

SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

ANNUAL ACCOUNTABILITY REPORT



FISCAL YEAR 2005-2006

Accountability Report Transmittal Form

Agency Name: South Carolina Department of Consumer Affairs

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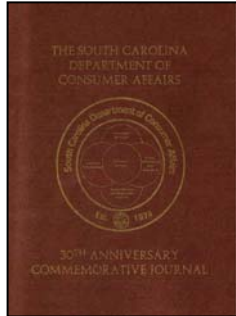
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Executive Summary

The Department of Consumer Affairs is committed to working for consumers and championing dialogue with businesses in a world characterized by dynamic change. The staff continues to use all of their available resources, creativity, talent and determination to protect consumers and listen to businesses. Education is one of the primary focal points of the SCDCA, hence the need to promote lifelong consumer education to our citizens. While the department has harnessed innovation and technology, these methods must be used to do more for citizens across the state. Currently, SCDCA provides consumer mediation and educational programs in three regions of the state. Satellite offices located in Summerville, Laurens, and Gaffney have been very successful and plans are being made to expand outreach efforts to Florence, Hampton and York counties. A collaborative effort with county administrators has been an integral part of the success of this program. Plans to staff these locations with 'paid volunteers' with remote access to our computer system will provide key benefits to consumers. It will also allow the centers to open with more frequency, providing better access to our services.

DEPARTMENT OF CONSUMER AFFAIRS CELEBRATED 30 YEARS OF SERVICE In 2005



More than 200 guests, dignitaries and former staffers attended the program and reception that followed. Inaugural ***Consumer Spirit Awards*** were presented to four individuals and one entity that personify the award's intent to honor individuals, organizations, businesses or schools that have made a substantial contribution to the citizens and consumers of South Carolina. The honorees included: **Ann McGill, consumer reporter for WCSC News 5 On Your Side in Charleston, Margaret Brackett, an educator and community activist from Newberry, John C. Ruoff, Ph.D., an attorney who founded S.C. Fair Share in Columbia, Jan L. Warner, founder of Elder Law**

services in Columbia and Founders Federal Credit Union, for assistance in consumer-education projects in Lancaster County. The department also recognized continued collaboration and assistance from the U.S. Consumer Product Safety Commission, the Central Midlands Council of Governments Area Agency on Aging, the Cherokee County Public Library, the Laurens and Cherokee County Administrators, and the Dorchester, Laurens and Cherokee County Councils. A 30th anniversary commemorative journal was also produced by the Department.

DEPARTMENT RECOGNIZED AS THE 2005 AGENCY OF THE YEAR.

The Department was named 2005 Agency of the Year by the National Association of Consumer Agency Administrators (NACAA) at the organization's annual meeting in New Orleans. The annual award recognizes the outstanding performance of a NACAA member agency. The inscription on the department's award reads, ***For setting the standard for service, access, success and progress.*** The department was recognized for: opening three satellite offices around the state, launching a Buyer Beware Program, settling a \$100M lawsuit with BellSouth resulting in bill credits to current and residential business customers, establishing boards and roundtables to maintain dialogue with businesses it regulates, and active involvement in predatory lending, credit counseling, loan origination and PEO legislation.



While the Department of Consumer Affairs is extremely proud of these achievements, recent budget years have challenged the South Carolina Department of Consumer Affairs (SCDCA) to its very core. Yet, even as the Department experienced a nearly forty percent reduction in state funding, the department continued to offer quality services to the 'good people' of South Carolina. While, there are some indications that state revenues are improving, the years of budget reductions have placed the Department in a 'catch-up' mode, especially in the area of technology. SCDCA continues to accomplish its mission of enforcing laws that prohibit business practices that are unfair or deceptive to consumers, without impeding legitimate business activity. All of this is done in tandem with promoting informed consumer choice and public education.

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:

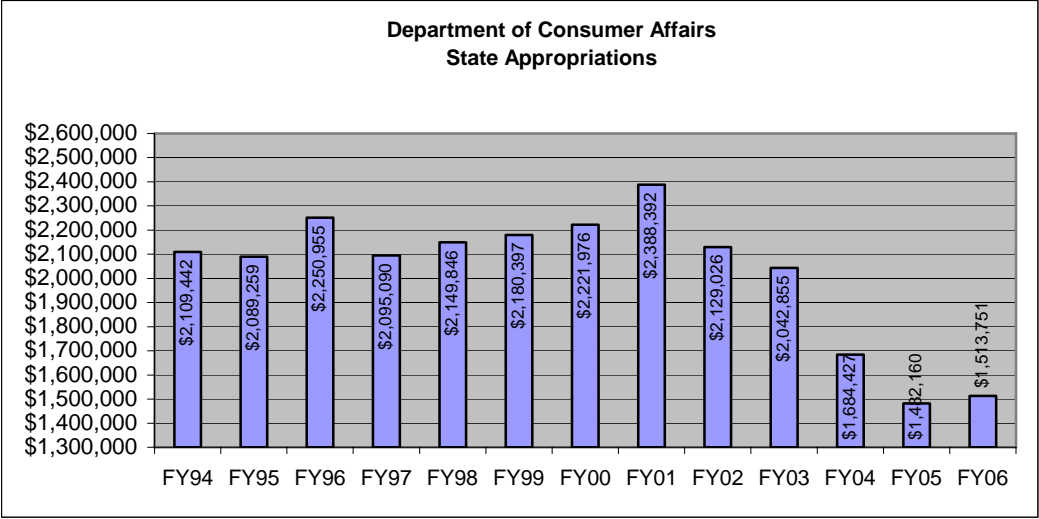
- C** ompetence
- R** espect
- E** quality
- D** edication
- I** ntegrity
- T** imeliness

Key Strategic Goals for the Present and Future Years

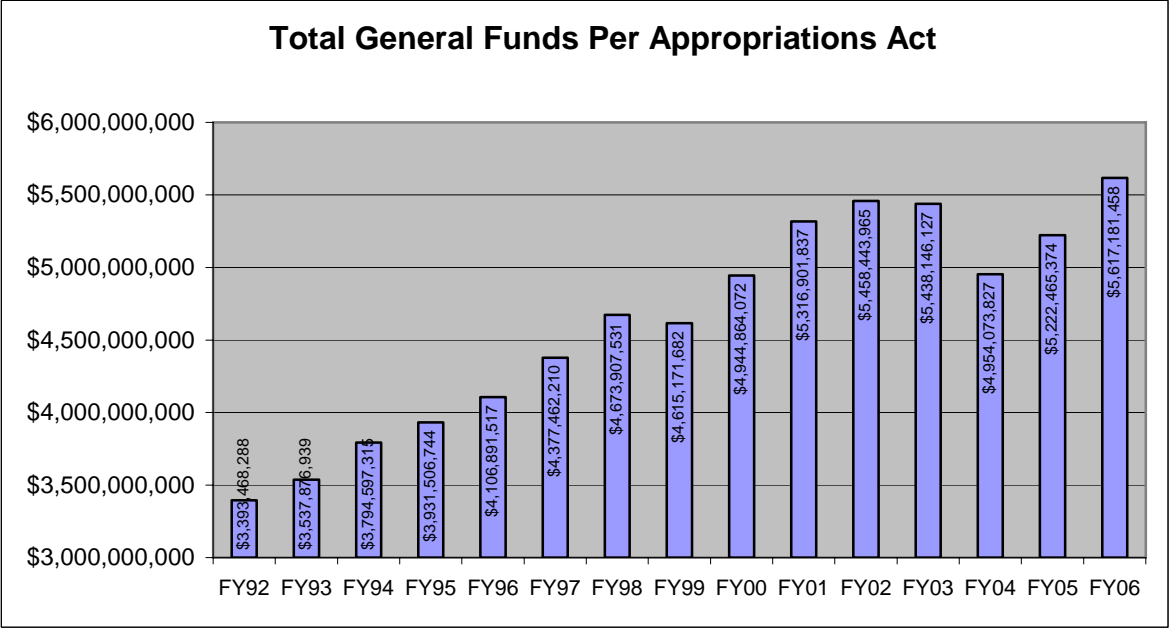
- Obtain the necessary funding and personnel to effectively administer the laws assigned to the Department.
- Develop and enhance internal and external electronic capabilities to increase the Department's efficiency.
- Amplify external communications to increase the public's knowledge of the Department's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

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 FY05-06 State budget of \$1,731,117 for the Department is less than the \$1.74 million State budget appropriated in FY88 (18 years ago). This situation poses a serious threat to the Department's ability to retain personnel and continue to deliver quality services.

As can be seen from the **charts on page six**, the Department's budget has not kept pace with the increase in general funds over the last twelve - fourteen fiscal years. In fact, the Department is currently operating with considerably less state dollars and less staff than it had in FY94. 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. The chart shows the effect of budget cuts and a lack of state funding for consumer protection programs over a thirteen year period.



This chart depicts the increase in the state budget since FY92. The state budget grew by \$2.3 billion 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 58% (\$2.3 billion), but has experienced a series of budget cuts from FY01 – FY05.



MAJOR ACHIEVEMENTS THROUGH VOLUNTARY COMPLAINT MEDIATION

The Department mediated and **closed 85% 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.

The agency demonstrated its "global customer base" by **recovering** \$1,024,936.30 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 5,924 consumer complaints** during FY05.
- Number of services provided (walk-ins, referrals, general questions, etc.): 24,668
- Held numerous training sessions for Services and other DCA staff
- Staff participated in a division retreat that resulted in improved performance and morale
- Partnered with other divisions to present after-hours seminars for consumers
- Division director was a lecturer at several continuing legal education programs for attorneys and other professionals, consumer clinics and consumer/housing fairs
- Developed and strengthened partnerships with legal aid, USC School of Law Pro Bono Program, the governor's office, as well as legislators and state agencies, and other public and private agencies.

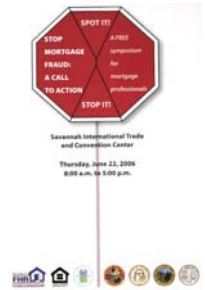
MAJOR ACHIEVEMENTS THROUGH INTERVENTION INSURANCE RATE CASES

- Saved ratepayers \$1.5 million per year as a result of involvement in filing by Allstate Insurance for an increase in rates for homeowners insurance.
- Saved ratepayers \$3.1 million per year as a result of involvement in filing by South Carolina Wind and Hail Underwriting Association filing for increased rates for homeowners insurance in the areas it serves near the coast.
- Investigated complaints on and sent warning letters to 16 establishments selling tinted contact lens without a valid prescription.
- Processed over 50 renewal applications for Professional Employer Organization licenses.
- Reviewed over 4,300 insurance notices.

MAJOR ACHIEVEMENTS THROUGH COOPERATIVE EFFORTS WITH THE GENERAL ASSEMBLY, BUSINESSES AND THE COMMUNITY.

MORTGAGE FRAUD CONFERENCE

Through an idea spawned from SCDCA's Mortgage Broker Advisory Board, the conference-- STOP MORTGAGE FRAUD: A CALL TO ACTION was developed to increase awareness of fraud. By identifying all types of fraud within the single family housing industry, to foster relationships with other industry partners, and to raise consumer awareness, this collaborative effort occurred with the Department of Housing and Urban Development (HUD), state regulators from Georgia, North Carolina, Florida and other partners sponsoring a free symposium on mortgage fraud. Also, the Mortgage Asset Research Institute, Inc. (MARI®) cited in its Eighth *Periodic Mortgage Fraud Case Report to the Mortgage Bankers Association that South Carolina showed the greatest improvement in its MARI Fraud Index, moving from the state with the highest number of cases of mortgage fraud in 2001, to number 19 in 2005.* This document examines the current composition of residential mortgage fraud and misrepresentation in the United States based on reports by participating lenders to MARI.



DON'T GET SOAKED BUYING A FLOOD-DAMAGED VEHICLE



SCDCA, in a collaborative effort with the South Carolina Automobile Dealers Association, Carolinas Independent Automobile Dealers Association, South Carolina Tire Dealers and Retreaders Association, Inc., Keystone Automotive Industries, Inc., Automotive Aftermarket Association of the Carolinas & Tennessee, Inc., and the South Carolina Department of Motor Vehicles held a **press conference on Monday, February 6, 2006.** The press conference announced a partnership to educate consumers on how to avoid purchasing flood-damaged automobiles and a new publication entitled **DON'T GET SOAKED BUYING A FLOOD-DAMAGED VEHICLE.**

GIFT CARD AND GIFT CERTIFICATE ACT

This state law is aimed at protecting consumers when they give gift cards or gift certificates. Highlights of the law are: If the gift certificate fails to clearly state the expiration date, then the card or certificate is automatically valid for one year; merchants must disclose the terms and conditions; and it is illegal to sell a gift card that expires in less than a year unless the expiration date is printed on the card in 10-point type in capital letters.



PRENEED FUNERAL CONTRACTS

Effective July 1, 2006, the oversight for preneed burial funeral contracts was transferred to the South Carolina Department of Consumer Affairs by the General Assembly. More and more South Carolina consumers are entering into preneed contracts to purchase funeral and burial goods and services prior to death. In order to protect consumers, the law requires that the contracts be backed by a trust account with a bank or with an insurance policy issued through a licensed insurance company.

DISCOUNT MEDICAL PLAN ORGANIZATIONS

Passage of H. 3711 expanded the Department's regulation of prescription drug discount cards to encompass regulation of all discount medical plan organizations. The regulation

includes all medical discount plans, including medical, hospital, dental, vision, etc. It provides detail as to what activities are permitted or forbidden by companies that market the cards and the individuals who sell them. The new legislation also requires that a company show that it is authorized to do business in South Carolina and in good standing.

PROFESSIONAL EMPLOYER ORGANIZATIONS

Passage of amendments to regulations governing Professional Employer Organizations conformed the regulation to the 2005 changes in the statute, and dramatically reduced the length of the regulation. (S.1435)

COMPLIANCE REVIEWS

The Legal Division conducted over 14,000 licenses reviews; conducted over 450 compliance reviews; conducted 50 advisory reviews and processed over 2,500 revenue transactions.

SOUTH CAROLINA BUSINESS ONE-STOP

The Administrative Division entered in a partnership effort with South Carolina Business One–Stop (SCBOS), resulting in the Department of Consumer Affairs becoming one of five core state agencies participating in a user-friendly online business license/registration filing system, which will cut the red tape associated with opening and operating a business in South Carolina. SCBOS saves time and money by streamlining access to information, helping business owners determine exactly which documents they are required to have, and expediting registrations and fee payments in real time. Four of the agency’s business registration forms are being developed in a web based business application and will be merged into SCBOS in the fall of 2006.

MARKETING & ADMINISTRATIVE PROGRAMS

The Administration Division implemented an outreach and marketing program to increase the regulatory awareness for businesses that extend consumer credit in the form of credit sales. Partnerships and networking initiatives have been established with other organizations working closely with the business community. These organizations include the State Chamber of Commerce, the Small Business Chamber of Commerce, the S.C. Municipal Association, the S.C. Association of Counties, Richland and Lexington County Business Licensing, City of Columbia Business Licensing, Department of Motor Vehicles–Dealer Licensing, the S.C. Automobile Dealers Association, and the Department of Revenue.

The Administration Division also processed over 25,000 revenue transactions which resulted in \$2,026,400 in revenue for the General Fund and agency earmarked accounts. The division assessed and collected \$26,976 in fines and penalties from registered creditors.

COMPUTER POLICIES

SCDCA developed several Department wide policies and procedures, which included the following topic or subjects: Acceptable Use Computer Policy, Computer Maintenance Policy, Agency’s Online Privacy Policy and Agency’s Online Children’s Page Privacy Policy.

MAJOR ACHIEVEMENTS THROUGH OUTREACH, PARTNERSHIPS, AND CUSTOMER FOCUS GROUPS

SHRED DAY

The South Carolina Department of Consumer Affairs (SCDCA), in partnership with Global Paper Shredding Inc. and Confidential Solutions Unlimited Inc. (CSU), held its first free “Shred Day” on Thursday, June 1, 2006 at the following three (3) locations: State House (South Steps), South Carolina Department of Consumer Affairs, Wal-Mart (Forest Drive). “Shred



Day” provided consumers and businesses the opportunity to have their confidential documents shredded, free of charge. Consumers and businesses were invited to bring confidential documents, including check stubs, bank statements, credit card offers, floppy disks, CDs and pill bottles to have them shredded.

COALITION AGAINST FRAUD

The Department organized the Coalition Against Fraud. The coalition is a joint venture of the department, the FBI, U.S. Secret Service, U.S. Attorney General’s Office, Sheriff’s Association and the U.S. Attorney’s office. The group will work together to educate and inform the public on fraudulent and deceptive practices and how to protect themselves. The group publishes a quarterly newsletter called the ***Fraud Alert***.

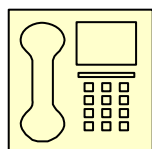


SATELLITE LOCATIONS

The department continues its monthly visits to Gaffney, Laurens, and Summerville. 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 at these locations have been very successful. Plans are being made to open additional locations in Florence, Dillon, Spartanburg, Woodruff, Blacksburg and the counties of Jasper/Hampton/Allendale.



TELE-TIPS



In its continued efforts to provide excellent service to the citizens of South Carolina, has launched its latest outreach service—**Tele-Tips**. Tele-Tips is an automated service that allows consumers to telephone the Department and receive recorded information on a variety of consumer issues. The goal is to continue to make receiving helpful information easy, fast, and accessible.

Covered topics include: how to file a complaint, debt collection, purchase of vehicles and fraud. Anna Albers, Director of Web Services stated. This is another example of the Department’s use of technology to meet the increasing demands of the citizens of this State. The Tele-Tips line is available 24 hours a day, 7 days a week. Consumers can access the Tele-Tips information by dialing 803.734.4215 or 1.888.734.4215 (toll-free in SC) and following prompts.

ASK CONSUMER AFFAIRS

Department of Consumer Affairs has made it easier for consumers to get assistance on-line with its new web-based program, **Ask Consumer Affairs**. This interactive forum provides consumers with the ability to ask important consumer related questions and receive a timely response. The goal is to make receiving helpful information easy and fast. We believe that too often consumers do not find consumer protection information until it’s too late. Through **Ask Consumer Affairs** effort, the Department continues its commitment to educating and informing South Carolinians, so that they can make good and wise choices in the marketplace. Department staff initiated a pilot of the **Ask Consumer Affairs** program in late November 2005. Since that time, more than 700 on-line discussions with staff have occurred on topics ranging from mortgage loans, credit, buying cars, scams and how to file a complaint with the Department. This is an effort by the Department to utilize technology



to better serve the citizens of South Carolina. On-line services are available Monday through Friday – 8:30 A.M.–5:00 P.M. To access this new feature, go to the Department’s Website at www.scconsumer.gov click on **LIVE CHAT** and a Communication specialist will be there to assist you **LIVE**.

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, Professional Employer Organization Services, Consumer Credit Counseling, Athletic Agents, Preneed Burial Contracts and Pawnbroker regulatory programs**. Discussion includes 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.

Columbia Fatherhood Engagement Initiative

Staff serves on this board, which assists formerly incarcerated fathers in the area to become better informed consumers.

Affordable Housing Coalition of South Carolina

The primary mission of this organization is to promote safe, fair and affordable housing in South Carolina. Staff serves as an ex-officio member of the coalition.

South Carolina Libraries

The Department has an ongoing partnership with South Carolina Libraries to maintain consumer information displays at branches throughout the state.

S.C. Department of Education – Family Consumer Sciences

Staff works closely with the Education Department, providing input on consumer issues and financial literacy curriculum.

U.S. Consumer Product Safety Commission

Staff made periodic and random Recall Effectiveness Checks throughout the state. Additionally, the Public Information and Education Division, in conjunction with the U.S. Consumer Product Safety Commission, coordinated a workshop to help improve the safety of South Carolina’s citizens. Focusing on the areas of older consumer safety, injury prevention, product safety, and public awareness, the day-long seminar featured speakers from DHEC, S.C. Labor, Licensing, and Regulation, the Silver-Haired Legislators, and the S.C. Lieutenant Governor’s Office on Aging.

JUMPSTART BOARD

Staff served as a founding at-large board member of S.C. JumpStart, a clearing house of financial literacy education curriculum.

LIFESMARTS---THE ULTIMATE CONSUMER CHALLENGE /National Consumers League

The PI&E Division coordinated the State LifeSmarts championship. This is a program which helps high school students develop and demonstrate an understanding of consumer and marketplace issues. The competition focuses on five key areas of consumer knowledge: personal finance, health & safety, environment, technology and consumer rights



and responsibilities. This competition is sponsored nationally by the National Consumers League and is sponsored at the state level by the Department. The state competition was held on March 3, 2006 at the Lutheran Seminary in Columbia. Trinity Collegiate School of Darlington was the state winner and represented South Carolina at the national competition, April 2006, in Pennsylvania.

ESSAY COMPETITION

The Department, along with several other organizations and agencies, sponsored the 2005 Insurance Fraud Essay Competition for middle and high school students. The theme **Why Should South Carolina Consumers Be Concerned About Insurance Fraud?** was chosen to assist students in understanding how fraud directly affects the amount consumers pay in insurance premiums and its effect on consumers. The Department received 115 essays and the ceremony for the sixteen essay winners was held on November 15, 2005 at the State House.

NATIONAL CONSUMER PROTECTION WEEK

During National Consumer Protection Week, the Department partnered with all county libraries to set up consumer education displays during the month of February. Due to this partnership, a number of libraries have decided to incorporate the consumer education materials as a permanent part of their resource display. The Department also created a financial literacy crossword puzzle and linked consumers to a consumer protection IQ challenge/quiz.

NATIONAL FINANCIAL LITERACY MONTH

During the month of April, which was designated National Financial Literacy Month, the Department emailed and posted daily financial literacy tips for consumers on the website.

RECALLS

The Department continued its partnership with the Consumer Product Safety Commission by agreeing to make periodic recall effectiveness checks throughout the state. These checks help ensure that businesses are notified and aware of recalled items that could pose harm to consumers.

AFTER HOURS

SCDCA launched another effort to educate consumers who work during the day. SCDCA After Hours is a public information seminar held on the third Tuesday of each month.

Business Overview

Number of Employees

The Department of Consumer Affairs currently has fifty-nine (59) full-time positions. Twenty nine (35) of these positions are funded by state appropriations, and eighteen (24) positions are funded by revenue generated from the licensing fees of mortgage loan brokers and loan originators, prepaid legal services, professional employer organizations, credit counseling organizations and from funeral homes that sell preneed funeral contracts.

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. Additional locations will include Spartanburg, Blacksburg, Florence, Dillon, Allendale County and Hampton County.***



First Lady Jenny Sanford with Department Staff

Base Budget Expenditures and Appropriations

| Major Budget Categories | 04-05 Actual Expenditures | | 05-06 Actual Expenditures | | 06-07 Appropriations Act | |
|--|---------------------------|--------------------|---------------------------|--------------------|--------------------------|--------------------|
| | Total Funds | General Funds | Total Funds | General Funds | Total Funds | General Funds |
| Personal Service | \$1,685,382 | \$1,119,653 | \$2,035,322 | \$1,291,019 | \$2,033,536 | \$1,352,059 |
| Other Operating | \$760,117 | \$194,929 | \$724,975 | \$103,378 | \$801,860 | \$245,110 |
| "Increased enforcement" Special Items | \$68,576 | \$ | \$ | \$ | \$ | \$ |
| Permanent Improvements | \$ | \$ | \$ | \$ | \$ | \$ |
| Case Services | \$ | \$ | \$ | \$ | \$ | \$ |
| Distributions to Subdivisions | \$ | \$ | \$ | \$ | \$ | \$ |
| Fringe Benefits | \$424,967 | \$329,870 | \$506,299 | \$336,720 | \$541,661 | \$413,791 |
| Non-recurring | \$ | \$ | \$ | \$ | \$ | \$ |
| Total | \$2,939,042 | \$1,644,452 | \$3,266,596 | \$1,731,117 | \$3,377,057 | \$2,010,960 |

Other Expenditures

| Sources of Funds | FY 04-05 Actual Expenditures | FY 05-06 Actual Expenditures |
|-----------------------|------------------------------|------------------------------|
| Supplemental Bills | | |
| Capital Reserve Funds | | 138,444 |
| Bonds | | |

- **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.

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), **Professional Employer Organizations** (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), **Prescription Drug Discount Cards** (Act 82 of 2001). **Credit Counseling** Act of 2005, **Preneed Funeral Contracts**, transferred from the Board of Financial Institutions on July 1, 2006 and the regulation of the sale of **cosmetic contact lens without a prescription from an authorized dispenser**, effective July 1, 2005.

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.**

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:

| | |
|---|-------------|
| Lonnie Randolph, Jr., <i>Chair</i> (2004) | Columbia |
| Barbara B. League (2004) | Greenville |
| C. Wayne Powell (2007) | Gaffney |
| David Campbell (2009) | Columbia |
| Tony Macomson (2007) | Cowpens |
| Louis Mayrant, Jr. (2006) | Pineville |
| Wayne K. Sims (2006) | Columbia |
| Carole C. Wells (2008) | Woodruff |
| Mark Hammond, <i>ex officio</i> (2007) | Spartanburg |

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:

| | |
|---|---------------------------|
| Administrator | Brandolyn Thomas Pinkston |
| Consumer Advocate | Elliott Elam |
| Deputy for Administrative & Regulatory Service | Herbert Walker |
| Deputy for Enforcement | Danny Collins |
| Deputy for Public Information & Education | Vacant |
| Director of Consumer Services (Complaint Mediation) | Donna DeMichael |
| Director of Educational Services | Sherry King |
| Director of Web Services | Anna Albers |

- **The Council of Advisors on Consumer Credit**

The Council 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:

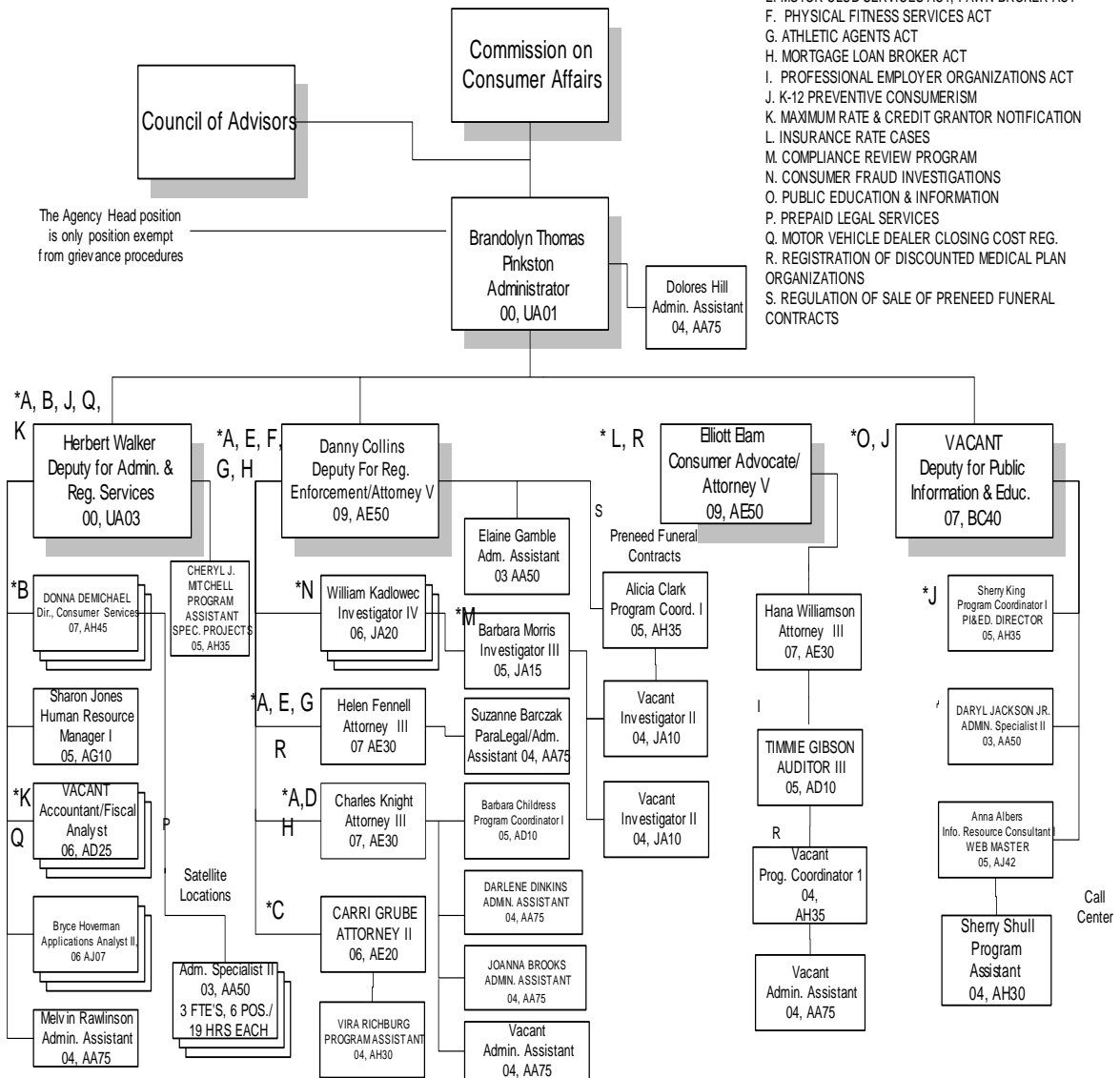
| | |
|------------------------------------|------------|
| C. Brian McLane, Sr., Chair (2007) | Columbia |
| Wendy J Culler, Vice Chair (2006) | Lancaster |
| Sharon C. Bramlett (2006) | Columbia |
| Alan D. Gardner, II (2008) | Newberry |
| Ruth Ellen Hardee (2007) | Columbia |
| Beatrice A. James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

Organizational Chart

COMMISSION ON CONSUMER AFFAIRS: LONNIE RANDOLPH, CHAIR, BARBARA LEAGUE, TONY MACOMSON, LOUIS MAYRANT, JR., WAYNE SIMS, C. WAYNE POWELL, DAVID CAMPBELL, CAROL WELLS, MARK HAMMOND, SECRETARY OF STATE

Department of Consumer Affairs
Organizational Chart - 59 FTE's
September 1, 2006

- LEGEND -- PROGRAM PLACEMENT
- A. SC CONSUMER PROTECTION CODE
 - B. CONSUMER COMPLAINTS
 - C. CREDIT COUNSELING ACT
 - D. CONTINUING CARE RETIREMENT FACILITY LICENSING
 - E. MOTOR CLUB SERVICES ACT, PAWN BROKER ACT
 - F. PHYSICAL FITNESS SERVICES ACT
 - G. ATHLETIC AGENTS ACT
 - H. MORTGAGE LOAN BROKER ACT
 - I. PROFESSIONAL EMPLOYER ORGANIZATIONS ACT
 - J. K-12 PREVENTIVE CONSUMERISM
 - K. MAXIMUM RATE & CREDIT GRANTOR NOTIFICATION
 - L. INSURANCE RATE CASES
 - M. COMPLIANCE REVIEW PROGRAM
 - N. CONSUMER FRAUD INVESTIGATIONS
 - O. PUBLIC EDUCATION & INFORMATION
 - P. PREPAID LEGAL SERVICES
 - Q. MOTOR VEHICLE DEALER CLOSING COST REG.
 - R. REGISTRATION OF DISCOUNTED MEDICAL PLAN ORGANIZATIONS
 - S. REGULATION OF SALE OF PRENEED FUNERAL CONTRACTS



Major Program Areas

| Program Number and Title | Major Program Area Purpose (Brief) | FY 04-05 Budget Expenditures | FY 05-06 Budget Expenditures | Key Cross References for Financial Results* |
|--------------------------|---|--|--|---|
| III | Consumer Services - Receive and process consumer complaints filed against businesses and provide a voluntary mediation program to resolve the complaint. | State: 358,227.00 Federal: Other: 47,077.00 Total: 405,304.00 14.11% of Total Budget: | State: 434,486.00 Federal: Other: 28,736.00 Total: 463,222.00 13.60% of Total Budget: | Charts 7.1, 7.1-2, 7.1-3, 7.1-7, 7.2-1, 7.2-5, 7.6-1 |
| II | Legal Division - To Administer, interpret, and enforce the S.C. Consumer Protection Code. License, register and regulate mortgage brokers, pawnbrokers, physical fitness centers, continuing care retirement communities, motor clubs, Credit counseling organizations, prepaid legal services, athletic agents, and the sell of preneed funeral contracts. | State: 62,488.00 Federal: 18,041.00 Other: 689,663.00 Total: 770,192.00 26.83% of Total Budget: | State: 60,971.00 Federal: 25,392.00 Other: 942,076.00 Total: 1,028,439.00 30.20% of Total Budget: | Charts 7.1-5, 7.1-6, 7.2-2, 7.5-1, 7.5-2, 7.5-3, 7.5-4, 7.5-5, 7.5-6, 7.5-7, 7.6-2 |
| IV. | Advocacy Division - To provide legal representation for the consumer interest in matters involving property and casualty insurance and worker's compensation insurance. The Advocacy Division also regulates Professional Employer Organizations (PEO), the selling of cosmetic contact lens without a prescription and Discounted Medical Plan providers. | State: 248,315.00 Federal: Other: Total: 248,315.00 8.65% of Total Budget: | State: 203,145.00 Federal: Other: 36,824.00 Total: 239,969.00 7.04% of Total Budget: | Charts 7.1-4, 7.2-3, 7.2.4 |
| V. | Public Information and Education - To inform South Carolina Consumers of market practices that are illegal, deceptive or unfair, and inform them of their rights. Educate consumers on credit practices. | State: 111,275.00 Federal: 3,020.00 Other: Total: 118,617.00 4.13% of Total Budget: | State: 150,700.00 Federal: Other: 9,112.00 Total: 159,812.00 4.69% of Total Budget: | |
| I. | Administration - To provide budgeting and accounting, human resources, procurement & supply, training and computer services for the agency. To administer the registered consumer credit grantor and maximum rate filing program. | State: 534,278.00 Federal: Other: 368,795.00 Total: 903,073.00 31.48% of Total Budget: | State: 545,092.00 Federal: 0.00 Other: 323,763.00 Total: 868,855.00 25.51% of Total Budget: | Charts 7.1-6, 7.2-6, 7.2-7 |

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

Employer contributions
 Capital Reserve Fund – Technology - \$138,444 - 4.06% of Total Budget

| | | |
|-----------------------------------|--------------------------------|-------------------------------|
| Remainder of Expenditures: | State: 329,869.00 | State: 336,720.00 |
| Employer contributions | Federal: .00 | Federal: 0.00 |
| | Other: 95,096.00 | Other: 169,579.00 |
| | Total: 424,965.00 | Total: 506,295.00 |
| | 14.80% of Total Budget: | 14.86 of Total Budget: |

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

Strategic Planning

| Program Number and Title | Supported Agency Strategic Planning Goal/Objective | Related FY 05-06 Key Agency Action Plan/Initiative's) | Key Cross References for Performance Measures* |
|--|--|--|--|
| Agency Wide | I. Obtain the necessary funding and personnel to effectively administer the laws assigned to the Department | FY07-08 Budget request for \$323,235 to fund ten new FTE's . These positions include 2 FTE's for the preneed funeral contract program, 2 FTE's for the Legal Division's regulatory programs, 2 FTE's for the Advocacy PEO and Discounted Medical Plan provider program and 2 positions for the Administrative OHR and the computer center. And one clerical position for the Consumer Services Division and an Attorney position for the Advocacy Division. | Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-6, 7.5-1, 7.5-2, 7.6-1, 7.6-2 |
| Agency Wide | II. Develop and enhance internal and external electronic capabilities to increase the Department's efficiency. | Plans have been made to convert the agency's computer platform to WEB-Enabled application using Microsoft's .Net application development program. The first phase of this system has begun with the mortgage broker licensing program and four additional regulatory programs have been converted during FY06. Plans to continue with the conversion of the consumer complaint program and several other regulatory programs are in place. Funding in the amount of \$300,000 has been earmarked for the .Net platform. Additional technology enhancements include the development of a Call Center and online access for six satellite offices , including an interactive web site for consumer information. The FY07-08 budget request includes \$200,000 for the development of a Media Center. This will allow the agency to take advantage of cutting edge technology for the development and distribution of DVD's and video tapes of consumer protection information. The strategic plan also includes the dissemination of Podcasts and Webcast along with the use of Real Simple Syndication (RSS) feeds. | Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-4, 7.5-1, 7.5-2, 7.6-1, 7.6-2 |
| V. Public Information, I. Admin., III. Consumer Services | III. Amplify external communications to increase the public's knowledge of the Department's services and accomplishments. | A. Focus consumer and business education efforts on areas where fraud, deception, unfair practices, and information gaps cause the greatest injury. B. Extend the reach of consumer and business education through private and public partnerships and the use of new media such as the Internet. C. Improve the timeliness of response to consumer and business inquiries. D. Increase public awareness of consumer protection problems and solutions by conducting and publishing studies on changes in the marketplace and the impact of business and government actions on consumers. We have increased our outreach efforts through the implementation of satellite offices in Gaffney, Laurens and Summerville. Plans have been made to add additional satellite offices in Florence and the Pee Dee area, along with locations in Spartanburg, Woodruff, Blacksburg, and Allendale/Hampton/Jasper counties. We have also developed a Buyers Beware List to expose unscrupulous businesses to the consuming public. | Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-6, 7.5-1, 7.5-2, 7.6-1, 7.6-2 |
| Agency wide | IV. Refine internal communications to enable staff to perform at the highest level possible | Started releasing the weekly newsletter to employees on a weekly basis. Agency wide staff meetings are held frequently to discuss goals and objectives for short and long term initiatives. In the past employees have shown resistance to change. SCDCA is meeting this challenge with employee involvement. Employees are encouraged to participate and provide input in the creation of new methods for providing and serving customers and meeting agency goals. | Charts 7.1, 7.1-2, 7.1-3, 7.1-4, 7.2-1, 7.2-2, 7.2-3, 7.2-8, 7.5-1, 7.5-2, 7.6-1, 7.6-2 |
| I. Legal | V. Increase consumer services and protections by promoting and maintaining competence through ethical behavior by the professions. | Through the creation of Boards and having monthly meetings with the occupational professions licensed and regulated by the Department, more awareness of unethical behavior has been made and new ways of preventing and controlling unethical behavior has been discussed and implemented. Steps to provide additional oversight in the form of continuing education for some professions have been explored. New legislation was enacted to implement in FY07 a continuing education program for the PEO industry. Boards for the Pawn Broker industry and for the Funeral Homes that sell preneed funeral contracts are being implemented. | Charts 7.1-6, 7.2-7, 7.5-1, 7.5-2, 7.5-3, 7.5-4, 7.5-6, 7.5-7, 7.6-2 |

Elements of the Malcolm Baldrige Award Criteria

- **Category 1 – Leadership**

How do senior leaders set, deploy and communicate:

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 asides 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.

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.

Organizational values?

At the Department of Consumer Affairs, we believe that a strong code of morality is the first step toward its success and that leadership at the most exudes optimism and confidence. This organization is guided by values and vision that helps us to determine what is acceptable and unacceptable behavior, making sure that our actions are consistent with our purpose.

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. 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 cannot 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. The 2004 retreat was very successful also.

Organizational and employee learning?

Quality leadership, continuous improvement and other progressive programs have been implemented into the culture of our operations. This translates into continuous "learning" by the organization. SCDCA has selected the best approaches from a wide variety of innovative quality programs, and if they work, are incorporated in the organization. SCDCA has integrated "systems thinking" in its operations. This entails seeing how one event affects the entire organization, hence, not considering events in an organization in isolation. 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 continues to provide periodic computer training to staff. 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.

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.

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.

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. SCDCA achieved a clean audit from the State Auditor's Office with no management letter comments.

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.

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. When budget dollars were scarce, SCDCA allocated funds for employee development to assist in learning higher-level skills and new ways of viewing the world. Additionally, many opportunities for two-way communications are provided to promote information sharing, to motivate people and boost productivity. The methods include: input on program changes; divisional meetings; an internal communication organ; one-on-one communication with management; staff group reads and staff retreats. All of these are vital methods for training staff and gaining their buy-in towards breaking down barriers to communication.

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.

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.

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. The Department has sponsored blood drives for the American Red Cross and provided food and monetary donations 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

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 has requested and received \$300,000 in nonrecurring funds in the FY2005-2006 budget to fund this initiative.

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

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.

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

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 and division meetings to keep staff informed about new strategic directives and also to provide for feed back on various issues affecting agency programs and operations.

- **Category 3 – Customer Focus**

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.

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 assessed 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.

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

The Consumer Services Division resolves complaints every day and tabulates results and industry trends every month. The Public Information and Education Division disseminates 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 includes 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.

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.

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.

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. 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, Professional Employer Organizations and Pawnbroker regulatory programs**. Discussion includes 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.

- **Category 4 – Measurement, Analysis, and Knowledge Management**

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.

What are your key measures?

Refunds, Adjustments, and Credits achieved through complaint mediation
Closing status for mediation of complaints
Savings for consumers through intervention in utility and 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

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 reviews the press release a second review.

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.

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.

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 know as the "Week Ahead." Weekly meetings are held to provide computer training and information sharing.

- **Category 5 – Human Resource Focus**

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

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.

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 his or her 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.

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

SCDCA makes employee development an ongoing high-priority, conscious, and concerted effort. When budget dollars were scarce, SCDCA allocated funds for employee development to assist in learning higher-level skills and new ways of viewing the world. Additionally, many opportunities for two-way communications are provided to promote information sharing, to motivate people and boost productivity. The methods include: input on program changes; divisional meetings; an internal communication organ; one-on-one communication

with management; staff group reads and staff retreats. All of these are vital methods for training staff and gaining their buy-in towards breaking down barriers to communication. 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.

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

Through its small size, the Department uses a very informal assessment. Well being can be assessed through daily contact, and by engaging staff in many opportunities for communication. **The Administrator has an “open-door” policy and once-a-year implements 15-minutes with the Administrator** for ALL Staff, which allows **them one-on-one conversation. The discussion focuses on ways to improve/enhance the overall program at the Department.** 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.

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.

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. The Department has 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. Also, professionals are encouraged to become involved in doing pro bono work.

- **Category 6 – Process Management**

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.

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 every day 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.

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.

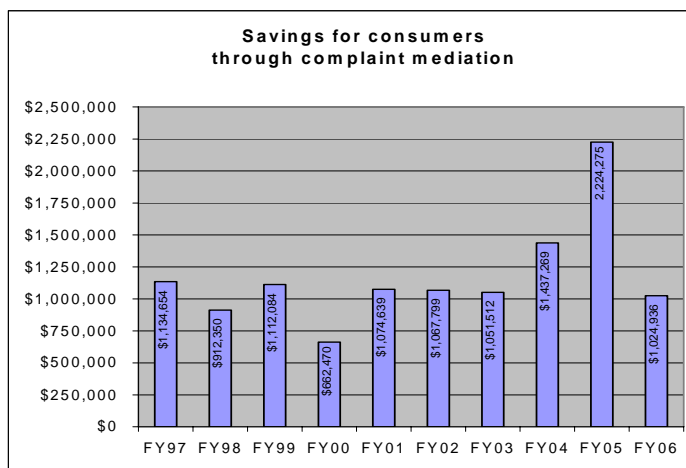
How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

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**

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

Chart 7.1



The Department required a large automobile dealer operating in South Carolina to refund \$1.3 million in excess finance charges to consumers in FY05 and continued in FY06, for failure to file a Maximum Rate Schedule in 2002 and 2003. Over \$94,000 will be forwarded

to the State Treasurer's Office as unclaimed property during FY06-07 (cash refunds) from this regulatory compliance action.

Chart 7.1-2

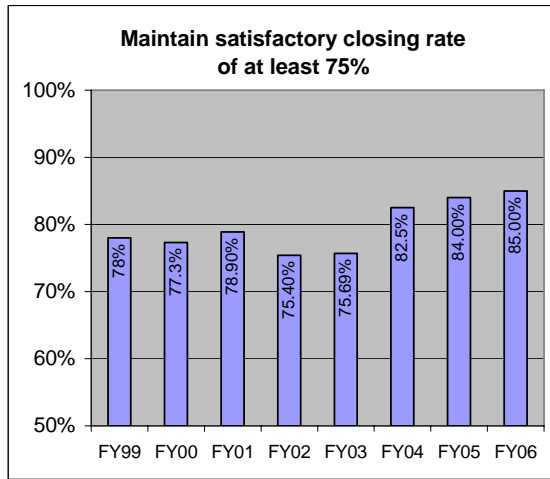


Chart 7.1-3

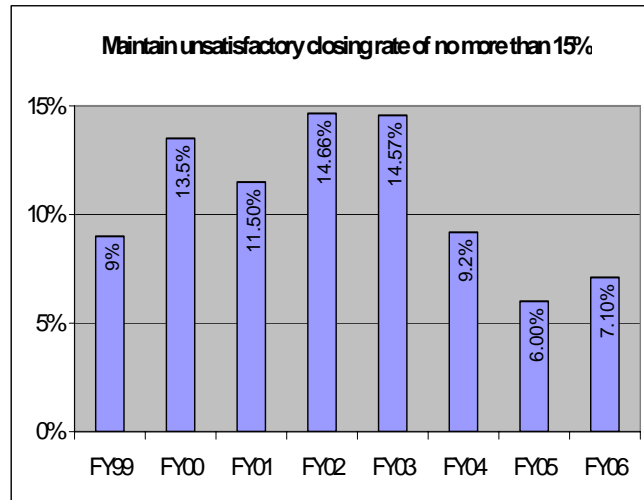
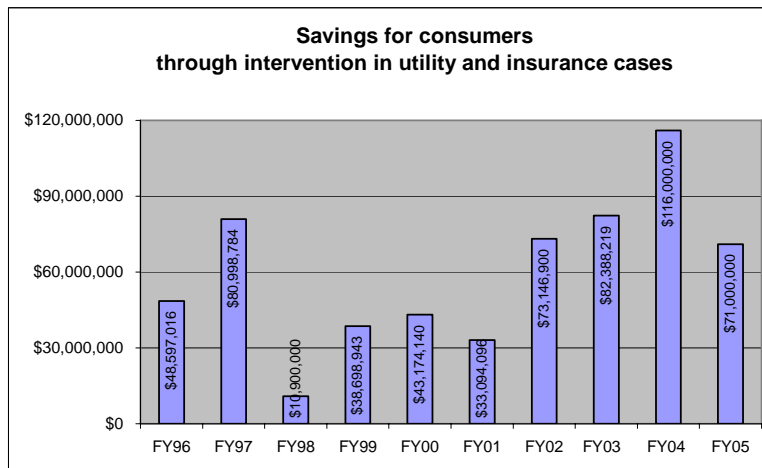


Chart 7.1-4

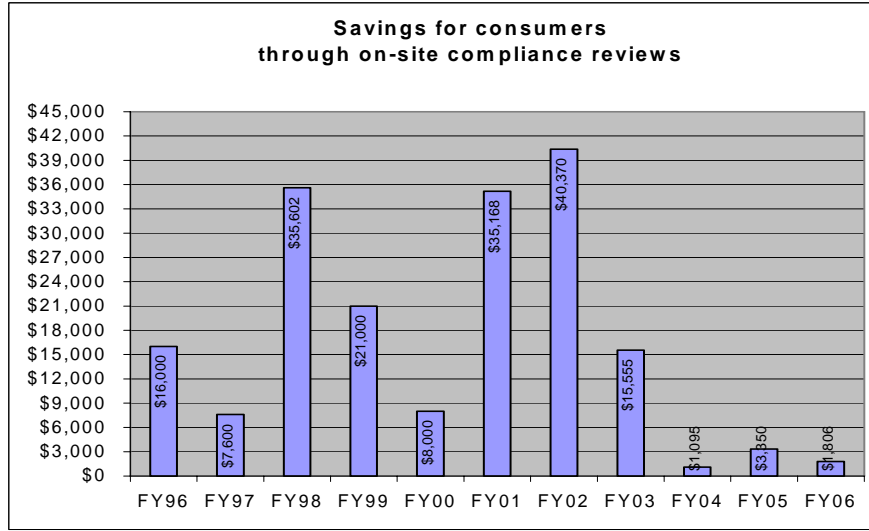


For FY04, FY05, and FY06 the Department anticipates continued savings for consumers in addition to the amounts reported in the chart above. The savings from past fiscal years will continue to benefit consumers until companies come back to the regulators to change rates.

In FY06, the Advocacy program saved homeowner insurance ratepayers in excess of \$4.6 million as a result of participation in cases involving Allstate Insurance and the South Carolina Wind and Hail Underwriting Association.

Effective January 1, 2004, the Advocacy regulatory review program for utilities was transferred to the Office of Regulatory Staff.

Chart 7.1-5



In FY06, an additional \$1,806 was refunded to consumers as a result of on-site compliance reviews of mortgage loan brokers, pawnbrokers and physical fitness centers.

Chart 7.1-6

Violations and Penalties assessed during FY06 for violations of the Consumer Protection Code and violations by regulated industries.

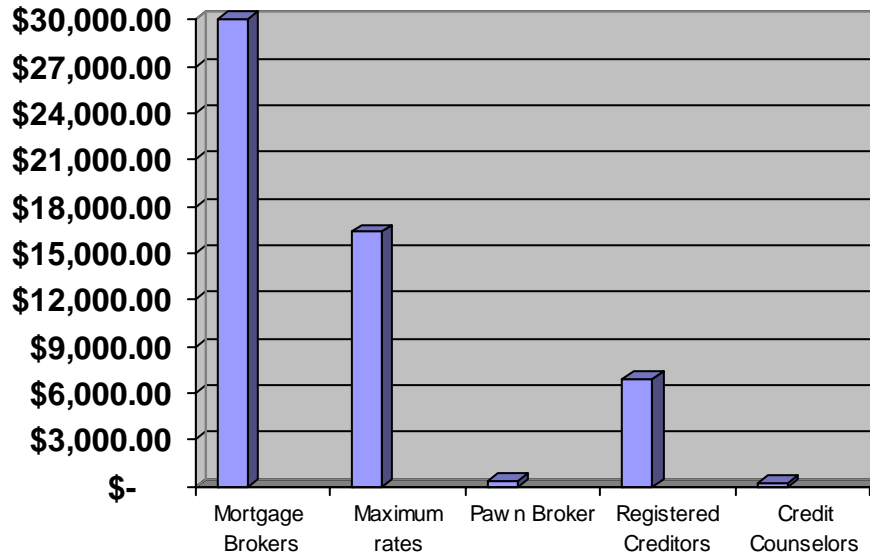
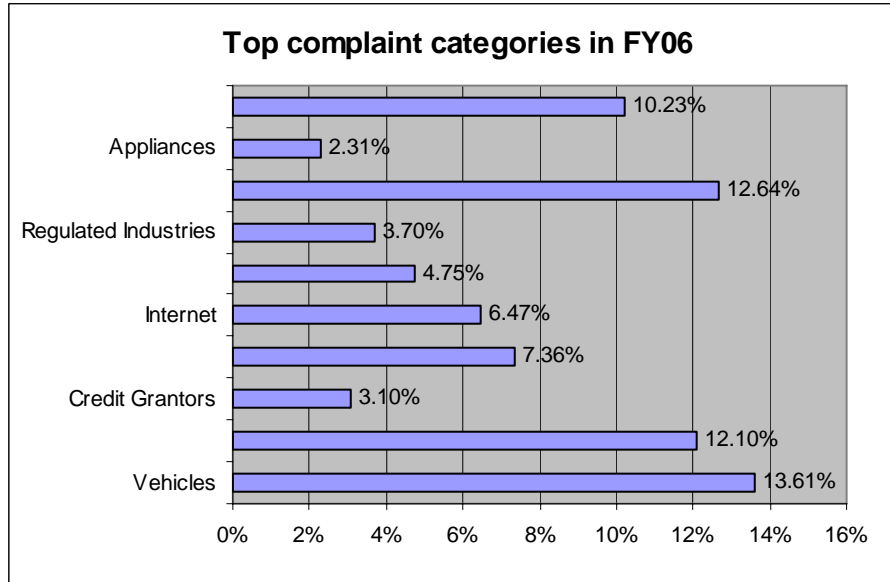
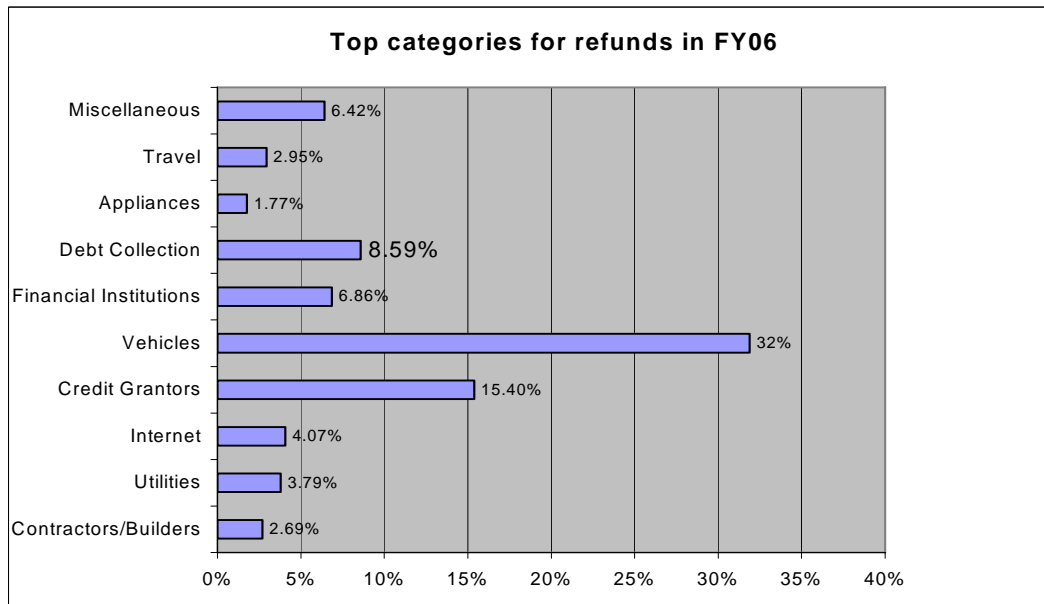


Chart 7.1-7



Vehicles continued to be the leading category for complaints received during FY06. The Department received a total of 793 vehicle complaints involving repairs, sales of motor vehicles, service contracts and repossessions. There were 705 new complaints received involving financial institutions. Complaints filed against businesses involving debt collection and harassment increased by 3% in FY06 for a total of 736.

Chart 7.1-8



The Consumer Services Division achieved totaled refunds, credits and adjustments in the amount of \$1,024,936 for FY06. A total of \$157,836 in refunds involved credit grantors. Refunds for the vehicle category totaled \$326,867 during the FY06.

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

Chart 7.2-1

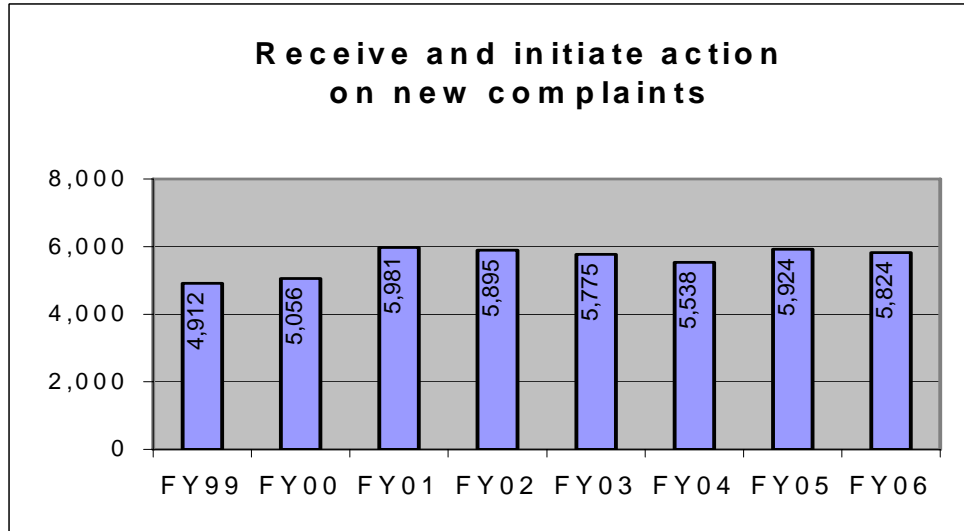
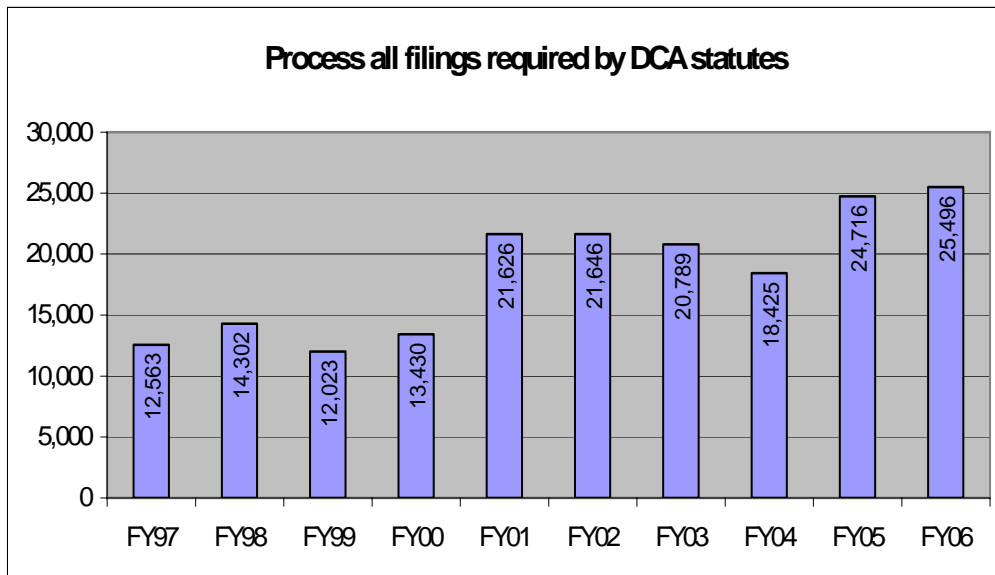


Chart 7.2-2



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 S.C., FY04 registrations for prepaid legal representatives declined to 4,380. FY05

includes the first time licensing of 3,125 mortgage loan originators. FY06 includes the licensing 3,791 mortgage loan originators.

Chart 7.2-3

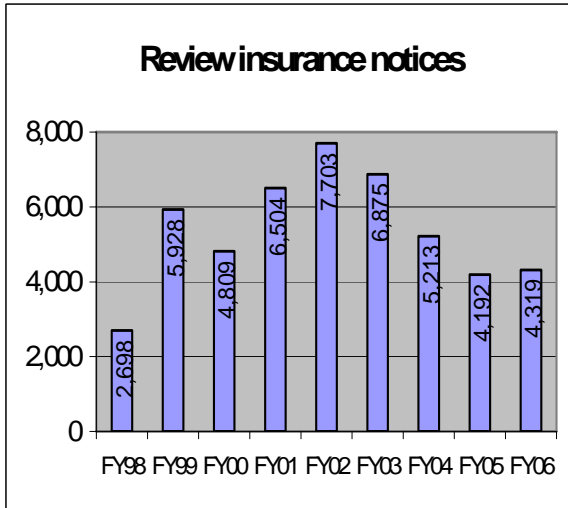
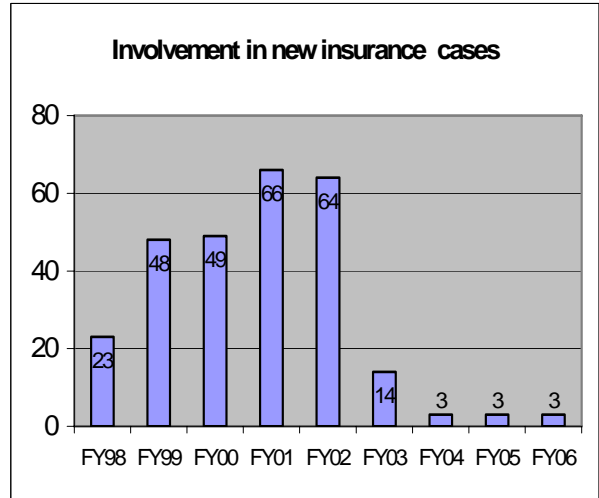


Chart 7.2-4



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.

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

Chart 7.2-5

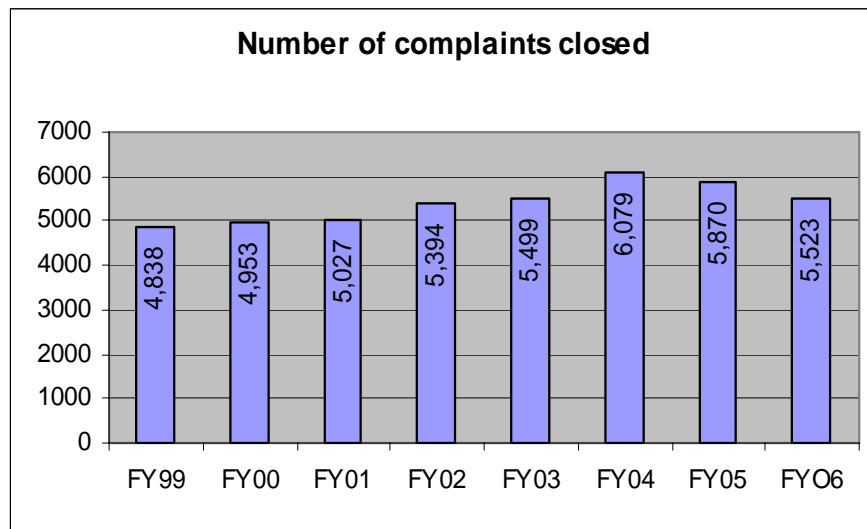


Chart 7.2-6

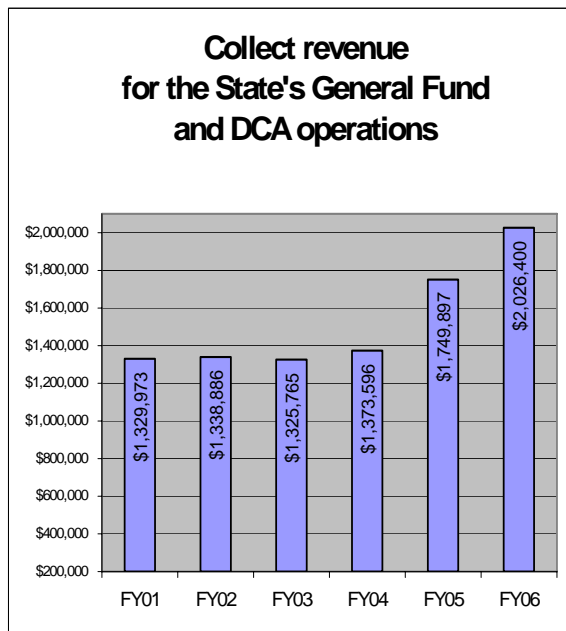
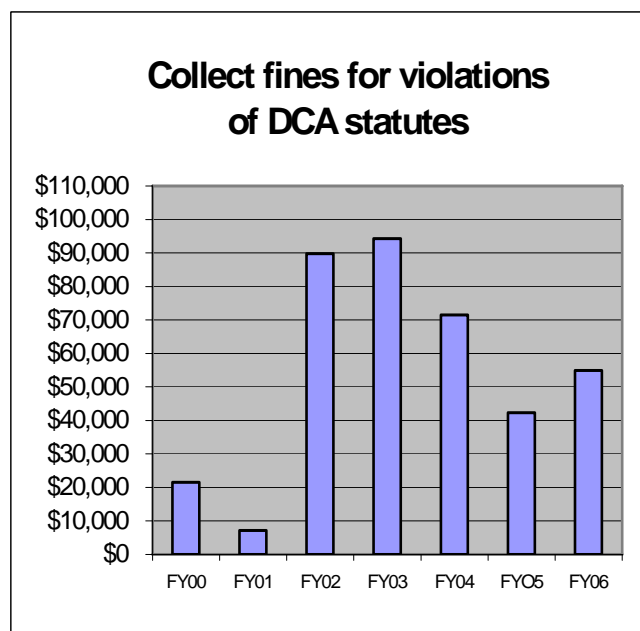


Chart 7.2-7



FY05 included \$156,250 (Revenue collection) from licensing fees for mortgage loan originators, which was a new responsibility added in FY05. 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 Conseco, Inc., that provided for a fine of \$30,000 in FY03. The Department collected \$54,926 in penalties and fines for violation of the consumer protection code in FY06.

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

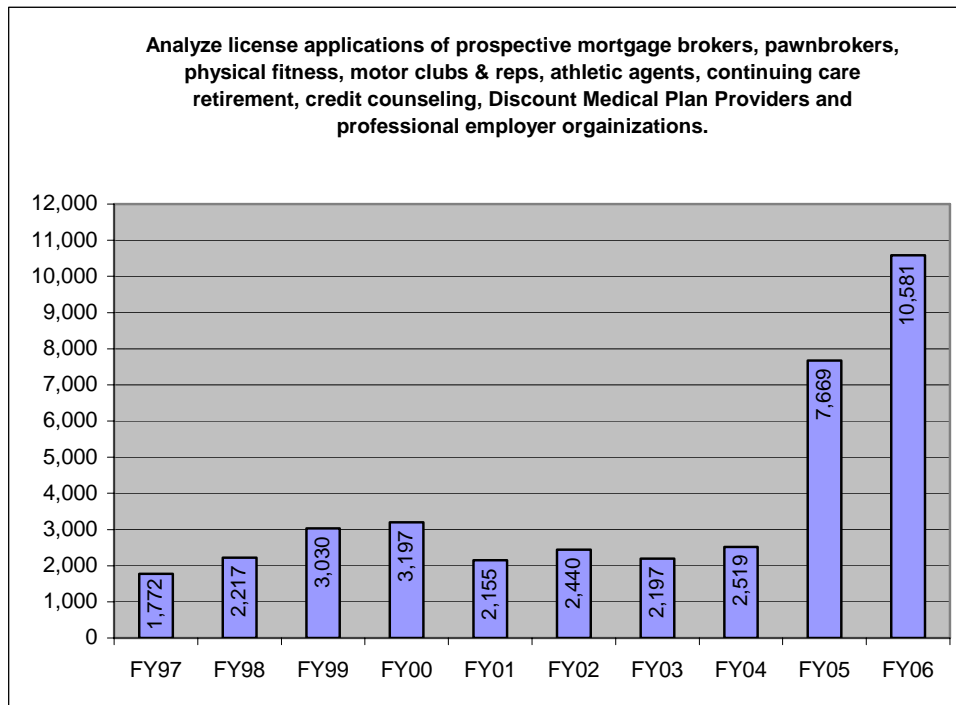
Due to its small size, the Department has not formalized any employee satisfaction measures. Well being can be assessed through daily contact. The Department's turnover rate has traditionally been low, and retention has been high. Absenteeism has always been a good indicator of individual dissatisfaction. 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. A recent employee incentive program asked employee's to develop a Logo and a Slogan for the Agency. Approximately 82% of all employees participated in the program. This is a good example of a key measure of employee involvement and development. There were over 75 slogans submitted and over 20 logo designs. The monetary incentive included a \$300 award.

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.

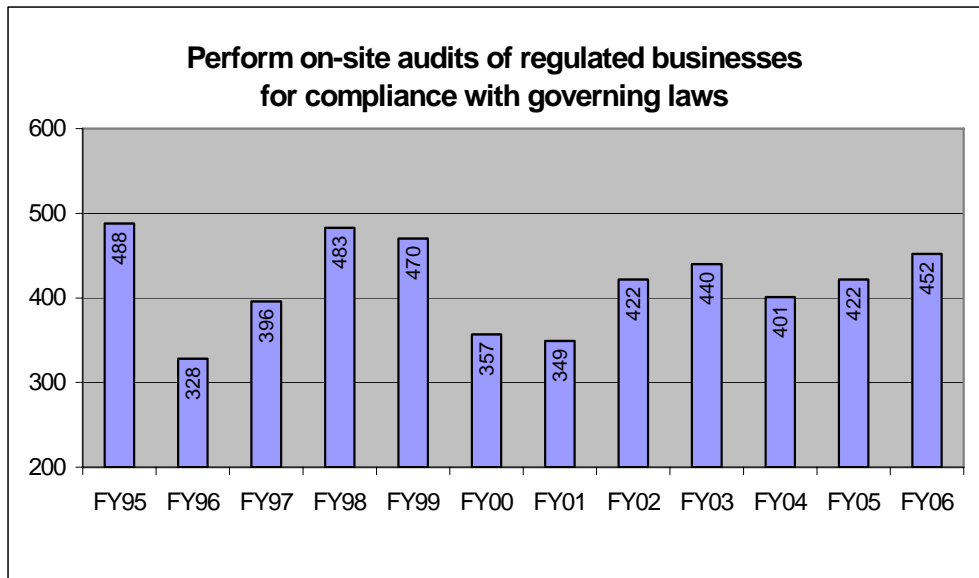
What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?

Chart 7.5-1



In FY00 & FY99, the Department analyzed a higher number of applications for motor club representatives than normal. In FY05 the Department reviewed 3,536 loan originators and 1,248 mortgage loan broker license applications. This was the first year for mortgage loan originator licensing. In FY06, 3,791 loan originators were licensed.

Chart 7.5-2



In FY01, FY02, FY03, FY04, & FY05, compliance reviews were performed, with three vacant investigator positions.

Chart 7.5-3

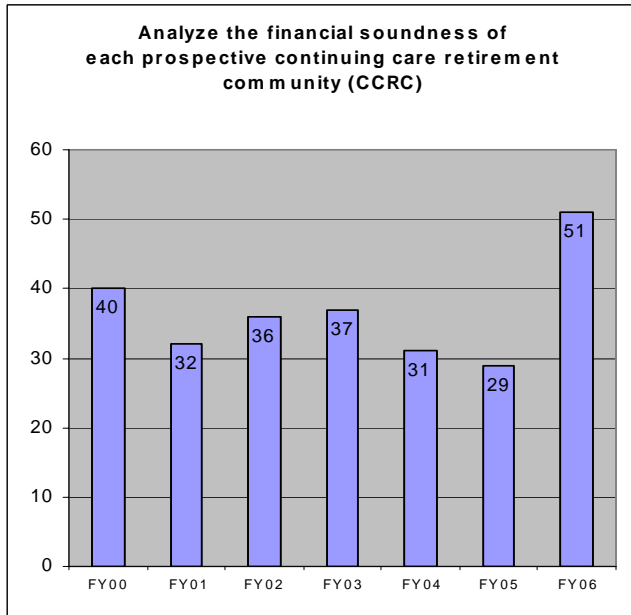
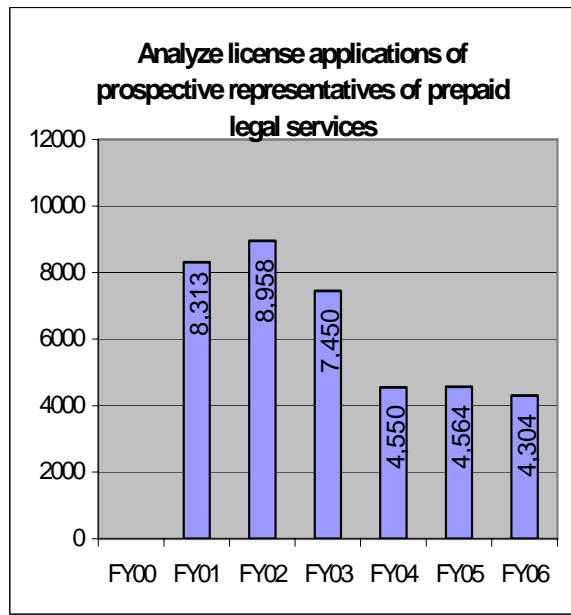


Chart 7.5-4



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 S.C. for prepaid legal services.

Chart 7.5-5

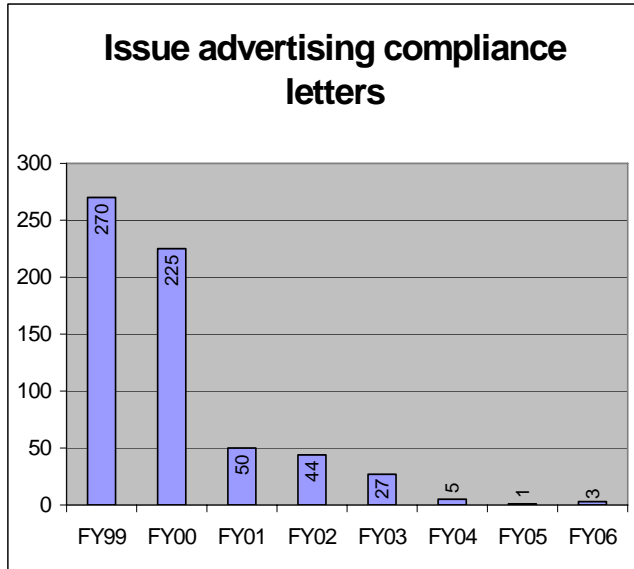
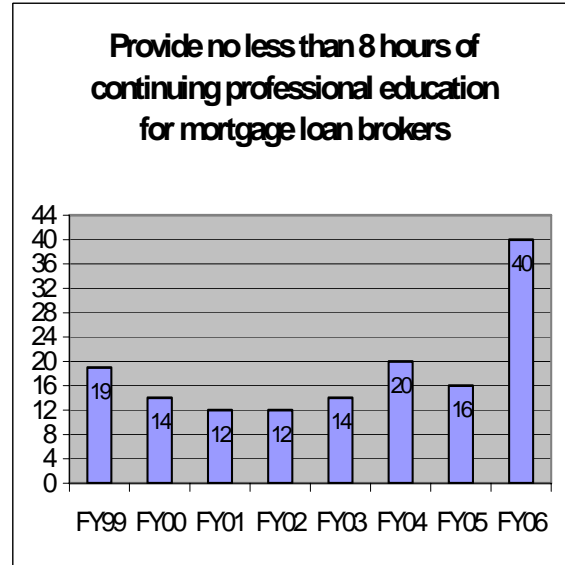
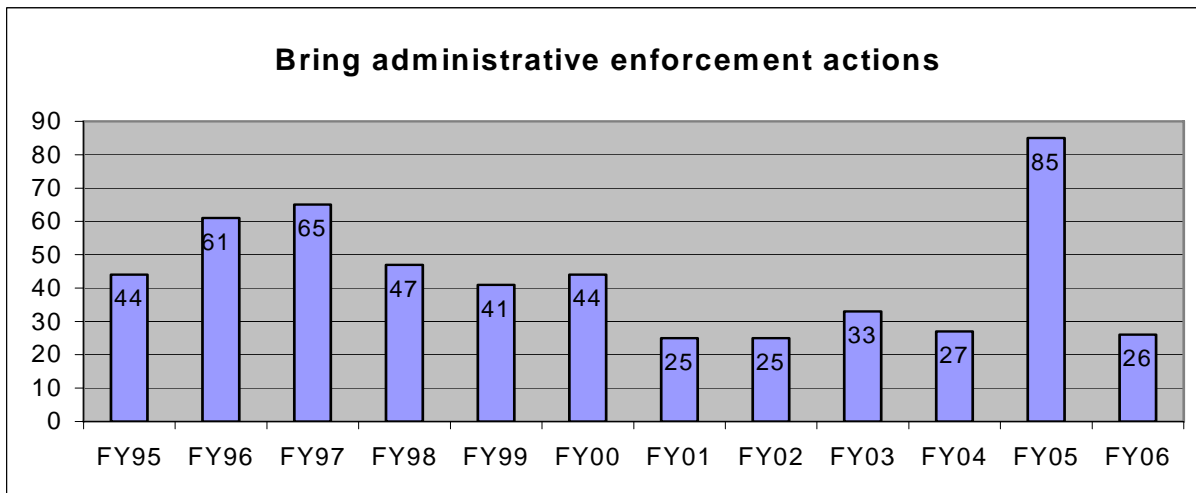


Chart 7.5-6



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. The Advocacy Division provided 6 hours of continuing education for Professional Employer Organization licensees. The Advocacy Division also investigated a number of complaints involving the unlawful sale of contact lens without a valid prescription and sent 16 warning letters to businesses.

Chart 7.5-7



The Department filed an action against Conseco Finance Servicing Corporation on June 20, 2002, alleging numerous violations of debt collection laws. A settlement agreement was entered whereby Conseco 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. Conseco filed for Bankruptcy protection before all payments were made.

Administrative Hearings Table for FY06

| Type of Business | No. Set | Dismissed | Settled (Fine) | Heard | | | Pending |
|---------------------------------|-----------|-----------|----------------|-----------------------------|-----|-----|----------|
| Mortgage Broker | 3 | | | 2 | | | 1 |
| | | | | (\$1,500 fine & \$750 fine) | | | |
| Credit Counseling Organizations | 2 | | 1 | | | | 1 |
| Originator | 18 | 6 | | 11 | | | 1 |
| | | App | Den | App | Den | Pen | |
| | | 0 | 6 | 3 | 5 | 3 | |
| Pawnbroker | 1 | | | | | | 1 |
| Physical Fitness | 3 | 0 | 0 | 0 | | | 3 |
| Total | 27 | 6 | 1 | 13 | | | 7 |

Table for Licensing Application Reviews

| Business | Reviewed | Approved | Pending | Denied | Returned | Inactivate |
|---------------------------------|---------------|---------------|--------------|------------|-----------|--------------|
| Athletic Agents | 21 | 12 | 8 | 0 | 0 | 0 |
| CCRC | 51 | 39 | 12 | 0 | 0 | 0 |
| Credit Counseling Organizations | 52 | 22 | 29 | 1 | 0 | 0 |
| Credit Counselors | 619 | 217 | 348 | 2 | 0 | 52 |
| Mortgage Brokers | 1,132 | 689 | 243 | 10 | 0 | 190 |
| Broker Originators | 6,395 | 3,224 | 943 | 84 | 0 | 2,144 |
| Motor Clubs | 39 | 35 | 4 | 0 | 0 | 0 |
| Motor Club Representatives | 1,353 | 1,241 | 8 | 0 | 77 | 27 |
| Pawnbrokers | 224 | 192 | 28 | 0 | 0 | 4 |
| Physical Fitness | 671 | 516 | 130 | 0 | 0 | 25 |
| Prepaid Legal Companies | 8 | 6 | 1 | 1 | 0 | 0 |
| Prepaid Legal Representatives | 4,304 | 4,235 | 0 | 31 | 2 | 36 |
| Total | 14,869 | 10,428 | 1,754 | 129 | 79 | 2,479 |

Table for Compliance Reviews

| Mortgage Brokers | Pawnbrokers | Physical Fitness | Total Reviews | Advisory Visits |
|------------------|-------------|------------------|---------------|-----------------|
| 199 | 87 | 166 | 452 | 52 |

Refunds from Legal and Enforcement Actions

- Consumer refunds from closed health spas: \$34,027.71
- Consumer refunds from unlicensed credit counselors: \$13,675.00
- Consumer refunds from compliance reviews: \$1,806.09
- Consumer refunds from possible odometer tampering: \$13,000.00
- Total consumer refunds from Legal Division activity: \$62,508.80

What are your current levels and trends of financial performance?

Chart 7.6-1

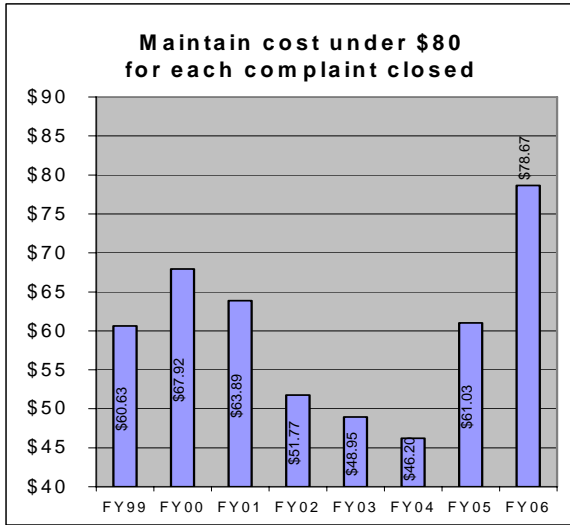


Chart 7.6-2

