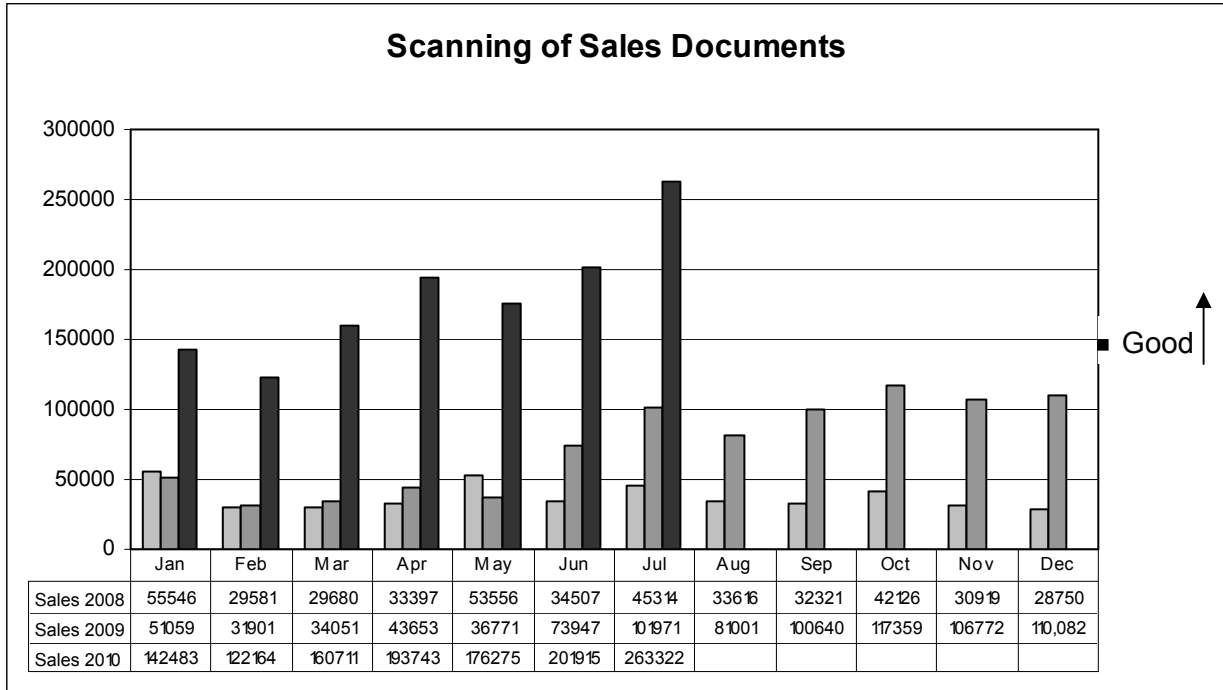


Fig. 7.5.2

By scanning more corporate tax documents this past year in the month that they were due, the following month scan totals were reduced significantly. We again exceeded the scanning volumes comparing March 2009 with March 2010. This accomplishment was due to streamlining processes and using HIT teams (teams of experienced personnel brought in during a backlog of work to help reduce the workload) to process these documents.

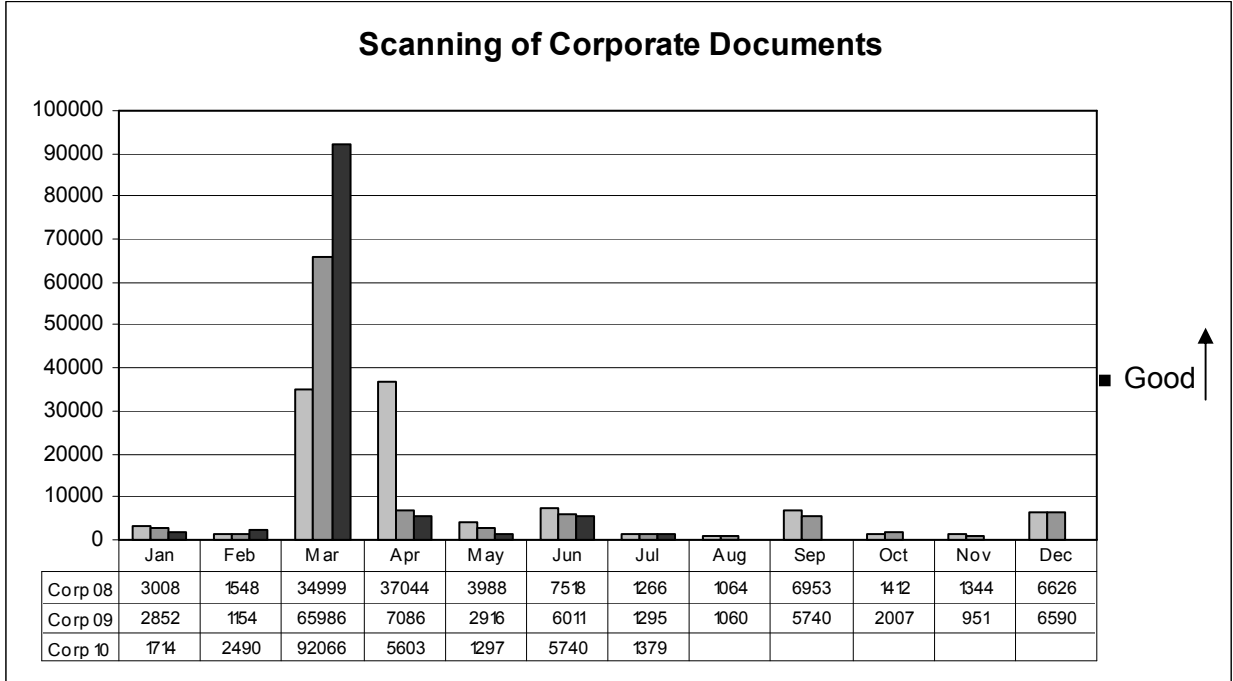


Fig. 7.5.3

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 the number of users registered in SCBOS.

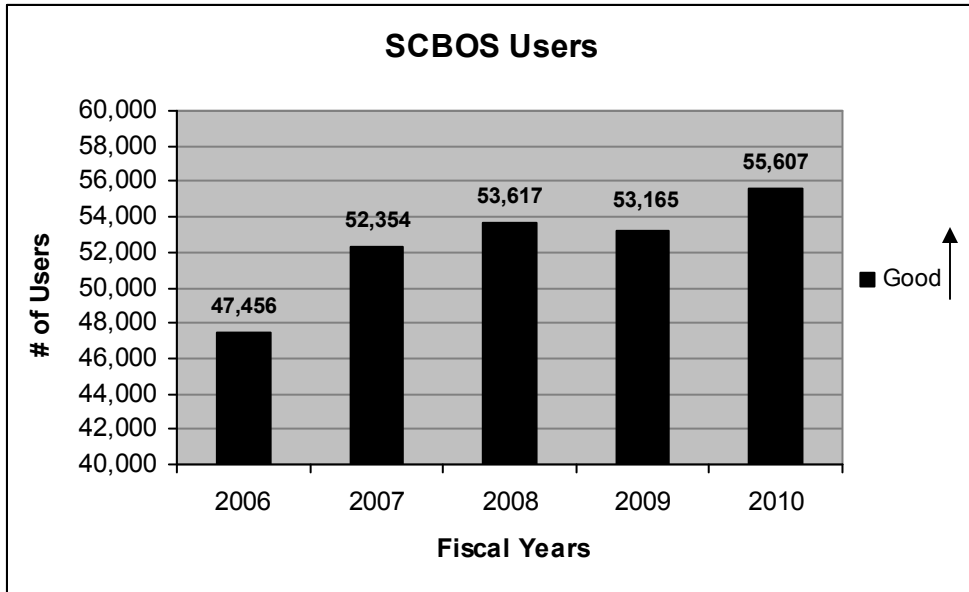


Fig. 7.6.1

The total number of new businesses approved is shown in Figure 7.6.2. In FY10, 10,923 new businesses were approved in SCBOS.

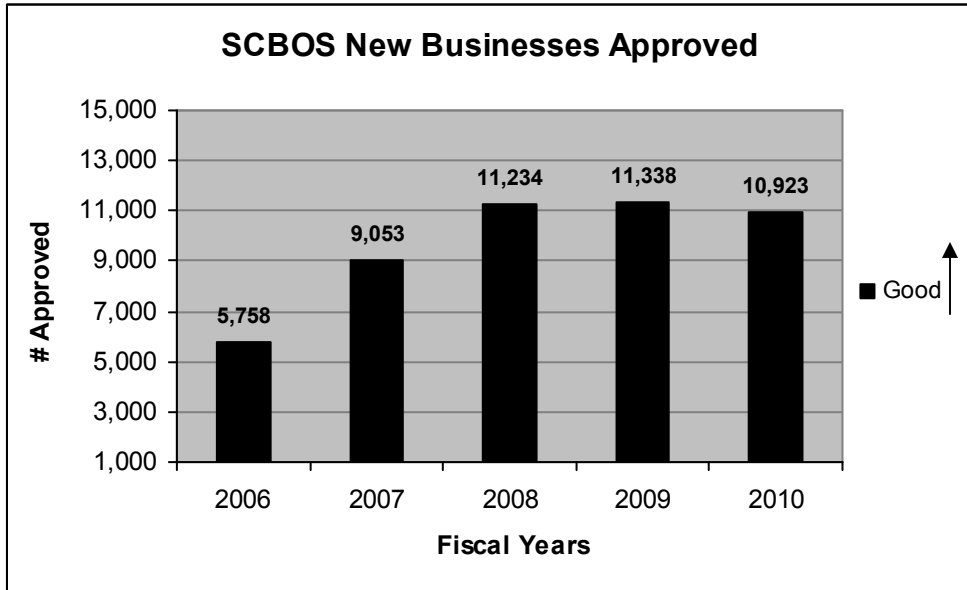


Fig. 7.6.2

Figure 7.6.3 illustrates the payments received through SCBOS. In FY10, there was \$1,769,681 in licenses, permits and registrations (LPR) payments.

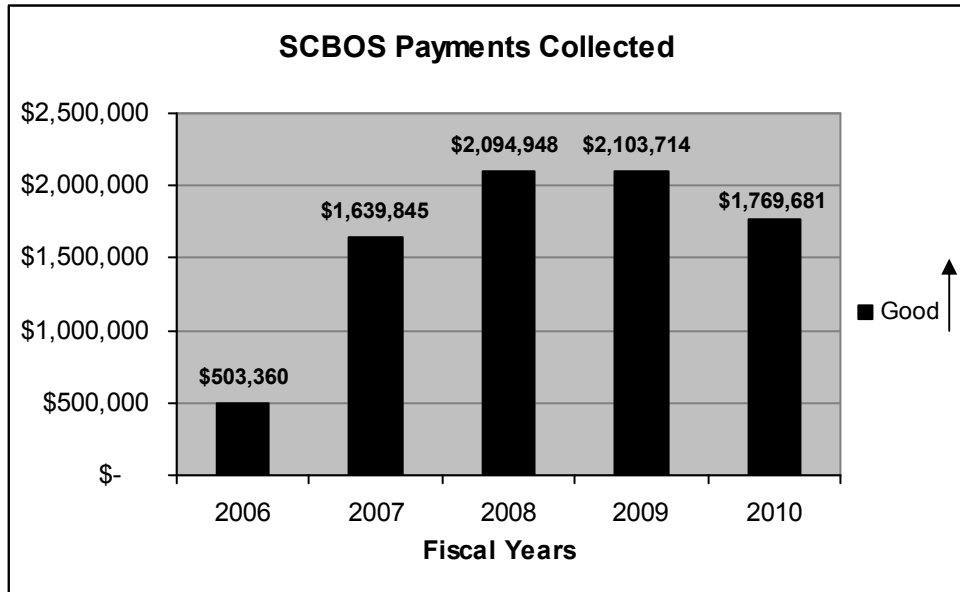


Fig. 7.6.3

We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and SCBOS programs. Over the past three years, GEAR collections have remained relatively steady. GEAR collections for FY10 amounted to \$7,445,787.

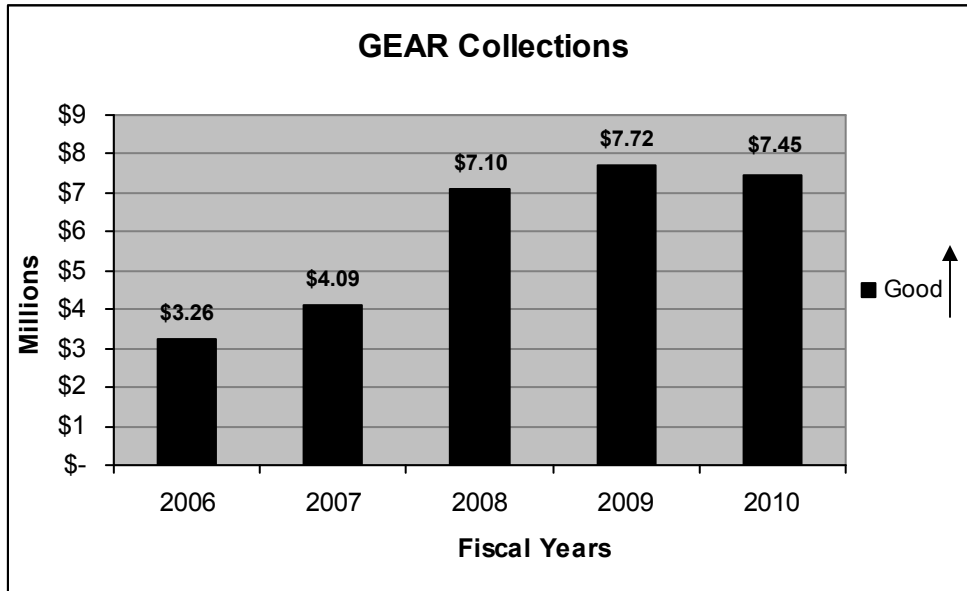


Fig. 7.6.4

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

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

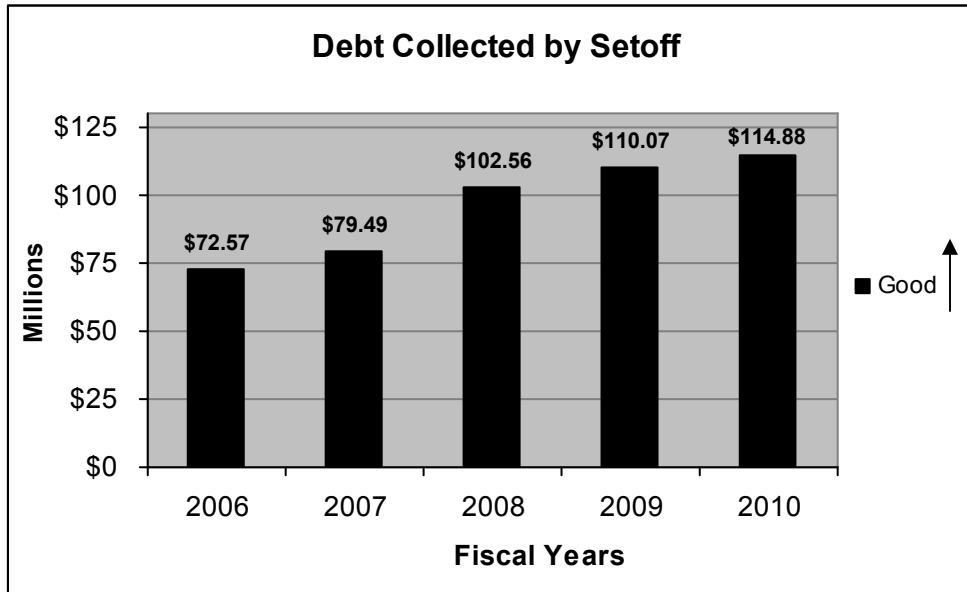


Fig. 7.6.5