

**South Carolina  
Department of Revenue**

# **Annual Accountability Report**

**Fiscal Year 2012-2013**

**Nikki R. Haley, Governor  
William M. Blume, Jr., Director**

# **Accountability Report Transmittal Form**

Agency Name - South Carolina Department of Revenue

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## **I. Executive Summary**

### **I.1 Mission, Vision and Values:**

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

- Administer revenue and regulatory laws in a fair and impartial manner,
- Collect the revenue due the State,
- Adhere to our legal and moral duties as custodians of the taxpayer information entrusted to us,
- 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 the Department are Data Protection of Taxpayers, Taxpayer 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 98% of the state's general fund. Total annual net collections by the Department amount to \$8.9 billion through all of our collection and enforcement activities from the 32 taxes we administer and other collection activities for which we are responsible (Figure 7.1.1, p. 42).

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 is at all meetings of legislative committees related to budget activities. The Director addresses meetings of these legislative committees to explain and help formulate budget policies related 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 job 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:**

Security of taxpayers' information is a primary focus in all we do. The Department can only gain the "highest degree of public confidence" as our mission states by ensuring the security of taxpayers' information which is entrusted to us. In addition, we must operate in the most equitable and efficient manner in our processes and services so that we maintain taxpayer service.

Weaving security into the fabric of all everyday activities drove a culture change for the Department. Director Blume's new mantra for DOR, "Security is Non-Negotiable", became much more than a saying. It is the reality of the new way we conduct business. Banners and screensavers throughout the building are but a reminder of the security that we have built into all systems, processes and phases of our business.

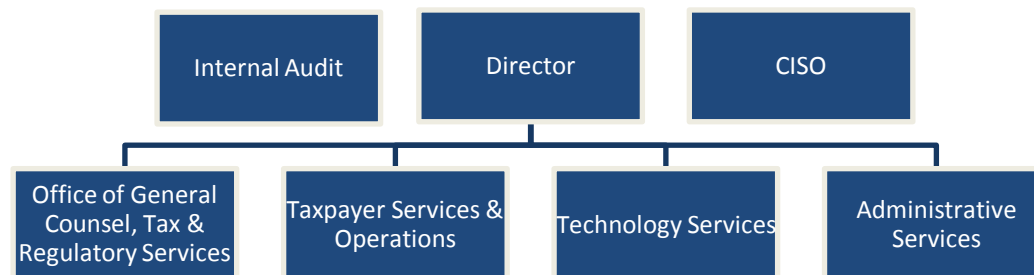
The Department reorganized as well based upon best practices for Agency governance. Security efforts are frequently undercut by a misguided organization where there is no segregation of governance and operational Information Technology (IT) duties. Effective security governance ensures the Chief Information Security Officer (CISO) reports to the Director, and the CISO has a clear delineation of responsibilities and rights separate from the Chief Information Officer (CIO). In order to implement proper segregation of duties and to set the proper tone within the Agency regarding the high priority of security at the DOR, the DOR restructured the IT Security function so it reports directly to the DOR Director. There is a segregation of duties among the Chief Information Officer, Chief Information Security Officer and Internal Audit Director. A new CISO and CIO were hired during this year.

In addition to the delineation of duties of the CISO and CIO, the Department also reorganized its senior management structure in order to streamline processes for increased productivity, efficiency and to promote continual process improvement. Additional expected results of the reorganization are:

- Better communication within processes
- Better informed and more knowledgeable employees
- Emphasis on external and internal customer service excellence
- Secure processes
- Restored confidence in DOR excellence

A graphical representation of DOR's organizational structure after the reorganization is shown below.

**SC Department of Revenue  
April 2013  
Organizational Chart**

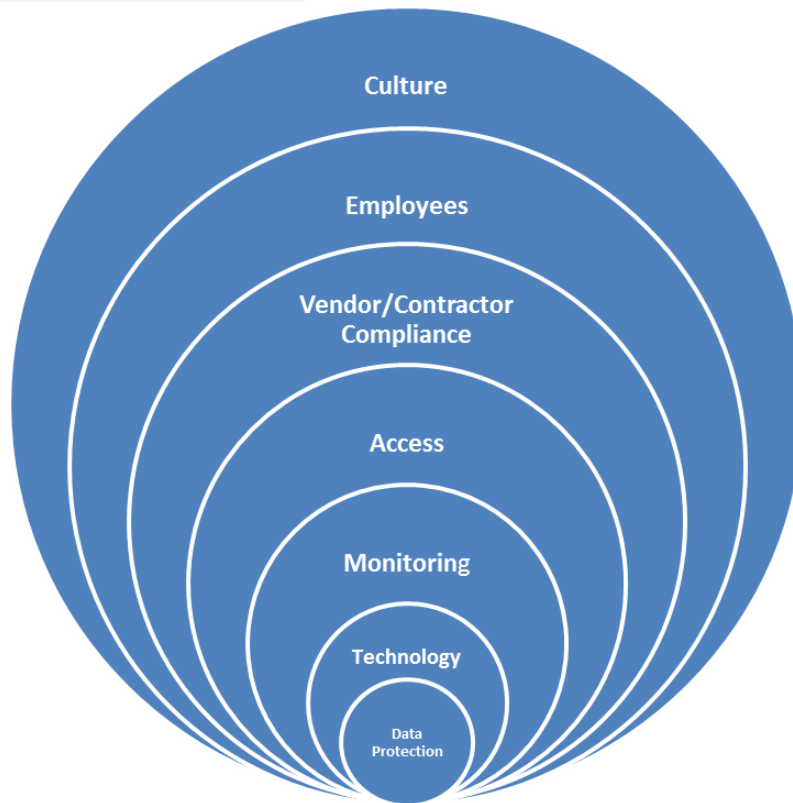


Other cultural changes that were implemented or are in progress include:

- Creation of a Security Council composed of appropriate internal and external consultants to help determine DOR's security plan.
- Creation of an internal security awareness team to review security issues, propose questions to the Security Council and communicate security issues to Agency personnel from a central location.
- Stakeholder outreach concerning awareness of the breach and actions to take were developed and distributed, such as posters and handouts for district offices and public. Webinar presentations, email blasts, press releases, social media, security breach FAQs and information were sent to financial institutions. A Data Breach Assistance Team was formed to handle calls from taxpayers.
- Deployment of a comprehensive Information Security Program led by the CISO.

As is apparent, strategic emphasis has been placed on redefining DOR's culture around security. A "security" culture is our first layer of protection of taxpayers' data that has been entrusted to us. DOR has defined other substantial layers of DOR security and they include Employees, Vendors/Contractors, Access, Monitoring, and Technology with the biggest security defenses being found on the outside--Culture and Employees.

## Layers of DOR Security



As with DOR's culture, a strategic emphasis has been placed on DOR's employees and contractors. Employee and contractor awareness of security vulnerabilities is a major defense in protecting taxpayers' data. Each year, new employees and contractors receive their initial disclosure awareness training as part of their new employee orientation or hiring process. A Confidentiality and Disclosure Statement is signed by employees and contractors. The purpose for the Disclosure Awareness Training program is to ensure all employees are aware of the Federal and State laws and DOR policies for safeguarding Personal Identifying Information (PII) including Federal and State Tax Information. In addition, all employees must go through an annual disclosure recertification each year and must sign a new Confidentiality and Disclosure Statement.

During this past year and in addition to Disclosure Awareness, employees and contractors were required to receive Security Awareness Training. Director Blume required all DOR employees and contractors who had access to our network to complete the SysAdmin, Audit, Network, Security (SANS) Institute's *Securing The Human* Program. The program provides over 28 training modules addressing security awareness. The Department of State Information Technology (DSIT) coordinates with the SANS Institute to provide these training modules to state agencies.

The Department also developed and held additional security awareness classroom sessions for all employees and contractors. A Phishing Email class was developed and all employees and

contractors that had a DOR email address were required to attend. The purpose of this class was to increase the knowledge among all the users having a DOR email account about the characteristics of a phishing email and the procedures to follow if they receive a suspicious email. Policies were implemented that required employees to use a “Reading Pane” to view incoming emails. Other policies were revised which restricted internet use for anything other than work related business. Employees violating either of the items are subject to disciplinary action up to and including termination.

Town Hall meetings were held to provide awareness of history of the breach, remediation strategies, and to stress the vital role of all employees in breach prevention. Employees can post their security questions to a DOR Security Awareness Site where the questions are logged and reviewed by the Security Awareness team. All Frequently Asked Question Responses are viewable by all employees.

In addition to awareness training being provided to our contractors, the Department has consolidated the responsibility for contract review and approval under one area. Contracts are being reviewed to ensure the protection of data, timely vendor remediation and penalties, compliance with a written Memorandum of Understanding (MOU), and to ensure that the contracts include a disclosure incident notification and procedures.

As is apparent, much strategic emphasis has been placed on the outer layers of DOR’s security as illustrated above and we feel that the outer layers of culture and employees are our biggest areas of defense. The Department is “sharpening its saw” in the inner layers with access, monitoring and technology, as well. Some of the actions taken in each of these areas to continue to strengthen DOR security are as follows:

#### Access:

- Revoked network access for Local Governments and other Agency entities
- Access reviewed quarterly
- Improved DOR Badge Policy
- Revised building Access Policy
- Improved Complex Passwords
- Regular Password Changes
- Account Lockout for Repeated Attempts
- Inventoried all PC’s to account for serial number, employee and cubicle assignment, access rights, VPN and other identifying factors

#### Monitoring:

- 24/7 Monitoring by Dedicated Resources
- Review of Activity Logs
- Penetration Testing
- Vulnerability Scanning
- Comprehensive Device Inventory
- Consolidated Device Logging

#### Technology:

- Implementing Additional Firewall Rules and Mobile Device Controls
- Implementing Change Management Procedures

- Auto Disable of Inactive Accounts
- Security Incident Response Plan
- Ongoing Encryption of Data
- Information Security Policy & Standards

In FY13, substantial progress was made on prioritizing and addressing security remediation as addressed above. Senior leadership guides the Agency in developing a strong and challenging annual business plan with strategic goals and objectives that are tied to the Strategic Plan. These priority business initiatives addressed included the following:

### **Find Non-filers**

**Income Non-Filers:** The DOR continues to work with the pre-audit program in the Portfolio Warehouse on all failure to file notices sent to potential non-filers. We assessed 4,259 IIT non-filers, bringing the total assessed to \$13,899,103. Collections on assessments for the year totaled \$7,039,878.

**Sales Non-Filers:** The DOR continued to identify possible non-filers through the U.S. Customs project. We continued to obtain information from transportation companies on furniture deliveries from North Carolina into this state. Also, through warranty information from manufacturers of All Terrain Vehicles and similar products, we issued 1,212 assessments. Collections were also made on non-filers identified through the U.S. Coast Guard and through the Southeastern Association of Tax Administrators.

**Nexus/Discovery:** Through fourth quarter of FY13, the Nexus Discovery unit has registered 287 non-filers and collected \$10,912,981. Projects this year include DOR internal database crosschecks, Employment Security Commission crosschecks, regional and national exchanges, internet research, accommodations and ABL importers. We are focusing on in-state 1099 recipients, near-border contractors, manufacturers, and franchisors. Tax analysts will accompany field auditors in various districts on audits.

### **Initiate Additional Procedures to Prevent Processing of Fraudulent Refund Requests**

The purpose of this project has been to identify fraudulent refund returns prior to refunds being processed. The DOR established system edits to detect potential fraudulent refund requests and placed these requests in an error queue for further review. For this year, 33,351 letters were sent, 31,741 refund claims were verified and released, 1,322 refund claims were held for verification and 7 refund claims were cancelled. The identity verification program continued this filing season. It served as an additional security measure implemented to assist in identifying potential fraudulent refund requests.

### **Implement Electronic Filing of Tax Liens**

With the passage of House Bill 3221, the filing of tax liens electronically with counties that have e-recording capabilities became law. After identification of the five counties that currently e-record documents, planning communications began. Announcement letters and applications to allow counties to participate in the e-lien process were mailed to all 46 counties in February 2013. During e-lien testing with Greenville County in late February, DOR discovered that Greenville County was not able to accept DOR liens electronically at this point. DOR had provided test files to Greenville, but they and other counties lack the technology services needed



to process the electronic lien files. Led by the Greenville County Register of Deeds (RoD), several county RoDs met with the DOR to agree to submit a Request for Quotes to vendors who could provide interface services between the DOR and the counties.

### **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. Progress was made during FY13 by the Data Warehouse and Business Objects teams to identify and locate all available State corporate data. This data is being used to develop a Corporate Business Object Universe. Assistance was also provided to other Agency compliance programs.

### **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 so that they pay their fair share, no more or no less. Where alternative resolution is not possible, the Department's Office of General Counsel for Litigation resolves disputed matters through litigation on tax and regulatory issues where there is general disagreement in the interpretation and application of statutes.

During FY13, OGC-Litigation has continued its efforts to provide answers to taxpayers in disputed regulatory and tax matters. A total of 58 Department Determinations were issued to taxpayers in tax cases. A total of 269 Department Determinations were issued in regulatory cases. In Bingo cases, 40 Department Determinations were issued. The Department obtained convictions of 88 persons for tax-related criminal acts.

When a taxpayer disagrees with the Department's administrative decision, the taxpayer has the right to request a contested case hearing at the Administrative Law Court (ALC). The Department continues to obtain favorable results at the trial level in ALC cases both in tax and regulatory cases. Most notably, the Department obtained a favorable ruling in an important corporate income tax case, which is now being appealed.

Significantly, the Department obtained favorable decisions from the SC Supreme Court in Hampton Friends of the Arts v. SC Department of Revenue and Bodman v. State of South Carolina. The South Carolina Court of Appeals also issued a favorable decision in Fieldhouse Properties v. SC Department of Revenue.

Other FY 2013 statistics include:

- 2,128 answers filed in foreclosure cases in which the Department was named a party defendant
- \$212,672 in surplus funds collected from foreclosures
- 2,046 bankruptcy claims for delinquent taxes filed
- \$2,348,865 in bankruptcy collections

### **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 agencies across the State, SCBOS operations showed an increase in the usage of online filings.

- The number of checkouts on SCBOS.sc.gov website increased 33% from 195,505 to 258,969 checkouts.
- The dollar amount of the checkouts increased 36% from \$69 million to \$94 million.
- SCBOS continues to maintain a high level of public satisfaction with the scbos.sc.gov website. Over 96% of users responded “yes” to the checkout survey question “*Did you find what you were looking for?*”

In collaboration with key SC agencies, 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. 52-53). Below are some of the accomplishments achieved in FY13:

- Designed and deployed information management tools to improve help and information for Helpdesk, public, and partners. This aids in reducing the number of calls to the Helpdesk and in reducing the time for staff to address the customer’s request.
- Developed functionality for Department of Employment and Workforce (DEW) to expand payment functionality and notifications for the UCE 101/120. Developed a modernized user interface based on user and Agency requests.
- Added functionality for Department of Employment and Workforce (DEW) to send phone messages to employers for their claimants that have signed up for unemployment to inform them that their registration was successful. The goal is to reduce calls to DEW asking about status of claimants’ registration.
- Assisted the Department of Consumer Affairs with their Fall 2012 renewals. The project required assistance in communication to businesses.
- Began design and development of a DOR eSales solution that expands functionality for taxpayers and for internal DOR operations. It uses a modernized user interface and an updated technology platform that utilizes DOR’s South Carolina Integrated Tax System (SCITS) modules.

SCBOS is accountable to the SCBOS Executive Committee that meets quarterly to review the status of SCBOS projects and assist in program direction.

### **Provide Stakeholder Education and Feedback**

Educating taxpayers on their filing obligations increases voluntary compliance. The DOR educates 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 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

computers. Forty-five percent of our Sales Tax Forms Workshop participants and 60 percent of our Basic Withholding Tax Workshop participants attended via webinar in FY13.

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, Retail, Accommodations, Restaurant & Bar, Healthcare 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 Income Tax Workshops.

The DOR provides speakers upon request by a group or association. This fiscal year, the DOR provided speakers for 32 different organizations (49 class sessions) with over 3,853 taxpayers in attendance. Some of the organizations included: Carolinas Tax Professionals Forum, Small Business Association, and Professional Photographers of SC.

Below is a listing of workshops held in FY13, the total number of classes held and the total number of attendees.

	# of classes	# of external attendees
Sales Tax Forms Workshop	20	137 (61 attended via webinar)
Withholding Tax Workshop	5	81 (49 attended via webinar)
Corporate Tax Workshop	4	34
Advanced Corporate Tax Webinar	4	17
Sales & Use Tax Seminars	9	237
Clemson Income Tax Workshop	6	1,380
Job Development Credit Seminars	5	83
Small Business Tax Workshops	19	139+

#### **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 licenses to sell alcoholic beverages. SLED agents 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.

Projects this year included reducing redundant work in DOR and SLED, reducing labor costs for both the DOR and SLED in processing ABL applications, increasing the reporting capabilities on the ABL license information, increasing the reliability and traceability for the entire process, increasing the number of ABL violations processed, and increasing the amount of ABL violations processes, penalties assessed and penalties collected.

This year the DOR substantially improved Regulatory customer service with both internal and external customers and significantly reduced complaints. In addition, we eliminated a redundant revocation procedure, resulting in substantial savings of Agency manpower.

### **Simplify DOR Notices**

The DOR assembled a team this past year to simplify and redesign the DOR Notices and Letters in order to make them more taxpayer friendly, i.e., more understandable. Our main goal was to be able to tell the taxpayer: (1) the purpose of the notice/letter; (2) the reason that the taxpayer received the notice/letter; and (3) what the taxpayer needs to do to resolve the issue. The team consisted of representatives from across the Agency.

The team was further subdivided into two groups. *Group A* was assigned to review the collection notices and *Group B* was assigned to review the information notices. Each sub-team developed a method for rewriting/reformatting these two groups of notices/letters to make them more taxpayer friendly. After reviewing their respective notices/letters, each sub-team was able to identify the basic components of the DOR notices. As the Team(s) review and redesign specific notices, a “deployment” sub-team will process “redesigned notices/letters” through the forms management system so that all affected divisions approve the changes.

This will be an ongoing project; our ultimate goal will be to make all communications (letters/notices) from the Agency conform to a simplification and taxpayer-friendly format.

### **Consolidate the DOR Columbia Offices**

The DOR was 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. As of January 31<sup>st</sup>, all employees moved into the new Columbia Office at the Market Pointe location with minimal interruption to the public and taxpayers. During February and March, we assisted General Services and prospective tenants of the Columbia Mills building in any way possible. Consolidating the two locations is projected to save over four million dollars over a ten-year lease period in rental costs, but has already improved efficiency throughout the Agency.

### **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 are some of the projects the DOR is working on to expand the use of image and data capture:

**Implementation of Check 21** – This project was completed and went into production in February 2013. This new process saved approximately six hours of daily work and allowed us to reassign four employees to other areas.

**Adding more returns to scanning/imaging process** – Partnership returns are now being successfully scanned and processed.

**Imaging of Individual Income Tax returns** by SourceCorp (Tax Year 2010, 2011 and 2012) – Income Tax processing went well this year and all service levels were met.

**Imaging of paper W2s by Source Corp** – This process continues to go well.

### **Improve Performance Measurement Systems and Processes**

This project enhances the Agency's performance measurement and reporting processes, leveraging the ability of the Business Objects software tools to build reports and dashboards from a variety of data measurements. The Audit dashboard was broadened to add Office Audit, and a new viewer allowed Audit and Collections employees easier access to up-to-date Dashboard views. New Operational reporting included Documents Processed summary and detail levels, bad checks, Corporate Tax transfers, and Input Channel performance including Opportunity Cost. New reporting was developed for Litigation Tracking, personnel history, Accommodations Tax distributions to the counties, and refund Debit Card profiles. Finally, the Executive Dashboard links together the financial summary data and Divisional dashboards to give Agency executive management a broad picture of Agency performance.

### **Streamline Office Operations Business Systems, Processes and Performance**

Office Operations has made streamlining business systems, processes and performance part of their everyday activities. During FY13, the division implemented a total of 242 process improvements throughout all of our sections. These improvements are from section meetings and discussion of work flow and processes and also from the 12 process improvement teams. In addition, we have seven employees in the Process Improvement Training classes from Office Operations. They are working on cross-divisional projects. Some of the teams are Exemptions, Postage Reduction, Electronic Bill Payments, and Sales Refund.

The division uses SharePoint pages as a means to communicate with employees, track process improvement and special ad hoc project teams' progress, the progress of sectional goals, and divisional reports, dashboards and key performance indicators are also included on the site. This site creates a one-stop area for procedures, section happenings, divisional happenings, and any other information for division and sections.

Two major process improvements related to individual income tax refunds this year for our taxpayers. The first improvement was to offer taxpayers direct deposit of refunds from a paper return filing. This has been requested by taxpayers in the past and we implemented this option on the tax year 2012 Individual Income Tax return. The second improvement was changes to the debit card program where the taxpayer was not required to opt out. With both of these improvements, we required the taxpayer to select the method that they wanted to receive their individual income tax refund – direct deposit, debit card or paper check. With these changes, we projected an increase in our direct deposit numbers, resulting in a cost savings to the state. The chart below compares our refund methods for 2012 and 2013.

<b>Source</b>	<b>Thru June 2012</b>	<b>Thru June 2013</b>	<b>Difference</b>
Refund Checks	31%	30%	-1%
Direct Deposit	65%	69%	+4%
Debit Cards	4%	1%	-3%

Lastly, work continues with the Business Objects team to define and test various data, reports and dashboard measures. These universes facilitate daily workload planning, dashboards and

creation of various reports and statistics. With Business Objects, we can define report options ad hoc to pull data as needed.

### **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.

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. The Department continues to be a leader among other states in the percentage of individual income tax returns received that are filed by electronic/non-paper methods.

Several special projects to increase electronic filing were initiated this fiscal year. Each one of them targeted a specific filing area that could greatly reduce the need to process paper returns and checks:

- **An updated Motor Fuels** filing system allowed us to register 103, with 81 of them being non-mandated filers, showing the willingness by taxpayers to use our electronic filing systems.
- The ability for employers **to file their W2s electronically** continues to be a huge success. An increase of 10% over last year shows that employers are willing to comply with our filing mandates to insure maximized compliance.
- The development of our updated **electronic Sales Tax filing system** is still progressing. This updated application promises to bridge the gap between large companies filing many returns and the smaller companies just opening a business and needed to file a smaller and simpler return.
- The ability to **monitor who should be filing electronically** based on our state laws is also making progress. This program will help us keep businesses in compliance and insure that they have all the tools available to them.
- We were also successful in working with a large tax preparer company to develop a simple **Income Tax fillable form** that could be made available to our taxpayers for a simple, no cost option for filing your taxes.

### **Strengthen Knowledge of Leadership Best Practices**

The Agency continues to take advantage of the APM (Associate Public Manager) and CPM (Certified Public Manager) Programs offered through the Office of Human Resources (OHR). The Associate Public Manager (APM) Program is designed to help employees acquire the skills and knowledge they will need to be successful supervisors. The Certified Public Manager Program assists agencies in developing future leaders and recognizes management as a profession in the public sector. It promotes on-the-job application of learning, gives participants experience in solving Agency problems, develops human resources and encourages networking with other state agencies.

For FY13, the Agency had 11 new supervisors enrolled in the APM program. Eight supervisors completed all Associate Public Manager Program requirements and received their APM certifications. During FY13, three Class of 2014 CPM candidates began the intense 18-month program. Additionally, the DOR is proud to have six CPM participants graduate with the Class of 2013 during the fourth quarter.

The Leadership program at the Department of Revenue is built around a core of established *Achieve Global* classes with three members of the Training team holding certifications to instruct these sessions. The Leadership program has consisted of nine monthly all-day class sessions. However, topics have been added to the curriculum in order to address issues and opportunities that are being encountered in the workplace. With these changes, the Leadership program has grown from a nine-month course to an eleven-month course. During FY13, six Leadership classes have been held with 15 participants attending each session.

### **Increase Process Improvement Expertise**

The Process Improvement program is a series of seven classes designed to facilitate teams through the ‘Seven Step Problem Solving Method’. Agency teams attend seven structured classes to gain knowledge of various process improvement tools and, ultimately, implement or recommend a solution to make a DOR process more efficient and customer-focused. Seven Agency teams, representing all major divisions participated in this series this year. The seven classes are:

<b>Class Name</b>	<b>Which step in the Seven Step Problem Solving Method</b>	<b>Class Objective</b>
Getting Started	Problem Solving Method Step 1	Define team roles; Define the problem.
Flowcharting	Problem Solving Method Step 2	Determine the current (“as is”) process.
Cause Analysis	Problem Solving Method Step 3	5 why’s; Develop a fishbone diagram.
Data Collection	Problem Solving Method Step 3	Learn methods for collecting and displaying data on the current process.
Interpreting Data	Problem Solving Method Step 3	Learn ways to interpret the data you’ve gathered in order to determine if there is special or common cause variation in the process.
Solution Analysis	Problem Solving Method Step 4	Define the Solution Selection Process; Learn tools to aid in choosing a solution.
Plan, Do, Check, Act Cycle (PDCA)	Problem Solving Method Steps 5, 6, 7	Learn the PDCA cycle; Develop an implementation plan for solutions. Prepare for final presentations to management.

During FY13, 28 employees, comprising seven Agency teams and representing all major divisions, began the program.

### **Enhance Employee Customer Service Skills:**

Security of taxpayer data is the highest form of customer service the DOR can offer. Therefore, to ensure our employees understand the risk and precautions needed when communicating via email (internally and/or externally), a mandatory class for all DOR employees and contractors was held.

The class included ways to identify the components of a potentially malicious email. The course covered the following topics: defining a phishing email, the characteristics of the four types of phishing emails, examples of the different phishing email types that detailed the warning signs of each, new policy regarding employee email settings and new procedures to follow in specific situations. A pre and post-test were also given to gauge the retention of the materials taught.

During the fourth quarter of FY13, 34 Phishing Email classes were held for 782 participants totaling 102 classroom hours. Moving forward, this is a required class for all new employees and contractors.

Training continues to offer the Customer Service (CS): Essential Telephone Skills class on a quarterly basis. The course is designed to communicate the Telephone Doctor, Inc.'s ten key principles. Additionally, the principles have been customized for the DOR's specific needs. The course teaches how to effectively answer, handle and route calls in a stellar manner and leave a professional and positive lasting impression with our taxpayers. Additionally, techniques to communicate value to the taxpayer are taught to the participants, along with supporting reference materials. Scenario based examples are used to demonstrate the techniques. Basic information and procedures for the new VoIP (Voice Over Internet Protocol) phones are covered as well. Best practices/procedures for when and how to transfer calls internally along with best practices/procedures for handling irate calls are included in the course. Six sessions were held for 79 new employees.

### **Intensify Workforce Planning and Succession Planning**

With approximately 45% of DOR's workforce having less than five years of service and approximately 29% 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. Job analysis is an important tool used to plan 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. This initiative will be expanded during FY14 to include procedures documentation across the Agency.

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 requirement of most Agency Career Development Plans. Participants are nominated by their supervisor to attend this course.



### **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 identified by the Department and which are a part of the Agency's strategic goals include:

- Ensuring the security and protection of taxpayer information
- Meeting the ever-increasing expectations of stakeholders and customers
- Providing more online 24/7 connections for our customers
- Ensuring all processes are secure, efficient, and documented
- Attracting and retaining candidates for employment within the state pay limitations
- Meeting the 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
- Policy document listserve
- 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)
  - Motor carrier audits
  - Fee in Lieu of Tax (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, 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 provided 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 information technology, security and other critical business projects

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 FY13, the Agency had a total of 790.50 authorized full-time permanent slots. Of those, 739.5 are state funded and 51 are other funded. These employees now work in a central office in Columbia and six district offices throughout South Carolina. In addition, we have one corporate tax auditor stationed in New Jersey. We supplement our six taxpayer service centers by staffing 18 “satellite” offices periodically throughout each month. At year-end, our permanent workforce was supplemented by approximately 28 contractors, and 65 temporary employees.

## **II.7. Regulatory Environment**

The Department is also a regulatory agency. 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.

We administer 32 state taxes and numerous fees, credits and exemptions. We process 9.62 million transactions annually (Figure 7.1.7, p. 45) and collect approximately 98% 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 organizational structure is as presented above on page five.

## Accountability Report Appropriations/ Expenditures Chart

### Base Budget Expenditures and Appropriations

	FY 11-12 Actual Expenditures		FY 12-13 Actual Expenditures		FY 13-14 Appropriations Act	
Major Budget	Total Funds	General	Total Funds	General	Total Funds	General
Categories		Fund		Fund		Fund
Personal Service	\$29,560,992	\$27,925,129	\$31,048,542	\$28,465,250	\$30,489,850	\$27,945,814
Other Operating	\$26,128,864	\$2,437,310	\$27,237,835	\$4,744,203	\$31,627,214	\$5,292,577
Special Items	\$ -	\$ -			\$ -	\$ -
Permanent Improvements	\$ -	\$ -			\$ -	\$ -
Case Services	\$ -	\$ -			\$ -	\$ -
Distributions to Subdivisions	\$ -	\$ -			\$ -	\$ -
Fringe Benefits	\$9,379,927	\$8,929,943	\$10,377,474	\$9,630,986	\$11,047,191	\$10,143,771
Non-recurring	\$ -	\$ -			\$ -	\$ -
<b>Total</b>	<b>\$65,069,783</b>	<b>\$39,292,382</b>	<b>\$68,663,851</b>	<b>\$42,840,439</b>	<b>\$73,164,255</b>	<b>\$43,382,162</b>

### Other Expenditures

Sources of Funds	FY 11-12 Expenditures	FY 12-13 Expenditures
Supplemental Bills	\$ -	\$ -
Capital Reserve Funds	\$ -	\$ -
Bonds	\$ -	\$ -
Loan from B&CB-IRF	\$ -	\$ 20,170,000

## Major Program Areas

Program Number and Title	Major Program Area Purpose	FY 11-12 Budget Expenditures	FY 12-13 Budget Expenditures	Key Cross References for Financial Results*
I.A Administrative & Program Support	Agency administration and Internal Audit functions.	<b>State:</b> \$565,210 <b>Federal:</b> \$0 <b>Other:</b> \$3,521 <b>Total:</b> \$568,731 <b>% of Total Budget:</b> 1%	<b>State:</b> \$593,900 <b>Federal:</b> \$0 <b>Other:</b> \$0 <b>Total:</b> \$593,900 <b>% of Total Budget:</b> 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.	<b>State:</b> \$6,905,390 <b>Federal:</b> \$0 <b>Other:</b> \$22,840,127 <b>Total:</b> \$29,745,517 <b>% of Total Budget:</b> 46%	<b>State:</b> \$9,350,255 <b>Federal:</b> \$0 <b>Other:</b> \$22,431,649 <b>Total:</b> \$31,781,904 <b>% of Total Budget:</b> 36%	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.	<b>State:</b> \$22,363,137 <b>Federal:</b> \$ - <b>Other:</b> \$ 2,483,769 <b>Total:</b> \$24,846,906 <b>% of Total Budget:</b> 38%	<b>State:</b> \$22,676,581 <b>Federal:</b> \$ - <b>Other:</b> \$ 2,645,275 <b>Total:</b> \$25,321,856 <b>% of Total Budget:</b> 29%	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.	<b>State:</b> \$ 528,702 <b>Federal:</b> \$ - <b>Other:</b> \$ - <b>Total:</b> \$ 528,702 <b>% of Total Budget:</b> 1%	<b>State:</b> \$ 588,717 <b>Federal:</b> \$ - <b>Other:</b> \$ - <b>Total:</b> \$ 588,717 <b>% of Total Budget:</b> 1%	7.6.4
III.C Employee Benefits - State Employer Contributions	Employer (agency) share of fringe benefits paid on state employee salaries.	<b>State:</b> \$ 8,929,943 <b>Federal:</b> \$ - <b>Other:</b> \$ 449,984 <b>Total:</b> \$ 9,379,927 <b>% of Total Budget:</b> 14%	<b>State:</b> \$ 9,630,986 <b>Federal:</b> \$ - <b>Other:</b> \$ 746,488 <b>Total:</b> \$10,377,474 <b>% of Total Budget:</b> 12%	7.4.1-7.4.3

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

Expenditures for cyber-attack remediation paid with Loan funds are not included above. These expenditures occurred only in FY13.

	FY 11-12 Expenditures			FY 12-13 Expenditures	
<b>Remainder of Expenditures:</b>	<b>State:</b>	\$0	<b>State:</b>	\$0	
	<b>Federal:</b>	\$0	<b>Federal:</b>	\$0	
Cyber Attack Remediation	<b>Other:</b>	\$0	<b>Other:</b>	\$20,170,000	23%
	<b>Total:</b>	\$65,069,783	<b>Total:</b>	\$88,833,851	

### **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 William M. Blume, Jr., four Deputy Directors, Chief Information Security Officer, Internal Auditor, and senior managers 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 longer term business plans developed for some Agency priority areas. Performance expectations that are detailed in each employee's position description and the EPMS are tied to the Agency's strategic plan. The strategic plan outlines our organizational values as described in the Executive Summary and includes a focus on security, innovation, empowerment, knowledge and ethical behavior.

**1.2.** In FY13, the leadership team continued its focus on both internal and external customers by supporting activities for progress on our major goals and the various underlying projects that are tracked at the Agency level. These goals, objectives and projects are tied to the strategic plan. Agency-level performance measures are likewise tied to the key results. Senior management meets each Wednesday morning to report on these and other issues of 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 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 described above to look at the current and potential impact on the public of our security, 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 major 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. Typically the external reviews have reported no major findings. However, the security breach of 2012 rightfully impacted the scrutiny by IRS of our processes and procedures that impact the security of tax information. Intense remediation of all security efforts was a top priority of all DOR work this year and will continue to be so moving forward. 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. Internal Audit, 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 security and confidentiality appears and action is required to proceed.

To bolster security, all new employees (FTEs and temporaries) and contractors are required to complete security training sessions on the first day of employment. All current employees also have completed these training sessions. 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 Deputy Directors and managers at the program 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 recommended and used not only to review progress on objectives that are tied to our 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 DOR's Leadership Program. Fifteen employees participated in the Agency's Leadership Program in FY13 which is an eleven-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 Blume 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 are now well steeped in security and performance excellence. Leaders demonstrate their dedication to these principles by participating in training and teams, as well as by using the process improvement tools and process.

**1.7.** Senior leadership mentors and coaches future leaders and participates in leadership development activities to help ensure that leadership succession occurs seamlessly where possible. 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 on occasion "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 receive 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. One example is that employees in Office Operations 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. Process improvements lead to efficiencies, a major goal of the Agency.

**1.9.** Senior leaders are a key part of creating an environment that fosters organizational and workforce learning. This environment begins very early in a new employee's life at the DOR. Our orientation program is expanding to include interaction with senior leaders on the first day of employment and the Agency is structuring other opportunities fostering understanding of the Agency's vision, values, and priorities. 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 and annual goals. Senior leaders communicate the big picture priorities and goals both in person, through their other division communications, 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. Senior leaders are involved in recognizing employees through State Service Awards, the Shining Star Parking Spot Award, and some areas select an "Employee of the Quarter" to recognize. Employee recognition at the DOR is an expanding priority.

**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 to (1) ensure compliance with implementation of new statutes; (2) identify suggested improvements to the laws; and (3) 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 Receivables (GEAR) Collections 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 Blume serves on the Coordinating Council for Economic Development, is acting Chairman of the Enterprise Program of the Coordinating Council for Economic Development, is an ex-officio member of the SC Board of Economic Advisors, and was President of the Southeastern Association of Tax Administrators for 2013. 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.

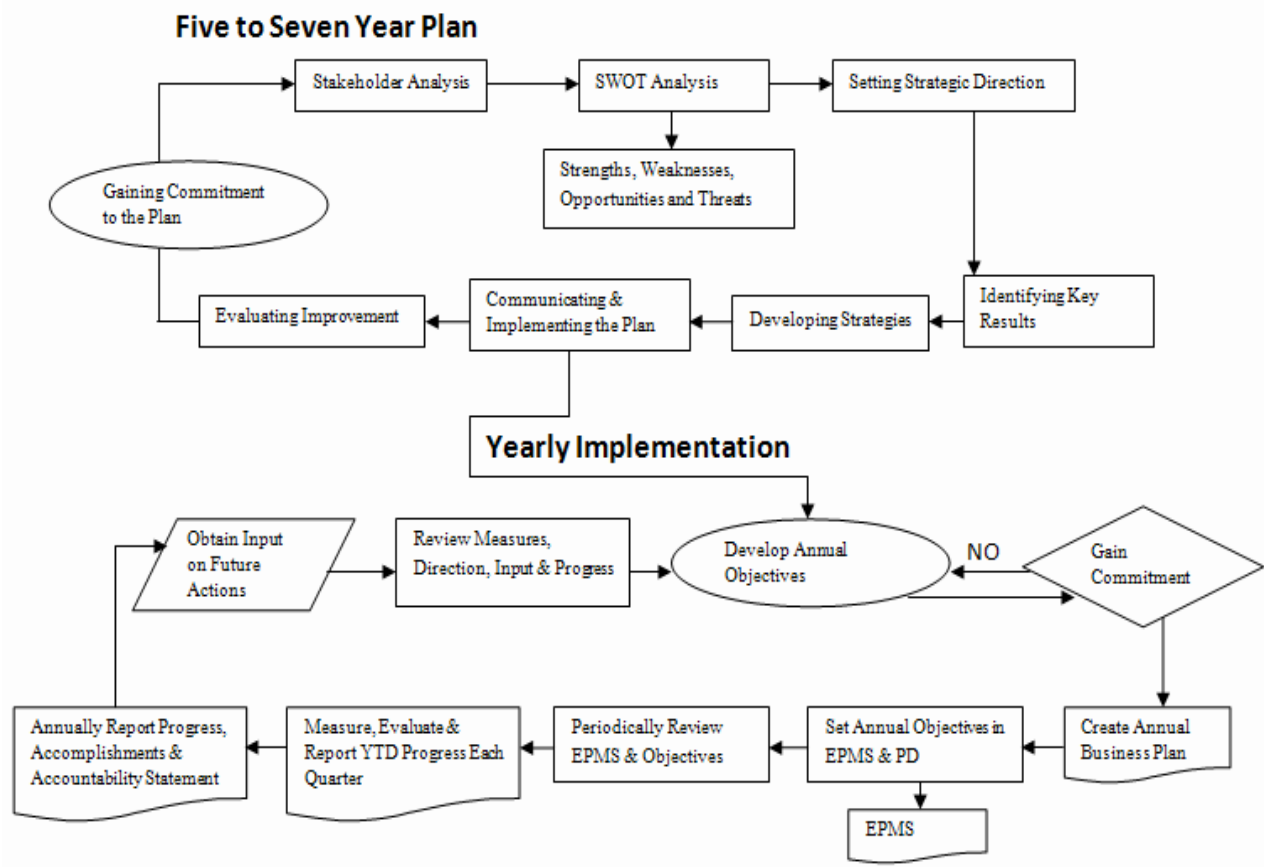
We partner with business groups, such as the State Chamber of Commerce, Municipal Association, and Association of Counties, the Small Business Development Centers, the South Carolina Restaurant and Lodging Association, the Manufacturers Association, the SC Hospital Association, the SC Manufacturers Alliance 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. While the specific projects may vary across time, they include the United Way, Relay for Life, Good Health Appeal, Cooperative Ministries, the Red Cross, Harvest Hope Food Bank, 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. It is a long-term plan and employs an annual business planning process to identify, prioritize and report progress in 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.

Security is a non-negotiable priority of all plans and activities. One 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 is prioritizing a long range plan for improved use of technology. Significant technology initiatives and security controls were developed and put in place as a consequence of the data breach discussed. As described in 2.1a above, through the organization analysis of our strengths, weaknesses, opportunities and threats, we take 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 positions us to seamlessly execute our strategic plan.

**2.2.** Our strategic goals are developed through research and with input from our stakeholders. This information is synthesized to determine the strategic challenges we either are facing or reasonably can expect to be facing.

Our business plans are closely aligned with our strategic plan. The major business objectives of our annual business plan tie directly to one or more of our key results. Since the planning process identifies the major opportunities, threats and challenges foreseeably facing us, we are able to identify and align our annual business plans to address needs.

**2.3.** We develop our action plans through our annual business planning process. Plans are done at all levels of the organization. Our annual business plan involves improvement opportunities that not only affect various levels of the organization, but also involves work and analysis at the team, operating division and Agency level. Planning is a 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 and often multi-year business plans, frequently involving 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 employee's unique responsibilities that will help us better accomplish our mission.

These plans are then tracked through: (a) periodic presentations of plans to senior management; (b) quarterly progress reports; and (c) regular review of dashboard measures that tie to our key results areas.

**2.4.** Agency plans and successes are communicated in group meetings and are reinforced by leadership within the 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, our orientation session process addresses strategic Agency priorities. 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 key business initiatives 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 have employed 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 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 Teams. Security is of utmost priority; it is planned for and embedded in all Agency processes and plans.

<b>Program Number and Title</b>	<b>Supported Agency Strategic Planning Goal/Objective</b>	<b>Related FY 13 Key Agency Action Plan/Initiative(s)</b> 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.	<b>Key Cross References for Performance Measures*</b>
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  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  Coordinate Alcohol Beverage Licensing Issues with Law Enforcement  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	7.4.1-7.4.3
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### Category 3 – Customer Focus

**3.1.** Through our planning process and implementation, the Agency’s key customers and stakeholders include all taxpayers who file tax returns and entrust their personal information to us; all entities 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 about our customers’ needs and expectations.

Updating our website is an important continuing project and will enhance the avenue for our customers to provide feedback and access services. SCBOS, an 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. Making our website dynamic and easy to navigate is a continuing priority moving forward. We have made significant 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 securely 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. As mentioned in 3.2, we look to the workshop participants and to a wide variety of other stakeholders to help us keep our services relevant and to identify additional opportunities for improvement. Many of the enhancements, improvements and additions to our electronic programs come directly from customer and stakeholder trends. 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. 45,46).
- 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's, 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. 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 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, as well as educational opportunities and state and federal tax facts;
- Advisory opinions providing formal policy statements of the Department;
- Informational handouts for taxpayers, including:

Brochures, such as:

*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*  
*Accommodations Tax on Second Home and Rentals*

Cards which provide a one percent tax exemption for those 85 years or older

- 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 DOR Annual Reports*

All of the above material is available on the Department's website.

Our website's "Frequently Asked Questions" provides solutions for answers to common taxpayer questions. Each April, citizens greatly appreciate the Agency's "forms drive-thru"

service at the Columbia office, which allows taxpayers the ability to pick up or drop off their state 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, 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 many department measures, most of which continue to be reviewed at the operational versus executive leadership level. 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. It describes special cause situations, trends, anomalies, or process changes that affect performance.

**4.3.** Our Agency dashboard performance measures align with 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.

Key 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 such measures in the senior leadership appraisal system as they are aligned with the organizational strategic plans 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. As needed, we also communicate with other State Departments of Revenue on issues and challenges.

**4.5.** SCDOR has implemented and is constantly updating an Enterprise information Security Program. This program seeks to ensure that confidentiality, integrity, and availability of data. Data is protected and only accessible to those employees with a business need. Timeliness and availability are supported through a comprehensive technical infrastructure support program. This program seeks to provide a stable and available environment through regular maintenance and system upgrades.

**4.6.** Through reviews of performance data and quarterly updating of the annual business plan objectives, the DOR reviews its priority 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 vital parts of Agency plans. 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.

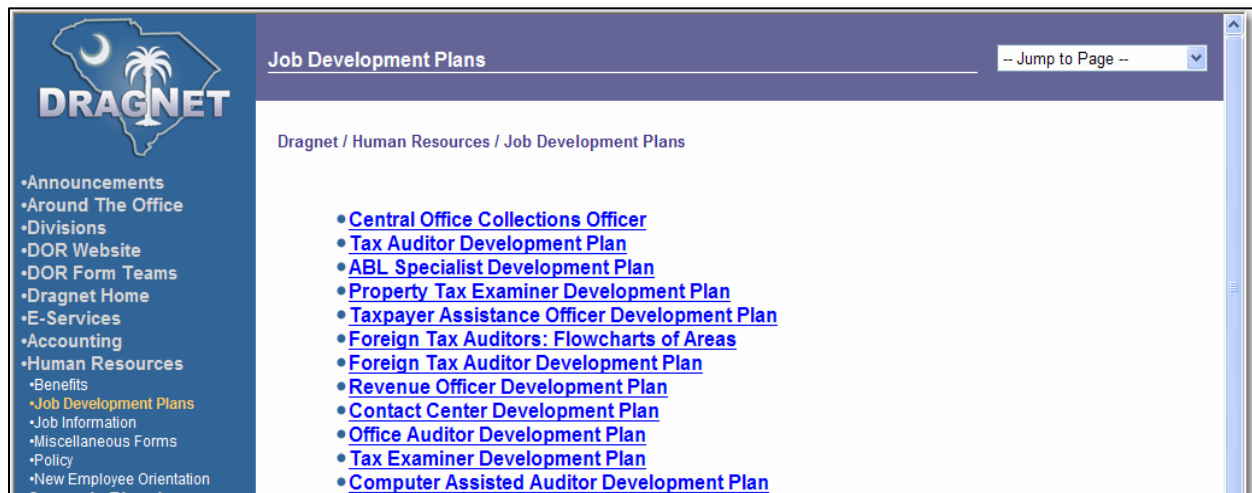
We also use our electronic means to promote keeping abreast of the information and data that is compiled. Our “shared” directory and internal website, Dragnet, contain a wide variety of information on technical subjects. Documenting all major agency procedures is an initiative that will take us yet another step forward to ensure that our employees know what to do and that we are doing it consistently. These procedures will also promote a more seamless transfer of knowledge when an employee takes a new job.

Over the past several years, job analysis of 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, revising older ones, and documenting unique jobs that pose a risk of loss of knowledge when responsibilities are transferred to others. This analysis ensures that job competencies and knowledge transfer is a part of structured career progressions.

## Category 5 – Workforce Focus

**5.1.** The Agency is organized in each division and section by natural work teams that have specific responsibilities and measurables that are monitored and reported as appropriate. These teams are empowered to cross team and division lines to communicate issues and to collaborate. Cross-divisional work teams are appointed to work on substantive improvements and implementation projects identified through the annual business planning process and tied to one of the four key results of the strategic plan. The talents and initiative of our employees are the ultimate keys to our success. Teams are used to study processes. This study, 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 chart below from SCDOR's internal website.



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 securely.

**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 strive not to 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.** A key part 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 statewide 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 do 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. 49) 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 formally through the EPMS process, which frequently involves regular coaching sessions. All employees' planning stages include specific ties to the Agency strategic plan. 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.

**5.6.** The Agency has long held a leadership role in the State for our process improvement and leadership training. For more than 20 years we have introduced our employees and many from other agencies to the process improvement tools and processes. Seven work teams participated in the Process Improvement Program in FY13. In most years, several of our front-line managers or supervisors participate in the Certified Public Manager and all new supervisors participate in the Associate Public Manager programs to strengthen leadership attributes. Also DOR leaders attend various leadership training.

The Agency addresses ethical issues such as 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 about the agency's tax processing during our new employee orientation. 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, meetings with supervisors, managers and executive management. Any training request received by Training staff members is logged on the Training SharePoint site and is reviewed and assigned to the appropriate Program Coordinator for research and development.

When traditional classroom training is utilized, it is augmented with accelerated learning techniques. We have nine major training program areas which include: Process Improvement, Customer Service, Leadership, Tax Law, Tax Systems, Taxpayer Education, Workforce & Succession Planning, General Development and Security. Courses have been developed that

address job skills, performance excellence, management and leadership training and security policies and procedures.

All of the methods and materials used to educate our customers are also available and used to train our employees. In addition, DOR offers a Structured on the Job (OJT) training class in which job processes and procedures are documented in modules by the employee attending class. A Structured OJT SharePoint site is used to store all of the modules online for any employee in the Agency to access.

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, 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. During FY13, this course included a New Employee Orientation on the first day of hire and a second course, DOR 101 within two months of the hire date. New Employee Orientation on the first day included HR benefits, HR policies, building access, Disclosure Awareness, and an introduction to the technology used at DOR and a review of the Technology Acceptable Use Policy. The DOR101 training day included a tour of the processing facility, and a casual “meet and greet” with the executive 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.

We continually evaluate training for improvements based upon feedback and needs identified by the Agency. For FY14, we are revising our overall new employee orientation program to incorporate topics taught in DOR101 and Security Awareness into a two day program. All employees and contractors will receive Disclosure and Security Awareness training on the first day of hire.

**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 in secure ways. 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. DOR's Process Improvement program and Leadership program include final presentations to management prior to their graduation.

**5.11.** The methods and tools of implementing the components of Category 5 are important 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 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 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 through the Department of Vocational Rehabilitation. Formal appreciation events included an employee appreciation lunch, State Service Awards, and the Shining Star Parking Spot Award that are in addition to any recognition programs that are in place in the divisions. Many work groups organize their own recognition celebrations on an ongoing basis.

The DOR's turnover rate is comparable to other state agencies according to data provided by the Office of Human Resources at the Budget and Control Board and grievances are not typical. (Figures 7.4.1-7.4.2, pp. 48-49).

**5.13.** For many DOR job families, 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. A Business Objects report is available to the Director to monitor workforce planning.

**5.14.** Initiatives in the area of maintaining a safe, secure and healthy work environment include: 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 all offices across the state.

## 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 analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT). Below is a table identifying these processes (Figure 6.1.1). Note: Support processes are included in the Administration category.

Core Processes	Sub-Processes	Stakeholders
Revenue Processing & Allocation	Forms Design and Management Mail Processing Records Electronic funds transfer/electronic data interchange Electronic Filing/Payment Enforced collections deposits/cash management Payment Processing Return Processing Refund Processing Data Collection Data Management Data Dissemination Statistics Revenue allocation Local Option Taxes Property Taxes Motor Fuel Taxes Dry cleaning \$9.5 million road/gas fund Accommodations Tax Index/Ratio Lists of corporate officers	Elected Officials Other state agencies Local Governments Non-Business Taxpayers Business Taxpayers Practitioners Citizens Comptroller General
Registration, Licensing and Exemptions	Registration Licensing Code Enforcement Determine Exemptions Oversight Local Government Assistance Question Answering	Elected Officials Other agencies Local Governments Business Taxpayers Practitioners Citizens
Valuations	Manufacturing Property Utilities, Carlines Business Personal Property Fee In Lieu of Taxes (FILOT) Motor Vehicle Guides Motor Carrier	Local Governments Department of Public Safety Department of Transportation
Compliance	Audits and Collections Data Reconciliations Code Enforcement Process Regulatory Violations Criminal Investigations/Prosecutions Assist Other Agencies/Governments	Elected Officials Other state agencies Local Governments Non-Business Taxpayers Business Taxpayers Practitioners
Guidance, Education, Marketing and “Answers”	Policy Decisions Problems Resolution Contact Center Taxpayer Assistance Officers	Elected Officials Local Governments DOR Staff Non-Business Taxpayers



	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	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 Resources and Training 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 a process where customers/stakeholders are defined by the products or services they receive, whether they are internal or external customers/stakeholders. This 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.

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 and the imaging and capture of W2 information and individual income tax information.

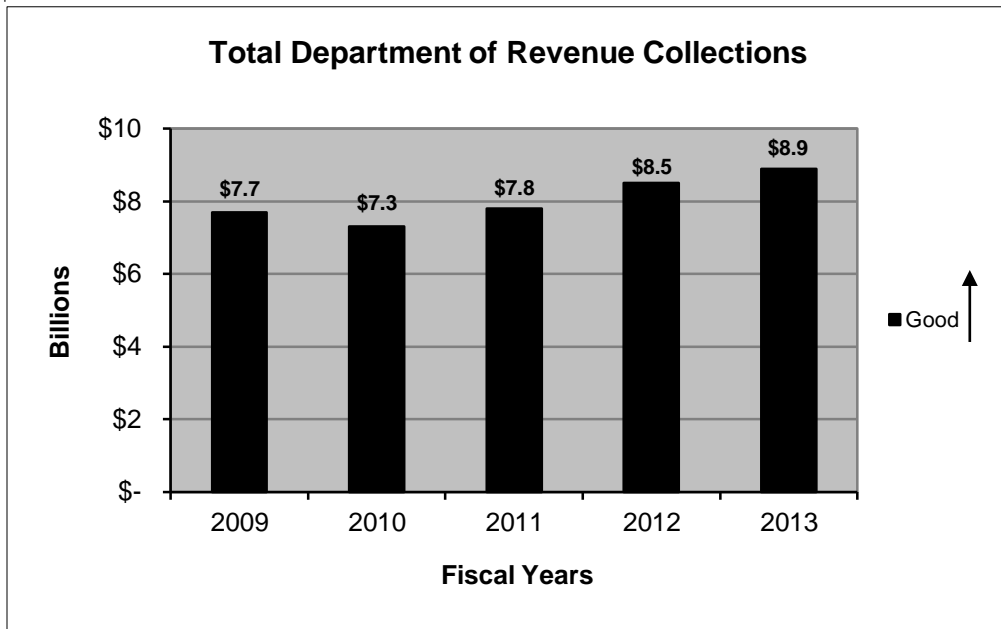
**6.7.** As a part of identifying customer and stakeholder needs, identifying resource needs and looking at the environment scan of strengths, weaknesses, opportunities and threats, we determine resource needs and prioritize resources to fit within our projected budget and financial obligations. Our 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 4.7% to \$8.9 billion in FY13.



**Fig. 7.1.1**

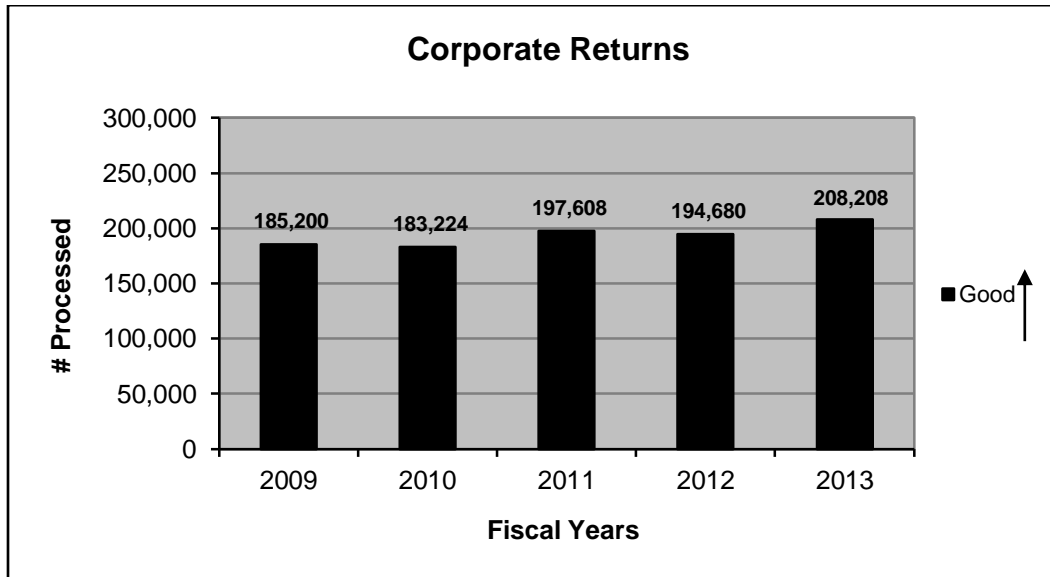
The Federation of Tax Administrators ranked South Carolina tied at fifth in the nation for electronic filing of individual income tax returns. Promoting electronic filing has been a significant cost and time saver for the Department, the State and the taxpayer.

<u>Rank</u>	<u>State (as of August 15, 2013)</u>	<u>% of IIT Returns EFiled</u>
1	Kansas	94%
2	Maine	91%
	Nebraska	91%
	Ohio	91%
3	California	88%
	Wisconsin	88%
4	Mississippi	87%
5	South Carolina	85%
	Iowa	85%
	Louisiana	85%
	New Jersey	85%
	New York	85%

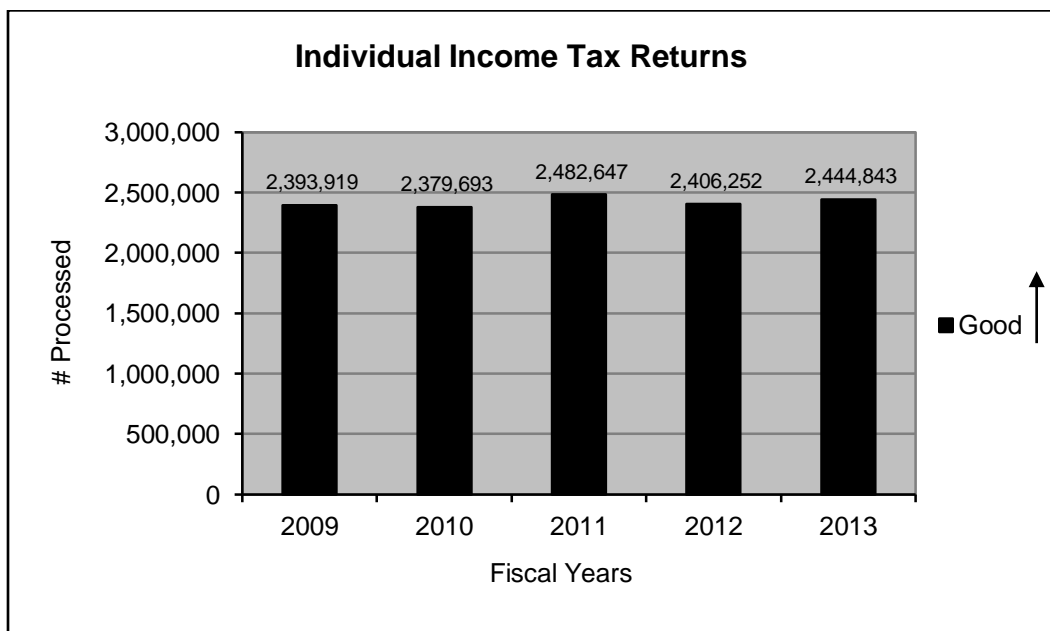
North Carolina	85%
North Dakota	85%
Rhode Island	85%
Delaware	85%
Virginia	85%

**Fig.7.1.2**

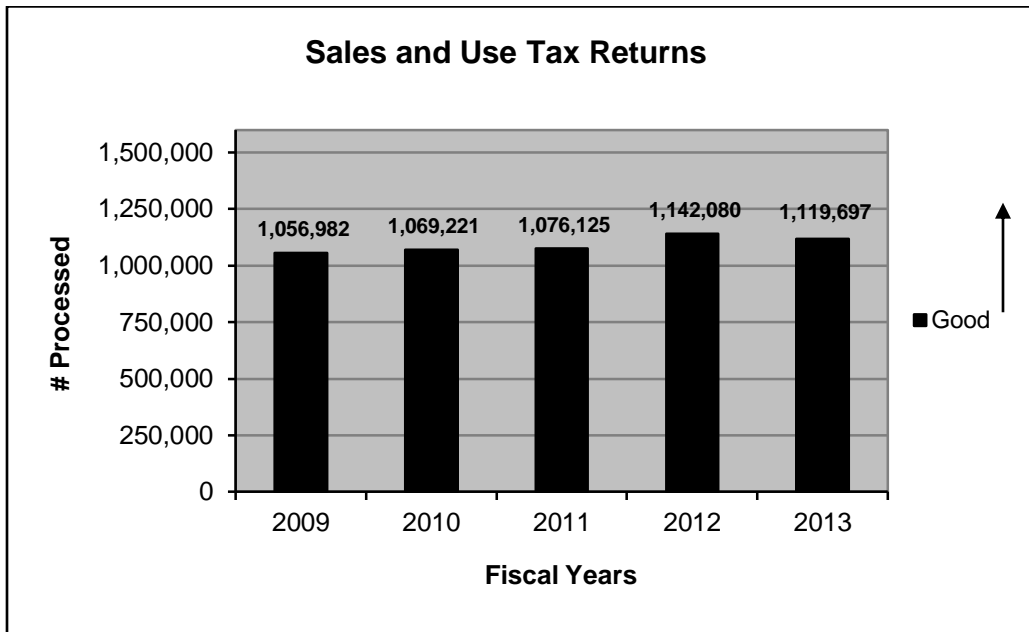
Figures 7.1.3 – 7.1.6 show the total number of returns we have processed in the four top tax types.



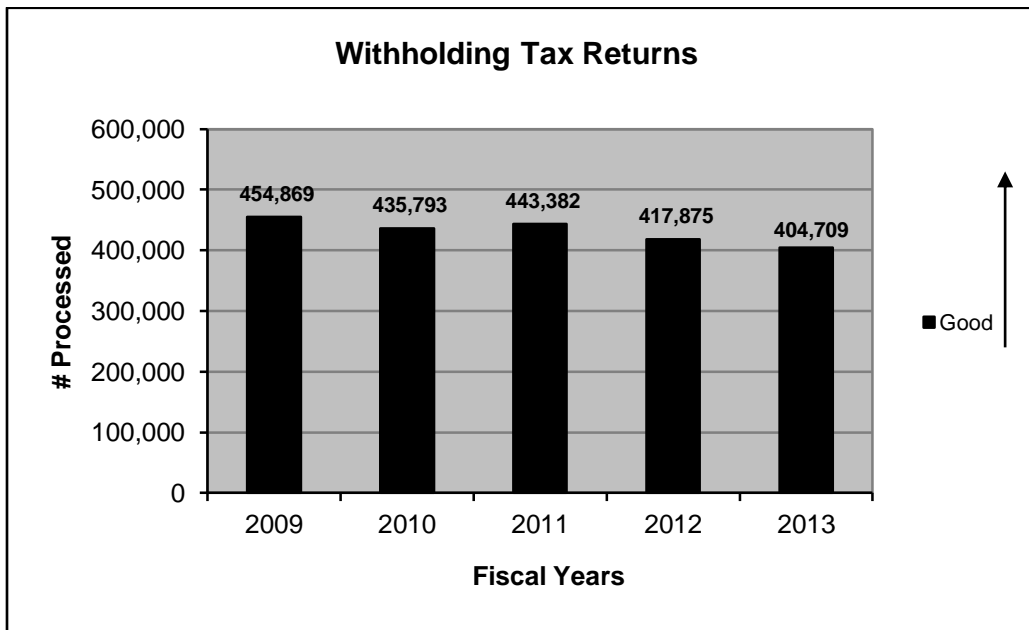
**Fig. 7.1.3**



**Fig. 7.1.4**

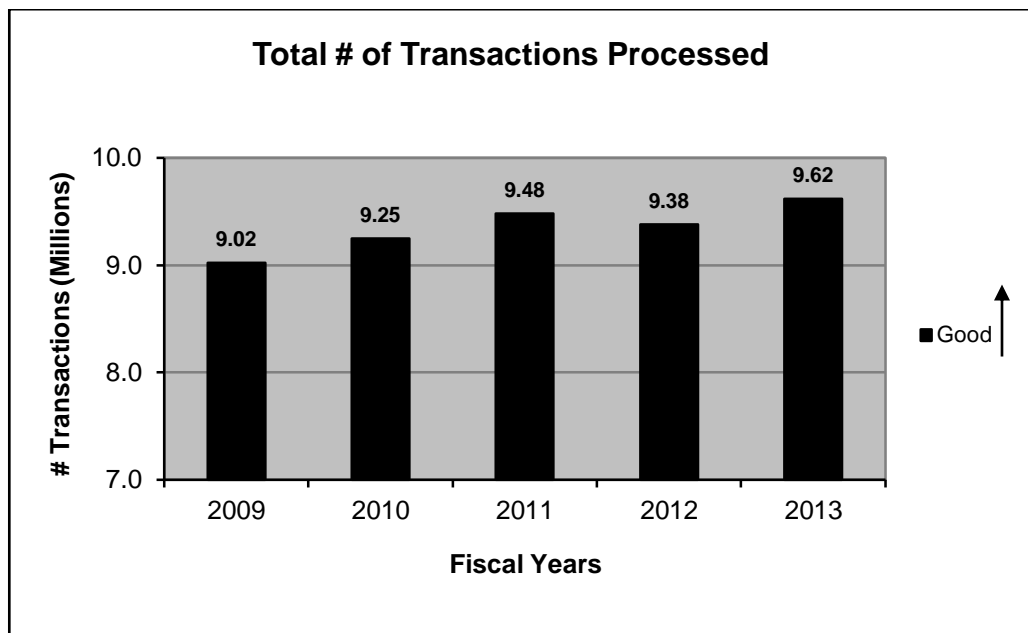


**Fig. 7.1.5**



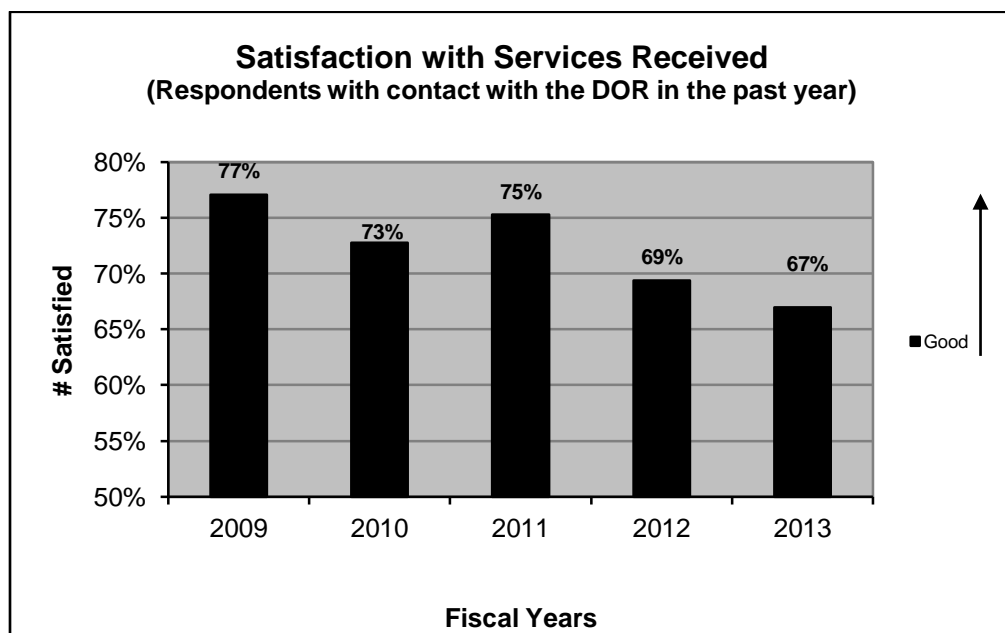
**Fig. 7.1.6**

Figure 7.1.7 shows an increase of 2.55% in the total number of transactions processed by the Agency for FY13.



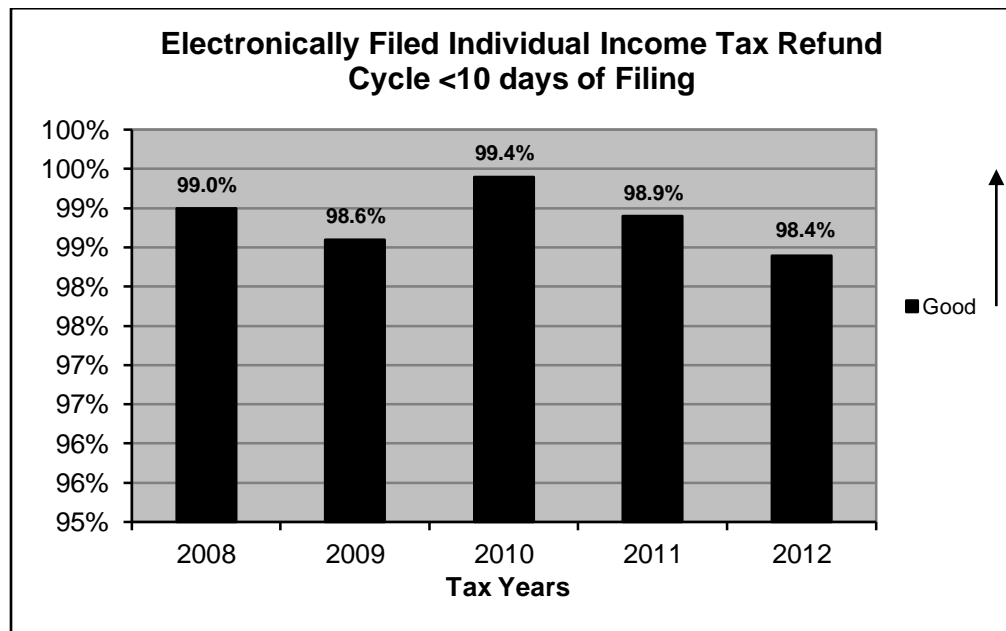
**Fig. 7.1.7**

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



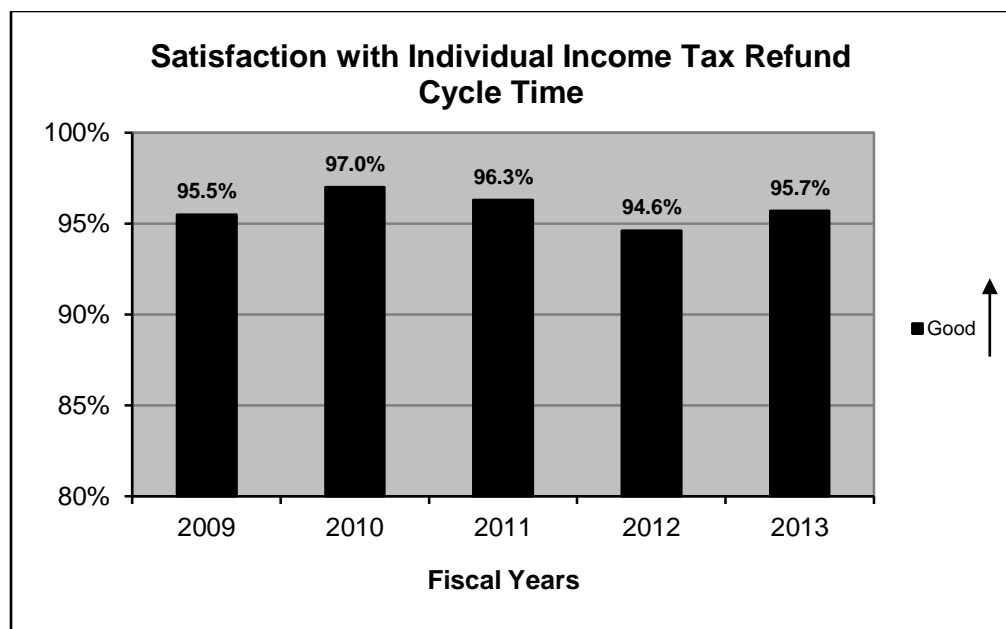
**Fig. 7.2.1**

In our electronic processing, Figure 7.2.2, we continue to issue refunds in a timely fashion. For tax year 2012, 98.4% of electronically filed refunds were issued in less than 10 days.



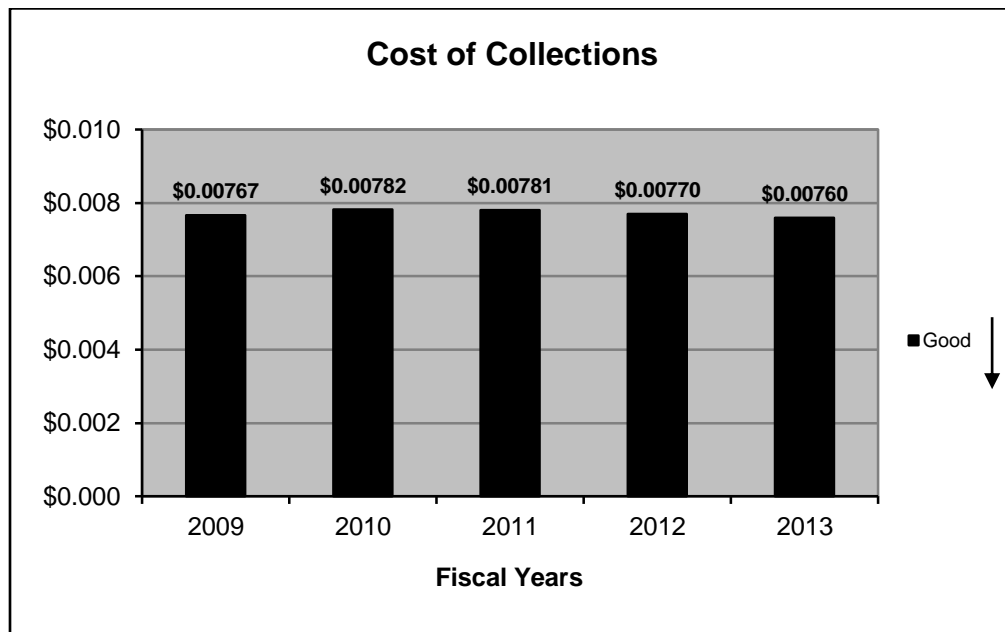
**Fig.7.2.2**

The USC Customer Service survey, Figure 7.2.3, showed there was a 95.7% satisfaction rate with the time it took to receive individual income tax refunds.



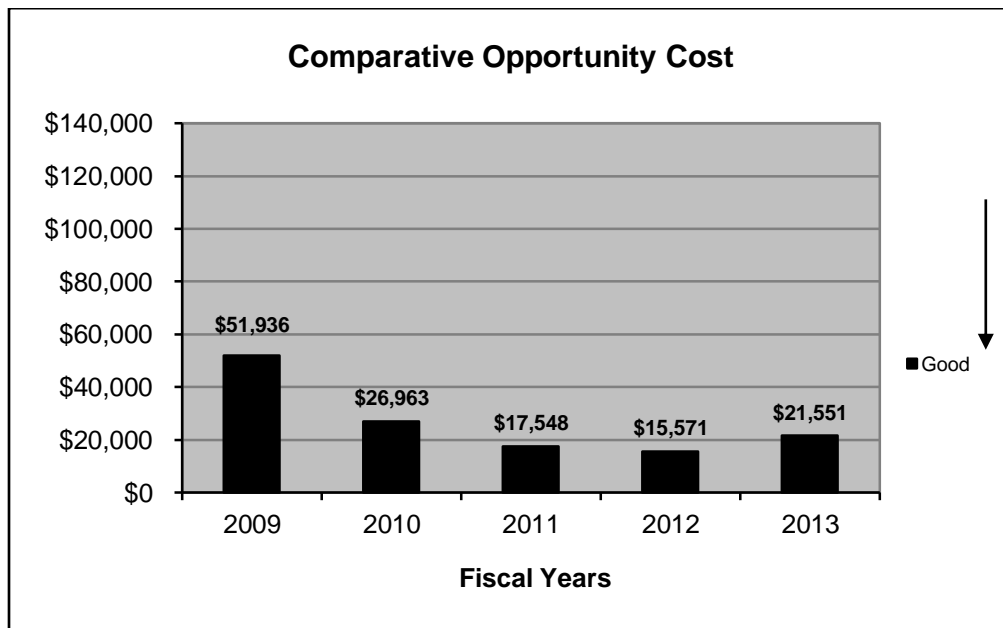
**Fig. 7.2.3**

**7.3 Financial Performance Indicators:** Figure 7.3.1 shows our cost for collecting \$1.00 of tax was \$0.00760. This measure shows the effectiveness of our collection approaches.



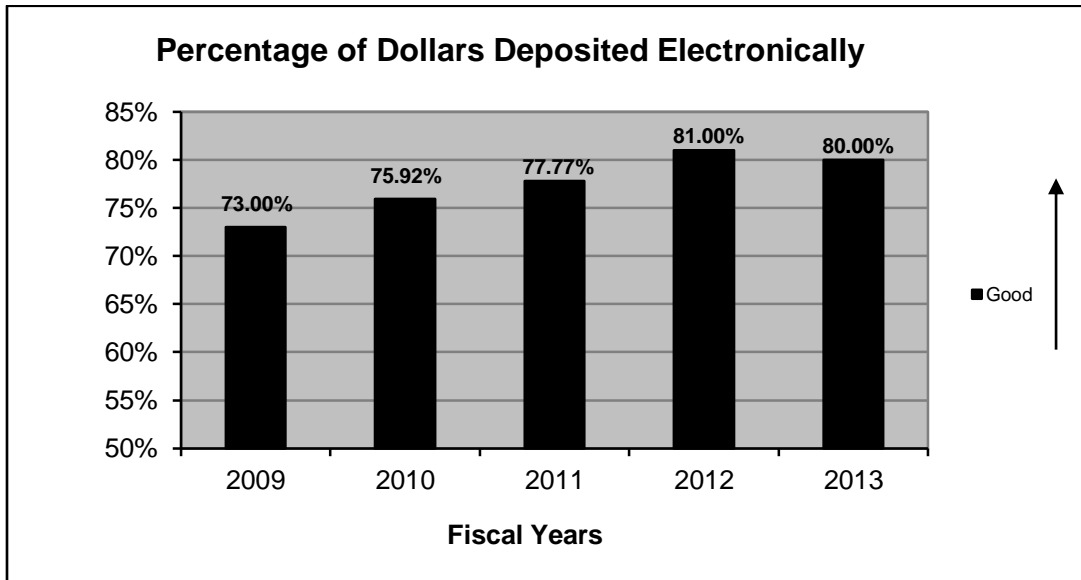
**Fig. 7.3.1**

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.



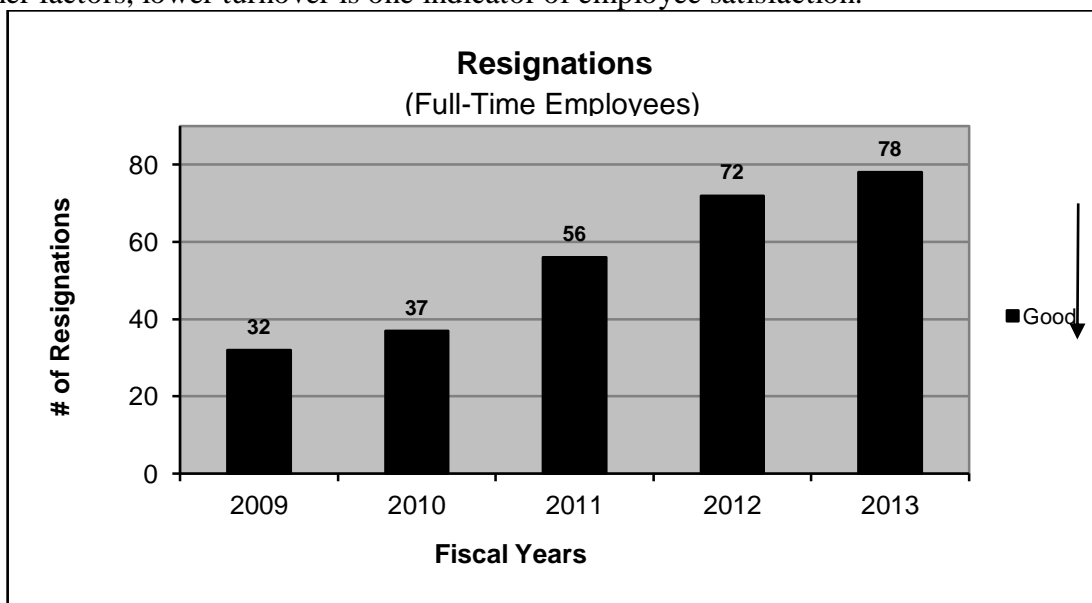
**Fig. 7.3.2**

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**

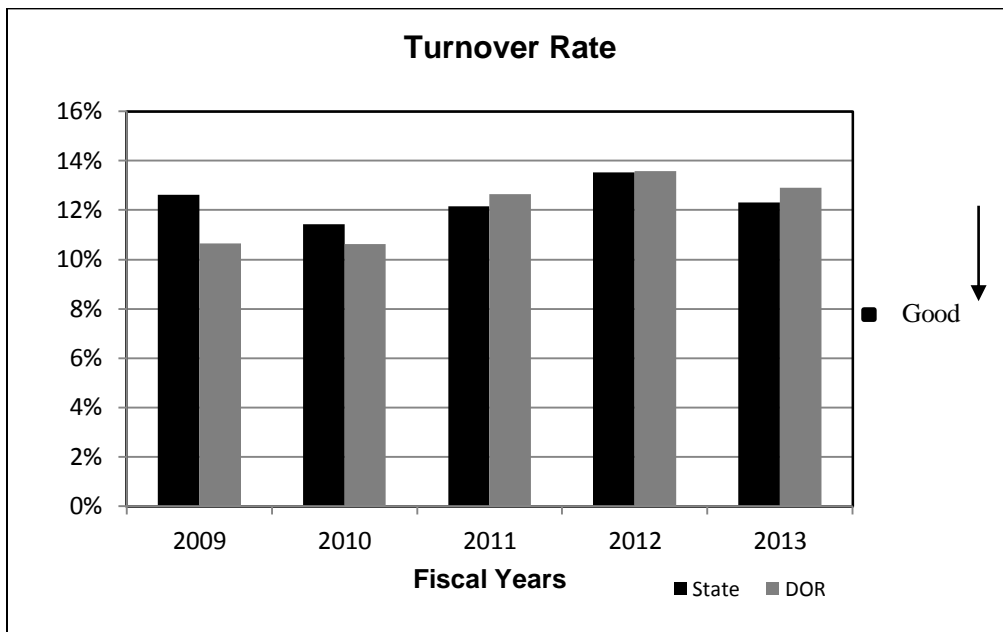
**7.4 Workforce Results** Among the workforce measures monitored; we track the number of employees voluntarily resigning. This excludes retirees. In FY13, voluntary resignations increased slightly. We are examining the causes of the higher turnover rate. While resignations are affected by the economy, job market, employee relocation, family needs and other factors, lower turnover is one indicator of employee satisfaction.



**Fig. 7.4.1**

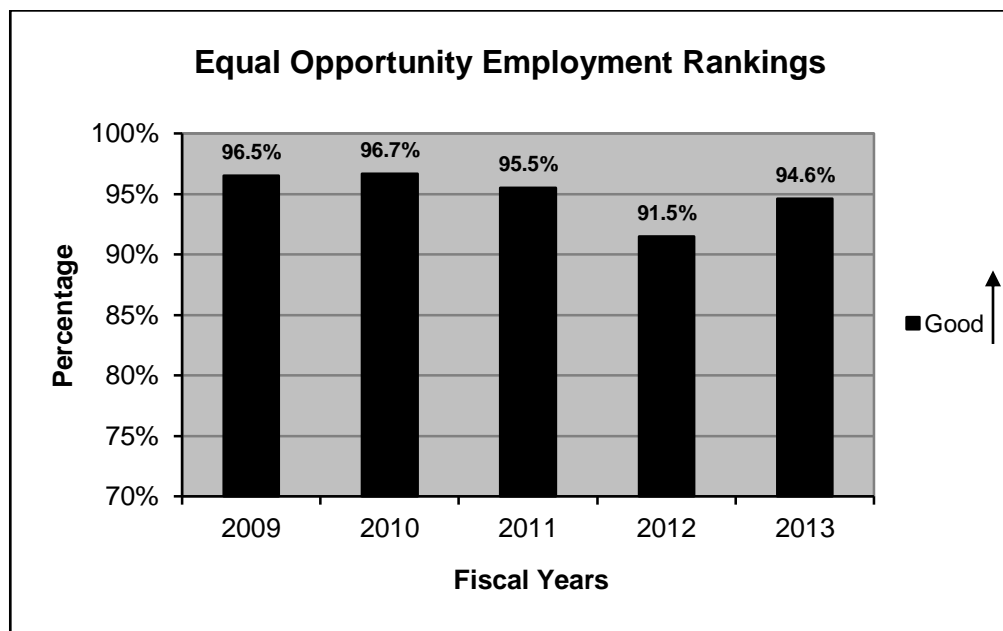


Figure 7.4.2 is a comparative look at the DOR's turnover rate to the average state turnover rate. In FY13, the DOR's turnover rate was 12.88%, compared to the state average of 12.33%.



**Fig. 7.4.2**

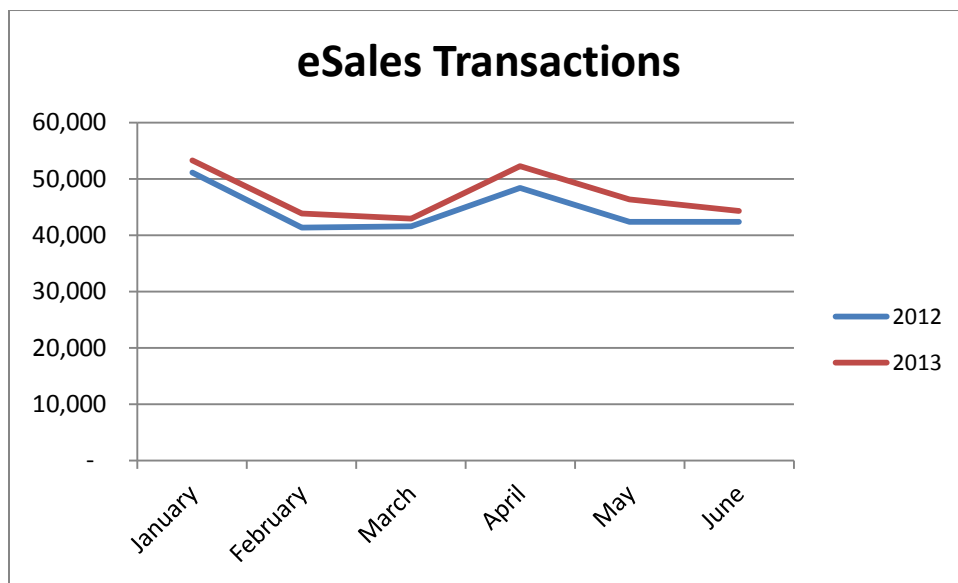
Our Equal Employment Opportunity (EEO) data (Figure 7.4.3) shows the Agency's percent of goal attainment in promoting a diverse workforce.



**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 for each of the six months of 2013, as compared to the same period in 2012.

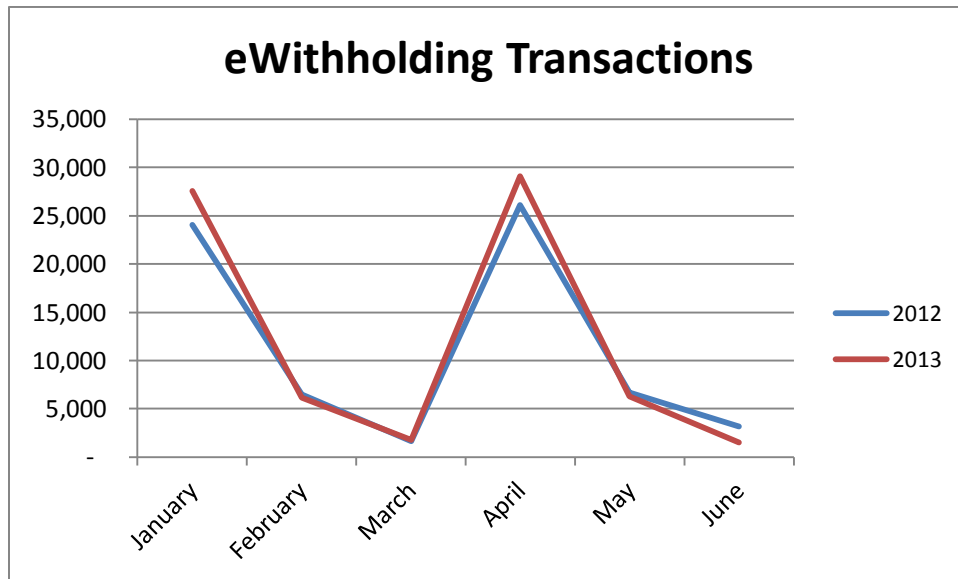
Calendar Year 2013			
eSales			
Month	2012	2013	
January	51,154	53,288	4.17%
February	41,311	43,878	6.21%
March	41,595	42,942	3.24%
April	48,388	52,240	7.96%
May	42,327	46,360	9.53%
June	42,398	44,302	4.49%



**Fig. 7.5.1**

The electronic filing system for withholding tax (E-Withholding) saw increases in -three of the last six months over the same time in calendar year 2012.

Calendar Year 2013			
eWithholding			
Month	2012	2013	Percent Increase
January	24,052	27,550	14.54%
February	6,484	6,140	-5.31%
March	1,668	1,775	6.41%
April	26,102	29,075	11.39%
May	6,679	6,278	-6.00%
June	3,158	1,492	-52.75%



**Fig. 7.5.2**

## 7.6 Regulatory/Legal Compliance and Citizenship.

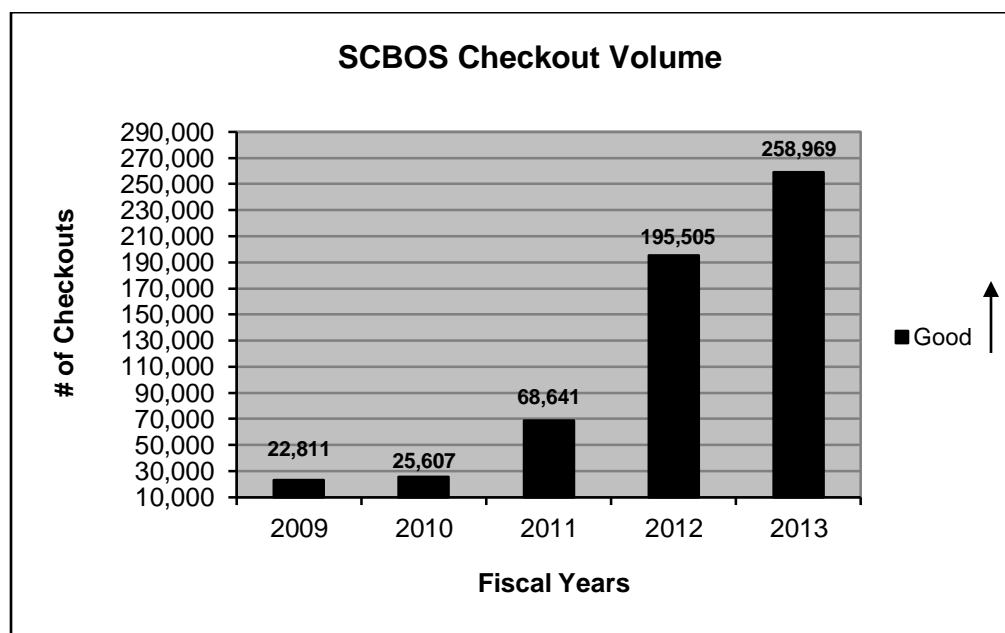
As a recipient of confidential South Carolina taxpayer information and Federal Tax Information (FTI) and as a processor of credit card payments, the Department is required to meet certain Federal, State, and contractual mandates to safeguard this information. The regulated business processes cover a broad scope including: governance, strategic planning, and risk processes; information technology; staffing; training; and fraud prevention and detection.

To ensure compliance, the Department is required to conduct continuous and ongoing internal assessments and self-reporting. As part of the Department's internal assessment process, the Internal Audit Division schedules and regularly conducts audits and inspections of the regulated business processes.

Additionally, the Department is required to submit to routine on-site assessments conducted by, or on behalf of, the various regulating bodies. In 2013, assessments were conducted by both Federal and State entities to measure the Department's compliance with Federal and State laws, rules, and regulations. The Department achieved acceptance from the Federal and State entities resulting in the Department's continued receipt of FTI and continued ability to process credit card payments.

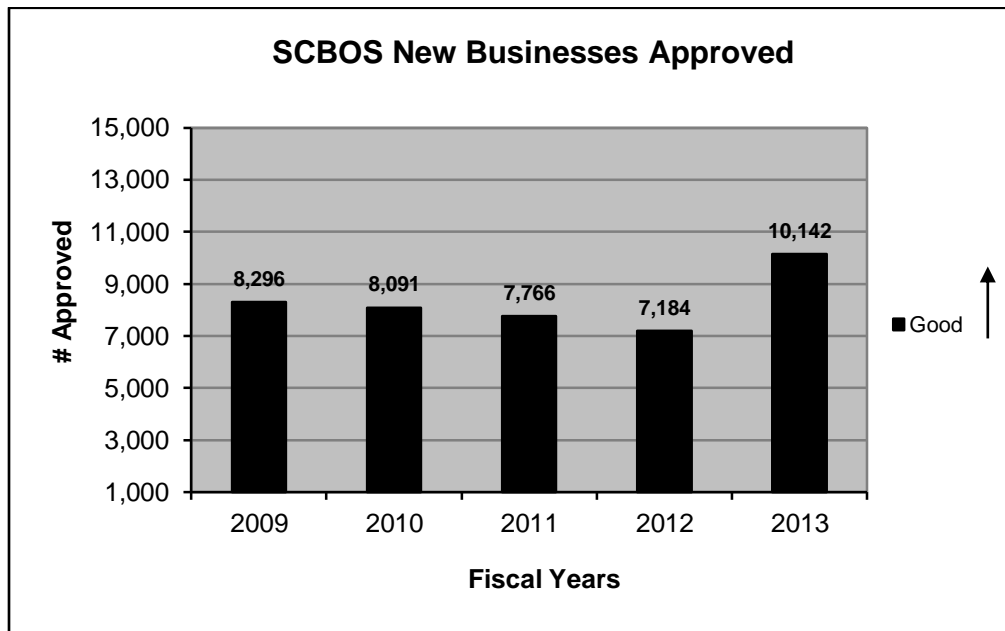
SC Business One Stop (SCBOS) has been available online to South Carolina businesses since May of 2005. SCBOS is a "one-stop" gateway for business and professional registration and licensing, for services offered by federal, state and local governments within South Carolina.

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.



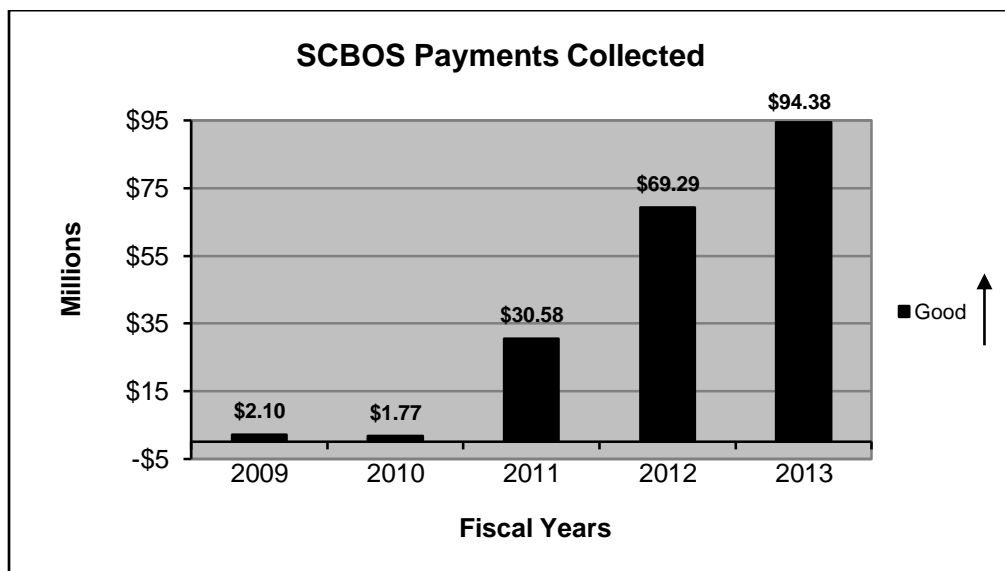
**Fig. 7.6.1**

The total number of new businesses approved is shown in Figure 7.6.2. In FY13, 10,142 new businesses were approved.



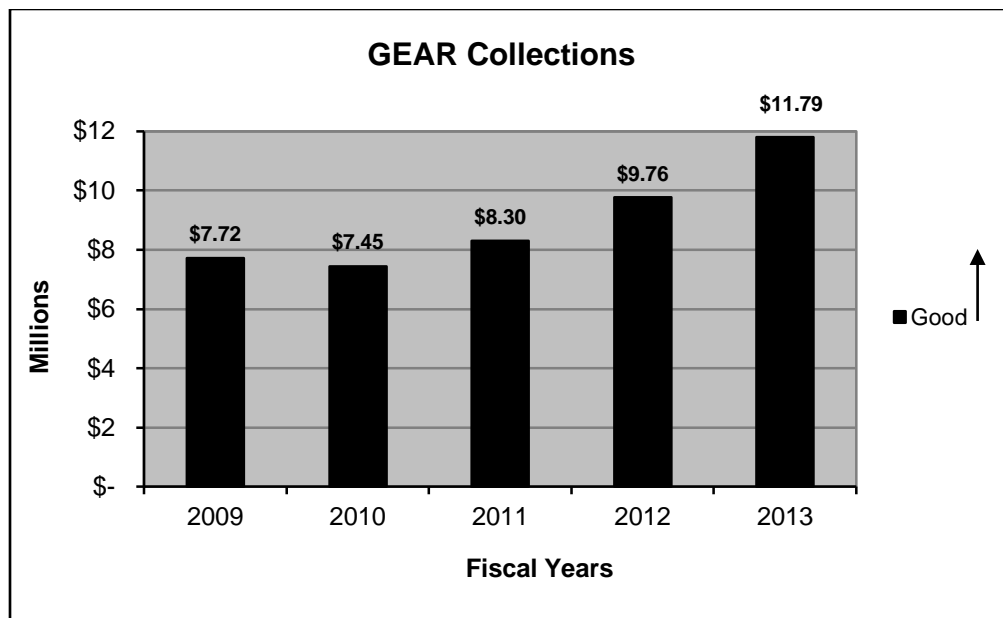
**Fig. 7.6.2**

Figure 7.6.3 illustrates the payments received through SCBOS. In FY13, \$94.38 million was collected in licenses, permits and registrations (LPR) payments. This amount reflects significant increases in each of the last three years. The increases since FY10 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**

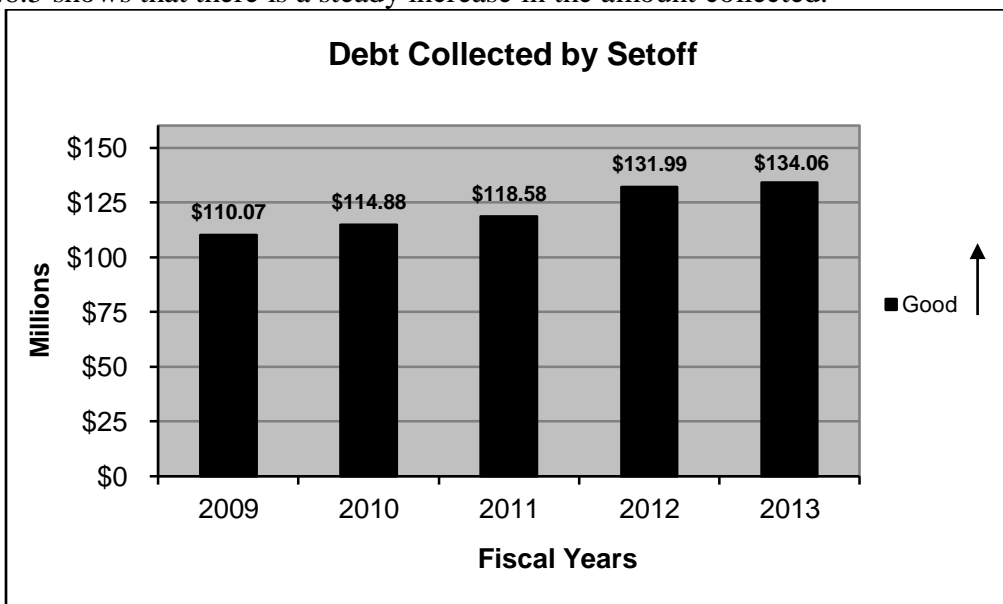
We continue to support the community through our GEAR (Government Enterprise Accounts Receivable) and SCBOS programs. In FY13, the DOR saw a 20% increase in GEAR collections over FY12. The following chart depicts GEAR collections only. Money received through GEAR debt setoff is included in Figure 7.6.5.



**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**