

AGENCY NAME:	Office of the Secretary of State		
AGENCY CODE:	E080	SECTION:	96



Fiscal Year 2014-15 Accountability Report

SUBMISSION FORM

AGENCY MISSION	<p>The Office of the Secretary of State is mandated by the South Carolina Code of Laws to serve as the state filing office for business corporations, nonprofit corporations, limited partnerships, limited liability partnerships and limited liability companies, as well as for all Uniform Commercial Code Article 9 Secured Transaction filings. The Secretary of State also serves as the agent for service of process for business entities that do not have authority to transact business in South Carolina, or who do not maintain a registered agent in this state. In addition to business filings, the Secretary of State's Office examines and files state trademarks, maintains the state notary public database, and issues commissions for elected officials and those appointed by the Governor. The Secretary of State's Office is also responsible for issuing all statewide cable franchises and serves as the repository for several types of municipal filings. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. Finally, the Secretary of State's Office regulates charitable organizations, professional fundraisers, business opportunities and employment agencies.</p>
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Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Melissa Dunlap	734-2157	mdunlap@sos.sc.gov
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I have reviewed and approved the enclosed FY 2014-15 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	
(TYPE/PRINT NAME):	Mark Hammond, Secretary of State

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BOARD/CMSN CHAIR <i>(SIGN/DATE):</i>	
<i>(TYPE/PRINT NAME):</i>	

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AGENCY'S DISCUSSION AND ANALYSIS

Mission and Values

The Office of the Secretary of State is mandated by the South Carolina Code of Laws to serve as the state filing office for business corporations, nonprofit corporations, limited partnerships, limited liability partnerships and limited liability companies, as well as for all Uniform Commercial Code Article 9 Secured Transaction filings. The Secretary of State also serves as the agent for service of process for business entities that do not have authority to transact business in South Carolina, or who do not maintain a registered agent in this state. In addition to business filings, the Secretary of State's Office examines and files state trademarks, maintains the state notary public database, and issues commissions for elected officials and those appointed by the Governor. The Secretary of State's Office is also responsible for issuing all statewide cable franchises and serves as the repository for several types of municipal filings. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. Finally, the Secretary of State's Office regulates charitable organizations, professional fundraisers, business opportunities and employment agencies.

The South Carolina Code requires the Secretary of State to serve as the filing agent for several types of documents, as noted in the table below:

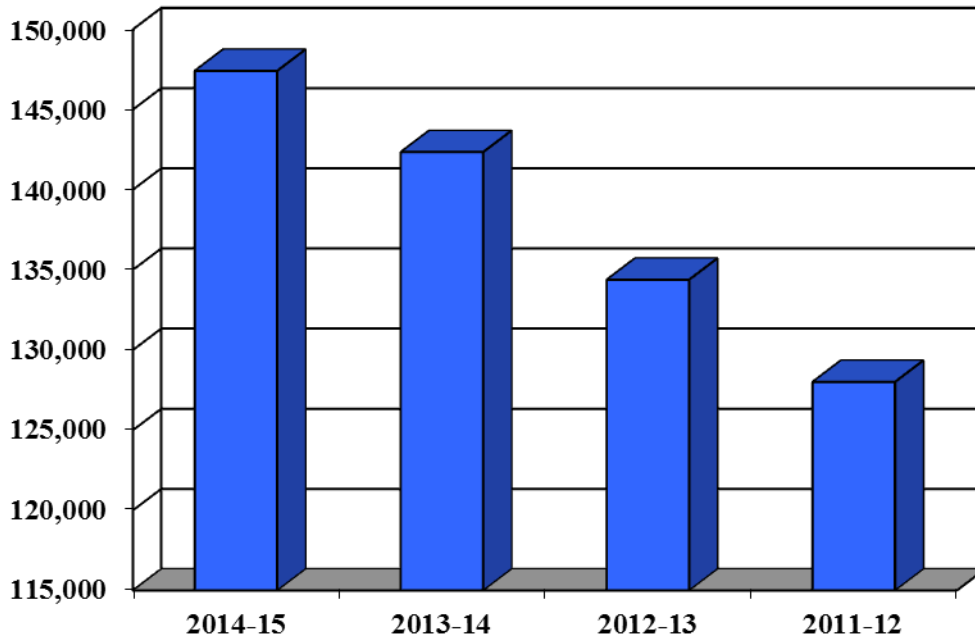
Agency Division	Work Processes	Processed in FY 2014-15
Business Filings	UCC Filings	78,502
	Corporate Filings	68,910
	Copy Work Requests	24,081
Public Charities	Charity Registrations & Financial Reports	19,670
	Charity Financial Report Extensions	5,938
	Professional Fundraiser Registrations	2,064
	Fundraiser Contracts & Financial Reports	2,569
	Payroll Deduction Applications	543
Notaries	Notary Applications	15,981
	Apostilles and Authentications	9,372
	Boards & Commissions Appointments	1,525
	Other Oaths & Commissions	2,082
Municipalities	Annexation Filings	177
	Special Purpose District Filings	197
	Cable Franchise Filings	30
	Employment Agency Applications	162
	Business Opportunity Applications	29
Trademarks	Trademark & Service Mark Registrations	785
Service of Process	Service of Process Requests	644

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Business Filings

Once again the office saw an increase in the total number of business filings in FY 14-15. The number of Uniform Commercial Code filings remained steady, with 78,658 filed in FY 13-14 compared to 78,502 filed in FY 14-15. The number of corporate filings increased from 63,686 to 68,910, approximately 8% over FY 2013-2014. The total number of business filings for FY 2014-2015 was 147,412.

Total Business Filings from FY 2011-2012 to FY 2014-2015



Management and staff strive daily to provide exceptional service to the customers who file with the office. Management continues to maximize opportunities for cross-training of staff to ensure customer service objectives are fulfilled. A goal of last year’s Accountability Report was to cross-train 70% of staff. This goal was achieved during FY 14-15. Processing workloads vary throughout the year in different divisions, depending on filing deadlines both inside and outside the agency. By cross-training staff to work in different divisions, management is able to move resources in order to maintain processing timelines. During FY 14-15, Secretary Hammond will strive to provide additional tools for staff to assist them in performing their duties by continuing to build upon and enhance technology in order to better serve customers.

Another goal set in last year’s Accountability Report was to increase the number of businesses qualified to receive investments under the High Growth Small Business Job Creation Act. The intent of the Act was to encourage investment in early stage, high-growth businesses; increase the number of high-quality, high-paying jobs in South Carolina; and ultimately expand South Carolina’s economy. The High Growth Small Business Job Creation Act, also known as the Angel Investor Act, provides tax credits to angel investors who make qualified investments in qualified businesses. The Secretary of State

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plays an important role in this initiative by examining applications and registering businesses that meet the criteria of “qualified businesses” under the Act.

Last year, the Secretary of State set a goal of increasing the number of qualified businesses from 44 to 55 through continued educational outreach. This goal was exceeded with the registration of 63 qualified businesses, including 40 new registrations and 23 renewal registrations. The Secretary of State promoted outreach efforts by providing new corporations or limited liability companies (LLCs) information about the availability of tax credits under the Act, and mailing reminder letters to qualified businesses whose registrations were about to expire. In addition, staff presented an update on the Act to the South Carolina Chamber of Commerce in August 2014. During FY 14-15, qualified businesses reported raising capital in excess of \$65,000,000.00, including over \$7,000,000.00 in qualified investments. In addition, these businesses reported creating 192 full-time jobs, 71 part-time jobs, and 56 temporary jobs, with the average full-time salary exceeding \$61,000.00 per year.

Proviso 1.80 of 2014-2015 General Appropriations Act required Independent School Compliance Audits to be filed with the Secretary of State. From June 30, 2014 to July 1, 2015, the Secretary of State’s Office filed 21 Independent School Compliance Audits and one Scholarship Funding Organization Financial Audit.

Technology Enhancements and Cyber Security

The Secretary of State’s Office continues to increase its online offerings to customers across the state. Secretary Hammond recognizes that offering online solutions to customers is essential in creating a business friendly environment and maintaining pace with modern technology. Providing customers with online applications for easier and faster filing solutions will continue to be a goal of the office. Secretary Hammond is committed to adding more online solutions for the benefit of the customer. One goal for FY 14-15 is to continue to build upon the number of online applications offered to our customers and create new applications to replace older technology.

Last year’s Accountability Report set the goal of completing the project plan and requirements for an online system for entities to file, search and retrieve business filings. This project plan is close to completion. An interim corporate document request application—phase one of the corporations project—went live in July 2015 to allow customers to request and receive corporate documents online. The full application, which is anticipated to go live in 2016, will allow customers to file, search and retrieve corporate documents online. This project will increase the number of online applications offered to our customers. In the next fiscal year, the Secretary plans to work on revisions to the office website to further enhance the customer experience and prepare to offer future online filings. The Secretary also set a goal to upgrade to the online charities filing system in order to comply with statutory changes in the Solicitation of Charitable Funds Act. This goal was met in early FY 14-15. The enhancement was followed by a project to make changes in the charities online application that were needed as a result of the enactment of the nonprofit raffle legislation pursuant to Act 185. This project is underway, and will be completed in FY 15-16.

The Secretary understands the need for security measures to keep pace with the cyber threats that are ever present. Disaster recovery remains a top priority as the Secretary of State’s Office is the repository of permanent state records. During FY 14-15, the office secured an off-site location for disaster recovery with the Department of Administration’s Division of Information Security. In addition, the

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Secretary of State’s Office established replication of our enterprise servers between the office and the secured, off-site location. The corporate image digitization project was completed, which converted microfilm into digital images that were then imported into our existing corporate database. The office continues to work aggressively under the guidance of the Department of Administration’s Division of Technology to implement the new security initiatives set forth for all state agencies. During FY 14-15, many security upgrades were accomplished such as the installation of Secunia and upgrade to network hardware, servers, and firewalls. The office will continue to focus on the security requirements in FY 15-16.

The online State Boards and Commissions application continues to be a tremendous asset to members of the legislature and to the public at large. This application provides online information on state boards and commissions that is updated daily. Staff continues to provide updates as needed on the agency website, including form revisions as well as the creation of new forms. The Secretary of State’s Office now has an online video available on its website to explain the requirements for nonprofits interested in conducting raffles.

As a goal during the next fiscal year, the Secretary of State’s Office will continue to work on enhancements for a secure and flexible enterprise database. Databases will be upgraded and new applications developed to continue to improve usability, enhance disaster recovery, and strengthen security. In addition, the Secretary plans to update the telephone system with a VOIP (Voice over IP) system.

Notary Public Reforms and Educational Outreach

The Secretary of State is the public official charged with commissioning notaries public in the state of South Carolina. In FY 2014-15, the Secretary of State commissioned over 15,981 notaries public, an increase of 12.5% from FY 13-14. As in previous years, Secretary Hammond demonstrated his commitment to promoting understanding and compliance with state laws governing notaries by conducting free notary public seminars throughout the state. A goal in last year’s Accountability Report was to conduct 15 statewide trainings. This goal was achieved with the Secretary of State’s Office providing 16 free notary trainings statewide. This training was important with the comprehensive changes in the notary statutes signed into law on June 2, 2014—the first significant update to South Carolina’s notary public laws since the 1960s. The office is working on a notary webinar that will be added to the Secretary of State’s website to provide an additional training opportunity for notaries who are not able to attend a live seminar.

Charitable Solicitations Filings and Enforcement

As administrator of the South Carolina Solicitation of Charitable Funds Act, Secretary Hammond remains committed to promoting transparency in charitable giving and protecting the donors of South Carolina. Under the Act, the mission of the Secretary of State’s Division of Public Charities is to (1) efficiently register all charitable organizations and professional fundraisers that are soliciting in the state of South Carolina; (2) review all financial reports submitted by registered charities and fundraisers, and make this information available to the public; and (3) investigate and prosecute all violations of the Solicitation of Charitable Funds Act.

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In the last fiscal year, 10,722 charitable organizations and 2,064 professional fundraisers registered with the Secretary of State’s Division of Public Charities. The Division filed over 17,000 financial reports, financial report extensions, and fundraising contracts. Approximately half of all charities registered and filed their financial reports online. With the ratification of the constitutional amendment allowing nonprofit raffles in March 2015, 111 organizations registered with the Division of Public Charities for the purpose of conducting raffles.

During FY 2014-2015, Secretary Hammond continued to bring enforcement actions against charities and professional fundraisers that violated the Solicitation of Charitable Funds Act. Most notably, Secretary Hammond joined the Federal Trade Commission and agencies from the 49 other states and the District of Columbia in filing suit against four charities accused of bilking more than \$187 million from donors across the country. This multistate action was one of the largest such cases in charity enforcement history. The Secretary of State’s Office continues to work with other states on matters affecting charitable donors. Overall, the Secretary of State’s Office collected \$257,536.00 in fine revenue for violations of the Solicitation of Charitable Fund Act in FY 2014-2015.

A goal in last year’s Accountability Report was to increase the number of staff trainings/outreach on the Solicitations of Charitable Funds Act. Staff exceeded the goal with 34 statewide trainings provided. These included a raffles webinar for the South Carolina Association of Nonprofit Organizations, seminars at the SC Bar’s Nonprofit Corporate Practice CLE and the USC School of Law, and presentations to various other groups including the SC Commission on Minority Affairs, ABATE, the SC Chiefs of Police Association, and several Kiwanis and Rotary clubs. In conjunction with the South Carolina Bar, the office produced an instructional video on the new raffles law, which is now available on the Secretary of State’s website.

Over the next fiscal year, the Secretary of State’s Office will continue to work with charities and educate both charities and donors about the requirements of the nonprofit raffle legislation. One goal is to develop a brochure and create an online manual on raffles to accompany the instructional video that is currently available online. Another goal is to conduct seminars throughout the state to assist charities with the registration and reporting requirements specific to raffles. In addition to partnering with charitable organizations, Secretary Hammond intends to continue to raise public awareness of wise charitable giving by publishing an annual list of professional fundraising contracts and financial reports, and enhancing the online charity search to include professional fundraiser information.

Counterfeit Goods Education and Enforcement Activities

The Secretary of State’s Office facilitated 38 raids during this fiscal year that led to 44 arrests, 28 cease and desists, and the seizure of \$2,313,797.00 in counterfeit merchandise. Our investigator was called to testify in the United States District Court about his involvement in a joint investigation with the Department of Homeland Security, in which over \$4 million of counterfeit erectile dysfunction pills were seized. The defendant received a 78-month sentence and was ordered to pay over \$30,000 in restitution to the victim drug company.

Conclusion

Throughout his tenure as South Carolina’s Secretary of State, Secretary Hammond has remained committed to providing exemplary customer service to the public. He continues to strive toward this

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goal through cross-training of staff and enhancing the technological services of the office. Secretary Hammond is also committed to educating the public about the services offered by the agency, as well as promoting transparency and accountability in charitable giving.

See attached Secretary of State’s Office Organizational Chart.