

**SOUTH CAROLINA DEPARTMENT OF
CONSUMER AFFAIRS**

**ANNUAL
ACCOUNTABILITY
REPORT**

FISCAL YEAR 2003-2004

Accountability Report Transmittal Form

Agency Name: South Carolina Department of Consumer Affairs

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Section I – Executive Summary

Mission and Values

To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education.

The Department strives to be a CREDIT to our State by holding the following values as essential in our relationships and decision-making:

Competence

Respect

Equality

Dedication

Integrity

Timeliness

Key Strategic Goals for the Present and Future Years

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

Opportunities and Barriers Affecting the Department's Success

The Department supports the concept of deregulation of rates in order to make credit more freely available, but the deregulation that resulted from Act 385 of 1982 in some ways opened the door to the exceptionally high rate lenders operating today. It is unclear whether the General Assembly foresaw a market with such high rates, and the Department would welcome the General Assembly's review of Act 385 of 1982 to determine if steps could be taken to encourage better price competition or limit rates in certain consumer credit markets.

In the early 1990's South Carolina began to see an influx of various types of "fringe lenders" or lenders other than banks, thrifts, credit unions, or traditional consumer finance companies. Title lenders and payday lenders started businesses within the last ten years and are legally charging rates that often exceed 300% APR. The reason for these rates is the failure of vigorous price shopping by consumers and the failure of price competition between these creditors.

To complicate matters, no state agency has the authority to regulate or regularly examine home equity first mortgage loans, which makes it difficult to discover when these loans may violate the

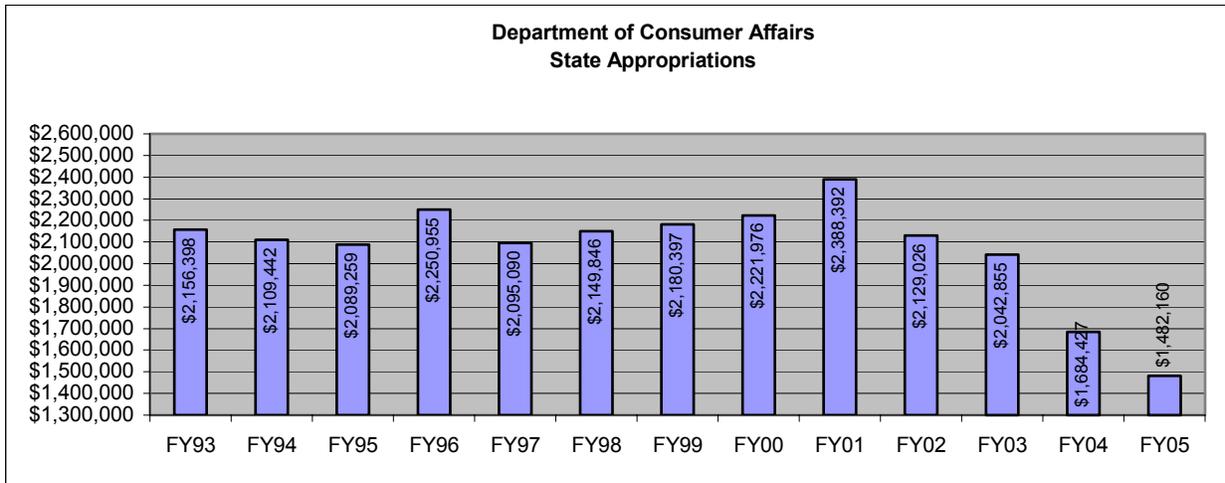
Consumer Protection Code. The Department does not see this type of loan unless it goes through a mortgage loan broker or a consumer files a complaint. Even if a complaint is filed, the Department has no means of requiring a review of the creditor's records unless the evidence in the complaint amounts to "probable cause" to believe the Code has been violated. The South Carolina High Cost and Consumer Home Loans Act does give the Department more direct authority to review consumer home loans, but this review is still under the "probable cause" standard.

Over the last three years the Department of Consumer Affairs operating budget has been cut by \$978,704, which represents 38% of agency resources. After taking the FY05 appropriation bill in consideration (3.2% cut), the agency is facing total cuts of \$1,065,516 since July of 2001, which represents 42% of expenditures for FY04.

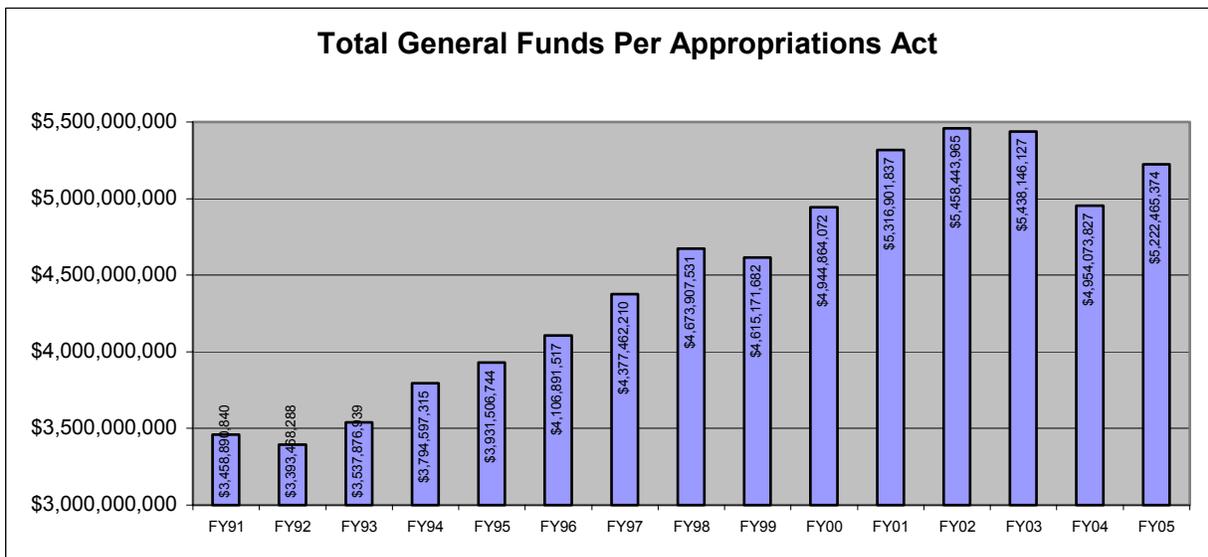
We are currently operating with state funding that is less than state funding for consumer protection programs for FY89, fifteen years ago. As a result the Department has been forced to operate at times with a vacancy factor of 37%. The FY03-04 State budget of \$1,482,160 for the Department is \$60,000 less than the \$1.74 million State budget appropriated in FY88 (16 years ago). This situation poses a serious threat to the Department's ability to retain personnel and continue to deliver quality services.

As a result of these budget cuts the Department is unable to fill vacant positions and is currently carrying 14 vacancies, which is 27% of our authorized workforce of 51 FTE's. The Department's enforcement efforts have been significantly impaired as the investigative staff has been reduced by 40% over the last few years.

As can be seen from the charts below, the Department's budget has not kept pace with the increase in general funds over the last twelve fiscal years. In fact, the Department is currently operating with considerably less state dollars and less staff than it had in FY93. It is difficult to see how the General Assembly can continue to increase the Department's statutory responsibilities without increasing its state appropriations. Without a large source of "other funds" like some other state agencies have available, the Department is limited in how it can mitigate the effect of any budget cut. *The support of the General Assembly is critical for the Department to succeed.* It is our hope that the Department's consumer credit expertise will be recognized, our stand against fraud will be enhanced, and our technology deficit will be rectified.



This chart shows the effect of budget cuts and a lack of state funding for consumer protection programs over a thirteen year period. The Department's state appropriations has declined by \$674,000 since FY93, and current year appropriations are \$257,840 less than appropriations for FY88 sixteen years ago.



This chart depicts the increase in the state budget since FY91. The state budget grew by \$1,764,000,000 during this period. As indicated in the previous chart, the Department of Consumer Affairs has had virtually no growth in its budget during the above period when the state budget grew by 34% (\$1.7 billion), but has experienced a series of budget cuts since FY01.

Major Achievements for Fiscal Year 2004

Major Achievements through voluntary complaint mediation:

- The Department mediated and **closed 82.59% of consumer complaints as “satisfied,”** which in part is the result of the “open-view analysis” approach to processing, evaluating, and mediating consumer complaints. This approach frequently identifies violations and/or businesses that are not mentioned in the consumer’s complaint and assists in determining the probable basis and merit of every complaint filed with the Department.
- Demonstrated our “global customer base” by **recovering \$1,051,512 in refunds,** credits, and adjustments for consumers living in South Carolina, other parts of the United States, as well as foreign countries.
- Received and **processed 5,547 consumer complaints** during FY04. Compared to the prior year, new complaints received decreased by 4%. However, this volume of complaints represents an increase of 10% when compared to FY00. On average, received and processed 462 complaints monthly.

Major Achievements through intervention in utility and insurance rate cases included the following:

- **Saved** BellSouth telephone **customers roughly \$107 million** based on a settlement of litigation involving the Company’s earnings from the years 1996-1998. Settlement calls for a \$50 million refund, a two-year basic rate freeze, a \$9 million reduction in the amount the Company claims from the state Universal Service Fund, and increased price breaks for low income customers.
- **Saved** customers of State Farm homeowners insurance **roughly \$13 million** annually going forward as a result of a settlement of the Company’s request for increased rates.
- **Saved** purchasers of workers compensation insurance **roughly \$20 million** annually going forward based on a settlement of a case with National Council for Compensation Insurance (NCCI).

Major achievements through cooperative efforts with the General Assembly, the Mortgage Broker industry and the general business community.

- Developed and enacted legislation to **license loan originators.** This legislation will provide regulation for all persons originating mortgage loans, thereby providing additional oversight and protection for the consuming public. The mortgage loan brokering industry was very cooperative and supportive of this legislation and assisted in the development of this new legislation.

- The Department maintained oversight and regulation of **Athletic Agents** after a bill was sponsored to move the regulation from the Department to the Office of the Secretary of State to comply with model legislation developed by the NCAA. The General Assembly ultimately decided that the Department’s regulatory oversight of Athletic Agents had been good and therefore it would not be cost effective to adopt the change to model legislation.
- A **new proviso (49.5)** was developed as a part of the FY04-05 appropriation bill that authorized an increase in fees charged to registered creditors in South Carolina. The consumer credit grantor notification fee was increased from \$90 per location to \$120 per location and the filing fee for the maximum rate schedule was increased from \$20 to \$40 per location. The proviso also authorizes the Department to use \$30 of the notification filing fee and \$30 of the maximum rate filing fee in its budget to cover the cost of regulating the consumer credit industry in the State of South Carolina. The General Fund would remain revenue neutral. This was the first increase in fees for registered creditors since 1988. The proviso was generally supported by the banking industry and several large lending institutions.

Major achievements through outreach, partnerships, and customer focus groups:

- **SATELLITE LOCATIONS.** The Department opened its first satellite location in Gaffney on July 28, 2003. Additional locations were opened in Laurens on September 30 and in Summerville on December 4, 2003. During the monthly visits to these locations, the department will provide from its current staff, three persons to take complaints, answers questions and provide educational material. Despite budget reductions, this is part of the department’s commitment to outreach—to be visible in areas across the state where consumers are not familiar with our services and provide them with what they need most: help and information. This effort was made possible through a collaborative effort with the county administrators in those areas. Satellite offices located in Summerville, Laurens, and Gaffney have been very successful.
- **PREDATORY LENDING LEGISLATION.** There was strong evidence in South Carolina that there were sub-prime lenders routinely targeting families who could least afford high cost home loans. A number of these homeowners were elderly, poor or uneducated. These lenders were promising loans that were “too good to be true” and pressuring borrowers to sign contracts they did not understand. On June 3, 2003, Governor Mark Sanford signed the South Carolina High Cost and Consumer Loan Act, which protects consumers from unconscionable lenders and loan practices. The law takes effect January 1, 2004. The Department along with other consumer advocates played a key role in the passage of this legislation.
- **CREATION OF BOARDS AND ROUNDTABLES.** To improve dialogue with businesses regulated by the Department the customer focus advisory boards and

roundtables were established for the **Pre-paid Legal, Mortgage Broker, Staff Leasing Services and Pawnbroker regulatory programs.**

Discussion included ways to enhance services the Department provides through drafting and amending legislation, licensing, training and education, on-line filing, outreach efforts, and publications for the general public. These groups meet quarterly. Additionally, the department held a forum for law enforcement officers which focused on ways of working cooperatively to protect consumers against fraudulent and deceptive practices.

- **HISPANIC CONSUMER LEADERSHIP INSTITUTE.** Select leaders from the Hispanic community were chosen to participate in a two-day (June 17-18, 2003) development institute that highlighted consumer issues and challenges, offered discussion on meeting those challenges and provided educational material to share with their community. This program provided the Hispanic community with factual information that will help build a more responsive marketplace. Since this population makes up more and more of South Carolina's population, it is important that they be included in dialogue about consumer issues. The institute covered credit, predatory lending, telemarketing, legislative issues, and fraudulent and deceptive practices.
- **BE SMART.** This program was initiated as a collaborative effort between the Department, Health and Human Services, Clemson Extension, the Council on Aging and the Central Midlands Council of Government. The program was created to educate seniors to recognize and protect themselves from Medicare fraud and other fraudulent and deceptive practices and provide information on financial matters. The program traveled to senior centers across the state. The program was awarded the 2002 Outstanding Community Service Award from the Southeastern Association of Area Agencies on Aging at a ceremony in Kentucky in November 2002, and the Florence Hall Award from the national Extension of Family and Consumer Sciences. The Department's education coordinator partnered with the Central Midlands Council of Government to continue the program (phase 2) in the Central Midlands during FY04 and plans are in place to provide phase 3 (education on prescription drug cards) of the program for FY05.
- **LIFESMARTS—THE ULTIMATE CONSUMER.** This program teaches high school students about consumer marketplace issues. The competition, sponsored by the National Consumers League and the Department offers student an opportunity to demonstrate their understanding of marketplace issues in the areas of personal finance, health and safety, environment/technology and consumer rights & responsibilities. Several teams participated in the 2003-2004 on-line competition and two teams were invited to the state competition in March 2004. The state winner, Trinity Collegiate School from Darlington, represented South Carolina at the national competition in April 2004, in Chicago, Illinois.

Section II – Business Overview

Number of Employees

The Department of Consumer Affairs currently has fifty-one (51) full-time positions. Forty-seven (47) of these positions are funded by state appropriations, and four (4) positions are funded by revenue generated from the licensing fees of mortgage loan brokers, prepaid legal services and staff leasing services. However, due to budget cuts and funding shortfalls the agency is unable to fill permanent positions. As a result, the Agency is currently operating with 14 vacancies, which is 27% of its workforce.

Location of Operations

The Department of Consumer Affairs is located in Columbia at 3600 Forest Drive, which is the only office operated by the Department. However, the Department provides statewide programs and services to the citizens of South Carolina. The Department provides a statewide toll-free phone number (1-800-922-1594) for consumers to request information and services provided by the Department. *Satellite locations were opened in Gaffney on July 28, 2003, Laurens on September 30, 2003 and also in Summerville on December 4, 2003. Visits are made to these locations on a monthly basis.*

Base Budget Expenditures and Appropriations

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$1,516,749	\$1,274,586	\$1,462,689	\$1,007,979	\$1,510,641	\$1,017,130
Other Operating	\$649,901	\$242,468	\$643,767	\$263,326	\$668,754	\$162,610
Special Items	\$	\$	\$	\$	\$	\$
Permanent Improvements	\$	\$	\$	\$	\$	\$
Case Services	\$	\$	\$	\$	\$	\$
Distributions to Subdivisions	\$	\$	\$	\$	\$	\$
Fringe Benefits	\$392,655	\$341,432	\$375,587	\$269,917	\$374,765	\$302,420
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$2,559,305	\$1,858,486	\$2,482,043	\$1,541,222	\$2,554,160	\$1,482,160

Other Expenditures N/A

Interim Budget Reductions

Total 02-03 Interim Budget Reduction	Total 03-04 Interim Budget Reduction
\$380,117	\$16,696

Key Customers and Suppliers

The Department’s key customers are the consuming public, ratepayers, regulated and indirectly regulated businesses, law enforcement agencies, schools, community groups, vendors, the media, consumer protection organizations, the Council of Advisors on Consumer Credit, the Commission on Consumer Affairs, the Governor’s Office, the General Assembly, and the U.S. Congress.

The Department’s key suppliers include the consuming public, the General Assembly’s constituency, the Board of Financial Institutions, Magistrate Court System, U.S. Congress, the Better Business Bureau’s, vendors, and the media.

Description of Major Services

The Department of Consumer Affairs was established by Act 1241 of 1974, which is known as the Consumer Protection Code and is the state law governing consumer credit transactions in South Carolina. As the state agency designed to represent the interest of consumers, the Department attempts to resolve complaints and seeks to inform and educate consumers to create an atmosphere in which consumers will be more aware of their rights and responsibilities in the marketplace.

The Consumer Protection Code authorizes the Department to provide the following services:

- Analyze and mediate individual complaints,
- Investigate business practices if a pattern of fraud is suspected,
- Refer to the appropriate agency with the authority to assist individuals,
- Inform about complaints filed against a business,
- Monitor the filing of notification fees and maximum rate schedules,
- Educate consumers about unfair and deceptive practices, and
- Provide legal action to prevent persons from violating the Consumer Protection Code and to prohibit unconscionable conduct.

Act 644 of 1978 amended the Consumer Protection Code to create the Division of Consumer Advocacy as a part of the Department of Consumer Affairs. The Advocacy Division was originally established to represent consumers at large before state and federal regulatory agencies that set utility rates, but Act 166 of 1987 expanded the division’s responsibilities to include the analysis of auto insurance rate and recoupment filings. The Consumer Advocate was granted the authority to intervene in auto insurance filings at the Department of Insurance by Act 148 of 1989, the Automobile Insurance Reform Act. In addition, Act 63 of 1991 requires the Consumer Advocate to serve on the Solid Waste Advisory Council, and he must also participate in waste

disposal cases as part of the Atlantic Interstate Low-Level Radioactive Waste Compact, which was implemented by Act 357 of 2000.

Over the years the General Assembly has given the Department additional areas of responsibility, including motor clubs (Act 400 of 1984), rent-to-own businesses (Act 121 of 1985), physical fitness services (Act 165 of 1985), pawnbrokers (Act 491 of 1988), mortgage loan brokers (Act 544 of 1988), telephone solicitations (Act 656 of 1988), continuing care retirement communities (Act 97 of 1989), express warranties on motor vehicles (Act 142 of 1989), athlete agents (Act 456 of 1990), motor vehicle subleasing (Act 132 of 1991), loan brokers (Act 452 of 1992), motor fuel pricing (Act 161 of 1993), staff leasing services (Act 169 of 1993), prize promotions (Act 483 of 1994), prepaid legal services (Act 328 of 2000), motor vehicle dealer closing fees (Act 387 of 2000, Part II, § 82), and prescription drug discount cards (Act 82 of 2001).

The Consumer Protection Code does not allow the Department to provide the following:

- Advise whether or not a business is reputable,
- Provide information on the location or phone number of a business,
- Recommend a company with which an individual should do business, or
- Handle a complaint filed by a business against another business.

Organizational Structure

The leadership system at the Department of Consumer Affairs begins with the Commission on Consumer Affairs. The Commission is composed of nine members, one of whom is the Secretary of State. Of the remaining eight members, four are elected by the General Assembly and four are appointed by the Governor. The Commission is the policymaking and governing authority for the Department and is responsible for the enforcement of the Consumer Protection Code. It meets on the second Tuesday of each month to discuss the Department's goals and objectives and to hear progress reports from the Administrator and staff. ***The Commission's current membership is as follows:***

Waring S. Howe, Jr. <i>Chair</i> (2005).....	Charleston
Lonnie Randolph, Jr., <i>Vice Chair</i> (2004).....	Columbia
Steven Michael Calcutt (2004), resigned.....	Florence
Charles Terreni (2007),.....	Columbia
Tony Macomson (2007).....	Cowpens
Louis Mayrant, Jr. (2006).....	Pineville
Wayne K. Sims (2006).....	Columbia
Barbara B. League (2004)	Greenville
Mark Hammond, <i>ex officio</i> (2007).....	Spartanburg

Currently there is one vacant seat on the Commission.

The Department’s leadership and management philosophy has been based on the principles of total quality management (TQM) and is currently evolving around the Baldrige Criteria. The current management team strives to create an environment in which open communications, customer satisfaction, and continuous improvement are a way of life for the organization. Senior management is lead by the Administrator and meets weekly to discuss policies, procedures, and customer expectations. ***The Department’s current senior managers are:***

<i>Administrator</i>	Brandolyn Thomas Pinkston
<i>Acting Consumer Advocate</i>	Elliott Elam
<i>Director of Consumer Services (Complaint Mediation)</i>	Vacant
<i>Deputy for Enforcement</i>	Danny Collins
<i>Deputy for Public Information & Education</i>	Vacant
<i>Deputy for Administrative & Regulatory Service</i>	Herbert Walker

The Council of Advisors on Consumer Credit assists the Administrator in obtaining compliance with the Consumer Protection Code. The Council is composed of sixteen members appointed by the Governor, one of whom is designated by the Governor as the Chairperson. It meets on the third Tuesday in the first month of each quarter to discuss credit and compliance issues. The Council’s current membership is as follows:

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

Section III – Elements of the Malcolm Baldrige Award Criteria

Category 1 – Leadership

1. How do senior leaders set, deploy and communicate:

- a. **Short and long term direction?** Long-term goals continue to be influenced by statutory requirements, and senior management sets short-term objectives as issues arise in weekly meetings. Deployment is informal in that senior managers communicate goals and objectives verbally to their respective staffs. The Department's strategic plan, monthly progress report, and meeting minutes for the Commission on Consumer Affairs are available to anyone on staff or the general public for review. The weekly internal newsletter, the Department's website, press releases, and public speaking engagements are other methods that have been used to communicate short and long term direction of the Department. Most recently agency wide staff meetings have been used to deploy and communicate short and long term direction. In fact, the Administrator sets aside a day annually, to discuss individual issues, performance feedback and other concerns from each staff member. This presents an opportunity to thank each staff member for the job they are doing. This coincides with the philosophy that the more feedback employees are given, the better able they are to respond to the needs of the Department. This leads to keeping staff motivated and engaged in their work.
- b. **Performance expectations?** Performance expectations are set by annual performance evaluations and modified during the year as necessary. Supervisors attempt to acknowledge exceptional performance immediately, and deficient performance is noted as problems arise. Daily interaction between supervisor and employee enhances performance. If requested or necessary, one-on-one meetings between supervisor and employee are held so that needs and expectations can be fully discussed.
- c. **Organizational values?** Senior management leads by example; i.e., values are communicated implicitly rather than explicitly. Values could be communicated more formally, but when an employee is hired, one of the considerations is whether the applicant has similar values to those of the Department or division.
- d. **Empowerment and innovation?** Employees continue to demonstrate their empowerment and innovation by designing their own manuals and forms, hosting teleconferences and online chats, and taking advantage of online legal research. The Department is developing 'learning organization' methods. Here, the best approaches from a wide variety of innovative approaches—both externally and internally— are used. To create an organization that will prosper and grow, the Department has facilitated 'staff reads', encouraging all employees to read select books that focus on opportunities in the organization rather than on problems. Additionally, the Department held its first ALL staff retreat, which took a hard look at the organizations strengths and weaknesses, then developed plans and strategies. Additionally, teams were used at the retreat and afterwards to tap the knowledge and resource of all staff. The Department recognizes that to remain competitive, it can not solely rely on management to guide the development of

the work process and the accomplishment of organizational goals. The Department involves all employees, senior level, middle management and especially those who are close to the problems and the customers.

- e. **Organizational and employee learning?** Senior management encourages staff to take advantage of all types of learning opportunities, particularly those that have no cost such as State Library sponsored courses and seminars sponsored by the Budget and Control Board. All professionals on staff attend seminars to comply with their licensing requirements, and individual staff members attend conferences sponsored by national organizations of which they are members. Three staff members are alumni of the South Carolina Executive Institute. The Director of Computer Services has been providing computer training on a weekly basis during this summer. More cross training is needed to ensure back-up coverage. Employee training requests are assessed for departmental needs, and the cost will be paid if funds are available. At least one percent of the Department's budget will continue to be set aside for training purposes. Retreats and staff reading projects are also used to enhance employee and organizational learning.
- f. **Ethical behavior?** Management leads by example and does its best to hire people with a high standard of ethics and has been fortunate not to have problems with unethical conduct. The human resources manual, reprimands, and performance evaluations are the main methods of clarifying ethical behavior. The Department also provides the necessary continuing education reimbursement for ethics training required of licensed professionals on staff. If any ethical problem arose, it would be dealt with immediately under the guidelines set by the State Office of Human Resources. Senior management is considering the implementation of ethical statements that employees would be required to sign.

2. How do senior leaders establish and promote a focus on customers?

The Commission on Consumer Affairs requires the Administrator to report each month on the Department's progress, and senior management meets regularly to promote a focus on customer service. For example, the Department provided agency-wide training on customer satisfaction and telephone skills.

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

Senior leaders are constantly reviewing fiscal reports along with revenue collection and expenditure activities. Budgets are established and are not exceeded without the Agency Head approval. Fiscal reports are reconciled with Comptroller General's office and supervisors approve all reconciliations. Monthly reports are given to the Commission. Progress reports are made monthly to the Commission on regulatory issues and the licensing and regulatory activity for the month. Employees are held accountable for any deficiencies noted in any fiscal, legal or regulatory responsibilities.

4. What key performance measures are regularly reviewed by your senior leaders?

Senior management regularly reviews the following measures:

- Dollars saved for consumers through complaint mediation, on-site compliance reviews, and intervention in utility and insurance cases,
- Satisfactory closing rate on consumer complaints,
- Top complaint categories and the top categories for savings,
- Employee evaluations,
- Speaker evaluations,
- Volume data, and
- Revenue and expenditures.

5. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

Senior management evaluates the findings and any employee feedback and takes corrective action if necessary. Another staff survey was recently distributed to further improve communication throughout the Department. Recent audits have not indicated any exceptions. Senior management will be exploring other revenue sources to resolve computer problems and personnel issues.

6. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

First and foremost, the Consumer Services Division uses an “open-view analysis” approach to processing, evaluating, and mediating consumer complaints. This approach frequently identifies violations and/or businesses that are not mentioned in the consumer’s complaint and assists in determining the probable basis and merit of every complaint filed with the Department.

Due to budget restraints, resources in the Enforcement Division must focus services on industries having the largest financial impact on consumers; e.g., the mortgage loan broker program since brokers can greatly impact the expense of home ownership, the largest financial transaction for most consumers.

During the legislative session, senior management discusses the fairness and fiscal impact of consumer-related legislation in weekly meetings. The accessibility of the Department’s physical location to the public, employees, and regulated entities was a key factor when the Department was faced with relocating in 1999.

7. How does senior leadership set and communicate key organizational priorities for improvement?

Senior management analyzes the trends and growth of regulated industries and realigns priorities based on industry needs and the Department’s capabilities. The communication

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

8. How does senior leadership and the agency actively support and strengthen the community? Include how you identify and determine areas of emphasis.

Consumer education is an important part of the Department's mission and provides excellent opportunities for the Department to be involved in communities across the State. Senior leaders regularly speak at schools and community organizations regarding consumer issues. The Department traditionally supports the State's Annual United Way Campaign and Good Health Appeal. This year the Department sponsored blood drives for the American Red Cross and provided food and a monetary donation to the Harvest Hope Food Bank and the relocation of the Somali Bantu to the Columbia area. All employees are encouraged to get involved in community activities. Staff members serve on local, state, and national boards. Many employees are actively involved in church and other charitable and community efforts. Professionals are encouraged to do pro bono work by granting leave time.

Category 2 – Strategic Planning

1. What is your Strategic Planning process, including participants, and how does it account for: a) customer needs and expectations; b) financial, societal and other risks; c) human resource capabilities and needs; d) operational capabilities and needs; and e) supplier/contractor/partner capabilities and needs?

As indicated throughout this report, the Department has processes in place for evaluating these areas, but a more formalized strategic planning process is just beginning to take form. Resolving the critical issues that continue to face the Department will require the leadership of the Commission on Consumer Affairs, the direction of senior management, and the participation of all stakeholders including employees and members of the General Assembly.

To a large degree supplier capabilities are controlled by the Procurement Code, but the Department tries to accommodate supplier needs when requested. Contractor credentials are evaluated on a case-by-case basis depending on what they can offer the Department in terms of testimony and how much the Department can afford to pay. Coalitions are brought together for specific issues, and meetings are held to determine the appropriate course or strategy.

The Office of Information Resources was asked to evaluate the Department's technology needs and presented recommendations in a series of proposals in late 1999 and early 2000. These recommendations were not funded during the last three budget cycles. Senior management is exploring other strategies and possible revenue sources to resolve critical issues. The Department contracted with the USC Computer Services Division to conduct an assessment of the agency's information technologies and recommend the most cost effective platforms for the future. The Department has decided the best strategic plan for enhancing computer services should involve developing computer applications that will be WEB enabled and will provide access to agency data through the use of the internet and secured servers protected by firewalls. The Department contracted with Technology Solutions, Inc. (TSI) of Columbia to assess its current computer platform and

develop a plan to move towards WEB enabled business processes and applications. The Department is requesting \$300,000 in nonrecurring funds in the FY2005-2006 budget request to fund this initiative.

2. What are your key strategic objectives? See Strategic Planning Chart attached.

3. How do you develop and track action plans that address your key strategic objectives?

Each division of the Department is assigned responsibilities in management meetings. In the Consumer Services Division, key performance measures are tracked via computer and reported at each monthly meeting of the Commission on Consumer Affairs. In the Enforcement Division, each attorney and deputy chief investigator must submit a monthly report to the Division Head who reports to the Commission. The Advocacy Division meets regularly and on an ad hoc basis and provides a detailed report to the Commission each month. In the Administration Division, financial action plans are monitored on a weekly basis for trends and comparisons to prior years and are also reported to the Commission monthly.

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

5. How do you communicate and deploy your strategic objectives, action plans and performance measures?

A monthly progress report is presented to the Commission on Consumer Affairs. The accountability report is presented to the Commission and submitted to the Office of State Budget each year. The Agency Head Evaluation is also presented to the Commission and submitted to the Agency Head Evaluation Committee each year. The communication methods mentioned in the answer to 1a in category 1 are also used to communicate strategies and results. Most recently the Administrator has implemented agency wide staff meeting to keep staff inform about new strategic directives and also to provide for feed back on various issues affecting agency programs and operations.

Category 3 – Customer Focus

1. Identify key customers and stakeholders.

The Department's key customers and stakeholders are the consuming public, ratepayers, regulated and indirectly regulated businesses, law enforcement agencies, schools, community groups, vendors, the media, consumer protection organizations, the Council of Advisors on Consumer Credit, the Commission on Consumer Affairs, the Governor's Office, the General Assembly, and the U.S. Congress.

2. How do you determine who your customers are and what are their key requirements?

Our customers are defined by statute first then by recognizing how best to fulfill our statutory duties; e.g., partnerships with organizations with similar goals and objectives. However, in an attempt to formalize this process, each division met separately to create lists of customers during the Spring of 2001. Senior management reviewed these lists to create the master list

found in the previous item. As new customers are identified, their needs and requirements are access and they are added to the master list referred to above.

Generally, all of the customers listed above insist that the Department encourage fairness in consumer transactions whenever possible. This key requirement can be found in the statutory authority given to the Department in the Consumer Protection Code and other consumer related legislation. However, customers' key requirements are ascertained more specifically through complaint mediation, public speaking engagements, educational workshops, surveys, online chats, and legislative activities.

The most common key requirements are:

- Timely processing of complaint or compliance review,
- Informed of the mediation or compliance process,
- Freedom of information regarding regulated businesses and businesses in general,
- Notification of results of mediation or compliance review,
- Updated, accurate, and written information regarding consumer related issues and topics,
- Education regarding deceptive and unfair business practices.

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

The Consumer Services Division resolves complaints everyday and tabulates results and industry trends every month. The Public Information and Education Division disseminate information whenever requested or necessary to alert the public. The Department attempts to keep current with customer/business needs through a monthly review of the complaints filed and the information requested. This review identifies the top issues of the day, which become areas that staff can focus upon in their own professional development in workshops, conferences, and continuing education courses.

The Department maintains a statewide toll-free telephone number. It is also in the process of compiling the results of a recent survey of consumers whose complaints were recently mediated and closed by the Department. Collaborative efforts with other organizations and new technologies such as online chats have revealed changing customer/business needs. In the future, the Department will attempt to obtain feedback from other groups of customers so that more specific customer/business needs may be identified. The Department has recently established advisory boards and roundtables for the four major regulatory programs. Discussion included ways to enhance services the department provides through drafting and amending legislation, licensing, training and education, on-line filing, outreach efforts, and publications for the general public.

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

Each staff member is empowered to resolve complaints without checking with management and is encouraged to notify his or her supervisor of any weakness identified within the Department. Management will attempt to pinpoint where the specific process broke down

and fix the problem or implement a new procedure if necessary. Action taken by management is communicated through supervisors to the affected staff.

Complaint information is maintained in a database to bolster programs and services so that problem areas for the public can be identified, the public can be warned of alarming trends or deceptive business practices, and cases can be built for legal or legislative action. This database is vital for the Department to encourage fairness in consumer transactions whenever possible.

5. How do you measure customer/stakeholder satisfaction?

A “hard measure” of customer satisfaction, which has been utilized by the Department for many years, is the closing status of complaints. Each complaint is analyzed and given a closing status based on the following factors:

- Satisfied – The business resolved the complaint to the consumer’s satisfaction or provided an explanation that the Department deemed acceptable.
- Unsatisfied – The business would not reply or would not make a good faith effort to resolve the complaint.
- Undetermined – The facts were disputed, and the Department could not make a determination of responsibility.
- Abandoned – The Department was unable to contact the consumer concerning clarification and/or additional information needed to complete the initial processing procedure.
- Insufficient Merit – The Department determined that there was insufficient validity to the complaint. (This designation is seldom used.)

The Department distributed a customer survey to a random sample of consumers whose complaints were closed in the last quarter of fiscal year 2002. These surveys asked for feedback on a broad range of issues and attempts to further identify customer satisfaction. The surveys generated a response of 57% from the sampled population and an overall satisfaction rate of 7 on a scale of 0-10 with 10 representing complete satisfaction. The Department will develop surveys and other “soft measures” for more groups of customers in the future.

A variety of soft measures are currently utilized, including thank you letters from customers, invitations to participate in television programs or other collaborative efforts, issues raised by the Commission on Consumer Affairs or the Council of Advisors, and responses to the Department’s budget request from staff of the Governor’s Office and members of the General Assembly.

6. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

The Department builds coalitions, partners, and works on collaborative efforts by aggressively seeking cooperation from different community groups and quasi-consumer

groups. Businesses complained against are customers, so the Department provides information to assist in bringing about a fair resolution to a complaint. The Enforcement Division provides advisory reviews to regulated businesses to bring them into compliance before they get into trouble. The Department provides continuing education to mortgage loan brokers at no charge to assist them in obtaining the required number of credits each year. Public speaking with civic and education groups and showing no bias in presentations and mediations are also helpful in building positive relationships. The Department attempts to be nonpartisan in its approach to legislative issues. Events such as the legislative breakfast held several years ago assist the Department in networking and communicating with legislators. The most important factor in building positive relationships, no matter who the customer is, has been providing timely information or results.

Category 4 – Measurement, Analysis, and Knowledge Management

1. How do you decide which operations, processes and systems to measure?

The Consumer Protection Code requires the Department to focus upon advocacy, complaint mediation, credit and regulatory enforcement, and education. The Administrator selected cost efficiency levels. Complaints with an “unsatisfactory” closing status have been found to be key in discovering unfair trade practices, and stopping such practices has been an indicator of the Department’s success.

2. What are your key measures?

- Refunds, Adjustments, & Credits achieved through complaint mediation
- Closing status for mediation of complaints
- Savings for consumers through intervention in utility & insurance cases
- Top categories for consumer complaints received
- Number complaints received annually
- Number of licensing and registration filings processed annually.
- Cost to process a consumer complaint
- Cost to review a license application
- Number of onsite audits of regulated businesses

3. How do you ensure data quality, reliability, completeness and availability for decision-making?

Guidelines have been established for complaint analysts to determine the closing status of each complaint. These guidelines are followed, and the Director of Consumer Services and the Deputy for Enforcement assist in the determination when requested. The Administrator does some spot-checking of problem complaints. Supervisors review the work product of employees. For example, the Deputy for Public Information and Education reviews press releases and then the Administrator does a second review.

4. How do you use data/information analysis to provide effective support for decision-making?

Trends, particularly top complaint categories, influence the Department's priorities, focus, and decisions. Utility and insurance filings are reviewed to determine if the Advocacy Division should intervene at the Public Service Commission or the Department of Insurance.

5. How do you select and use comparative data and information?

The Department attempts to acquire data from some or all of the Southeastern states depending on the issue. Decisions are based on what has happened historically. Data from the Consumer Services Division is analyzed monthly and compared to prior months and years for trends. Consumer needs are identified and made public through the media, public speaking engagements, legislators, etc.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

Organizational knowledge is collected and maintained through agency wide staff meetings. These meetings are documented and any best practices are communicated to all employees through the agency's newsletter known as the week ahead. Weekly meetings are held to provide computer training and information sharing.

Category 5 – Human Resource Focus

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

First of all, the Department attempts to hire employees who have a "burning desire" and other intangibles that make them motivated on their own. Specific objectives are at times placed in employees' planning documents. Training opportunities are made available for those employees whose talents or needs justify the training. Employees are encouraged to offer recommendations to improve operations and may submit thoughts or concerns via a suggestion box for review at senior management meetings. Other incentives currently under consideration include leave time or bonuses for employees who contribute valuable cost saving ideas.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

Each employee is relied upon to assess their own training needs. Customers, especially the General Assembly, identify the friction areas/dissatisfaction that the Department should focus upon. Although supervisory training is ongoing, three members of management are graduates of the South Carolina Executive Institute. Staff received training in consumer

satisfaction and telephone skills. New employee orientation is standard procedure for the Department, delivered to each employee in a timely basis.

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

Employees are asked to help design position descriptions, and duties/success criteria are signed off on. The Consumer Services and Enforcement Divisions have used a weighted system that motivates the employee to focus on priorities. Promotions, merit increases, and bonuses have been based on ratings.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

Due to its small size, the Department uses a very informal assessment. Well being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. The Director of Consumer Services examines each complaint analyst's number of pending, closed, and newly assigned complaints to get a sense for staff motivation. Staff meetings are held, and the monthly progress report summarizes each division's activities. An exit interview is held when employment is terminated to discover reasons for dissatisfaction, if any.

5. How do you maintain a safe and healthy work environment?

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

6. What is the extent of your involvement in the community?

Consumer education is an important part of the Department's mission and provides excellent opportunities for the Department to be involved in communities across the State. Senior leaders regularly speak at schools and community organizations regarding consumer issues. The Department traditionally supports the State's Annual United Way Campaign and Good Health Appeal. This year the Department sponsored blood drives for the American Red Cross and provided food and a monetary donation to the Harvest Hope Food Bank and the relocation of the Somali Bantu project to the Columbia area. All employees are encouraged

to get involved in community activities. Staff members serve on local, state, and national boards. Many employees are actively involved in church and other charitable and community efforts. Professionals are encouraged to do pro bono work by granting leave time.

Category 6 – Process Management

- 1. What are your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?**

Divisions have been established to carry out each of the Department's four key processes (advocacy, complaint mediation, credit and regulatory enforcement, and education). Cost and staff capabilities are important considerations for any new program or redesign. New technology, such as the Internet, is incorporated as much as possible. Complaints are now accepted via e-mail. However, improvements to the Department's computer network are still needed to keep pace with customer demand and data security issues.

- 2. How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?**

Daily supervision is the main way the Department ensures that performance requirements are met. In the Consumer Services Division, a suspense report is generated everyday to consistently work complaint files and generate timely letters. The Administrator maintains a similar suspense file to set priorities and follow-up on matters. The Advocacy Division reviews notices and filing deadlines on a daily basis. Policy and procedure manuals are consulted when needed. The Commission on Consumer Affairs reviews the monthly progress report to discuss the Department's priorities and deficiencies.

- 3. What are your key support processes, and how do you improve and update these processes to achieve better performance?**

Key support processes include accounting, human resources, procurement, mail distribution, and computer services. The Deputy for Administration monitors the response time for these processes and takes corrective action, such as prioritizing, if necessary.

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

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

Category 7 – Business Results

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

Chart 7.1

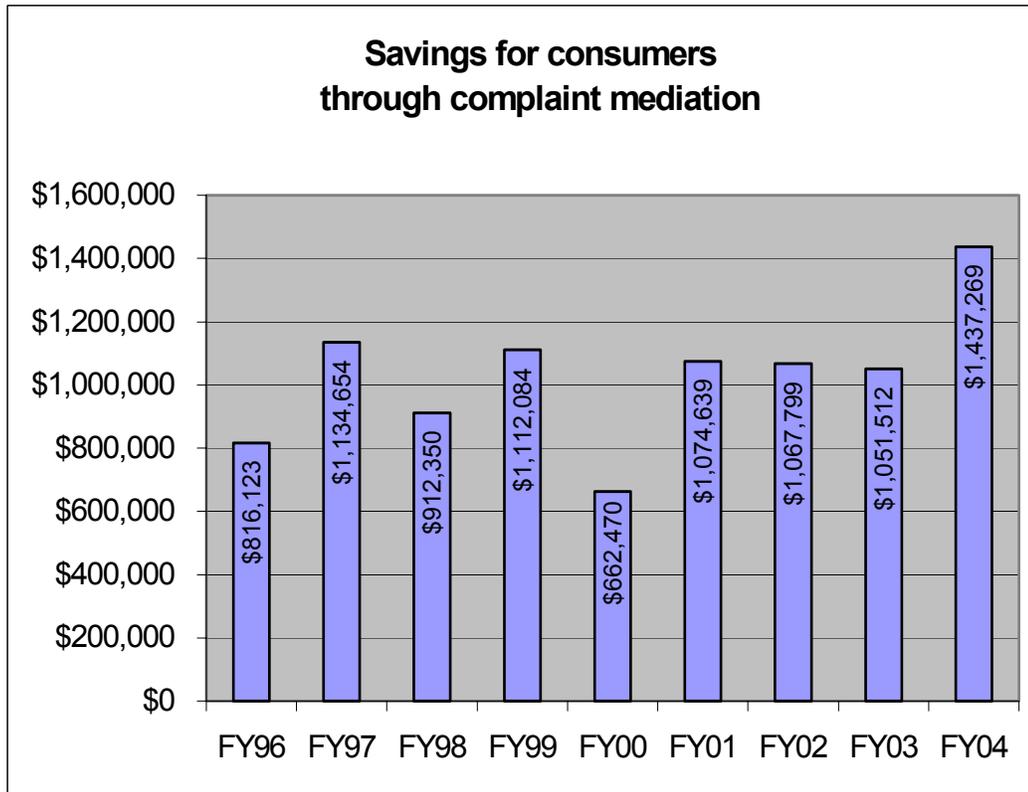


Chart 7.1-2

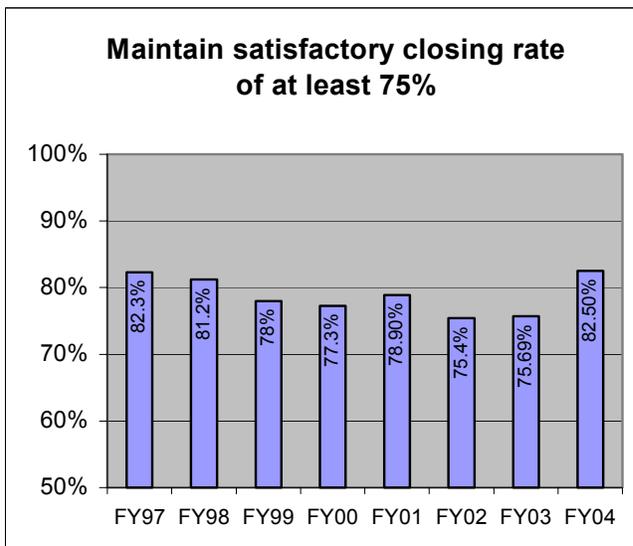
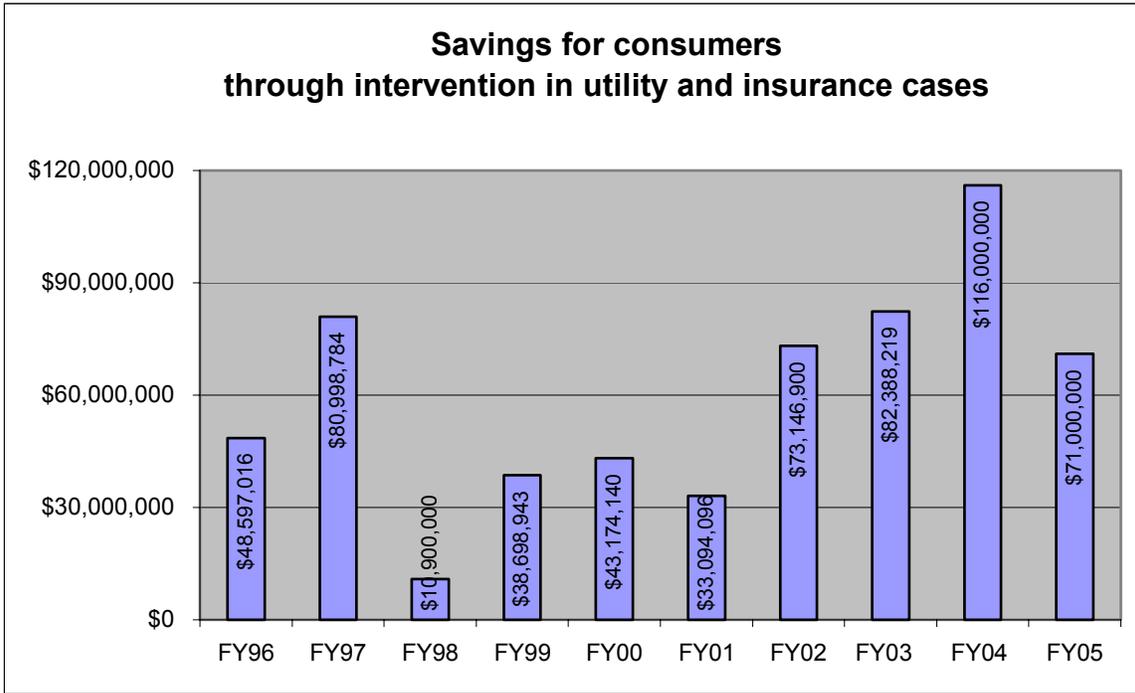


Chart 7.1-3



Chart 7.1-4



For FY04 and FY05, the Department anticipates continued savings for consumers in addition to the amounts reported in the chart above. The savings from past fiscal years will continue to benefit consumers until companies come back to the regulators to change rates.

In FY04, the Advocacy program achieved new savings for consumers of \$33,000,000 annually through intervention in insurance cases and \$107,000,000 through intervention in utility cases. The savings projected for FY05 are based on settlements already entered into and represent the least amount of savings for consumers for this period.

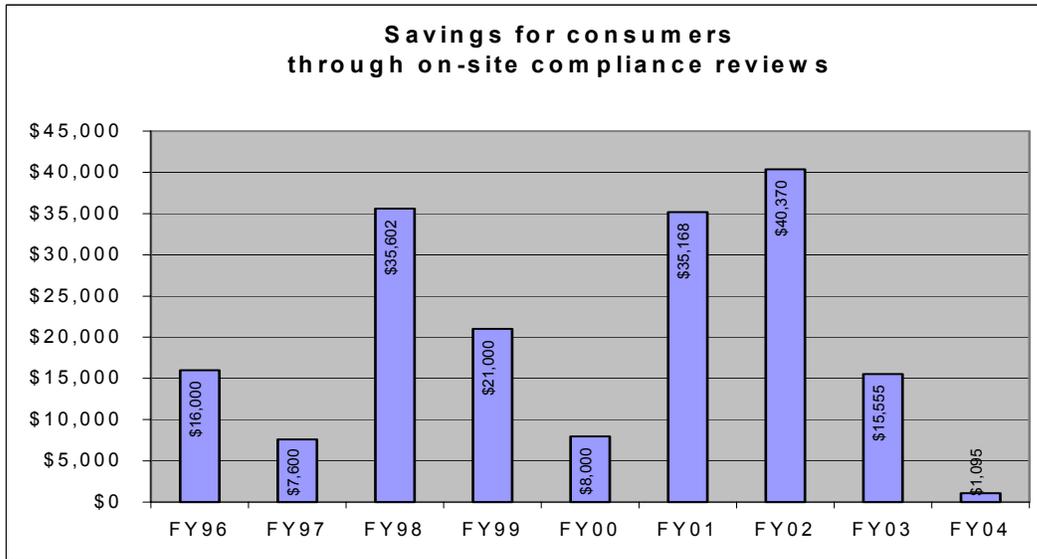


Chart 7.1-5

In FY03, an additional \$1,095 was refunded to consumers as a result of on-site compliance reviews of mortgage loan brokers, pawnbrokers and physical fitness centers. The Agency's Chief Investigator was recognized nationally for his investigations of odometer rollbacks and received the Lance D. Thomas Lifetime Achievement Award from the National Odometer and Title Fraud Enforcement Association at its annual meeting in August of 2002.

Chart 7.1-6

Violations and Penalties assessed during FY04 for violations of the Consumer Protection Code and violations by regulated industries

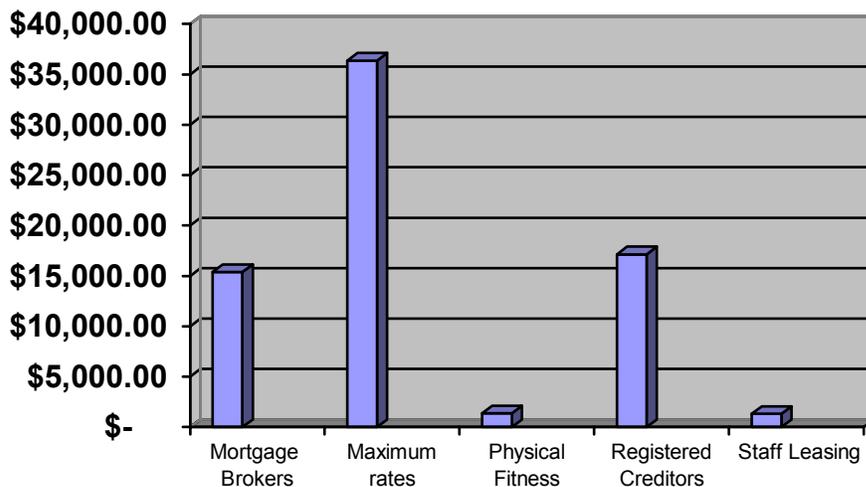
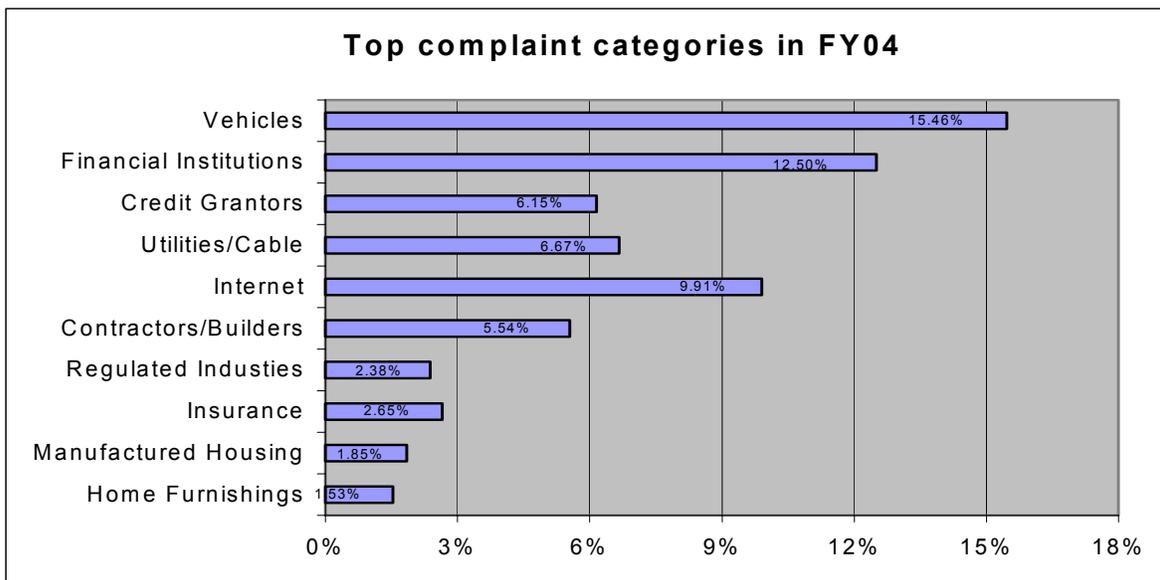
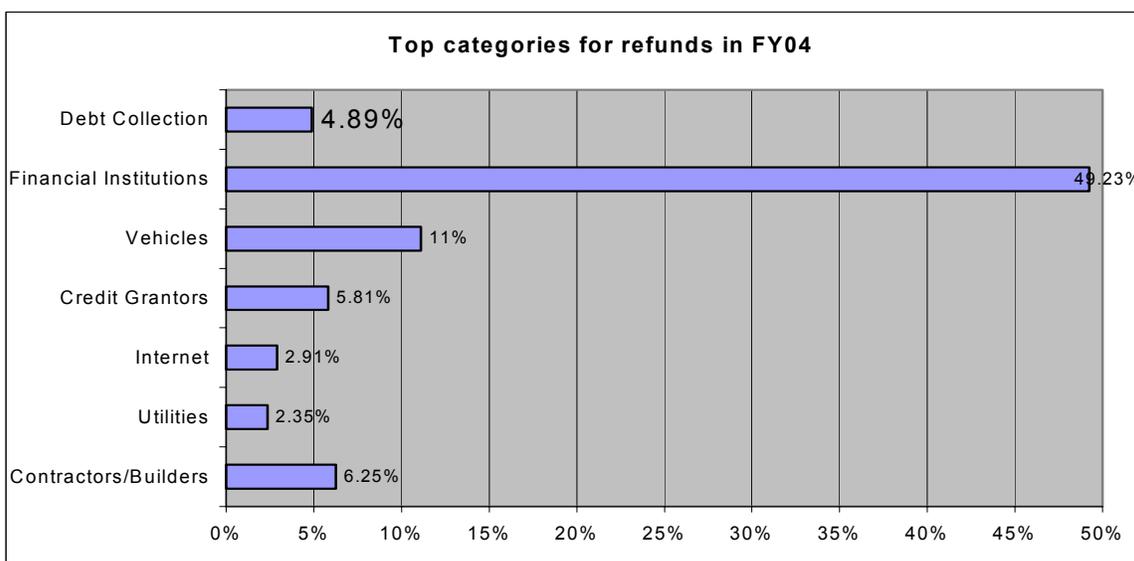


Chart 7.1-7



Vehicles continued to be the leading category for complaints received during FY04. The Department received a total of 835 vehicle complaints involving repairs, sales of motor vehicles, service contracts and repossessions. There were 679 new complaints received involving financial institutions.

Chart 7.1-8



The Consumer Services division achieved totaled refunds, credits and adjustments in the amount of \$1,436,149 for FY04. A total of \$706,985 in refunds involved financial institutions and involved the high volume of home mortgage refinancing. Refunds in the vehicle category was \$159,485.

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

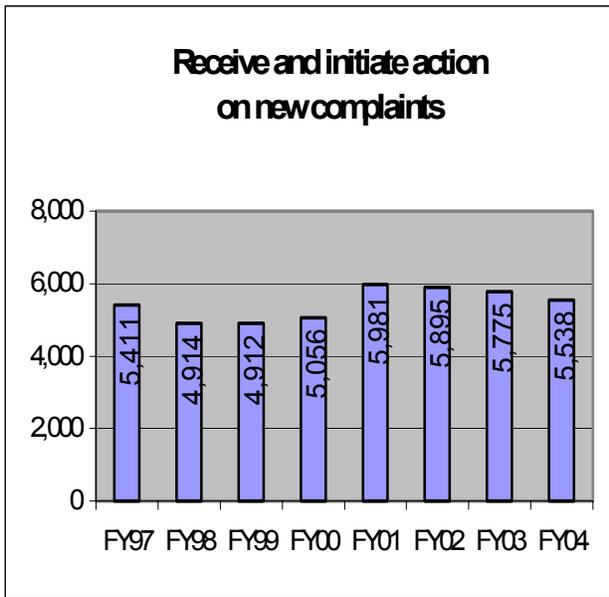


Chart 7.2-1

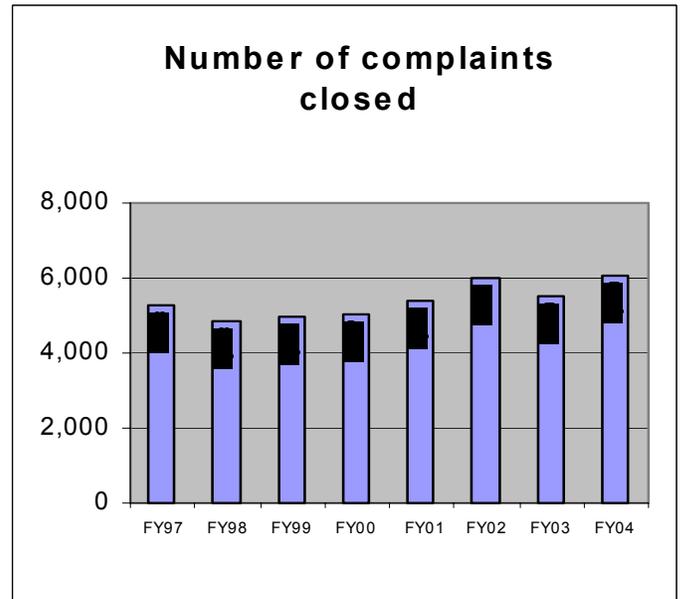


Chart 7.2-2

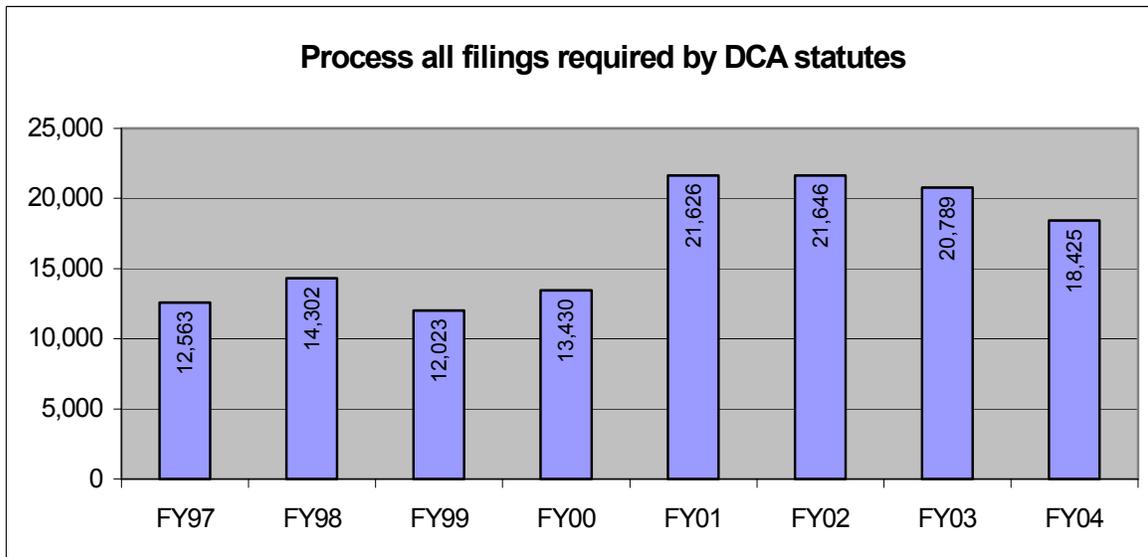


Chart 7.2-3

FY01 included 8,313 filings for prepaid legal services, which was a new responsibility as of Act 328 of 2000. FY02 includes 7,939 filings for prepaid legal services registrations and FY03 includes 7,450 filings for prepaid legal services. Due to a saturation of the industry market in SC, FY04 registrations for prepaid legal representatives declined to 4,380.

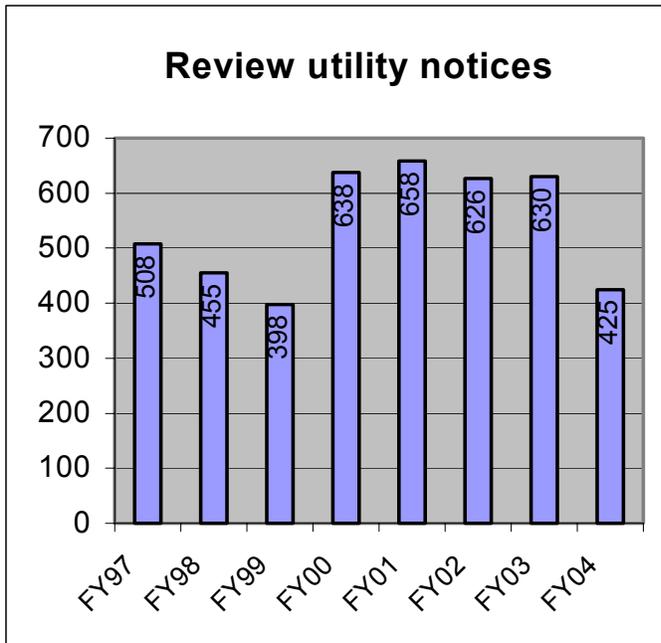


Chart 7.2-4

This chart represents the # of cases filed by utilities at the Public Service Commission (PSC). Consumer Advocate (CA) reviews all notices for the impact on consumers.

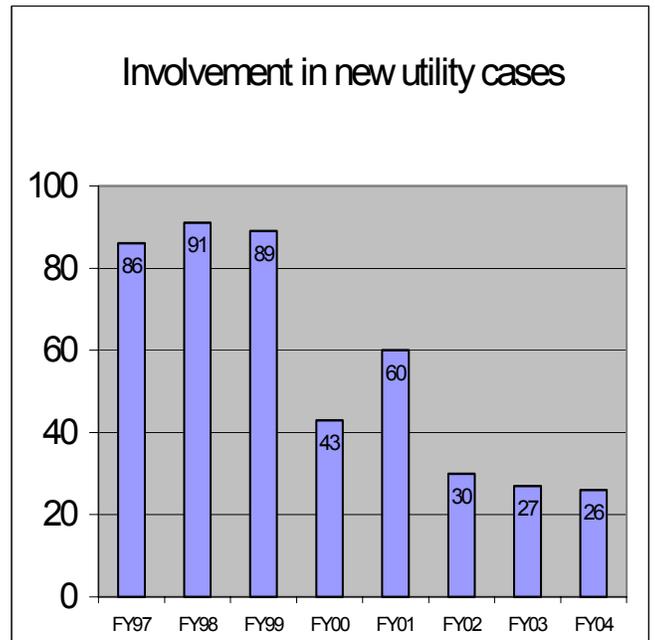
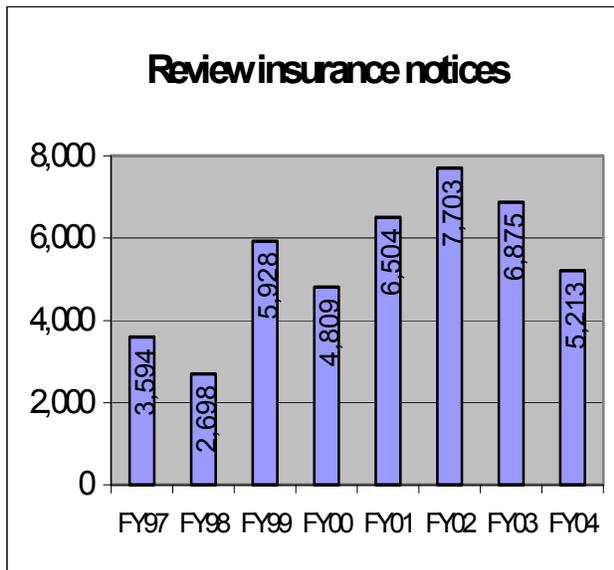


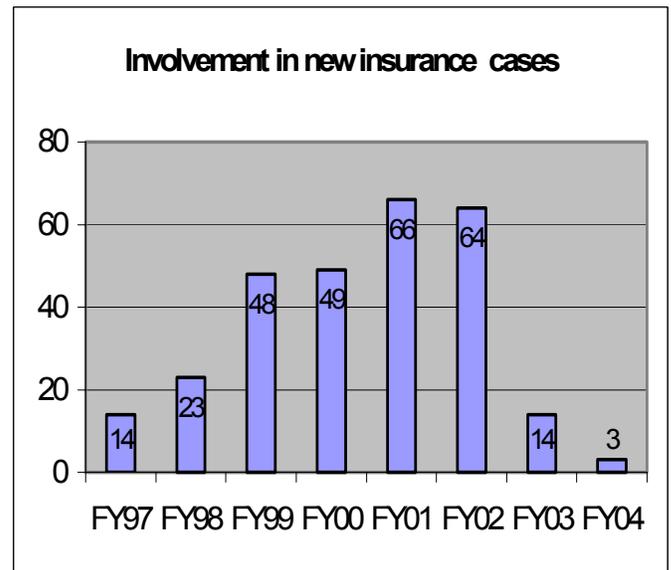
Chart 7.2-5

This chart shows the number of new formal interventions in PSC cases by the Consumer Advocate.



This chart depicts the # of new filings by insurance companies for changes in rates or terms of policies. The Consumer Advocate reviews all notices for the impact on consumers.

Chart 7.2-6



This chart reflects the # of filings the CA either requested a hearing or settled with insurance company prior to a hearing.

Chart 7.2-7

Chart 7.2-8

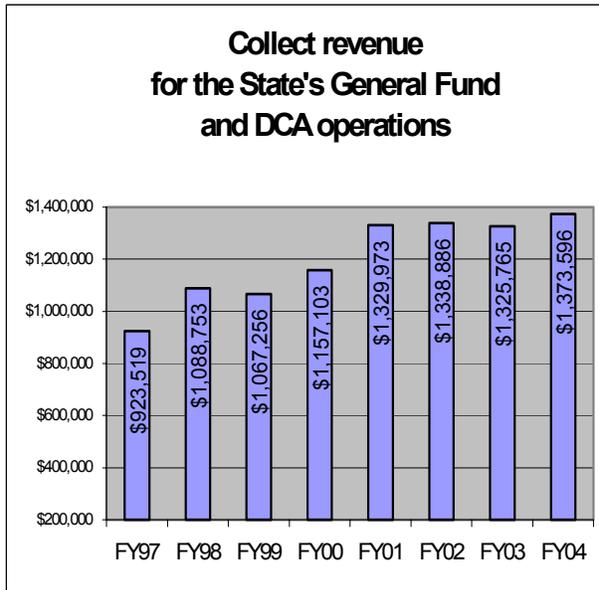
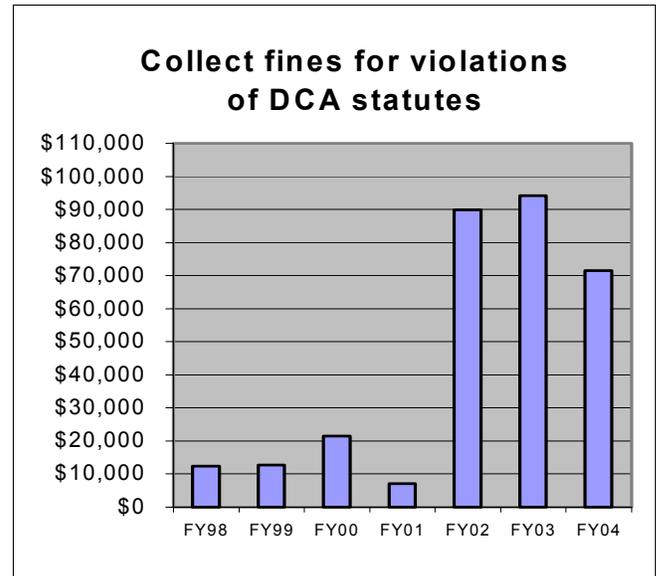


Chart 7.2-9



FY01 included \$171,720 (Revenue collection) from prepaid legal services, which is a new responsibility as of Act 328 of 2000 and FY02 includes \$165,800 from prepaid legal services registration fees and FY03 includes \$153,048 from prepaid legal services and FY04 includes \$176,000 from prepaid legal services. The Department increased its enforcement efforts for businesses with delinquent filings for maximum rates and notifications in FY03. A total of \$27,850 in penalties was collected from maximum rate filers and \$14,863 was collected in penalties from notification filers in FY03. The Department also settled a case against Conesco, Inc. that provided for a fine of \$30,000 in FY03.

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

Due to its small size, the Department has not formalized any employee satisfaction measures. Well being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. The Director of Consumer Services examines each complaint analyst's number of pending, closed, and newly assigned complaints to get a sense for staff motivation. An exit interview is held when employment is terminated to discover reasons for dissatisfaction, if any.

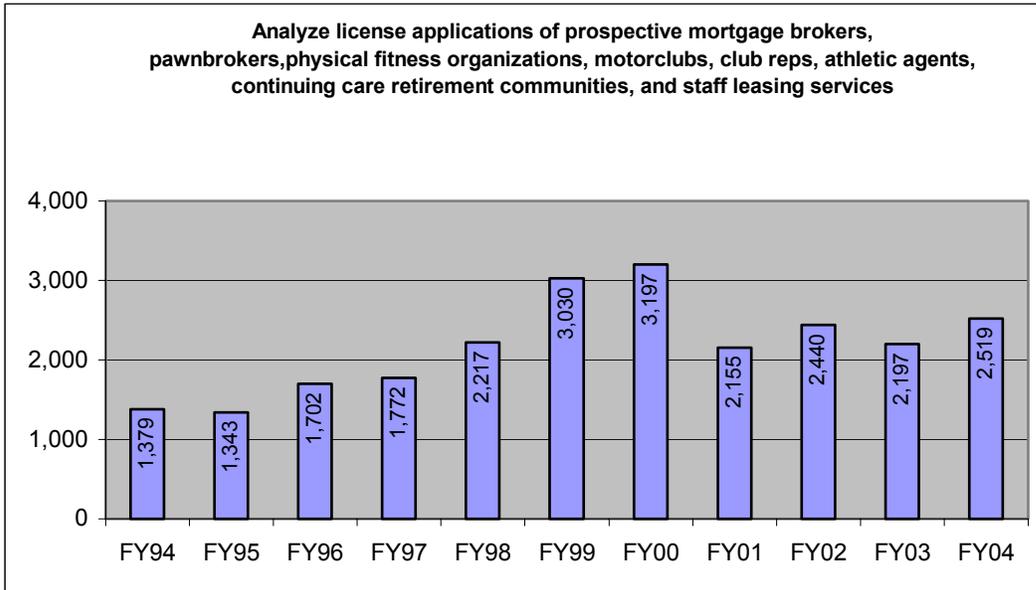
4. What are your performance levels and trends for the key measures of supplier/contractor/partner performance?

The Department has not established any key measurements for these relationships since results differ and vary depending on the transaction. Most of these interactions are improved through oral communications. However, the threat of legal action has been necessary on

occasion. If performance is consistently below expectations, then the Department usually discontinues the relationship.

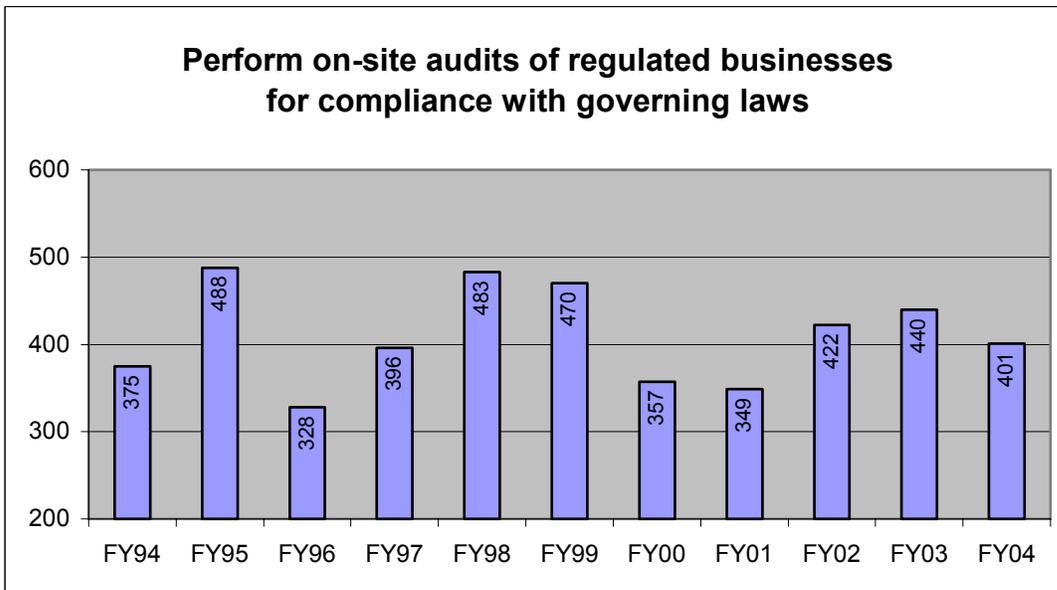
5. What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?

Chart 7.5-1



In FY00 & FY99, the Department analyzed a higher number of applications for motor club representatives than normal.

Chart 7.5-2



In FY01, FY02, FY03 & FY04, compliance reviews were performed with three vacant investigator positions.

Chart 7.5-3

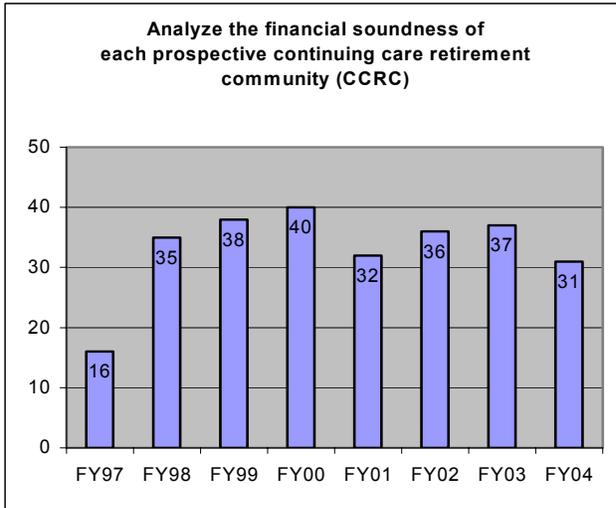
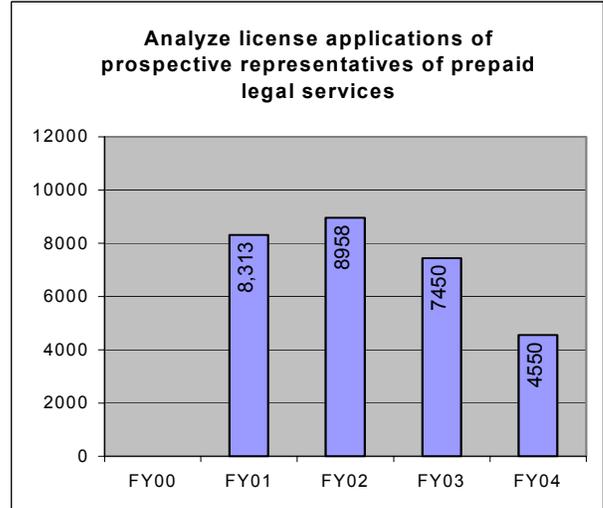


Chart 7.5-4



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

Chart 7.5-5

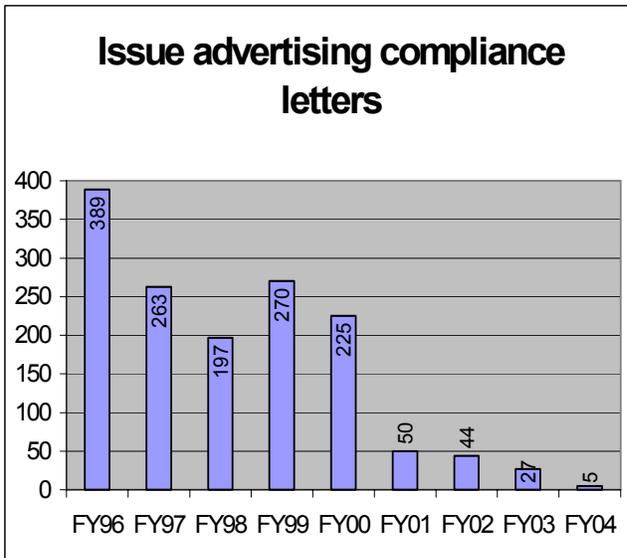
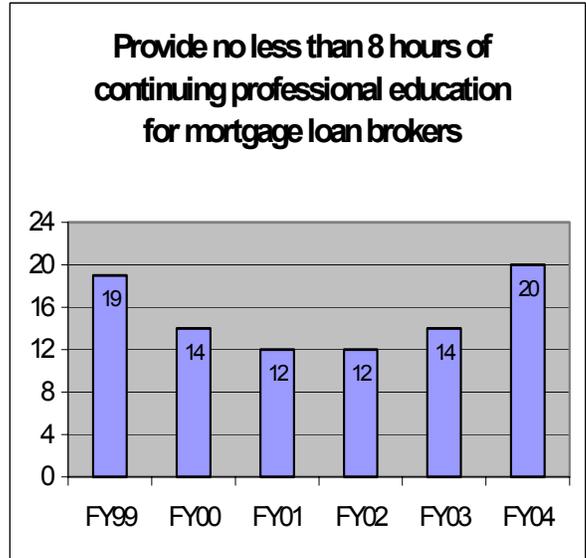
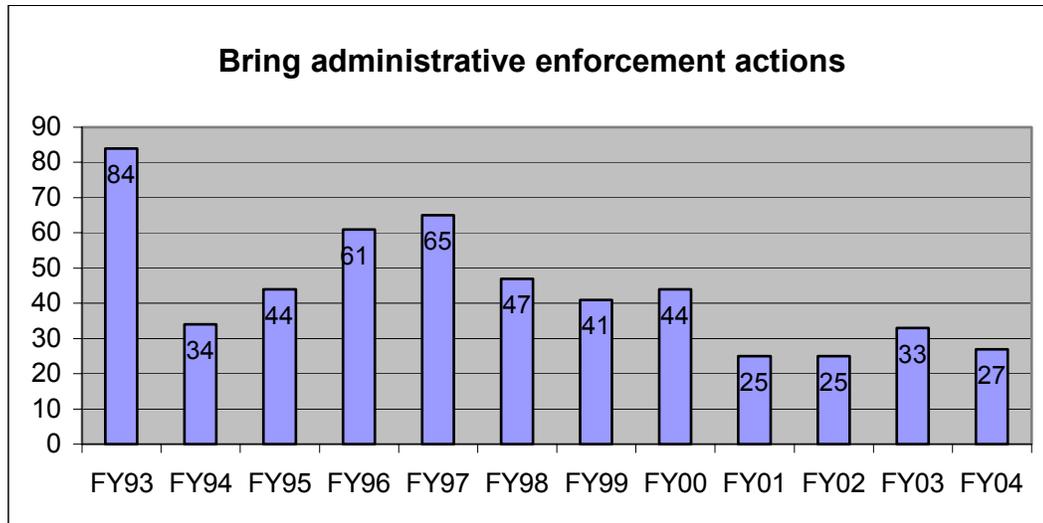


Chart 7.5-6



Due to budget cuts and staff shortages, the Legal Division was unable to continue to provide the level of advertising compliance letters as in prior years.

Chart 7.5-7



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

6. What are your current levels and trends of financial performance?

Chart 7.6-1

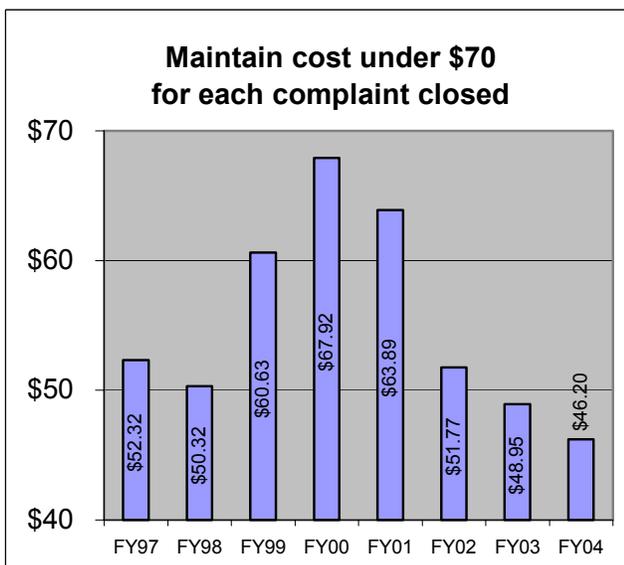


Chart 7.6-2

