

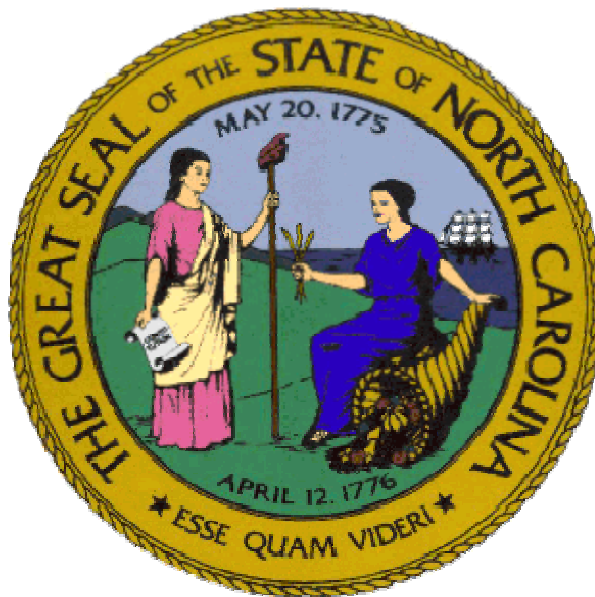
OSBM

**Staffing Analysis
Lobbying Compliance Division
Department of the Secretary of State**

Management Study

As Directed by Session Law 2008-107, Section 22.1

March 1, 2009



Prepared By:

Office of State Budget and Management

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INTRODUCTION

Scope of Study

Section 22.1 of Session Law 2008-107 (HB 2436) requires the Office of State Budget and Management to conduct a staffing analysis of the Ethics Commission and the Lobbyist Registration Section of the Department of Secretary of State¹ to determine if the staffing is appropriate for the workload volume that has been generated by the enactment of Session Law 2006 201. The Office of State Budget and Management shall submit a final report outlining its findings and staffing recommendations to the House Appropriations Subcommittee on General Government, Senate Appropriations Subcommittee on General Government and Information Technology, and the Fiscal Research Division by March 1, 2009.

Methodology

In order to conduct the staffing analysis, the OSBM study team performed the following tasks:

- Examined and analyzed the organizational structure of the Division,
- Analyzed employees time and resource allocation worksheets completed by management and staff,
- Interviewed all Division employees,
- Reviewed the statutory requirements of the North Carolina Lobbying Law, and
- Analyzed various other data.

BACKGROUND

During the 2006 legislative session the Lobbying Compliance Division² was created by the Lobbying Law, which was enacted on August 4, 2006. Prior to this legislation, a portion of the current duties (registration and reporting) was performed by the Certification and Filings Unit of the Secretary of State. During the 2007 Legislative session, S. L. 2007-347 (HB1110) and S. L. 2007-348 (HB1111) were passed which amended the Lobbying Law to require the Division to review each advisory opinion issued by the Ethics Commission and apply the decisions of each opinion to the overall lobbying community, especially in the areas of registration and expense reporting. Session Law 2008-213 amended the Division's responsibilities with respect to modifying Lobbyist and Principal forms that allowed for a lobbyist principal to rely upon a statement by the lobbyist estimating the portion of the salary, fee, or retainer that is reasonably allocated for the purpose of lobbying. Additionally, this would require the Division to analyze the existing investigations pursuant to this law change.

The Secretary of State is required to implement and enforce some of the requirements of the Lobbying Law with other requirements being implemented and enforced by the State Ethics Commission. The primary purpose of the Lobbying Law is to increase public confidence in the operation of the legislative and executive branches of government by providing for additional transparency of the legislative and executive processes. The Division's primary purpose is to administer the Lobbying Law and the rules related to registering, reporting, and investigating lobbyists, lobbyist principals, solicitors, and liaisons, and others who are required to report.³

¹ Hereafter, the Department of the Secretary of State will be referred to as the "Secretary of State".

² Hereafter, the Lobbying Compliance Division of the Secretary of State will be referred to as "the Division".

³ Hereafter, "lobbyist principal" will be referred to as "principal". Lobbyist principals include individuals, organizations, associations, or businesses. Solicitors are persons who solicit members of the public to communicate directly with or contact one or more designated individuals for the purpose of influencing or attempting to influence legislative or executive action to further the solicitors' position. Liaisons are any State employees or officers whose principal duties are set forth in that person's job description, include lobbying designated individuals.

The Division is also required to develop rules, orders, and forms as necessary to administer the provision of lobbying registration procedures, reporting of reportable expenditures⁴, and miscellaneous reportable expenditures made by persons exempted from the Lobbying Law. Other duties of the Division include providing access to the registrations and principal authorizations and the expense reports filed with the Division in an electronic and searchable format. Further, the Division is required to investigate all civil and criminal violations that arise out of Articles 2, 4, and 8 of the Lobbying Law, and imposes civil penalty, if necessary.

In a September 11, 2006 letter to the Secretary of State's Office, the State Budget Director committed the Office of State Budget and Management (OSBM) to conduct a staffing analysis of the Lobbying Compliance Division to determine the appropriate staffing requirements based on the workload generated by the newly enacted State Government Ethics Act (G. S. 138A, effective January 1, 2007) and Lobbying Law (G.S. §120C, effective January 1, 2007 and amended by S. L. 2007-348).

As a result of that study it was recommended that the Lobbying Compliance Division

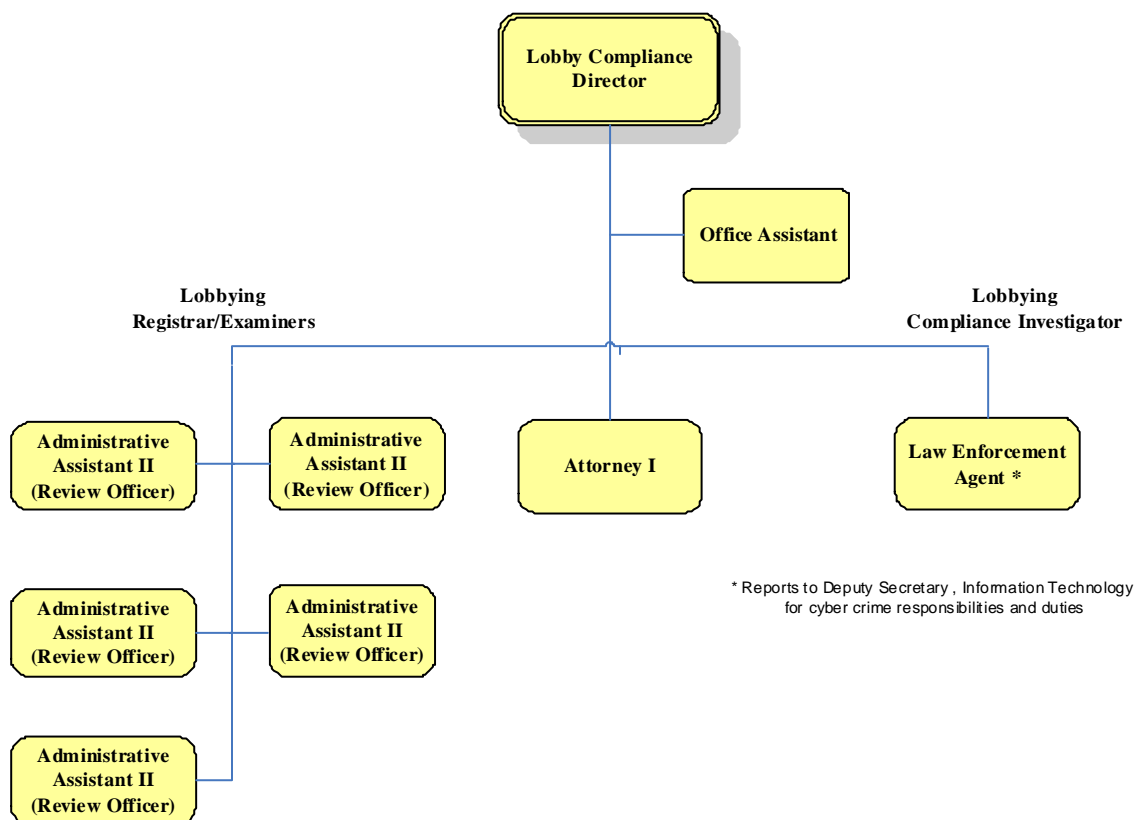
- Request a receptionist position from the General Assembly through the budgetary process, which will enable it to dedicate the five Review Officers to fulltime reviewing and processing of lobbyists and principals registration and expenditure reports. This has been completed and the position was filled in September 2008.
- Prepare service statements for all staff duties that fully define what the duties are, how the work is performed, and the outcome of each duty. This will provide the Division with management tools to better quantify its overall workload and justify future staffing needs. Service Statements for the Lobbying and Compliance Division have been developed which are more extensive than those listed in the Results Based Budget (RBB) system.
- Work with its Information Technology Division to utilize its electronic database to compare the expenditure reports of lobbyists and principals to ensure consistent and complete disclosure between all parties rather than the manual examinations and comparisons which it is currently performing in the third review phase. This has been completed and has contributed to the Reviewer Officer being able to conduct the Tier Three reviews and reduce the backlog.

Organizational Structure and Program Process

The Division presently employs nine persons to administer the Lobbying Law, including: a Division Director; an Attorney; a Law Enforcement Agent; an Office Assistant; and five Administrative Assistants (Review Officers). Eight of the positions were created in October 2006 in advance of the January 1, 2007 effective date of the Lobbying Law and the Office Assistant position was created in FY 2008. Exhibit 1 on the next page depicts the organizational structure of the Division.

⁴ Reportable expenditures are anything of value given to a designated individual, including expenses related to transportation, entertainment, food and beverage, meeting and events, gifts, and a sundry of other expenses.

LOBBYING COMPLIANCE DIVISION



Source: The Lobbying Compliance Division of the Secretary of State (January 1, 2009)

The primary duties and responsibilities of the Division's staff are to:

1. Develop rules, forms, and policies and procedures to administer the Lobbying Law.
2. Perform systematic reviews of reports submitted by lobbyists, principals, solicitors, liaisons, and others,
3. Develop and maintain a database containing lobbyist and principals,
4. Investigate and enforce violations of the Lobbying Law, and
5. Develop directory publications.

The staff also performs a number of other duties related to the overall operation of the Division, including answering telephone calls, responding to e-mail inquiries, managing the office, responding to written correspondence, and providing customer service for walk-in clients. Table 1 on page 4 and continued on page 5 shows the duties and responsibilities performed by the Division's staff for two calendar years, 2007 and 2008, and brief descriptions of the staff's duties and responsibilities. However, these descriptions are not the same as those listed in the RBB system, but coincide with the statements that have been developed for the Division.

Table 1

Duties and Responsibilities of the Staff of the Lobbying Compliance Division

Duties/Responsibilities	Description	2007 FTE ^a	2008 FTE ^a
Registration:			
Process	Open mail, apply administrative rules to determine filed and received dates, stamp with filed and received dates, copy as needed for scanning, filing in files; verify correct amount on all checks for registrations and penalty fees; log all checks; prepare cover sheets and scan forms and checks; prepare cash management reports and checks for processing by cash management unit in compliance with Departmental fiscal controls; enter indexing data, verify data, and commit to the database and to the website; prepare file folders for new registrations.	0.30	0.38
Analysis (Review phases one and two)	Review lobbyist, principal, solicitor and liaison registrations for compliance, receipt of accompanying fees; retrieve files from archives for public records and research requests.	0.36	0.48
Customer Service - Administrative Assistants	Answer the telephone, assist clients with questions regarding forms, filing dates; retrieve files for customer service issues; contact registrants re: fee payment and registration form issues.	0.26	0.15
Customer Service - Reception	Provide forms to walk-in customers, direct phone calls to the appropriate personnel, data entry, file documents in appropriate folders, make copies for registrants and for Division folders, accept payment for registration fees.	0.30	0.39
Late Registration/Authorization Enforcement	Determine violation; send out letters, direct registration information to the investigator, attorney, and director.	0.09	0.10
Legal/Supervisory	Conduct enforcement analysis with regard to registration; sending out letters to request information; interviewing witnesses and/or registrants; meet with director regarding enforcement strategies.	0.35	-
Reporting:			
Process	Open mail, determine file and received date, scan forms and correspondence, enter data and commit to the web, complete expense detailing and commit to database; copy as needed and file documents.	0.45	0.42
Analysis (Review phases one and two)	Insure compliance; i.e., that all the blanks are completed, proper amount of fee is paid; review of the expenditure amounts entered on the reports to determine if they add up correctly.	0.46	0.60
Customer Service - Administrative Assistants	Contact filers who have an incomplete report; follow up on filers who have made a mistake on their report; call all electronic filers to insure that they provide the original within the time allotted so that the filing is not late.	0.37	0.35
Customer Service - Reception	Provide forms to walk-ins, direct phone calls to the appropriate personnel, data entry, file documents in appropriate folders, making copies for registrants and for Division folders, directing the walk-in or appointments who have a customer service issue to the appropriate reviewer for customer service assistance.	0.30	0.75
Late Reporting Fines Enforcement	Calculate late fees; review calculation of late fees; review waiver or excuse requests, forward contested cases to Department of Justice attorney; prepare file for any trials.	0.64	0.65
Legal/Supervisory	Analyze reporting to determine enforcement action; send out letters to request information; interview witnesses and/or reporters; meet with director regarding enforcement strategies; serve as investigation supervision.	0.55	0.50
Directory Publication:			
Generating and Proofreading	Print the directory and edit for accuracy of lobbyists, principals, and liaison information; act as liaison between publication department and lobbying compliance division for printing.	0.20	0.34
E-Publication to Public Servants	Check the Ethics Commission website list of covered persons to determine additions and deletions to the list of lobbyist, principals, and liaisons; contact ethics liaisons regarding the publication by e-mail of the directory; review e-mail responses after each publication to update e-mail publication list (+3000).	0.20	0.08
Administrative:			
Rules Drafting/Hearings/Related Meetings	Draft rules, amend rules, prepare rules for public hearings and hearings before the Rules Review Commission, work with internal staff, legislative staff, Ethics Commission staff, Rules Review Commission staff regarding rules text.	0.28	-
Forms Development and Drafting	Review and analyze legislation and draft forms to meet statutory and administrative rule requirements.	0.20	0.21
Law Enforcement Policy Drafting/Related Meetings	Review the Department and Division rules and policies for all law enforcement staff.	0.13	0.07
Work Plan/IT Interface/QC/Office Organization	Develop, monitor and modify work plan, systems, procedures, space utilization to meet the demands with best use of available staff and furnishings, equipment to maintain quality and efficiency of work flow; interface and troubleshoot with IT Department to integrate new Division forms and indexing needs into Knowledge Based database (SOSKB).	0.17	0.24
Compilation Report	Review and document the data to create the compilation report; proof report for accuracy.	0.39	0.35
Training/Staff Meetings	Discuss priorities, assign duties, explain new Knowledge Based functions (SOSKB), reassess and modify procedures, communicate Department wide goals, administrative and personnel information.	0.48	0.23
Staff Interviews/Reference and Background Checks	Interview staff, check and talk to references, review background checks, make offers, transition new staff into the administration.	0.03	0.04
Recordkeeping (Timesheets, Phone and Fax Logs)	Record timesheets, review timesheets, approve time, record phone calls from customers, record faxes sent and faxes received.	0.10	0.26
Office Moves	Assess available temporary space, work with the architect to renovate space on the 3rd floor, review places, purchase furniture from surplus and from vendors, select furniture, file cabinets, computers, attendant office equipment, and move all items, equipment, furniture, and file folders to operate the Division.	0.08	-
OSBM Study	Gather information related to OSBM 2008 Study	-	0.03
Procurement, Maintenance and Inventory	Assess office supply needs and order supplies to operate the Division; maintain statutorily required inventory lists and provide to Administrative Division of Department.	0.13	0.05
Media Contact	Provide information to media upon request; prepare documents for public records requests; research archives to provide information.	0.05	-
Typing, Admin Support	Provide support to walk in customers and telephone inquires as well as assisting the registration and reporting Review Officers.	-	0.11

Table 1 Cont.

Duties and Responsibilities of the Staff of the Lobbying Compliance Division

Duties/Responsibilities	Description	2007 FTE ^a	2008 FTE ^a
Monitoring Legislation	Monitor legislation regarding lobbying and ethics to determine if any procedural, administration, or forms need to be added or modified.	0.04	0.15
Nonrecurring Special Projects	Perform archival research when a specific question or issue arises to provide necessary information to upper management, media, legislative staff, or other interested parties.	0.18	0.02
Security Evaluations	Evaluate security for the Division and the Department.	0.02	
Vehicle Maintenance	Maintain vehicle logs, vehicle maintenance per Department of Administration requirements.	0.02	
Budget Materials	Evaluate budget for the Division and the Department.		0.04
Complaints and Investigations:			
Legal	Assess evidence, witness information, request documentation, and other information to determine whether a violation exists and whether to refer the matter to the Attorney General; Assess evidence and witnesses and prepare witnesses to testify before Office of Administration Hearings and District or Superior Court.	0.20	0.81
Investigative	Review documents, interview witnesses, request additional documents, discuss with the legal team for further direction regarding investigations; assess and review the evidence and the law to determine the next appropriate steps-closure, further investigation, referral to other state or local agencies, and referral to the Wake County District Attorney.	0.67	1.03
Advisory Opinions			
Analysis	Analyze the advisory opinions of the Ethics Commission to determine whether or not administration of the Act, Secretary of State's rules or policies need to be modified in accordance with the advisory opinions.		0.14
Education of Staff/Registrants	Educate staff regarding any changes as a result of the advisory opinion, and insure that as to the Lobbying Act only, the regulated community understands its duties in relationship to the Secretary of State's obligations under the Lobbying Act.		0.03
Totals		8.00	9.00

The staff identified a number of additional duties and responsibilities that the division should be performing, but none of the staff's time had been expended toward these duties and responsibilities as of February 2009. Table 2 identifies these additional duties and responsibilities and provides a brief description of each. Again, these duty and responsibility descriptions are not the same as those listed in the RBB system, but coincide with the statements that have been developed for the Division.

Table 2

Additional Duties and Responsibilities of the Staff of the Lobbying Compliance Division

Duties/Responsibilities	Description	2007 FTE ^a	2008 FTE ^a
Implementation	Implement any necessary changes and modifications as a result of the advisory opinion.		
Enforcement	Enforce any violations as a result of any advisory opinion.		
Compliance Reviews (Review phases three and four):(Backlog)	Examine and compare monthly reports to quarterly reports to ensure complete disclosure and comparing the lobbyist's report to the principal and vice versa for consistency and complete disclosure. Examine all of the same event filings to determine consistency of calculation of expenditures of filing with the entire event on every quarter or monthly report; fourth stage requires the filer to provide the supporting documentation for the information entered on the reports. This may require site visits by the review officers and should occur after the review officers have received and fully processed the quarterly reports, and after the review officers have expense detailed the reports, indexed the information, and verified its accuracy.		
Reviewing filing for supporting documentation needed	Request additional documentation for reviews including supporting documentation and method of calculation of expenses.		
Requesting production of additional documents	Draft letters, meet with internal investigative team to determine what additional information is necessary.		
Meetings with filers	Interview filers and filers' staff, examine documents on site.		
Analysis of supporting documentation	Review supporting documentation to determine whether it is consistent with filers' reports or registrations.		
Referral to Investigator/Lobbying Attorney	Conduct a preliminary assessment to determine whether there is an existing violation to refer to the Investigator and Lobbying Attorney.		
Litigation Preparation	Interview witnesses; assess the strength and weaknesses of any litigation; and prepare witnesses, exhibits, documents, and legal arguments for the District Attorney in criminal matters and the Department of Justice for civil matters.		

Source: Lobbying Compliance Division's staff activities not performed as of February 2009.

Registration of Lobbyists and Principals

A lobbyist is any individual that represents a principal, and may be directly employed by the principal or who contracts with the principal to lobby on their behalf. Lobbyists receive compensation for the purpose of lobbying, contract for economic consideration for the purpose of lobbying, or are employed by a principal with a significant part of their duties being related to lobbying. A principal is the person, organization, or business that a lobbyist represents.

Lobbyists, principals, liaisons, solicitors and others, who are required to file various reports with the Division, must adhere to the reporting requirements as outlined in the Lobbying Law. Table 3 shows the types of filings that are required from each group and the conditions under which the filings must be submitted along with any applicable fees.

Table 3

Filing Requirements for Designated Persons under the Lobbying Law

Filer	Type of Filing	Frequency	Condition	Fee
Lobbyist	Registration	Annually	Within one business day of engaging in lobbying activities.	\$100 (per registration)
	Amendment	Per Occurrence	Within 10 business days of occurrence.	
	Expense Report	Monthly	Due 10 days after the end of the month for any month in which the lobbyist incurs reportable expenditures while the General Assembly is in session.	
		Quarterly	Due 10 days after the reporting period regardless of whether reportable expenditures are incurred.	
Principal	Authorization Statement	Annually	Within 10 business days after lobbyist's registration.	\$100 (with 1st statement)
	Amendment	Per Occurrence	Within 10 business days of occurrence.	
	Expense Report	Monthly	Due 10 days after the end of the month for any month in which the principal incurs reportable expenditures while the General Assembly is in session.	
		Quarterly	Due 10 days after the reporting period regardless of whether reportable expenditures are incurred.	
Liaison	Registration	Annually	Within one business day of engaging in lobbying activities.	\$0
	Amendment	Per Occurrence	Within 10 business days of occurrence.	
	Expense Report	Monthly	Due 10 days after the end of the month for any month in which the liaison incurs reportable expenditures while the General Assembly is in session.	
		Quarterly	Due 10 days after the reporting period regardless of whether reportable expenditures are incurred.	
Solicitor	Registration	Annually	Within 10 days of incurring expenditures when those expenditures exceeds \$3,000 during a 90 day period.	\$0
	Expense Report	Monthly	Not Applicable	
		Quarterly	Due 10 days after the reporting period regardless of whether reportable expenditures are incurred.	
Others ^a	Registration	Not Applicable	Not Applicable	\$0
	Expense Report	When it occurs	If a designated individual accepts a reportable expenditure with a total value of over two hundred dollars per calendar quarter and/or is outside North Carolina at the time of acceptance; or if a designated individual accepts a scholarship valued over two hundred dollars.	

^a Includes persons not otherwise required to register under the Lobbying Law.

Source: Lobbying Law (G.S. 120C)

Reporting and Review Requirements

All reportable expenditures made for the purpose of lobbying must be reported. The Division has four review phases, each of which has a separate purpose in complying with the Lobbying Law, Office of State Controller rules, and checking for other state laws and policies. Each review builds upon the preceding review of the filer's documents. The Division performs systematic reviews of reports filed by lobbyists and principals to assure complete and timely disclosure of reportable expenditures. The four review phases are:

- The first review phase insures that submitted documents have been completed and the correct amounts of fees have been paid. The documents are then indexed, verified, and scanned to facilitate the reports/documentation being available to the public via the internet. All expenditure reports are subjected to the first review phase.
- The second review phase involves checking the accuracy of the expenditure amounts submitted by the filers. The data is keyed into a database by the Review Officer. This process generally takes a month. All expenditure reports are subjected to this review phase.
- The third review phase involves an examination and comparison of monthly reports to quarterly reports to ensure complete disclosure. This review also compares the lobbyist's report to the principals and vice versa to ensure consistent and complete disclosure. The Division also audits all of the lobbyist and principal filings relating to the same event to insure that there is consistency regarding the description and the amounts being reported for a single event when there is more than one sponsor. The Division's goal is to ensure that all reports undergo the third review phase. The examination and comparison by the Review Officers is currently a manual process.
- The fourth review phase requires the filer to provide supporting documentation upon request. This review may also require a site visit by the Review Officer after quarterly reports have been received and processed. The Division's goal is to perform this review on 25 percent of the reports, plus additional reports that are flagged due to unanswered questions raised during the third review and/or ensuing complaints or investigations. The Division also audits each late monthly or quarterly report.

The Division received and processed over 15,000 documents⁵ during calendar year 2008 which represented 15,002 filings⁶, and included over 4,500 documents for registrations and fees. The Division began performing third phase reviews in November 2007 and started conducted fourth phase reviews sparingly during the 2008 calendar year.

Investigation and Enforcement

The Division is required to investigate complaints received with respect to lobbyists, principals, liaisons, or solicitors that have violated the reporting provisions of the Lobbying Law. The investigative portions of the complaints are carried out by the Division's Attorney and Law Enforcement Agent. These investigations are initiated based upon complaints received from outside the Division or irregularities found during any of the four review phases. If the Division determines during the investigation that a lobbyist,

⁵ Documents include (1) registrations of lobbyists, principals, and solicitors; (2) the expenditure reports of lobbyists, principals, solicitors, and other persons required to report but who do not have to register; (3) correspondence regarding registration and the imposition of late filing fees; and (4) checks that are received for registration fees and fines imposed upon a late report filers.

⁶ Filings include registrations, amendments, and monthly and quarterly expenditure reports received from lobbyists, principals, liaisons, solicitors, and other persons who are required to report expenditures, but are not required to register.

principal, or solicitor has willfully violated any provision of the registration and reporting process, the Division can levy fines up to \$5,000. The Division has the authority to carry complaints to the Wake County District Attorney for prosecution. At the time of the study, the Division was investigating 38 lobbying violation cases which is up from 4 a year ago. To date, the Division has not levied any fines associated with investigations.

The Lobbying Act requires lobbyists, principals, and solicitor's reports to be notarized. Because North Carolina permits electronic notarization, and also allows some supporting documentation to be submitted and/or stored electronically, the investigator should be cross-trained in notary laws in order for the Division to effectively enforce and administer the Lobbying Law.

Division Publications

The Division is required to make available, as soon as practicable, a directory of the registered lobbyists and principals in an electronic, searchable format. Within 20 days after the General Assembly convenes each session, the Division must furnish all designated individuals⁷ and the State Legislative Library a list of all persons who have registered as lobbyists and their respective principals. Supplemental lists must be provided every 20 days, thereafter, while the General Assembly is in session and every 60 days when it is not in session. During 2008, the Division provided over 2,250 printed copies of the lobbyists and principals lists and over 3,700 electronic copies.

In addition to the directory responsibilities and duties, the Division's Director and Attorney produce quarterly newsletters to publicize changes in the Division's administration of the Lobbying Law. The Attorney is also responsible for updating the "Frequently Asked Question" section of the Division's web site throughout the year.

Administrative Tasks Related to Lobbying

In accordance with the Lobbying Law, the Division developed rules, orders, and forms that are necessary to administer the provision related to lobbyists' and principals' registration, reporting requirements, and reportable expenditures. The Division's Lobbying Law rules (18 NCAC 12.0101 through 12.1601) were approved by the Rules Review Commission on November 15, 2007.

RESULTS

Registration of Lobbyists and Principals

The fourth quarter late filers and expense reports were processed in the 2008 calendar year work because the reports are due on January 15 of the following year. Following its policy and G. S. 120C-401(e), the Division sent the late filing fee letters after the Reporting Team had processed all of the reports. Many of the filers who have received letters still have time to file an appeal with the Office of Administrative Hearings; therefore the total dollar amount collected for 4th quarter 2008 has not been fully determined. This accounts for the small amount of fees collected to date for the fourth quarter 2008 (\$500.00). Table 4 on the next page shows the number of late filers for 4th quarter 2006 through 4th quarter 2008 and the dollars collected in late fees.

⁷ Designated individuals include legislators, legislative employees, and public servants. Public servants are certain staff and employees of the executive and judicial branches and members of certain State boards and commissions.

Table 4

Late Filer Reports Processed 4th Quarter 2007 through 4th Quarter 2008

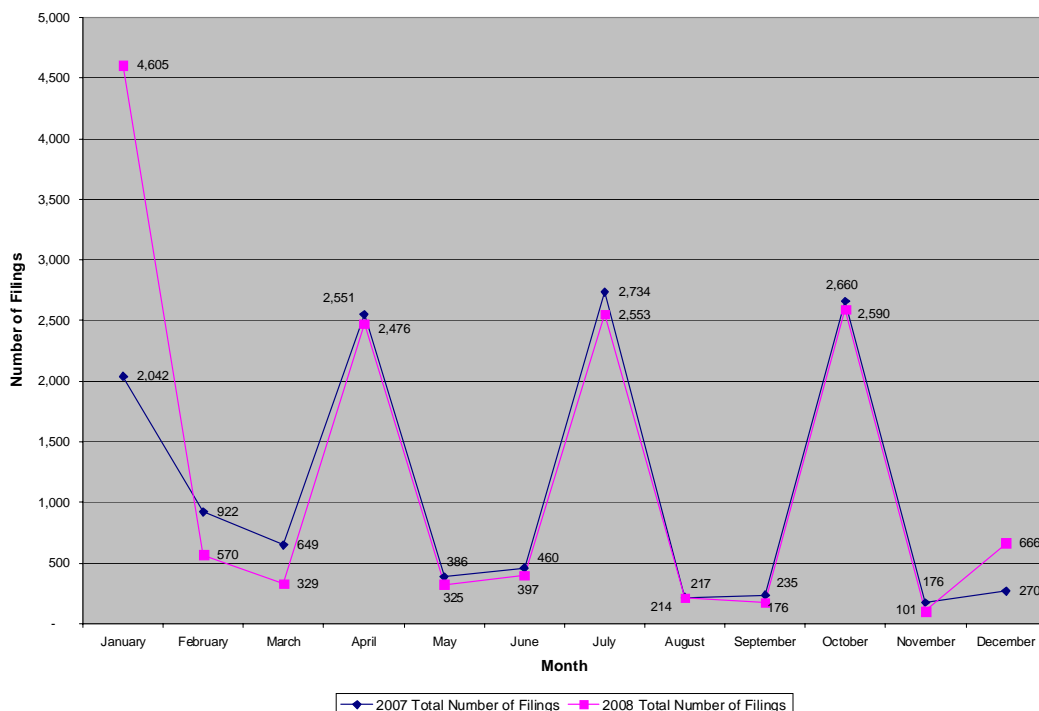
Period	Filers		Number of Late Filings	Fees Collected
	Lobbyists	Principals		
4th Quarter 2006	60	56	116	\$ 10,550
1st Quarter 2008	57	67	124	\$ 9,950
2nd Quarter 2008	47	60	107	\$ 16,330
3rd Quarter 2008	5		5	\$ 39,070
Total 2007	169	183	352	\$ 75,900

Period	Filers		Number of Late Filings	Fees Collected
	Lobbyists	Principals		
4th Quarter 2007	33	46	79	\$ 26,950
1st Quarter 2008	15	17	32	\$ 9,400
2nd Quarter 2008	21	30	51	\$ 17,800
3rd Quarter 2008	48	44	92	\$ 23,050
4th Quarter 2008	32	22	54	\$ 4,350
Total for 2008	116	113	229	\$ 54,600

The Division reviewed 15,002 registrations and monthly and quarterly expenditure reports received during 2008. The Division collected \$273,800 in registration fees during this time period. Chart 1 shows the number of filings received by month during 2007 and 2008 and Chart 2 on page 10 shows the number of expense reports, amendments, and registrations/authorizations submitted by each type of filer—lobbyists, principals, liaisons, solicitors, and others during the same time periods. The overall submissions increased by 1,700 filings, or 12.8%.

Chart 1

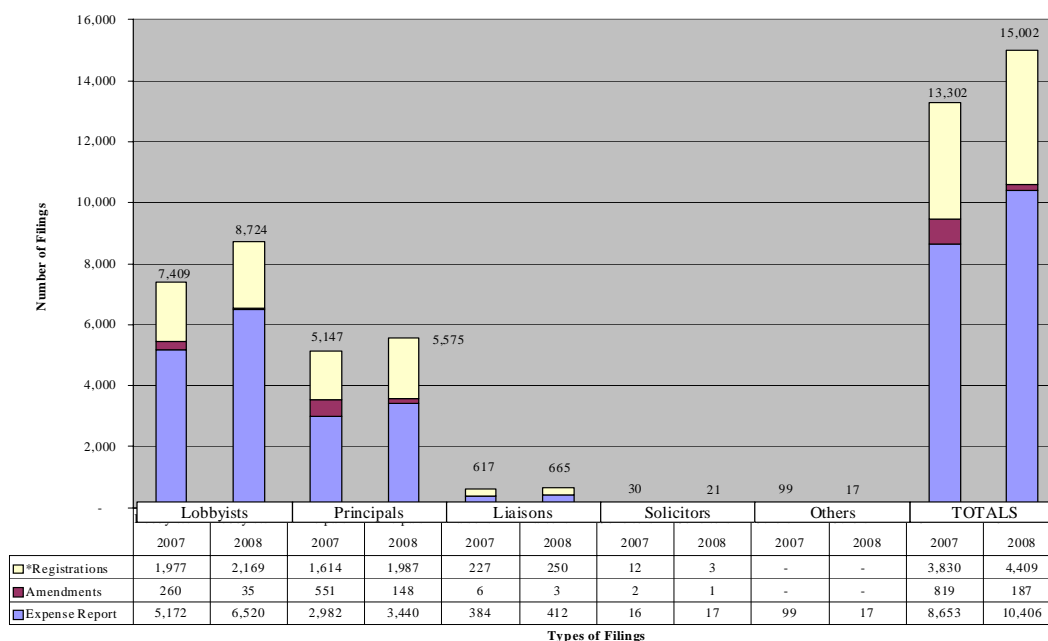
Number of Filings Received January 1, 2007 through December 31, 2008



Source: Lobbying Compliance Division

Chart 2

Types and Numbers of Filings Received January 1, 2007 through December 31, 2008



Source: Lobbying Compliance Division

**Table 5
Number of Filings versus Number Indexed**

When registrations, reports, and correspondence are received by the Division they must be indexed and scanned into the Division’s database. Table 5 shows the number of filings—registrations, expense reports, and amendments—received versus the number that were indexed during the first two years of operation. When the study was conducted in 2007, data was only available through August 2007 which showed that the Division had a backlog of 1,639 documents that needed to be indexed; however they were able to reduce that backlog by November of the same year. As seen from the table, the backlog usually increases during January due to the 4th quarter reports that are due as well as the annual registrations and filings received. When looking at the subtotals for each, there is an increase over 2007 of 9.1% in the number of filings and 3.1 % in the number that are indexed. Theoretically, the Division is consistently able to index more than they are receiving.

Month Received	Number of Filings Received	Number of Filings Indexed	Cummulative Backlog
January, 2007	2,042	569	(1473)
February	922	1,468	(927)
March	649	915	(661)
April	2,551	620	(2592)
May	386	1,768	(1210)
June	460	1,086	(584)
July	2,734	896	(2422)
August	217	1,000	(1639)
September	73	345	(1367)
October	2226	2895	(698)
November	82	1203	423
December	131	127	419
Subtotal 2007	12,473	12,892	
January, 2008	3553	1045	(2089)
February	362	1488	(963)
March	220	2293	1110
April	2267	490	(667)
May	1229	2200	304
June	319	525	510
July	2498	2547	559
August	180	292	671
September	124	186	733
October	2506	491	(1282)
November	87	2069	700
December	265	345	780
Subtotal 2008	13,610	13,971	
Totals	26,083	26,863	

Source: Lobbying Compliance Division

Of the 15,002 filings received during 2008, 10,406 were monthly and quarterly expense reports from lobbyists, principals, solicitors, liaisons, and others. The other 4,596 filings represent registrations, correspondence, inquiries, or responses to questions from lobbyists, principals, solicitors, liaisons, and others. As of February 2009, the Division had more than 144 customer service⁸ filings.

Reporting and Review Requirements

Copies of lobbyists, principals, liaisons, and solicitors expense reports are published on the Secretary of State Web site (<http://www.secretary.state.nc.us/lobbyists/expreports.aspx?>) within ten business days of being received. The Division was able to meet this requirement even during the heaviest workload periods.

The Division is required to conduct the third review phase by comparing the expense reports received from lobbyists with the reports received from their respective principals, as well as comparing their monthly reports with the quarterly tabulations for each group. The Division began conducting the third reviews in November 2007, and has continued to date. To date they are able to do this more efficiently as a result of a computer program that has been written by the information technology group that allows the Review Officers to visually spot the lobbyist and principals reports that do not match.

Investigation and Enforcement

The Division has developed a draft policies and procedures manual that outlines the investigation process and enforcement sanctions and the late filing fees associated with each sanction. As of February 2009, the Division had collected \$54,600 of these fees. The late filing fees were for January through December 2008.

Once the Division assesses the late filing fees, lobbyists or principals can appeal the fee by submitting additional justification and asking the Division to excuse or reduce the amount of the fine. The difference between the amount of fees assessed and collected is due to some fees being excused or reduced by the Division's internal informal appeals process and filers not paying their fees.

Administrative Tasks Related to Lobbying

The Division is responsible for adopting rules, orders, forms and definitions necessary to carry out the Lobbying Law. The Division staff expended 0.60 FTE for developing lobbying rules and forms related to the Lobbying Law during 2007; however the amount of time has dropped to approximately 0.28 FTE for 2008. This is due the fact that the rules have been adopted and they have not had any rules revisions submitted.

STAFFING NEEDS

Work Backlog and Overtime

OSBM's analysis of the staff's time in 2007 indicated that the division had a net need for approximately 0.60 FTE (0.68 FTE minus 0.08 for 2007 office moves) to carry out the functions of the division. As a result of the receptionist position, streamlining in work processes, and electronic filing that is available through the website, the division has had little or no backlog since March 2008.

⁸ "Customer service" denotes filing documents that are incomplete or inaccurate and must be corrected during the first review phase before the document is made public and moved to the second review phase.

Other Duties and Responsibilities

According to the Division's staff there were a number of duties and responsibilities that are mandated for the Division that were not being accomplished in 2007 but are now being performed for 2008 as of February 2009. These include:

- Performing the third review phases of the expenditure reports,
- Sending enforcement letters for late filers for the second and third quarter,
- Collecting late filing fees for the first, second, and third quarters,
- Contacting principals who filed their authorizations late, and
- Ensuring the accuracy of the lobbyist and principal directory.

The duties that are still not being performed can be found in Table 2 on page5.

CONCLUSIONS

As a result of the Lobbying Law the workload for the Lobbying Compliance Division increased in 2007 and the Division's staff was unable to keep up with the work, resulting in a backlog in reviewing and processing registration and expenditure reports. The Division staff accrued 0.68 FTE of backlog and overtime in 2007. However, due to improved processes, the new administrative office position (receptionist) and staff becoming more proficient at performing their duties, the Division has virtually eliminated the backlog, accrued minimal overtime, and is able to perform a majority of the duties outlined in legislation. Further, OSBM's analysis of the Divisions' staffing and workload indicates that its workload has not changed (increased) very much over the 2007 workload. Therefore, OSBM does not believe that the Division's workload justifies any additional staff at this time.

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