

**South Carolina
Department of Revenue**

**Annual Accountability
Report**

Fiscal Year 2011-2012

**Nikki R. Haley, Governor
James F. Etter, Director**

Accountability Report Transmittal Form

Agency Name - South Carolina Department of Revenue

Date of Submission – September 17, 2012

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I. Executive Summary

I.1 Mission, Vision and Values:

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

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

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

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

In concert with our mission, the Department collects approximately 94% of the state's general fund. Total annual net collections by the Department amount to \$8.5 billion through all of our collection and enforcement activities from the 60 taxes we administer and other collection activities for which we are responsible (Figure 7.1.1, p. 48).

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 SC Department of Commerce (DOC), the DOR is closely involved in enhancing economic development in this State. The Director is a member of the Coordinating Council for Economic Development and acting Chairman of the Enterprise Program of the Coordinating Council for Economic Development.

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. Senior leadership 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 listed below:

Find Non-filers:

Use Tax Non-filers – The DOR continues to identify possible non-filers through the U.S. Customs project, collecting \$103,686 on prior assessments this fiscal year. Collections on non-filers identified through the use of U.S. Coast Guard information have totaled \$4,518 on 12 assessments. The DOR continues to obtain information from transportation companies on furniture deliveries from North Carolina into this State which resulted in \$93,625 in collections on 427 assessments during FY12. Also, through warranty information from manufacturers of All Terrain Vehicles (ATVs) and similar products, the DOR issued 1,991 assessments and collected \$384,949 for use tax on these items. Through the methods listed above and others, the DOR has collected \$587,378 on over 2,431 use tax assessments in FY12 which reflects a 20% increase in use tax collections from FY11.

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 issued individual income tax non-filer notices and assessed \$13,916,581 during FY12. Total collections this fiscal year on income non-filers were \$8,103,767.

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 FY12, the Nexus/Discovery unit registered 274 non-filers and collected \$8,719,978. Projects this year included DOR internal database crosschecks and a Department of Employment and Workforce (DEW) crosscheck, regional and national exchanges, internet research, accommodations and alcoholic beverage importers. We are focusing on in-state 1099 recipients, near-border contractors, manufacturers and franchisors.

Maintain a Data Warehouse:

The purpose of this project is to use the data warehouse technology to identify uncollected revenues which consist of taxes due from non-filers, under reporters and failure to pay taxpayers. Primary emphasis is being placed on individual income tax, sales tax, withholding tax, and collection analysis tools. In addition to the compliance component, the warehouse data is used by our business intelligence program, Business Objects, as the primary depository of data used for analysis of business forecasting, trend analysis, financial reporting, as well as supporting the legislative process by more accurately predicting the results of legislative changes impacting the tax laws of South Carolina. The Audit and Collections sections leverage the data in the Data Warehouse to issue notices and create audit cases.

In FY12, the Data Warehouse loaded data from the DOR tax systems, W2 data received from SCBOS and the DOR's individual income tax processing vendor, Death Certificate information

from the Department of Health and Environmental Control (DHEC) and data from the Internal Revenue Service among others. Most importantly, in the first quarter of FY12, the Data Warehouse became current with all of the SC Integrated Tax System (SCITS) data. The Fed/State 1040 data is now being loaded in its entirety to the Data Warehouse in a weekly refresh process. In May 2012, the Data Warehouse systems were upgraded to the newest software version. The Data Warehouse and Business Objects have begun a joint effort to identify and map corporate tax data for DOR employees to use.

Maximize Voluntary Compliance Through Fair Share Activities:

Voluntary compliance is increased when taxpayers have guidance and an understanding of how tax and regulatory laws are applied to various situations. Where alternative resolution is not possible, the Department's Office of General Counsel for Litigation will resolve disputed matters through litigation on tax and regulatory issues where there is general disagreement in the interpretation and application of statutes. During the last fiscal year, issues related to corporate income tax, tax credits and deductions, property tax exemptions and sales tax exemptions were litigated at various levels of state courts. The continued application of the legal decisions issued in previous years – Media General (combined reporting for corporate income tax) and Travelscape (attributional nexus for sales tax) is helping to obtain a more accurate measure of tax from out-of-state corporations doing business in South Carolina.

Carmax Auto Superstores West Coast, Inc. v. South Carolina Department of Revenue; Opinion 4953 – Filed March 14, 2012, petitions for rehearing pending. Note: Use of Alternative Apportionment Method under SC Code Ann. 12-6-2320

This is the first appellate case since Media General to address alternative formulas for apportioning income of multi-state corporations and is significant to the Department's continued efforts to ensure that out-of-state taxpayers doing business in South Carolina pay a fair tax on income earned within the state.

Emerson Electric Co. v. SC Department of Revenue, 395 S.C. 481, 719 S.E.2d 650 (2011) Note: Matching Deductions and Income

The South Carolina Supreme Court upheld the “matching principal” which generally provides that where income is taxable in South Carolina, expenses incurred in generating that income may be matched against it as a deduction for state income tax purposes. The converse is generally true – where income is not taxable, expenses incurred in generating that income may not be matched against unrelated income as a deduction. Because the taxpayer's income was not subject to South Carolina tax, the Court disallowed the taxpayer's interest expenses incurred in generating such income as a deduction. Allowing the deduction would have violated the matching principal.

Hampton Friends of the Arts v. South Carolina Department of Revenue, Docket No. 10-ALJ-17-0538-CC (2011), appeal to South Carolina Court of Appeals pending. Note: Determination of Tax Exemption for Real Property Owned by Tax Exempt Entity

Hampton Friends of the Arts (Hampton) is a not-for-profit corporation that purchased real property in March of 2008. On October 27, 2008, Hampton submitted an application to the Department for exemption from property tax under SC Code Ann. 12-37-220(B)(24). The

Department approved the application prospectively for 2009 taxes but denied tax-exempt status for 2008 because the taxability of property is determined on December 31 of the year preceding the tax. On December 31, 2007 – the year preceding the 2008 taxes – the property was owned by a private person and not used for public, tax-exempt purposes. The taxpayer appealed to the ALC asserting that when it acquired the real property in March of 2008, the property immediately became tax exempt and no longer subject to taxation. The taxpayer further argued that since the 2008 property taxes were not payable until September of 2008, the taxability of the property can change and become non-taxable at any point prior to property tax bills being issued. The ALC upheld the Department’s denial of the tax exemption with observation “[s]ection 12-37-610 explicitly states that it is the owner on December 31 of the preceding year that is liable for property taxes for the ensuing tax year. Because ownership on December 31 determines liability for property taxes, logic dictates that such date also determines the taxability of the property. The real property at issue was not tax exempt on December 31 of the year preceding the tax so it was not tax exempt for 2008 property taxes but did enjoy an exemption for 2009 taxes.

South Carolina Administrative Law Court, Field House Properties, LLC v. South Carolina Department of Revenue, Docket No. 11-ALJ-17-0430-CC (2012), appeal to South Carolina Court of Appeals pending. Note: Subdivided real property not exempt as “inventory”

Fieldhouse Properties, LLC (Fieldhouse or Taxpayer) purchased a parcel of undeveloped real property near the University of South Carolina football stadium to develop as a parking lot. The taxpayer paved the parcel and then subdivided it into approximately 99 parking spaces, which the taxpayer then began to offer for sale. In 2008, the county issued a real property tax assessment to the taxpayer for the 55 parking spaces that remained unsold. Although it paid the tax, the taxpayer disputed the assessment under the premise that SC Code Ann. 12-37-220(B) (30) exempted the unsold parking spaces from tax as “inventory” and filed a claim for refund. After the Department denied the refund, the taxpayer appealed to the ALC and the ALC upheld the Department’s denial of the refund, determining that “inventory” refers to tangible personal property and not to subdivided real estate.

Increase Enforced Collections:

For FY12, the Agency continued its efforts to increase enforced collections. In previous years, the emphasis was on all enforced collections. This fiscal year, as directed in SC Proviso 90.21, the DOR specifically focused on collecting outstanding liabilities owed to South Carolina by out-of-state (foreign) taxpayers. This effort included, but was not limited to, corporate, individual or sales tax collections, but especially dealt with enforced collections and outstanding liabilities. The DOR was expected to collect \$53.8 million over a base collection amount of \$45 million in foreign collections. The total collections target was \$98.8 million to meet the threshold amount and the expected increased enforced collections. An important component of this initiative was to reallocate personnel to concentrate on out-of-state taxpayers to bolster compliance.

The total increased foreign enforced collections exceeding the \$45 million threshold for the year was \$48,865,512. Foreign collections this year totaled \$93,865,511. The total of all enforced collections in FY12 was \$601,068,946. That was an increase of \$54,058,956 over FY11, or 9.8%.

Drive One-Stop Business Registration:

The goal of the SC 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 the goal of simplifying electronic registration of businesses (Figures 7.6.1-7.6.3, pp. 58-59). Below is a listing of some of the accomplishments achieved in FY12:

- Provided South Carolina businesses an internet-based solution for submitting to the DOR a copy of the W2s issued to employees as part of the annual filing requirement. Fifty-two percent of businesses are using SCBOS to file their W2s, and these businesses account for 84% of all employees with W2s.
- Completed a series of work requests to improve and update the alcoholic beverage license process within SCBOS. These work requests stemmed from legislative changes to the licensing process and the need for updates in response to the DOR’s new tax system.
- Created a portal for the Department of Employment and Workforce (DEW) to allow employers to respond to questions regarding wage information. The portal connects SCBOS users to the DEW’s Internet Response Module (IRME) Application. Before reaching the IRME application, the employer will authenticate with SCBOS, submit their DEW account number and PIN, and then access the IRME application to perform wage submissions.
- Assisted the Department of Consumer Affairs with their Fall 2011 renewals. The project required assistance in communication to businesses.
- Analyzed requirements on future projects such as replacing the DOR’s eSales, ePay and eWithholding applications with expanded versions and a modern user interface through SCBOS. Also analyzed the SCBOS Payment Warehouse project. This project will allow the user to schedule a payment for a certain amount to be filed on a certain date.
- SCBOS is accountable to the SCBOS Executive Committee that meets quarterly to review the status of SCBOS projects and assist in program direction. SCBOS continues to maintain a high level of public satisfaction with the scbos.com website. Over 93% of users responded “yes” to the checkout survey question “Would you use this online service again?”

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, our website and by partnering with outside organizations to provide a helpful and friendly taxpayer education program.

The DOR continues to offer the following free workshops: Sales Tax Forms Workshop, Basic Withholding Tax Workshop, Basic Corporate Tax Workshop, and new in FY12, the Advanced Corporate Tax Workshop. The Sales Tax Forms Workshop, Basic Withholding Tax Workshop and the Advanced Corporate Tax Workshop are also available as a webinar. The webinar allows taxpayers from across the state and country to attend the class without leaving their computer. Forty-three percent of our Sales Tax Forms Workshop participants and 54% of our Basic Withholding Tax Workshop participants attended via webinar in FY12.

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Fee-based seminars are offered for more in-depth training in sales and use tax and are geared toward specific industries. Seminars were held this fiscal year in the areas of Manufacturing, Government and Municipalities, Accommodations, Agriculture and Educational Institutions.

The 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 Workshops.

The DOR provides speakers upon request by a group or association. This fiscal year, the DOR provided speakers for 16 different organizations (18 class sessions) with over 781 taxpayers in attendance. Some of the organizations included: Carolinas Tax Professionals Forum, SC Society of Accountants, SC Shooting Range Association, Volunteer Income Tax Assistance Program, the Medical University of South Carolina and Winthrop University.

Below is a listing of workshops held in FY12, the total number of classes held and the total number of attendees.

Workshop:	# of classes:	# of attendees:
Sales Tax Forms Workshop	22	221 (94 via webinar)
Withholding Tax Workshop	5	93 (50 via webinar)
Corporate Tax Workshop	3	44
Advanced Corporate Tax Webinar	2	8
Sales & Use Tax Seminars	6	200
Clemson Income Tax Workshop	6	1,227
Job Development Credit Seminars	6	106
Small Business Tax Workshops	40	273

Initiate Release Two of the SC Integrated Tax System:

The SC Integrated Tax System (SCITS) is a major, multi-year project to completely replace the existing aging computer system with a modern, state-of-the-art integrated tax system. The first two installments of SCITS were released in FY09, followed by additional installments in FY10. Planning for Release Two of SCITS, which will include the processing systems for revenue accounting, collections, property tax, miscellaneous taxes, individual income tax and corporate tax, began in FY12.

The project plan for Release Two was approved and many infrastructure upgrades were completed. The first installment of Release Two, a system to process bad checks, is on track for an October 2012 “go live.” A system to process business refunds is also underway.

Coordinate Alcoholic Beverage Licensing (ABL) Issues with Law Enforcement:

The DOR works closely with the State Law Enforcement Division (SLED) on alcoholic beverage licensing and license violations. SLED agents inspect locations requesting to sell alcoholic beverages and also issue alcohol violations against licensees that are not complying with the law. The goal of this project is to increase communication between the two agencies.

Licensing information is passed between the SLED and the DOR through the ABL/SLED Automated Processing (ASAP) System. One way the DOR and the SLED are improving communication is by making continuous updates to the ASAP. Work was also completed to allow the SLED, among other agencies and taxpayers, to view alcoholic beverage licensing information via the DOR website, www.sctax.org. The information provided includes, but is not limited to, the name of the licensee, their business address, what type of license(s) they hold, and when their license(s) expires.

The addition of eight SLED agents has not only improved communication between the SLED and the DOR, but has increased the number of alcohol license violations issued. In FY12, the DOR processed 437 ABL violations.

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. In FY12, the website team and special "author" groups within the Agency (groups that are responsible for maintaining specific pages within the website) continued to ensure the accuracy of the content on the DOR website.

In addition, the sales and miscellaneous tax sections of the website have been reformatted for better usability and are currently being maintained and updated by their respective sections. Since the project began, the withholding tax, property tax, alcoholic beverage licensing, sales tax and miscellaneous tax web pages, among others, have been redesigned. Training will continue to be offered to new personnel in the author groups to insure that they are able to maintain their page.

The website team along with the Agency's Information Resource Management Division (IRM) heard search engine presentations on different products in the fourth quarter of FY11. Google Mini Search Engine was chosen and installed. The search engine was tested and was integrated on the DOR website in the first quarter of FY12. Taxpayers have greatly benefitted from the use of the tool.

The Department's IRM Division is working on the SharePoint 2010 conversion for the internal DOR website. This conversion may ultimately be used as a proof of concept for the redesign of the public DOR website, www.sctax.org. With this new development, the author groups were tasked with deleting "behind the scenes" information that is no longer used. Doing this work in advance will make the move to a new website much smoother and insures only pertinent information will be used. The website project team plans to maintain a standing committee to monitor and assist the DOR sections in managing their website pages for years to come.

Consolidate the DOR Columbia Offices:

The DOR has been operating at two main locations in Columbia (the Columbia Mills building on Gervais Street and the Market Pointe location on Bush River Road) since 2006. Consolidating the two locations not only will save in rental costs, but will improve efficiency throughout the Agency. The goal is to move all employees at the Columbia Mills building to Market Pointe.

The lease on the additional space at Market Pointe was signed in August 2011. The landlord was given the final drawing of plans and a contractor was hired by the landlord. Construction of the first phase was completed in the second quarter of FY12. The first move of employees occurred in January 2012. Tax returns stored in the DOR records warehouse were imaged to allow the start of remodeling of the area into office space. The second move of employees into the remodeled warehouse space occurred in April 2012.

While work on the third phase of construction was delayed due to the move of Hamrick's department store, the fourth phase began in the third quarter of FY12. The Department of Corrections was utilized to build cubicles in the area and the first group of employees in this phase moved in early July 2012.

Work began in the vacated Hamrick's area in June 2012, with an approximate completion date in late September or early October of 2012. The move and construction have not created an impact on the taxpayer services the Department offers in either office. Completion of the offices consolidation is planned for November 2012.

Expand the Use of Image and Data Capture:

The DOR is striving to increase the amount of documents that are scanned. Our scanning numbers continue to grow as more of our returns are moved to the scanning and/or imaging process. 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. Scanning also significantly reduces the amount of time returns are processed by eliminating the need to work and rework documents. Below is a list of some of the projects the DOR is working on to expand the use of image and data capture:

Increase the volume of returns/documents that are casually scanned – With the increase in the amount of items that need to be casually scanned, the decision was made to investigate how to incorporate the casual scanning process into the DOR's four high-speed Scan Optics Scanners. The existing casual scanners (three in our Records section and one in our scanner room) are starting to show their age and cannot keep up with the increase in casual scanning demand. Efforts in this area slowed some in the fourth quarter of FY12 as other projects and fiscal year-end processing took priority.

Research and review options to allow for the scanning of 2d barcode returns on the Scan Optics high-production scanners – Information was received from the DOR's scanning vendor on the possibility of scanning 2d barcode tax returns on the Scan Optics high-production scanners. The cost for scanning corporate 2d barcode tax returns was higher than expected and additional justification will be needed to determine if this process is a viable option. Partnership returns are manually intensive which results in backlogs and rehandling of the returns. Ninety-four and one-half percent of the partnership returns have no tax liability. A decision was made to go forward with the request to have partnership returns scanned due to the lower cost and increase in benefits for the Agency. Scan Optics is currently working with the Department's Information Resource Management (IRM) Division to allow us to scan all partnership returns (2d and non-2d returns) on our four high-speed scanners.

Research the options for adding Check 21 to the scanned check process – Check 21 is the check processing for the 21st century. It is the electronic transmission of both the check image and data to the bank. Research on this process was completed and we are working on the detailed requirements with Scan Optics and Bank of America. Due to the need for additional infrastructure, the IRM Division estimates it will be the first quarter FY13 before this requirement can be delivered. In the meantime, other aspects of this project which include the capability to scan and process all checks using the high-speed scanners are underway.

Outsource the processing and imaging of tax year 2010 and 2011 paper individual income tax returns – This process is in full swing with the outsourcing vendor currently processing 2010 and 2011 paper individual income tax returns. To date, the vendor has processed approximately 330,164 returns with a less than 1% error rate. Refunds for paper returns are being issued within 17 days of receipt when there are no errors on the return. Currently, we are finalizing the requirements to outsource the processing and imaging of 2012 returns as well.

I-Warehouse (Warehouse Imaging job) – In FY12, the I-Warehouse job, a job to allow the imaging of partnership, fiduciary, corporate, individual income and amended individual income tax returns, was added to our production scanning process. This job eliminated the need for our on-site warehouse space, but more importantly gives employees the capability to access the images at their desktop.

Improve Performance Measurement Systems and Processes:

Each year, performance measures and objectives from the prior year are reviewed to determine the ongoing need to report them. The FY12 Annual Business Plan was completed and new objectives were identified. Our business intelligence tool, Business Objects, provides up-to-date data for analyzing agency performance in reaching these objectives.

The Audit Performance Dashboard created this fiscal year includes information for assessments, collection amounts and cases closed by domestic field and foreign auditors by each DOR district. The Tax Tracking System Dashboard was created and displays the average number of days spent processing returns by tax type. The Alcoholic Beverage License Dashboard was placed on the DOR website for taxpayers and law enforcement to retrieve alcoholic beverage license information by license type, city and/or county. Viewing the information in the dashboards eliminates the calculating and keying of the information into the standard performance measure report format.

Other reports created in Business Objects in FY12 were:

- **Increase Enforced Collections Reports** – A series of reports displaying collections data for the agency objective “Increase Enforced Collections.”
- **SCBOS Statistics Report** – Additional taxpayer entity data was added to the SCBOS Statistics report displaying the number of DOR transactions completed through SCBOS.
- **Weekly GEAR Report (Government Enterprise Accounts Receivable)** – A report that enables the Agency to closely monitor GEAR collections broken out by GEAR participant account.

In addition to internal requests for data and reports, the Agency receives special data requests from the Governor's Office and members of the legislature. The following reports were created in Business Objects in response to special data requests.

- **Individual Income Tax Returns Received by Federal Taxable Income Tax Brackets** – requested by the Governor's Office
- **Corporate Data Report** for the Board of Economic Advisors
- **Pie Charts displaying state revenue and expenses** for publication on the DOR website. (Completed in the 1st quarter of FY13.)

Streamline Office Operations Business Systems, Processes and Performance:

The Agency's Office Operations Division underwent a reorganization to streamline processes and workflow. Interviews and meetings were held with both management and work sections to gather data and ideas on how the division could improve the performance of duties and responsibilities. A new organizational structure was formed with the expansion of three sections, the merging of two sections and the creation of two new sections, Office Operations Support Section and an Administrative Support Section.

Our annual customer service survey, conducted and analyzed by the University of South Carolina, found a 94.6% satisfaction level for the amount of time it took to receive a state income tax refund check (Figure 7.2.3, p. 52). This remarkable statistic is due in part to the implementation of over 160 process improvements in the Office Operations area alone by both frontline employees and management. Some of the improvement projects were:

- Office Operations worked with the Information Resource Management (IRM) Division to build reports and dashboards in Business Objects. These reports will assist the division in identifying areas for improvement.
- Six teams graduated from the Agency's Process Improvement Program in FY12. The teams identified a work problem, flowcharted the process, gathered data and brainstormed solutions. The teams, along with management, are reviewing all solutions to determine what can be implemented.
- Four teams from the FY11 Process Improvement Program worked on new projects this fiscal year. They are presenting recommended solutions to their problem in July 2012.
- Office Operations worked with the IRM and Collections Divisions of the Agency to generate a document to accompany warrant and levy payments that is easier to process than the previous method. Procedures have been prepared and distributed through SharePoint to educate employees on how to use the document.
- Many sections in Office Operations worked to streamline frequently used form letters by rewriting and updating them. The letters were made available electronically so that all employees will have access to the same letter and version.

Office Operations continues to look at processes from section to section to determine any changes needed to reduce rework and errors. Meetings occur monthly to review processes by tax type.

Increase Electronic Filing for All Tax Types:

Through marketing and communications with taxpayers, taxpayer representatives and preparers, it is the DOR's goal to encourage the use of electronic services for both the filing of tax returns

and payments made to the DOR. With our electronic filing and payment methods, the opportunity for errors is reduced and the return and money are processed immediately.

Currently, a paper return can be passed through six sections in the Office Operations area of the Agency. An electronic transaction is processed automatically with some additional review by one section in the Agency. The Department is constantly identifying not only any enhancements or modifications needed for existing electronic options, but also identifying additional returns and/or payments that may be moved to electronic options.

The percentage of returns filed electronically continues to grow. ESales in particular, has steadily increased over the past two years (Figure 7.5.1, p. 56). This increase is in no small part due to the Agency's FY11 decision not to mail sales tax booklets, but instead encourage electronic filing.

The Department continues to be a leader in the percentage of individual income tax returns received that are filed by electronic/non-paper methods. The latest available information (April, 2012) from the Federation of Tax Administrators (FTA) placed South Carolina tied for seventh in the nation. South Carolina's percentage of 88% is a 2% increase from FY11 (Figure 7.1.2, p. 48).

In total, electronic collection processes have allowed the Agency to collect an average of 81% of tax dollars electronically, a 3% increase from FY11 (Figure 7.3.3, p. 54). Due to the major strides in the promotion and increase of electronic filing, the DOR reduced deposit opportunity cost dollars to \$15,571 in FY12, a decrease of 12% over the past year (Figure 7.3.2, p. 53).

Special projects to increase electronic filing are listed below:

Provide an electronic method for employers to file W2s – Through the SCBOS W2 portal, South Carolina employers are now able to enter employee W2 data online and/or upload files into the system. Fifty-two percent of businesses are using SCBOS to file their W2s, and these businesses account for 84% of all employees with W2s.

Develop business justification and requirements for upgrading the eSales electronic filing system – Business requirements and research were completed this fiscal year for upgrading and enhancing the eSales electronic filing system. The new eSales application is currently being developed jointly by the DOR and SCBOS, and will eventually be housed through SCBOS. The new application will be available by Spring 2013.

Increase the number of Federal/State individual income tax and corporate tax vendors along with vendors for 2d barcode for corporate, partnership and individual income tax filings – The Agency's E-Commerce Project Coordinator and the Electronic Services section work closely together to test and approve vendors for our Fed/State programs and also our 2d barcode return filings. The more vendors that offer these services to taxpayers, the more returns the Department receives electronically. The Agency saw a tremendous increase in 2d barcode returns for individual income tax this fiscal year. We received 151,377 2d barcode individual income tax returns from January 1, 2012 to June 1, 2012, which is 47% of our paper returns.

Grow the Agency's Free File Alliance Partners – Free File Alliance participation has declined over FY12, which seems to be a national trend. Regardless, with the recent addition of H&R Block, our numbers still exceed most other states. Our current Free File Alliance Partners are:

- H&R Block;
- TaxSlayer;
- Intuit TurboTax;
- TaxHawk;
- OnlineTaxes; and
- 1040Now.

Replace Information Technology Contractors with Full-Time Employees:

During the past seven years, the DOR's Information Resources Management (IRM) Division has absorbed support for two entirely new DOR programs, the SC Business One Stop (SCBOS) and the Data Warehouse Tax Audit and Collection System (DW) primarily through the use of expensive external contractors. The goal of this objective is to replace 29 contractors with full-time employees resulting in net ongoing annual savings upon full implementation as follows:

- SCBOS - \$830,000
- Data Warehouse / Business Objects - \$850,000
- SCDOR General Systems Support - \$75,000

Sixteen of the 29 positions have been filled. The Agency is actively recruiting to fill the remaining positions. Hiring has been made more difficult by significant turnover of IRM personnel with a total number of outstanding IRM positions at 28, which includes the 13 remaining contractor positions to be filled.

Shorten Collections Timeline Using Trackable Matrix:

Successful collections are directly related to how quickly an account is worked. It is important to get an account to a DOR Revenue Officer as soon as possible so work can begin. For this reason, the collections timeline was reviewed this fiscal year to determine how to shorten the time it takes for an account to be assigned to a Revenue Officer.

Flowcharts were created to show the collections aging process for taxes administered through the Agency's various processing systems. After reviewing the current collections timeline, it was determined that the aging process could be reduced.

A work request has been submitted to shorten the time by 15 days between the date the bill is assessed and the date the bill goes to lien status. Additional work requests have been created to reduce the number of days between the date a Failure to File Notice is issued to when a Notice of Proposed Assessment is issued for sales, withholding and miscellaneous taxes.

Implement the Issuance of Debit Cards for Individual Income Tax Refunds:

Each tax year, the DOR issues paper checks to taxpayers who opt not to receive their individual income tax refund electronically. Beginning in FY12, (tax year 2011) the DOR is taking advantage of our Agency and bank's services to provide to taxpayers who paper file, the option

of receiving their individual income tax refunds by debit cards or paper refund checks. Some benefits of this program include:

1. Reducing the number of paper checks purchased, generated and mailed for tax year 2011 by approximately 56,000 with a cost savings to the SC Treasurer's Office of approximately \$3.00 per check or \$168,000. The DOR currently issues 700,000 individual income tax refund checks.
2. Provides taxpayers another option for receiving individual income tax refunds.
3. The transfer of taxpayer support for lost or returned debit cards from DOR to the vendor bank.

Marketing materials, to include the card carrier itself, web pages on both the DOR and Bank of America websites, and public service announcements were prepared to educate taxpayers about the debit card refunds. Software was tested at the DOR, the SC State Treasurer's Office, the SC Comptroller General's Office and Bank of America to insure a smooth procedure. Training materials were created for both the DOR and Bank of America employees.

The first issuance of individual income tax (IIT) refund pre-paid debit cards occurred in February 2012. By default, taxpayers who did not opt out to receive a paper check or electronic refunds received a debit card. Taxpayers still had the option of requesting a paper check. The DOR and Bank of America monitored feedback throughout the program. On-going adjustments will be made based on taxpayer feedback.

Through June 30, 2012, a total of 74,422 card requests have been sent to Bank of America. Bank of America has handled 18,782 phone calls for the DOR IIT Refund Pre-Paid Debit Card.

Strengthen Knowledge of Leadership Best Practices:

During FY11, the Leadership Program for the DOR was re-established. In FY12, the program grew into two tracks: 1) a track for current supervisors/managers and 2) a track for lead workers/high potential employees. Successful completion of this program requires attendance of eight class sessions, a written paper on the participant's implementation of the skills learned in the program and a small-group presentation to management on one of the topics covered during the course. Early in FY12, management nominated employees from their respective areas to participate in the Leadership Program. Nineteen supervisors were selected to participate and all graduated from the program. Some of the topics taught in the program include: the Basic Principles of Leadership, Providing Constructive Feedback, Developing Others, Giving Recognition, Speaking to Influence Others, Listening, and Identifying and Managing Priorities.

In addition to the DOR Leadership Program, employees (mostly supervisors) attend both the Associate Public Manager (APM) and Certified Public Manager (CPM) Programs offered through the SC Office of Human Resources. The APM Program is designed to help employees acquire the skills and knowledge they will need to be successful supervisors in today's changing workplace. New supervisors at the DOR participate in this program. Often, lead workers in the Agency attend applicable APM courses, such as the Coaching and Focus (time management) courses. In FY12, eight lead workers attended courses in the APM Program. In FY12, nine DOR supervisors enrolled in the APM Program and received their certifications.

The CPM Program provides quality training for public administrators, to assist agencies in developing future leaders and to recognize management as a profession in the public sector. The CPM Program promotes on-the-job application of learning, gives participants experience in solving agency problems, develops human resources and encourages networking with CPM graduates in other state agencies.

During the first quarter of FY12, the DOR selected six members of management to sponsor in the CPM (Class of 2013) program. As these six continued their 18 month developmental journey, during the fourth quarter of FY12, the DOR also selected three new members of management to sponsor in the CPM (Class of 2014) program. Additionally, the DOR is proud to have one graduate in the CPM class of 2012.

Increase Process Improvement Expertise:

FY12 marked the second year of the DOR Process Improvement Program. This program is a series of seven classes designed to facilitate DOR work teams through the “Seven Step Problem Solving Method.” Teams gain knowledge of various process improvement tools and ultimately, implement or recommend a solution to make a DOR process more efficient and customer-focused. In FY12, seven teams comprised of 47 DOR employees participated in and graduated from the Process Improvement Program. These teams were both cross-sectional (multiple sections of a DOR division) and cross-divisional (multiple divisions across the DOR).

The teams attended an Orientation session where a brief overview of the program was given and presentations were made on the process the team was working to improve. A “Kickoff” class was held next where the teams began by defining their problem and writing a problem statement. Other classes held were Flowcharting, Cause Analysis, Data Collection, Interpreting Data, Solution Analysis, Plan Do Check Act/Presentation Preparation (a class focused on the Plan, Do, Check, Act cycle and assisting the teams with planning for their final presentations to Management) and finally Graduation, which included their presentation.

The Training Department continues to work with graduating teams from both FY11 and FY12 by scheduling process improvement “checkpoint” sessions where report outs on the teams’ status are given and additional “tools” or topics are discussed to assist the teams with their needs during the process.

During a fourth quarter management meeting, a presentation was given to rollout the third round of the Process Improvement Program. Our hope is to continue expanding the teams to “cross-divisional” members so that processes can be streamlined across the agency and not just in individual sections.

Enhance Employee Customer Service Skills:

In the first quarter of FY12, employees of the DOR’s Training Department met with Agency management to assess DOR employees’ current customer service skills. The plan was to conduct training to insure excellent customer service was being given to the taxpayers of South Carolina. Discussions were held to identify particular needs and to determine an agency-wide customer service training plan.

During these discussions, it was determined that providing customer service over the telephone is a primary part of most DOR employees' daily job functions. Employee interactions via that medium play a critical role in ensuring the Agency provides stellar customer service. Therefore, developing a telephone skills course became the initial training focus. An Essential Telephone Skills course was developed using materials based on the customer service program, The Telephone Doctor, Inc. The course teaches employees how to effectively answer, handle and route calls in a manner that provides excellent customer service, while leaving a professional and positive lasting impression with our customers.

In addition to The Telephone Doctor, Inc. material, specialized DOR topics included: basic information on the Agency's new Voice Over Internet Protocol (VoIP) phones, best practices/procedures for when and how to transfer calls internally and best practices/procedures for handling irate callers. The Essential Telephone Skills course continues to be offered on a quarterly basis.

In FY12, a total of 33 Essential Telephone Skills class sessions were held with a total of 427 employees attending. Development has begun on the next customer service course which will focus on email etiquette and policy.

Intensify Workforce Planning and Succession Planning:

With approximately 44% of DOR's workforce having less than 5 years of service and approximately 30% of the workforce with greater than 21 years of service, it is vital that knowledge is transferred and job duties, tasks and procedures are documented. Workforce planning initiatives will focus on planning for the loss of expertise and development of new and seasoned employees by documenting job duties, tasks and procedures through job tasks analysis and the development of "On-the-Job" training manuals. Succession planning efforts will focus this year on senior management positions and other key management positions, as identified in the planning process.

Seven job task analyses have been conducted this fiscal year, one for the Office Operations Division and six for the Support Services Division. The goal is to do a job task analysis for each employee of Support Services and additional job task analyses are scheduled for next fiscal year.

The Structured OJT (On-the-Job Training) course helps employees develop a more structured approach to the way they train new employees on the job. In this course, participants learn how adults learn and how to create effective training materials for on-the-job learning. To ensure application of the knowledge obtained, each participant must develop a training manual on a topic that they will use when training other employees on the job. This course is a suggested requirement of most agency Career Development Plans. Participants are nominated by their supervisor to attend this course. The goal of the Training Department is to hold two Structured OJT classes each calendar year.

Beginning with the October 2011 OJT class, all participants' manuals will be submitted electronically. A SharePoint site was created to house the electronic manuals. This process will not only save resources (binders, paper, time), but also make the manuals more accessible to DOR employees. In the fourth quarter of FY12, the new Structured OJT SharePoint site was "rolled out" to DOR. Currently, all OJT manuals are available electronically on the site.

In FY12, two OJT classes were held with a grand total of 38 employees. Forty-one OJT manuals have been submitted. (Nine of these manuals were submitted from attendees of the Spring 2011 classes.)

The Director prioritized the need for succession planning with senior leaders of the Agency. A structured process was developed that involved a questionnaire and individual interviews with each Senior Administrator on succession planning within their division, including the senior leadership of the division. Report-outs were given to the Director. This process made it clearer where more urgent planning and development efforts need to be made to ensure smooth transitions of leadership over the next few years.

Benchmark Meaningful Employee Recognition Options:

Meaningful employee recognition has been integrally linked with increased employee satisfaction and retention. The goal of this project is to improve the DOR's employee recognition program. The current Star Employee Recognition Process was reviewed in the first quarter of FY12. The DOR's Human Resources Consultant shared some of the statewide recognition best practices and contacted other similarly sized state agencies to get ideas from their recognition programs. Suggestions from DOR employees were gathered as well. From the ideas collected, new recognition efforts were put in place. The following awards are part of the improved employee recognition program:

- **The Director's Award** – The Director has two awards in addition to the Shining Star Award. The top award is the Director's Award for Excellence, given to those individuals that exemplify superior leadership in leading the DOR to higher performance and accountability. The next award is the Director's Award for Outstanding Performance, given to those individuals that perform consistently above the norm.
- **State Service Award** – An award to recognize employees who have reached a milestone in state service. It is usually accompanied by a luncheon.
- **The Shining Star Parking Spot Award** – A "Shining Star" employee receives a prime parking spot for a week and an award.
- **The Employee of the Quarter Award** – This award is issued to an outstanding employee each quarter from each DOR district office.
- **The Awards Closet** – A closet in Human Resources with recognition "gifts" for supervisors and managers to issue to employees for a job well done. Some of the "gifts" include: tumblers, mugs, key chains, multi-tool key chains and insulated lunch bags.
- **Pizza Luncheons** – For recognition of a large group, a pizza lunch is provided. Pizza lunches have been provided for graduates of the Leadership Program and the Process Improvement Program.

I.3. Key Strategic Goals:

Our strategic plan focuses our efforts in four key result areas with associated strategies. 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, which enables us 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 workshops and other 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 Office
 - FormsFax and Web Forms
 - Six District Offices
 - Satellite office hours at 18 locations in South Carolina
 - Summary of current year's new tax legislation

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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 legislation assistance
Courtesy calls
Constituent services
Proactive response to issues

- **Other state agencies**

Revenue collection and reporting
SC Business One Stop (SCBOS)
Job Development Credit (JDC) workshops with Commerce
Dyed Fuel Program
Use tax compliance information
Seats in our training sessions
Governmental Enterprise Accounts Receivable (GEAR)
Debt set-off program
Budget and Control Board
Assistance to Department of Commerce in recruitment of industry
State Law Enforcement Division (SLED)

- **Individual taxpayers**

Forms drive-through
Publications for individual taxpayers
FreeFile, web extensions and declarations
Forms in libraries

- **Business taxpayers**

Sales and withholding tax listserve
Taxpayer education listserve
Various workshops
SCBOS
Job Development Credit (JDC) workshops with Commerce
Business development
Economic Incentives book
Corporate income tax summary published with the Bureau of National Affairs
Joint brochure created with SCBOS promoting electronic filing
Special efforts related to sales tax holiday
Special efforts for new local option tax counties
Special efforts related to 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, tobacco)**
Alcoholic Beverage Licensing (ABL) tracking process
Bingo processing system
Bingo paper rules
Tobacco tax
- **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 BPP 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
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
Multistate Tax Commission (MTC)

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 (DEW), 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 the construction of cubicles at our renovated space. Traditional suppliers include Dell Computers, forms manufacturers and other suppliers of services and supplies.

Not only do we consider our partners to be many of the same as those included in our stakeholder group, but they also include contract personnel we have working on our SCITS and Data Warehouse.

Additionally, we have numerous partners with our SC Business One Stop registration program. Our partners include:

Secretary of State
Department of Employment and Workforce
Department of Labor, Licensing and Regulation
Department of Insurance
Department of Health & Human Services
Department of Commerce
Department of Motor Vehicles
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
Clemson University Extension Office
SC Chamber of Commerce
Municipal Association of South Carolina
SC Association of Counties
Budget and Control Board
Board of Economic Advisors
Association of Certified Public Accountants (CPA)
Internal Revenue Service (IRS)
Small Business Chamber (Cyberwoven)
Probation, Parole & Pardon Services
US Small Business Association (SBA)
SCANA
SC Education Lottery
Small Business Centers
SC Commission on Higher Education
Nonpublic Postsecondary Institution Licensing
Government Finance Officers Association of South Carolina
SC School for the Deaf and the Blind
Greater Columbia Chamber of Commerce
Richland County Public Library
SC Board of Accountancy

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

As of the end of FY12, the Agency had a total of 791.50 authorized full-time permanent slots. Of those, 739.5 are state funded and 52 are other funded. These employees work in two central offices and six district offices throughout South Carolina. In addition, we have two corporate tax auditors stationed in New York and Chicago. We supplement our seven taxpayer service centers by staffing 18 “satellite” offices periodically throughout each month. Our permanent workforce has been supplemented by approximately 32 contractors, and 81 temporary employees.

II.7. Regulatory Environment:

We administer laws under Titles 2, 4, 6, 11, 12, 16, 23, 33, 44, 46, 48, 59 and 61 of the SC Code of Laws, and we 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.

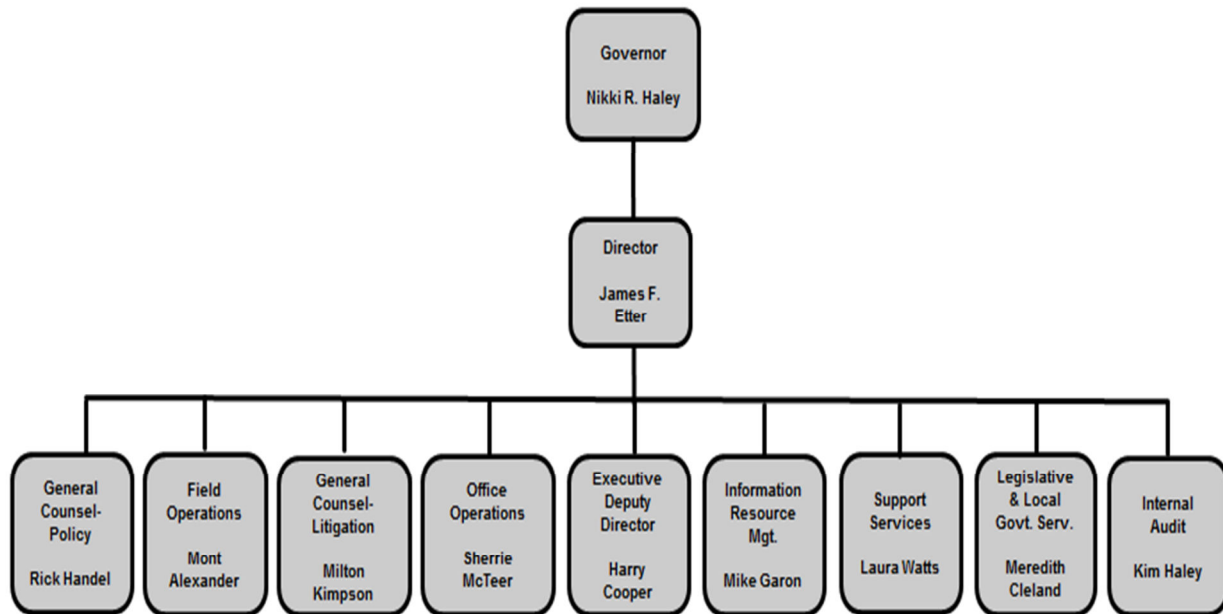
The Department is also a regulatory agency. We administer 60 state taxes and numerous fees, credits and exemptions. We process 9.38 million transactions annually (Figure 7.1.7, p. 51) and collect approximately 94% of the state's general fund. The Agency also regulates and licenses retail establishments, 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:

The 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 10-11 Actual Expenditures		FY 11-12 Actual Expenditures		FY 12-13 Appropriations Act	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Personal Service	\$ 28,912,981	\$ 28,095,603	\$ 29,560,992	\$ 27,925,129	\$ 31,759,675	\$ 29,215,639
Other Operating	\$ 23,365,025	\$ 3,338,209	\$ 26,128,864	\$ 2,437,310	\$ 25,403,228	\$ 2,968,591
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Case Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	\$ 9,153,727	\$ 8,827,664	\$ 9,379,927	\$ 8,929,943	\$ 10,385,888	\$ 9,482,468
Non-recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 61,431,733	\$ 40,261,476	\$ 65,069,783	\$ 39,292,382	\$ 67,548,791	\$ 41,666,698

Other Expenditures

Sources of Funds	FY 10- 11 Actual Expenditures	FY 11-12 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 10-11 Budget Expenditures	FY 11-12 Budget Expenditures	Key Cross References for Financial Results*
I.A Administrative & Program Support	Agency administration and Internal Audit functions.	State: \$655,661 Federal: \$0 Other: \$0 Total: \$655,661 % of Total Budget: 1%	State: \$565,210 Federal: \$0 Other: \$3,521 Total: \$568,731 % of Total Budget: 1%	7.2.1, 7.2.3, 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: \$7,927,328 Federal: \$0 Other: \$20,061,524 Total: \$27,988,852 % of Total Budget: 46%	State: \$6,905,390 Federal: \$0 Other: \$22,840,127 Total: \$29,745,517 % 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: \$22,330,227 Federal: 0 Other: 782,669 Total: \$23,112,897 % of Total Budget: 38%	State: 22,363,137 Federal: 0 Other: 2,483,769 Total: 24,846,906 % of Total Budget: 36%	7.1.1-7.2.3, 7.3.3, 7.5.1-7.5.2
II.C Programs & Services -- Legal Policy & Legislative Svcs	Agency General Counsel; tax policy, bankruptcy matters and legislative services.	State: 520,596 Federal: 0 Other: 0 Total: \$520,596 % of Total Budget: 1%	State: 528,702 Federal: 0 Other: 0 Total: 528,702 % 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: 8,827,664 Federal: 0 Other: 326,063 Total: \$9,153,727 % of Total Budget: 15%	State: 8,929,943 Federal: 0 Other: 449,984 Total: 9,379,927 % of Total Budget: 14%	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. FY10 amount \$3,675,533. No similar expenditures were recorded in FY11.

Remainder of Expenditures:	State: \$0	State: \$0
	Federal: \$0	Federal: \$0
	Other: \$0	Other: \$0
	Total: \$0	Total: \$0
	% of Total Budget: 0%	% of Total Budget: 0%

* 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 James F. Etter, an Executive 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 FY12, the leadership team continued its focus on both internal and external customers by supporting activities for progress on our 22 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 aids 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. The DOR also tries to "pilot" any program before implementing new changes to gain customer feedback.

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 every three years for procurement by the Materials Management Office of the Budget and Control Board 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 report 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 and contractors 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 by the Executive Deputy Director and at 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. Not only do employees participate in these statewide leadership programs, but they also attend the DOR's Leadership Program. Nineteen employees participated in the Agency's Leadership Program in FY12 which is an eight-month program where employees learn leadership best practices.

Our values represent our guiding principles or the things about which we care most as we carry out our mission. Director Etter 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 such as the Process Improvement Program are provided for frontline employees and management to participate in improvement projects to hone their leadership and process improvement skills. Senior leaders are "guest speakers" during classes in the Leadership Program where they discuss their experience as a leader as it relates to the class topics. These sessions 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 in our Office Operations Division use a Microsoft SharePoint worksheet to suggest process improvements to management and to track process improvements implemented. Senior leaders are also involved in the Agency's Process Improvement Program.

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. During the orientation class "DOR 101," new employees are able to "meet and greet" the senior leadership. 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. This fiscal year, one of the Agency's objectives was to review and benchmark meaningful employee recognition efforts. Senior leaders are involved in recognizing employees through the Director's Award, State Service Awards, the Shining Star Parking Spot Award, and the Employee of the Quarter Award. These are just a few examples of employee recognition at the DOR.

1.11. The Agency supports and strengthens professionals in various sectors as well as the community at large, demonstrates its public responsibilities and practices good citizenship in many ways. 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 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. 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) and the Southeastern Association of Tax Administrators (SEATA). Director Etter serves on the Coordinating Council for Economic Development, is an ex-officio member of the SC Board of

Economic Advisors, is the Chairman of the SC Geographic Information Council and is the President of SEATA. 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.

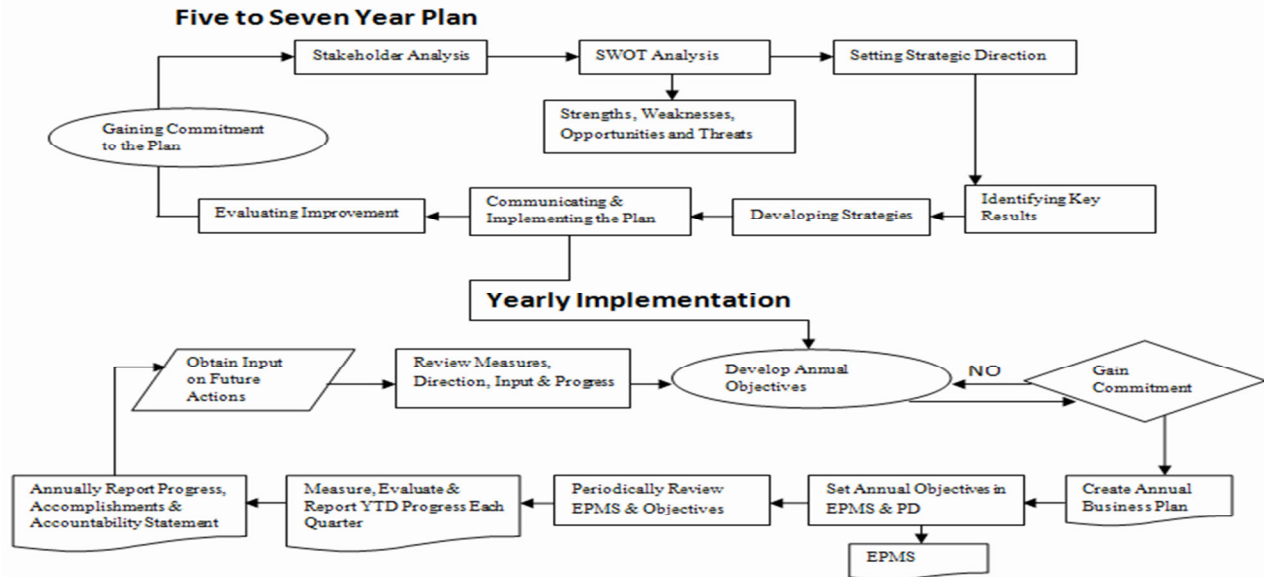
We partner with business groups, such as the State Chamber of Commerce, Municipal Association, and Association of Counties, the Small Business Development Centers, the Hospitality Association, the Manufacturers Association, the SC Hospital Association, the SC Manufacturers Alliance and others on joint 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, the Education Lottery, SC Association of Auditors, Treasurers and Tax Collectors (SCATT) and the SC Association of Assessing Officials (SCAAO), to name but a few. We regularly serve as a pilot site with the IRS to bring taxpayer friendly programs to South Carolina citizens. 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 community endeavors. Both senior leaders and line employees participate in planning and advocating for these projects. They include the United Way, Relay for Life, 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, Palmetto Place Children's Shelter and our community schools.

Teams also review policies regarding the application of revenue laws in a manner consistent with legislative intent warranting the highest degree of public confidence in the DOR's integrity, effectiveness and fairness.

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 as it relates to 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, Business Objects and the redesign of the DOR website. 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 22 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 22 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, and 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>, under the Strategic Plan button. As shown in the Strategic Planning Chart below, our plan includes four key results areas and their associated action plans along with the key performance measures. Our key results are: Maximized Compliance, Strong Stakeholder Relationships, Effective and Efficient Agency and Enterprise Services and Capable, Satisfied and Diverse Work Team.

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 11-12 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 Expand the Use of Image and Data Capture	7.1.3-7.2.3
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 Initiate Release Two of SCITS Implement the Issuance of Debit Cards for IIT Refunds Consolidate the DOR Columbia Offices Increase Electronic Filing for All Tax Types Improve Performance Measurement Systems and Processes	7.6.1-7.6.3 7.2.1, 7.2.3 7.1.2, 7.2.2, 7.3.3, 7.5.1, 7.5.2 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 Shorten Collections Timeline Using Trackable Matrix Coordinate Alcohol Beverage Licensing Issues with Law Enforcement Upgrade the Agency Website Increase Enforced Collections	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	Strengthen Knowledge of Leadership Best Practices Increase Process Improvement Expertise Enhance Employee Customer Service Skills Intensify Workforce Planning and Succession Planning Benchmark Meaningful Employee Recognition Options Replace Information Technology Contractors with Full-Time Employees	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.

Updating our website is a major project 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 Tax Forms and Basic Withholding Tax Workshops, the Small Business Workshops 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 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. We also use workshop participants as a “pilot” group to test new products, such as the Sales CD released in FY11. Many of the enhancements, improvements and additions to our electronic means 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 7.2.3, pp. 51, 52).
- Taxpayer education initiatives, such as our Sales and Use Tax Seminars, our Tax Forms Workshops and the Clemson Tax 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 SC 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, SC Chamber of Commerce, SC Association of Counties and the Municipal Association of SC. 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 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 16 different organizations 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 South Carolina: A Tax Guide for New Residents*
 - Sales and Use Tax in South Carolina*
 - Homeowner's Guide to Legal Residence in South Carolina*
- Publications for businesses and tax professionals including:
 - South Carolina EFT Program Guide*
 - South Carolina Sales and Use Tax Manual*
 - Summary of South Carolina Corporate Income Taxes*
 - Annual Reporting Requirements for Nonprofit Corporations*
 - RS-1 Magnetic Media Specifications*
 - South Carolina Property Tax* (each year)

Simplifying Business Services-Online Services
South Carolina Department of Revenue Legislative Update (each year)
South Carolina Tax Incentives for Economic Development (each year)
Business Tax Guide
South Carolina Cigarette and Tobacco Tax Manual 2011
South Carolina Deed Recording Fee Manual 2007

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 some 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 extensions, sales and withholding tax. Our agency also accepts electronic payments via the web for sales, withholding, corporate, individual income tax, receivables and approved payment plans. Another electronic payment option is electronic funds transfer (EFT). Through electronic funds transfer (EFT), taxpayers are provided additional payment options for withholding, corporate and a number of miscellaneous taxes. The miscellaneous tax payments include, but are not limited to, motor fuel, deed recording, brew pub and some utility payments. Through our online SCBOS project, business owners can register a new business and pay for their licenses and associated fees over 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 identified:

Definition: Give operational definition of measure.

Data Source(s): Where does the data come from? (e.g., monthly operating system collections report) Who collects the data if it doesn't come from the operating system?

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, 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, among other sources, 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. An Executive View Quick Links page was created so that senior management would be able to have access to high-level performance measures all on one page.

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 other states.

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, the Leadership Program provides potential and current leaders an opportunity to learn leadership best practices.

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. This fiscal year, seven job task analyses were conducted. Additional job task analyses are scheduled for FY13.

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, along with the Process Improvement Program, 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. Employees received new computer equipment and software in FY11.

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. Figure 7.4.2 (p. 55) shows our turnover rate is comparable to the State turnover rate 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.

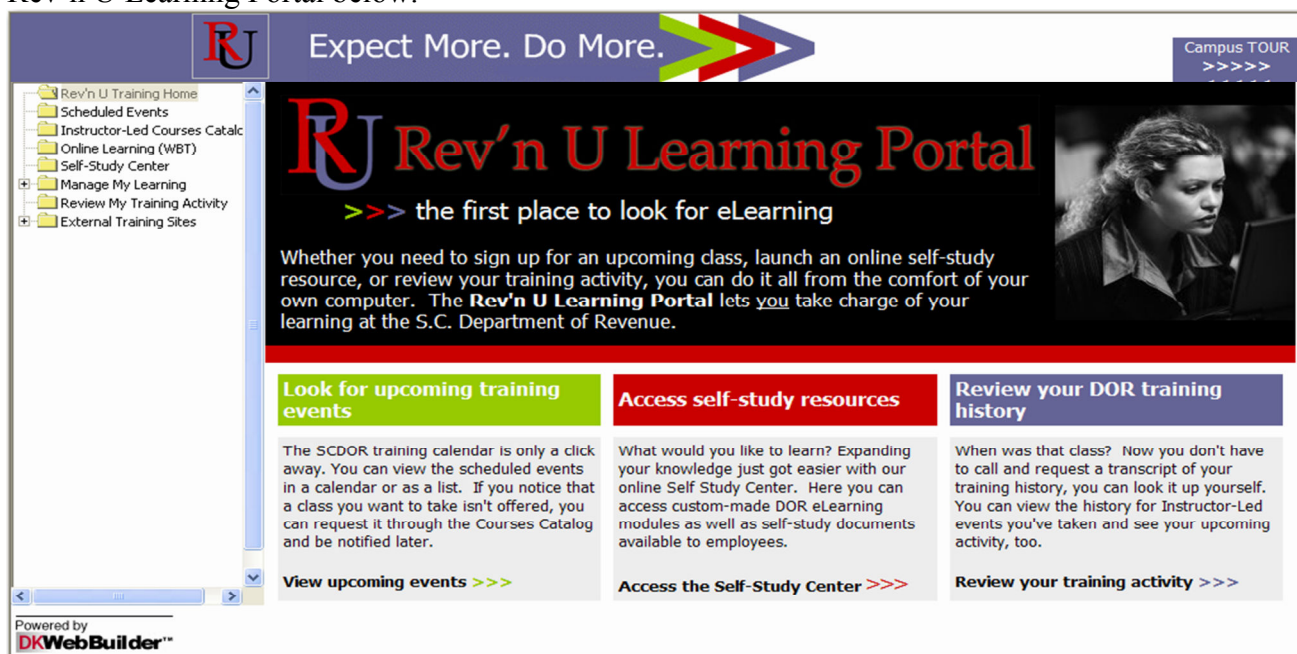
5.4. Assessing workforce capabilities and capacity needs is handled in part by the measurement system we have in place. Managers and supervisors closely monitor production statistics, coach and counsel with employees, train or request training opportunities as appropriate and evaluate using the performance 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.

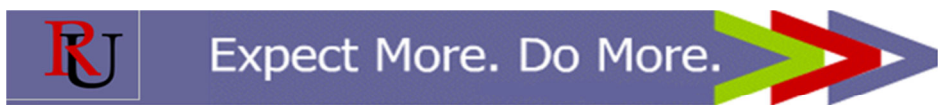
5.6. The Agency has long held a leadership role in the State for our quality improvement and leadership training. For the last 20 years we have introduced our employees and many from other agencies to the quality tools and processes. Seven work teams participated in the Process Improvement Program in FY12. Several of our leaders participate in the Certified Public Manager and Associate Public Manager 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. See our Rev'n U Learning Portal below.



When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have technical training initiatives and quality and leadership initiatives. A sample of classroom training is listed below. Courses have been developed that address job skills, performance excellence, diversity, management and leadership training. Below is a sampling of the classroom training offered.



Classes Scheduled (All)

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
4/23/2012	09:00AM	CLE/CPE Hot Topics In Tax
5/22/2012	09:00AM	LfR: - Graduation
7/12/2012	09:00AM	Sales Tax Forms Workshop
7/17/2012	09:00AM	Sales & Use Tax Seminar for the Health Care Indust
7/19/2012	09:00AM	Intermediate Business Objects-SCITS EI Universe
7/23/2012	08:30AM	Basic Sales & Use Tax, Accommodations and LBT& LBD
7/25/2012	09:00AM	Business Objects-Advanced
8/2/2012	09:30AM	SCITS: Associations
8/7/2012	09:00AM	Sales Tax Forms Workshop
8/21/2012	09:00AM	Basic Corporate Tax Workshop
8/30/2012	01:00PM	CS: Essential Telephone Skills
9/6/2012	09:30AM	ARMS - Basic
9/12/2012	09:00AM	Sales Tax Forms Workshop

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, process improvement 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, and casual "meet and greet" with the Director, Executive Deputy Director and the senior management team. Other topics covered in DOR 101 include: functions of each division, the history of the Agency, an overview of the taxes administered by the DOR, the Strategic Plan, the South Carolina taxing structure, and the DOR tax computer systems. 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. The DOR employee newsletter (DOR Post) 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 lunch, the Director's Award, State Service Awards, the Shining Star Parking Spot Award, the Employee of the Quarter Award, the Awards Closet, and pizza luncheons for large groups. All are popular recognition options. Many work groups organize their own recognition celebrations on an ongoing basis.

The DOR's turnover rate is comparative to other state agencies according to data provided by the Office of Human Resources at the Budget and Control Board and grievances are unusual (Figures 7.4.1-7.4.2, pp. 54-55). 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. The Director uses a Business Objects report to monitor workforce planning.

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 Strengths, Weaknesses, Opportunities and Threats (SWOT) portion of the strategic planning cycle. Below is a table identifying these processes (Figure 6.1.1, pp. 43-44). Note: Support processes are included in the Administration category.

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

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Registration, Licensing and Exemptions	Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering	Elected Officials Other agencies Local Governments Business Taxpayers Practitioners Citizens
Valuations	Manufacturing Property Utilities, Carlines Business Personal Property Fee In Lieu of Taxes (FILOT) Motor Vehicle Guides Motor Carrier	Local Governments Department of Public Safety Department of Transportation
Compliance	Audits and Collections Data Reconciliations Code Enforcement Process Regulatory Violations Criminal Investigations/Prosecutions Assist Other Agencies/Governments	Elected Officials Other state agencies Local Governments Non-Business Taxpayers Business Taxpayers Practitioners
Guidance, Education, Marketing and “Answers”	Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers Speakers Bureau Taxpayer Rights Advocate Training Rev’n U Publications New Legislation Guide Annual Report Legislative Affairs and Press Releases Forms Policy Documents Assist Other Agencies Local Government Liaison Provide Statistics/Data Education and Training	Elected Officials Local Governments DOR Staff Non-Business Taxpayers Business Taxpayers Practitioners Citizens
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

Figure 6.1.1

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, pp. 46, 47) 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 W2 information and individual income tax 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, 2002. www.changeagents.info

Fig. 6.1.2

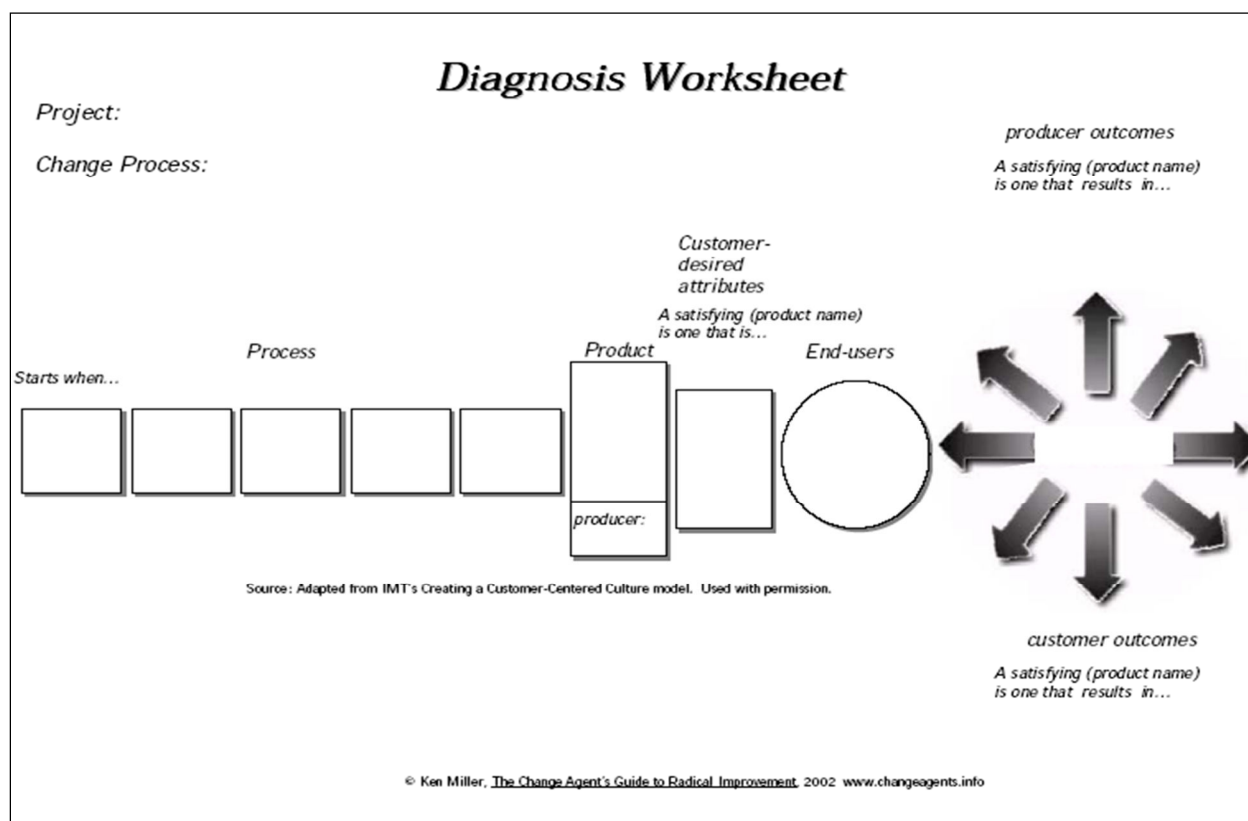


Figure 6.1.3

6.7. As a part of identifying customer and stakeholder needs, identifying resource needs and looking at the environment scan of strengths, weaknesses, opportunities and threats, we determine 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 General Assembly 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 increased 8.9% from FY11.

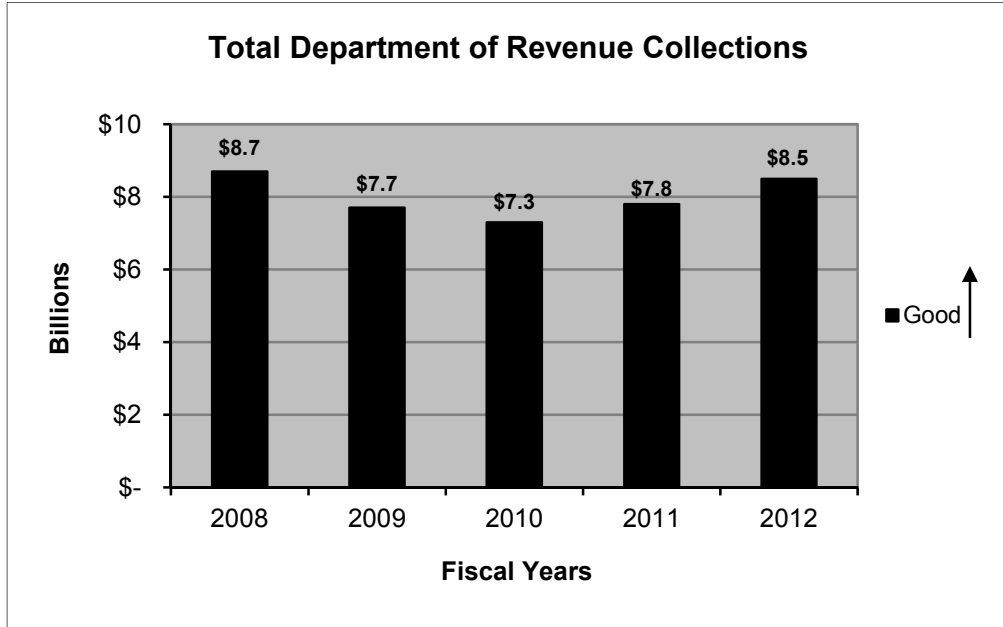


Fig. 7.1.1

The Federation of Tax Administrators ranked South Carolina tied at seventh in the nation for electronic filing of individual income tax returns. South Carolina's percentage increased 2% from FY11. Promoting electronic filing has been a significant cost and time saver for the Department, the State and the taxpayer.

Ranking	Percent of Electronically Filed IIT Returns	State
1	97%	Idaho
2	93%	Kansas New Mexico
3	92%	Iowa Montana Nebraska
4	91%	North Carolina
5	90%	Kentucky Michigan Minnesota Ohio
6	89%	New York
7	88%	Illinois Louisiana Massachusetts South Carolina Utah

Fig.7.1.2

Figures 7.1.3 – 7.1.6 show the total number of returns we have processed in the four top tax types.

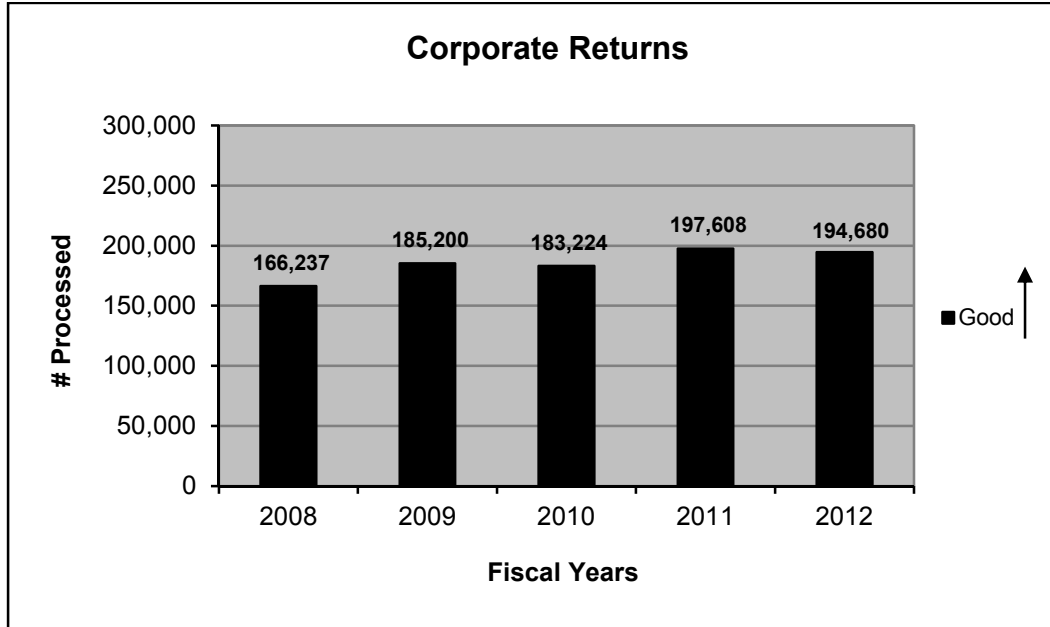


Fig. 7.1.3

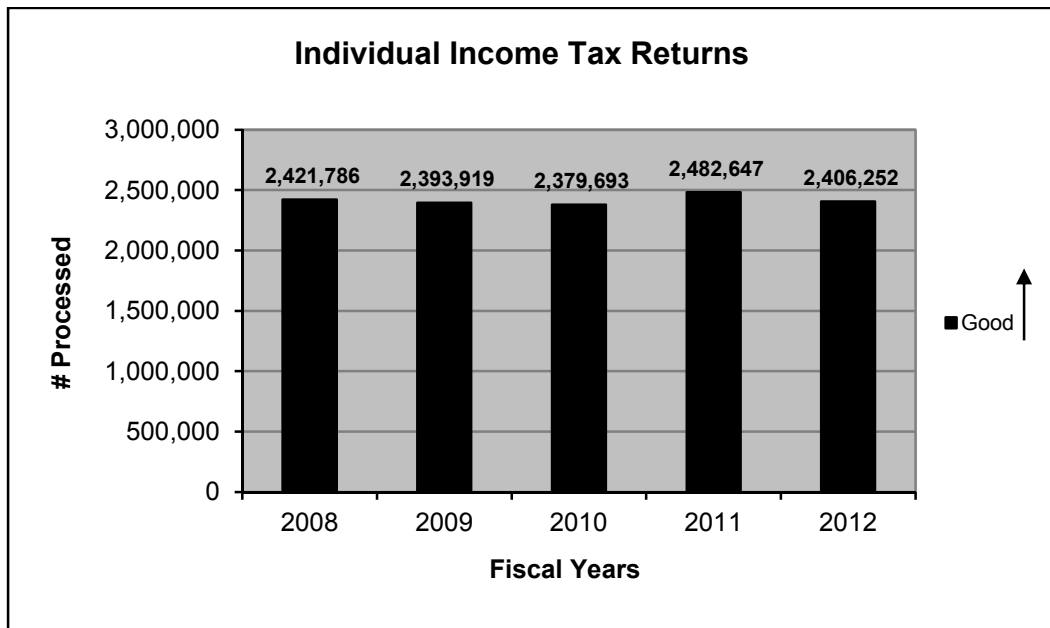


Fig. 7.1.4

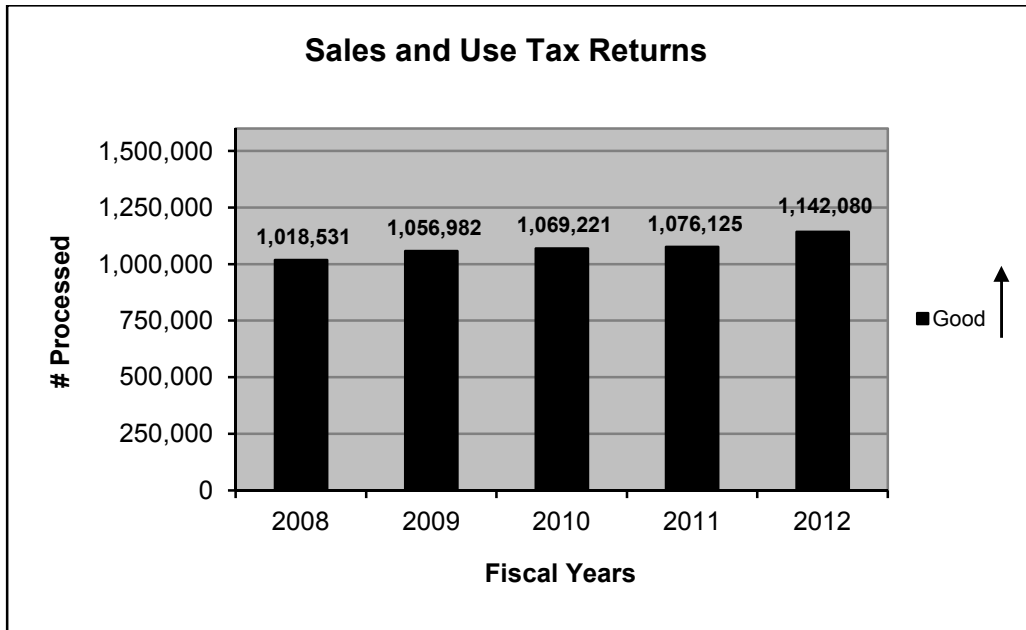


Fig. 7.1.5

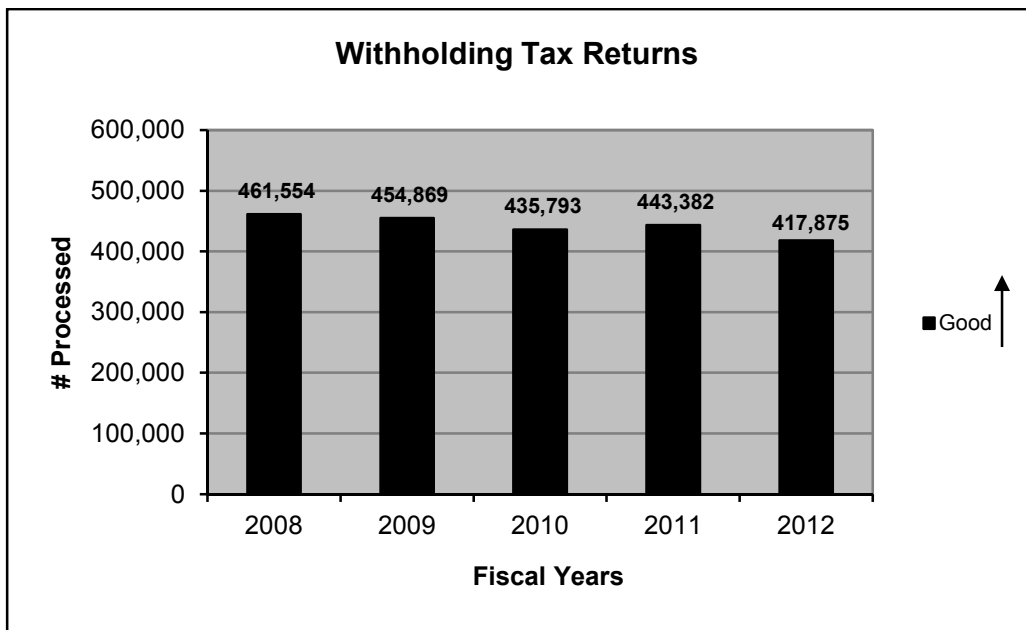


Fig. 7.1.6

Figure 7.1.7 shows an increase in the total number of transactions processed by the Agency for FY12.

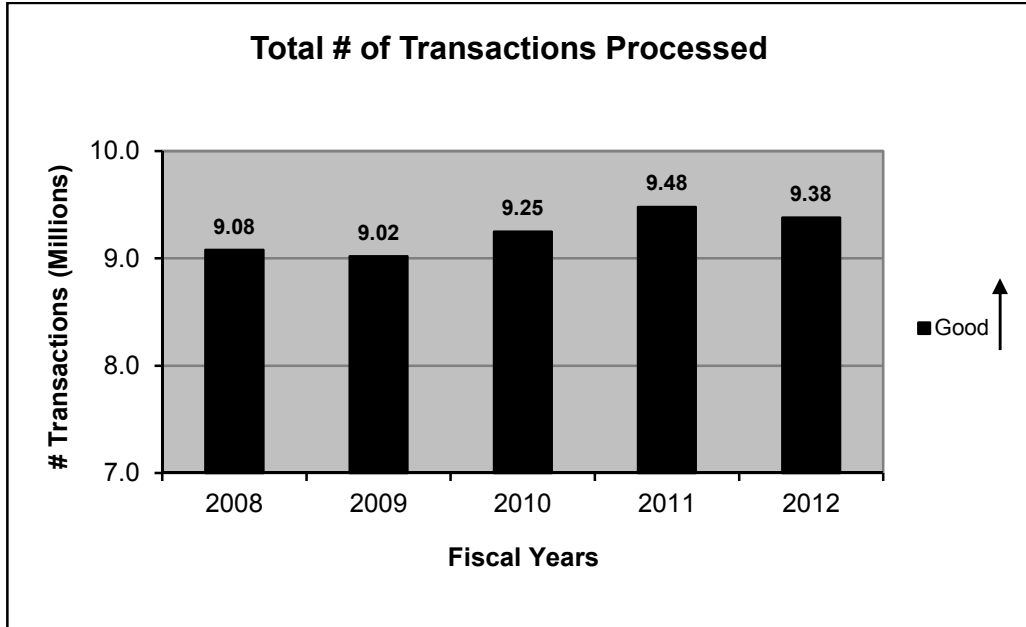


Fig. 7.1.7

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. Sixty-nine percent of survey respondents indicated that they were either very satisfied or somewhat satisfied with the service they received from the DOR.

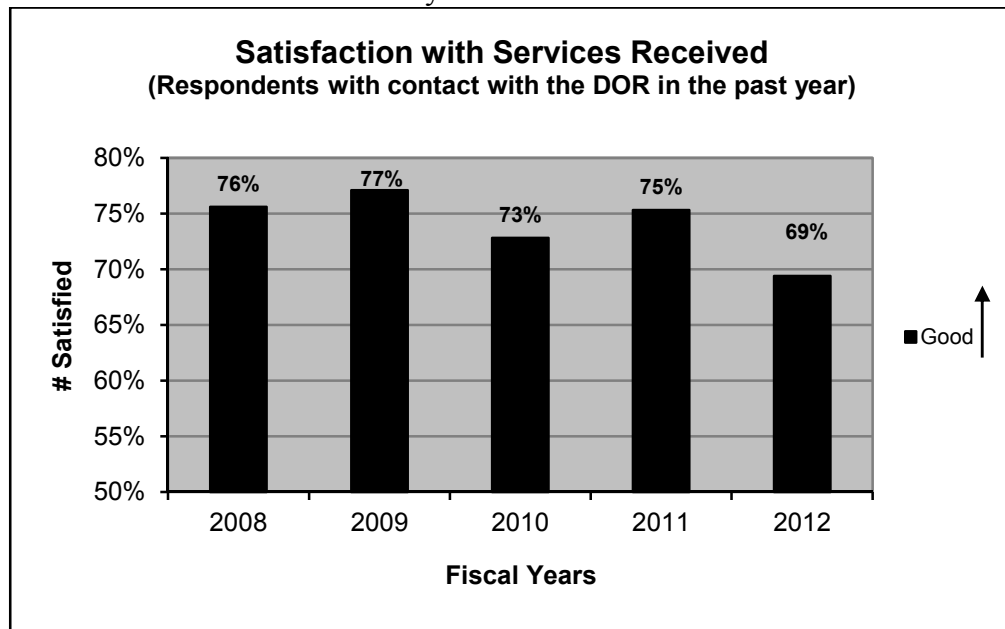


Fig. 7.2.1

In our electronic processing, Figure 7.2.2, we continue to issue refunds in a timely fashion. For tax year 2011, 98.9% of electronically filed refunds were issued in less than 10 days.

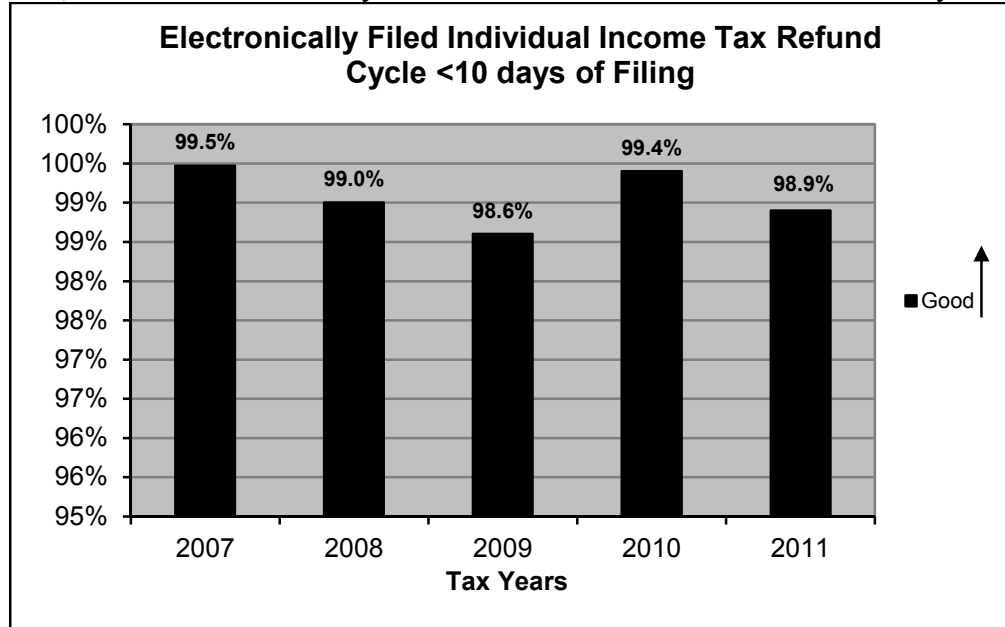


Fig.7.2.2

The USC Customer Service survey, Figure 7.2.3, showed there was a 94.6% satisfaction rate with the time it took to receive individual income tax refunds.

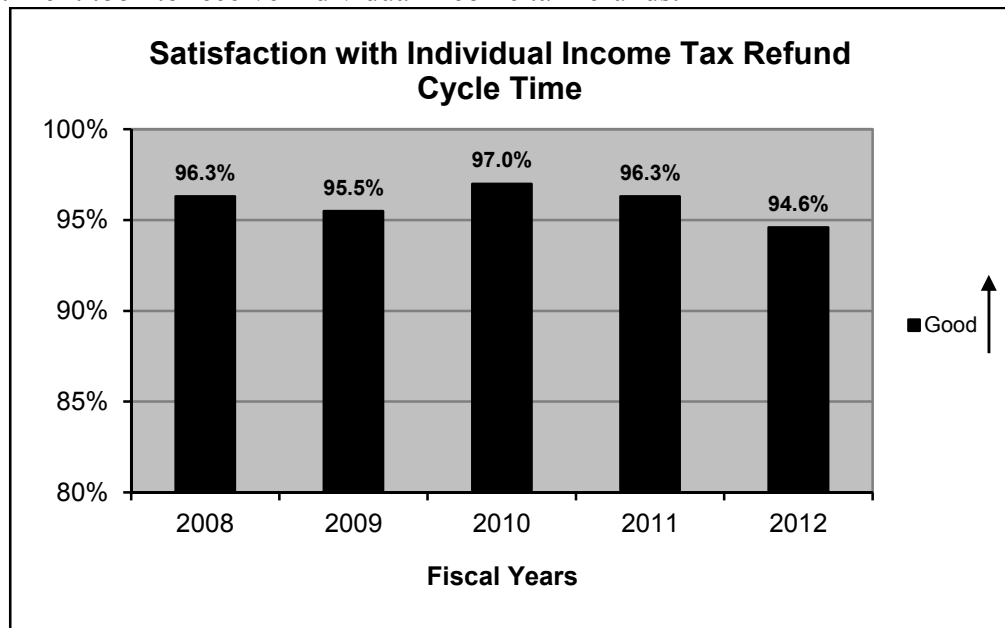


Fig. 7.2.3

7.3 Financial Performance Indicators: Figure 7.3.1 shows our cost for collecting \$1.00 of tax was \$0.00770. This measure shows the effectiveness of our collection approaches.

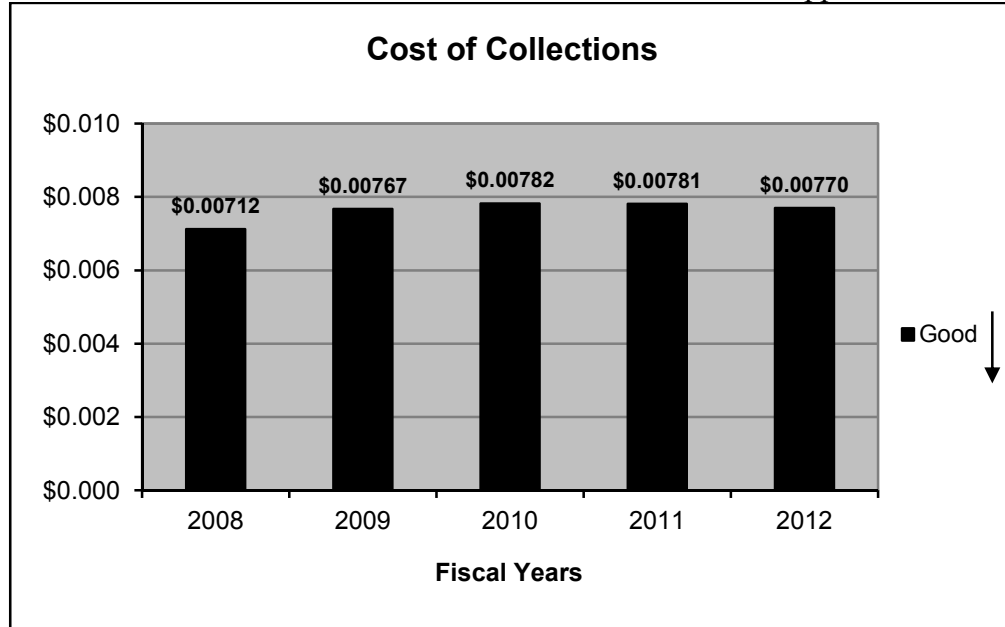


Fig. 7.3.1

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.

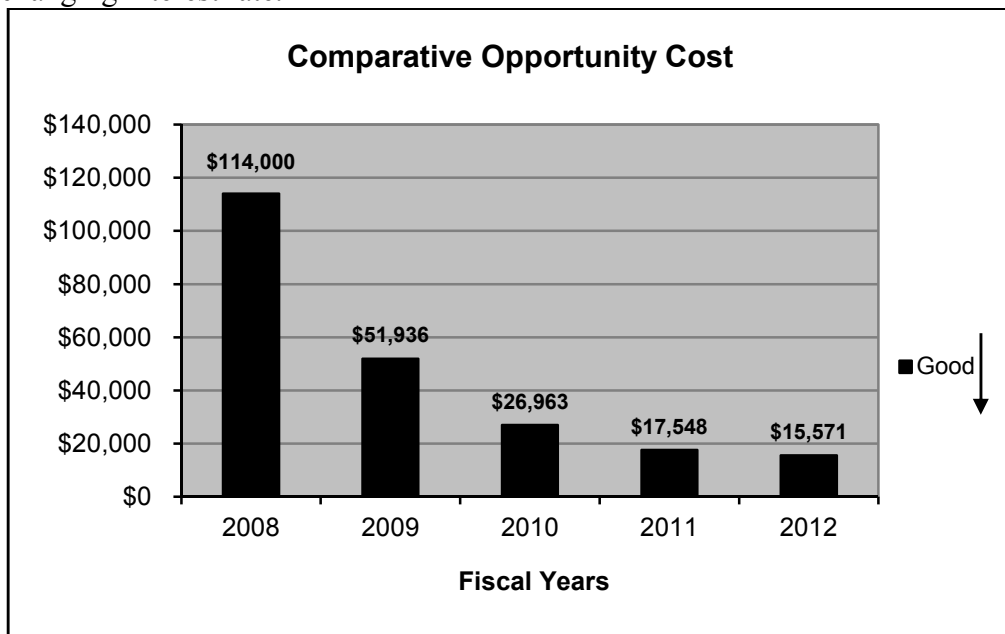


Fig. 7.3.2

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.

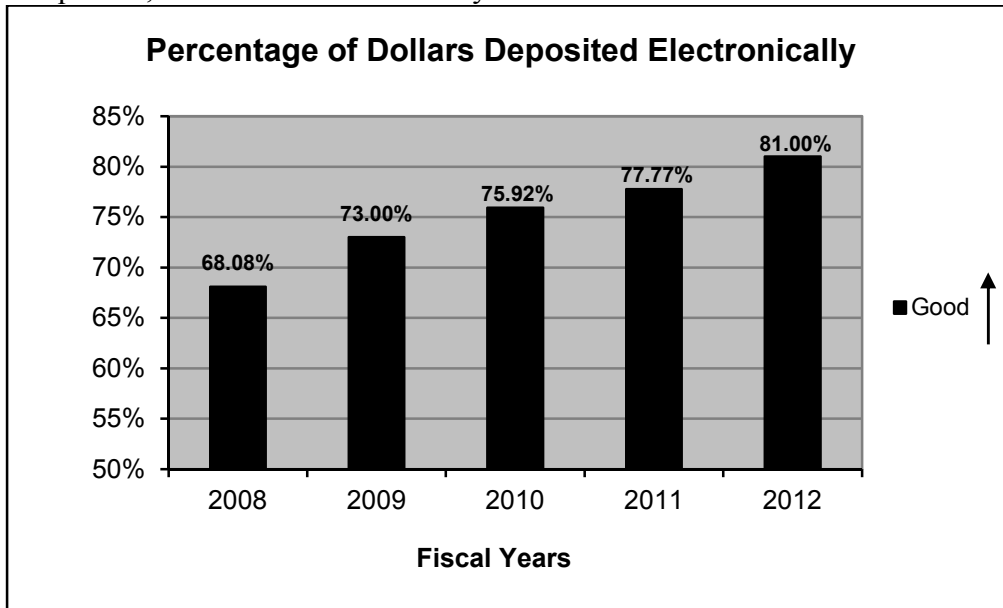


Fig 7.3.3

7.4 Workforce Results Among the workforce measures monitored; we track the number of employees voluntarily resigning. The number of resignations excludes retirees. In FY12, voluntary resignations increased. Historically, however, the DOR has had low turnover. We are examining the causes of the higher turnover rate in FY12. 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. As of June 2012, there were 773 full-time and part-time employees at the DOR.

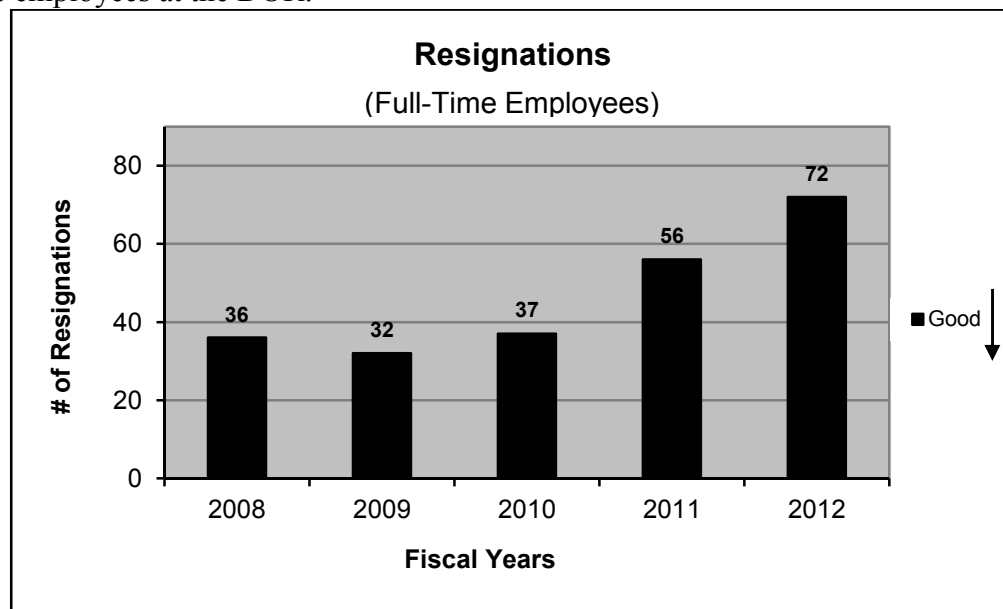


Fig. 7.4.1

Figure 7.4.2 is a comparative look at the DOR's turnover rate to the average state turnover rate. In FY12, the DOR's turnover rate was 13.58%, compared to the state average of 13.53%.

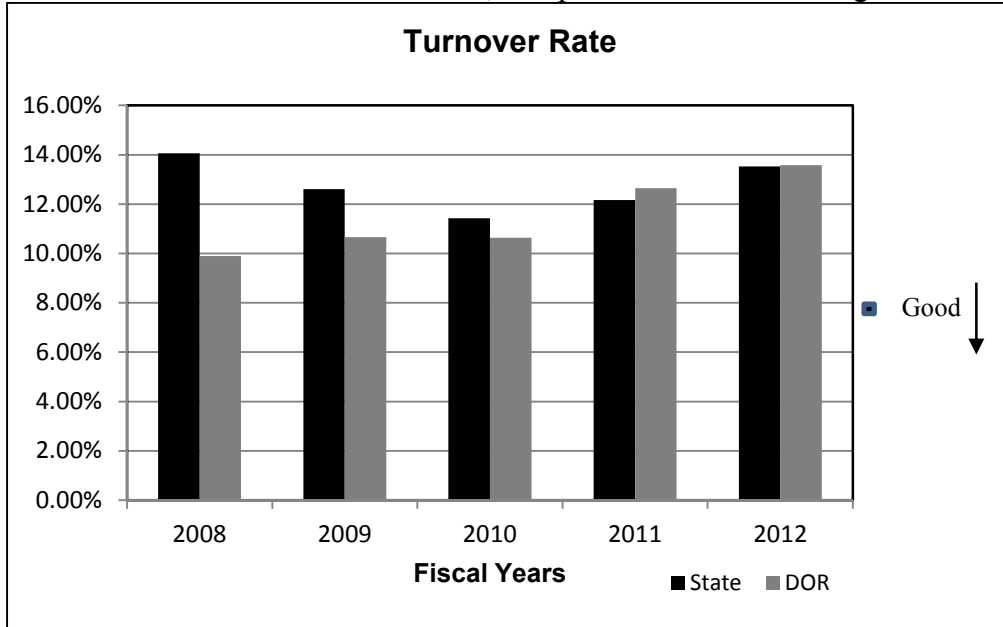


Fig. 7.4.2

Our Equal Employment Opportunity (EEO) data (Figure 7.4.3) shows the Agency's percent of goal attainment in promoting a diverse workforce.

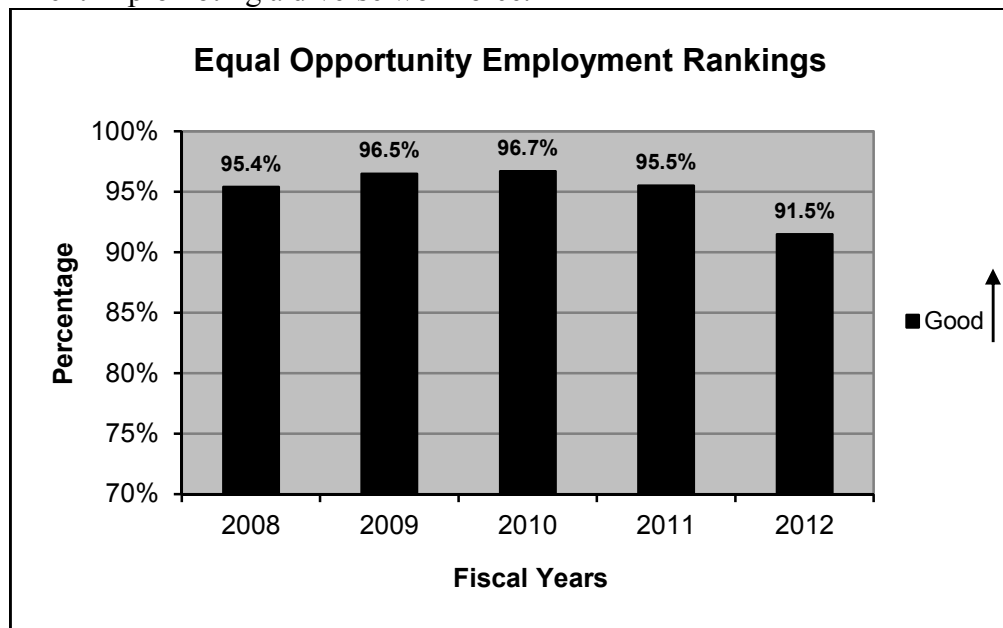


Fig. 7.4.3

7.5 Organizational Effectiveness/Operational Efficiency. Promoting electronic filing saves money for the DOR, the State and the taxpayer. The DOR continues to promote the use of Sales Tax CDs and electronic filing methods for both sales and withholding tax instead of mailing paper returns. The electronic filing system for sales tax (E-Sales) saw increases of 16% or more in filings over the same time in calendar year 2011.

Month:	2011:	2012:	Percent Increased:
January	34,466	51,154	48.42%
February	33,923	41,311	21.78%
March	35,293	41,595	17.86%
April	40,529	48,388	19.39%
May	34,947	42,327	21.12%
June	36,297	42,398	16.81%

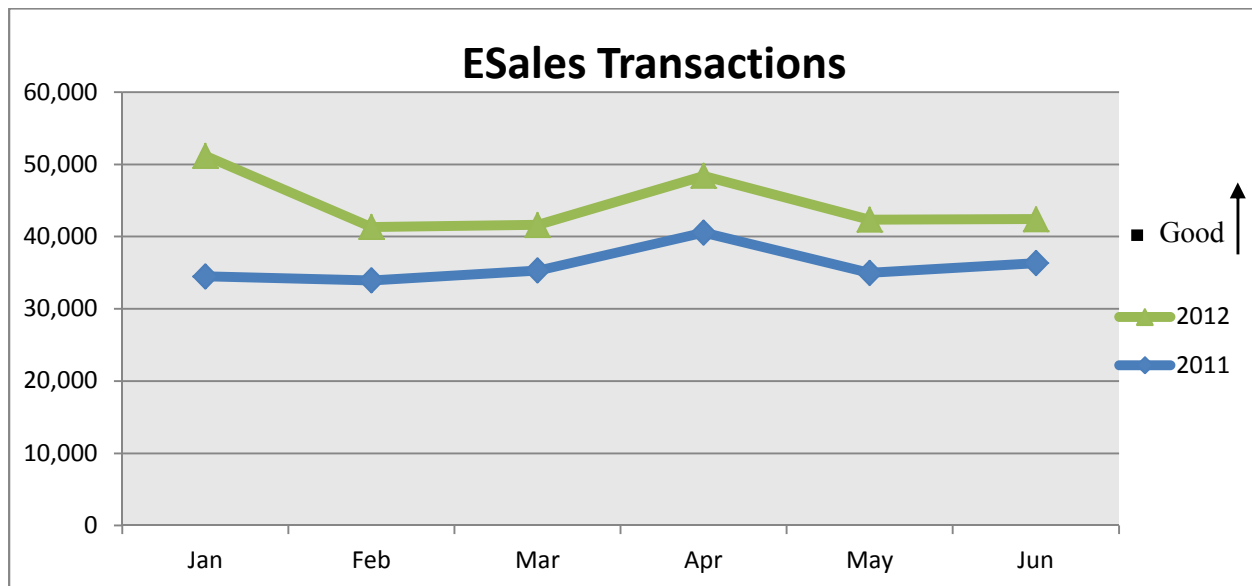


Fig. 7.5.1

The electronic filing system for withholding tax (E-Withholding) saw increases in five of the last six months over the same time in calendar year 2011.

Month:	2011:	2012:	Percent Increased:
January	10,091	24,052	138.35%
February	4,185	6,484	54.93%
March	2,072	1,668	-19.50%
April	22,236	26,102	17.39%
May	5,827	6,679	14.62%
June	1,696	3,158	86.20%

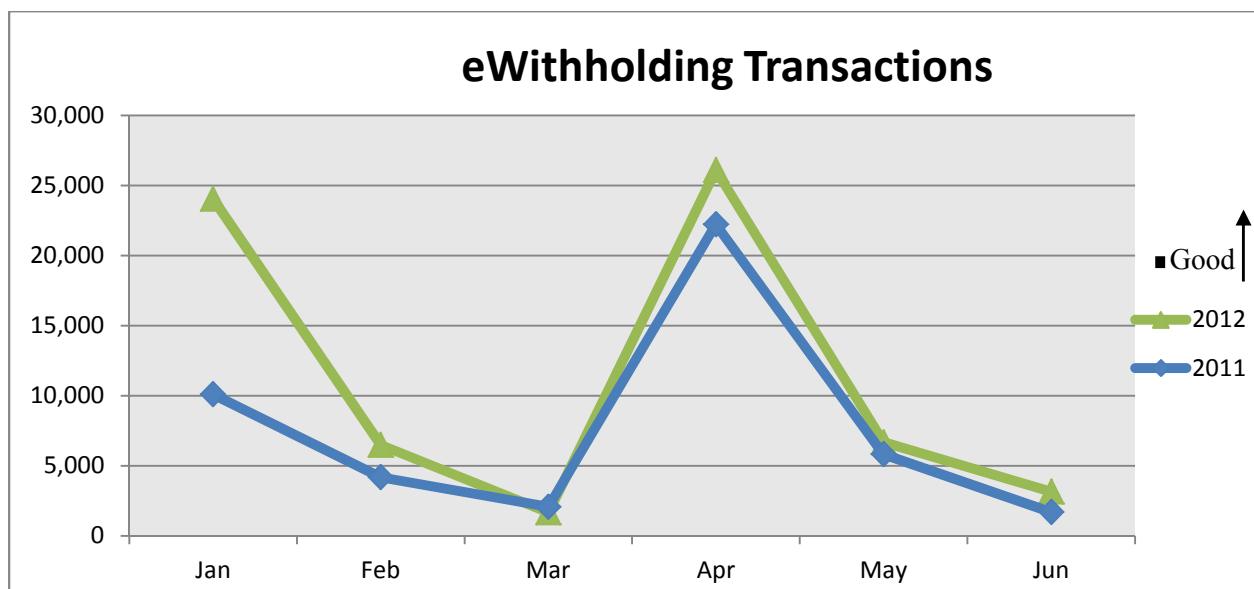


Fig. 7.5.2

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.

SC Business One Stop (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 checkouts (the number of one or more filings being “checked out” at once during a transaction) each year in SCBOS. With the capability of filing new returns, SCBOS continues to process an increasing amount of checkouts. Businesses are also finding it convenient to combine different filing types within one checkout.

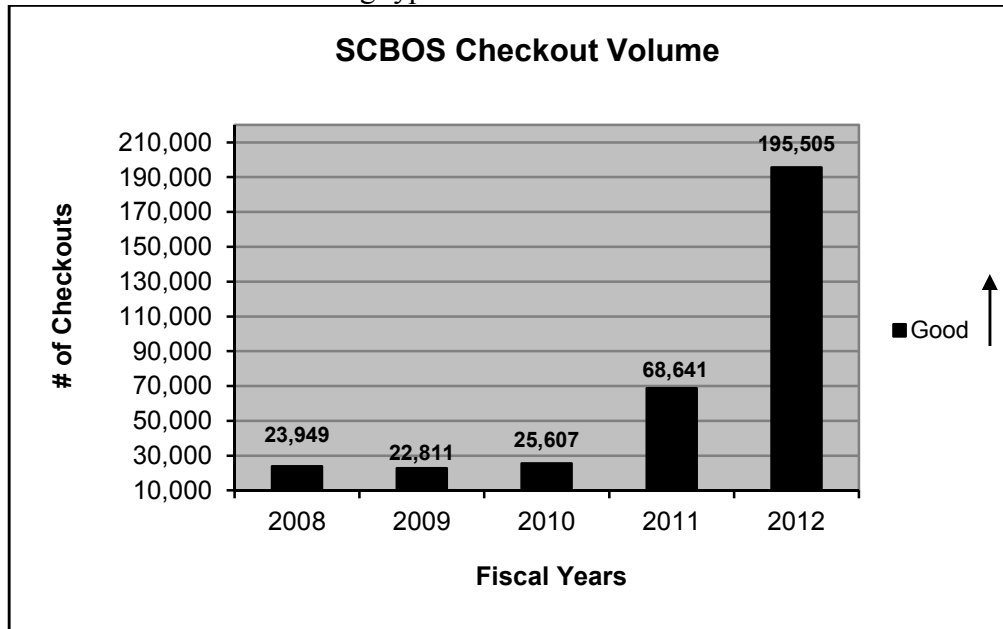


Fig. 7.6.1

The total number of new businesses approved is shown in Figure 7.6.2. In FY12, 7,184 new businesses were approved in SCBOS.

Note: FY 2009-2012 totals were reviewed and it was determined that there were changes in the filings that had not been accounted for correctly in previous Accountability Reports. All values have been corrected in the chart below.

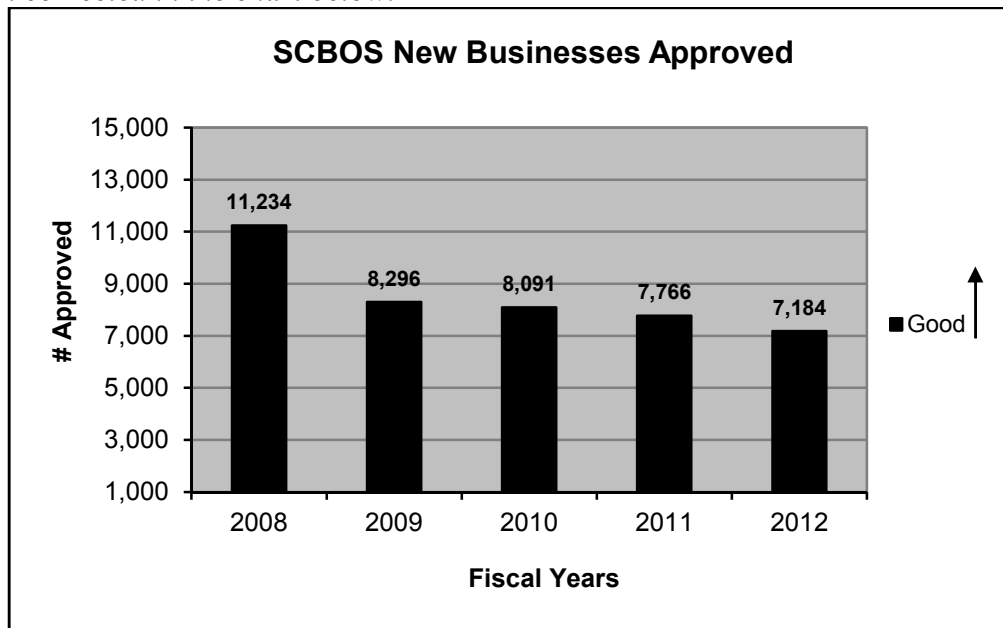


Fig. 7.6.2

Figure 7.6.3 illustrates the payments received through SCBOS. In FY12, \$69.29 million collected in licenses, permits and registrations (LPR) payments. This amount is more than all previous years combined. The significant increases in FY11 and FY12 are due to the Department of Employment and Workforce Employer Unemployment Insurance Contribution Report being added to SCBOS, which is a function that requires payment.

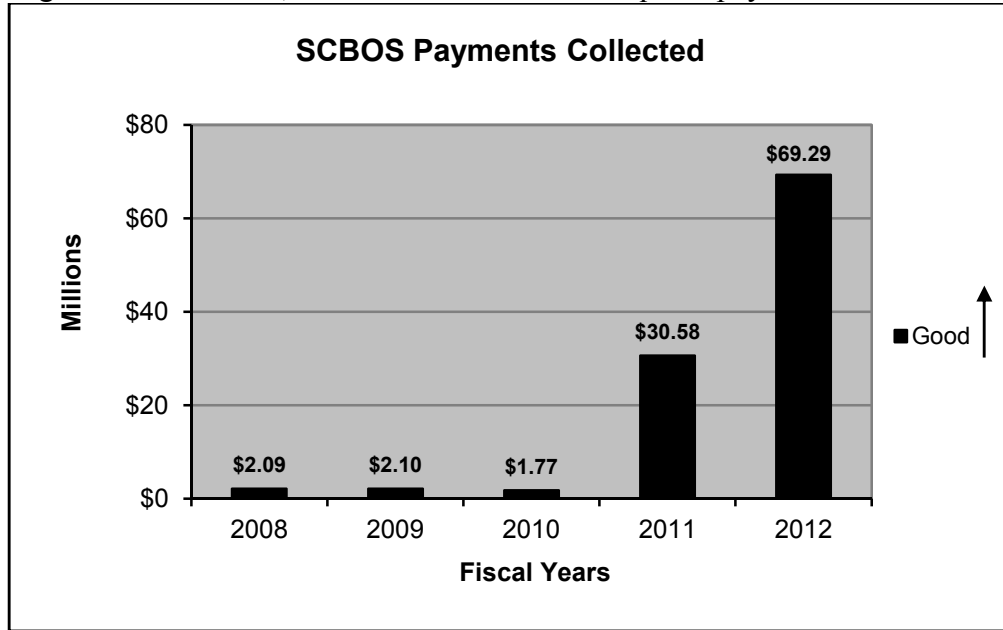


Fig. 7.6.3

We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and SCBOS programs. In FY12, the DOR saw a 17.5% increase in GEAR collections over FY11. The following chart depicts GEAR collections only. Money received through GEAR debt setoff is included in Figure 7.6.5.

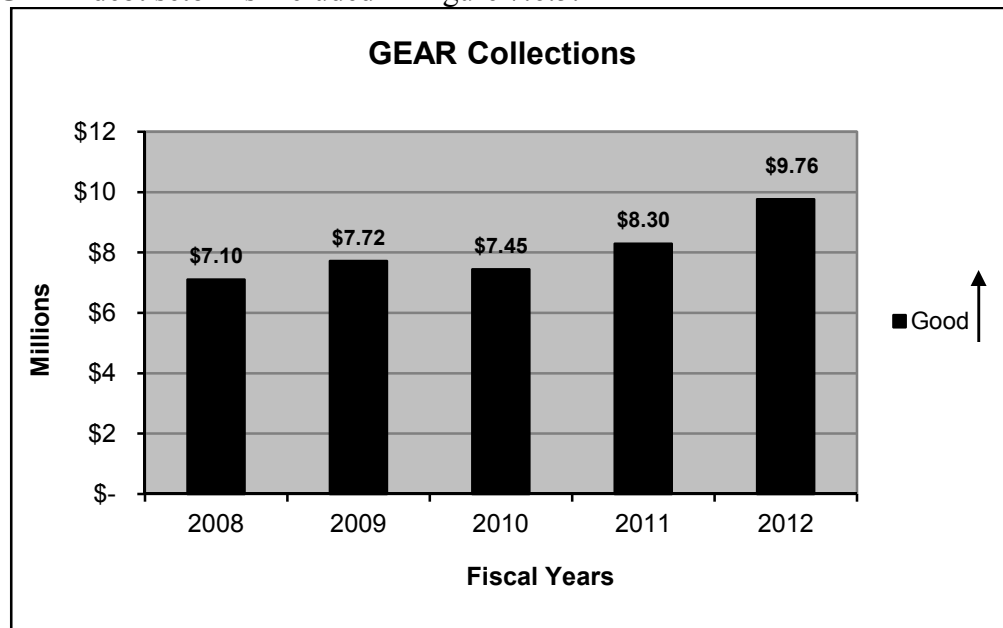


Fig. 7.6.4

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.

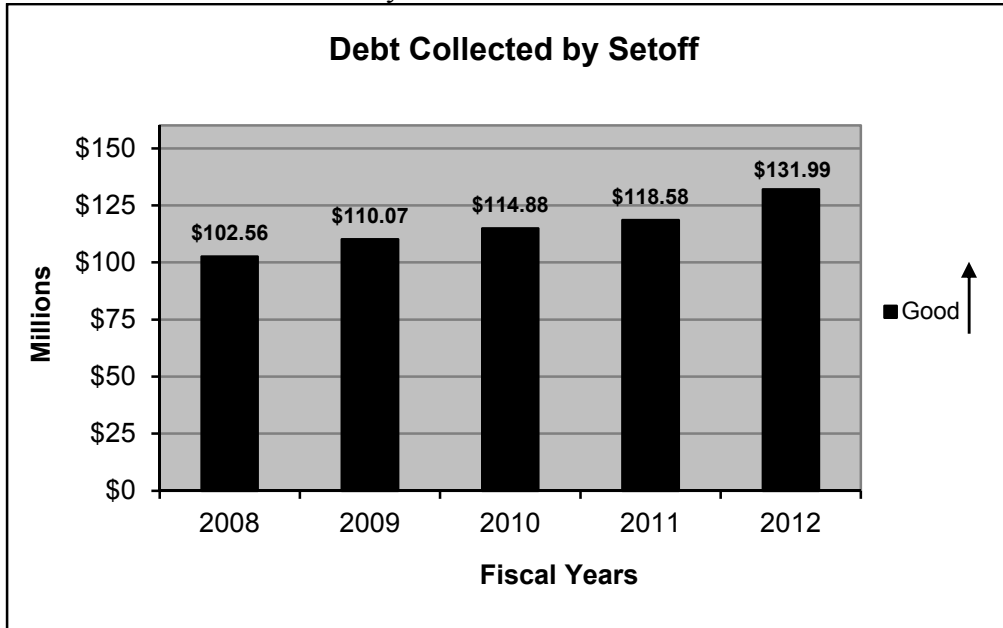


Fig. 7.6.5