

**Office of State Budget and Management**  
**Establish New, Receipt-Supported Positions**  
(G.S. 143-34.1)

Agency: Secretary of State

Division: Charitable Solicitation Licensing

Budget Code: 13200    Center Title: Charitable Solicitation Licensing \_\_\_\_\_    Center Number: 1600 \_\_\_\_\_

**\*\*\* Position Information \*\*\***

Proposed Classification: 1 Accountant II & 1 Processing Asst. V    Proposed Salary Grade: 75 & 61

Salary Range: \$43,641-\$72,316 & \$25,427-\$39,228    Proposed Effective Date: 10/1/06

Number of Positions: 2

Operating Expenses		1600-532811 Telephone Service	\$ 800
1600-531212 Salaries	\$83,406	1600-532942 Employee Training	3,500
1600-531512 Social Security	6,381	1600-533110 Office Supplies	500
1600-531522 Retirement	5,956	1600-534511 Office Furniture	10,000 NR
1600-531562 Insurance	7,708	1600-534521 Office Equipment	2,500 NR
1600-5327xx Travel	3,000	1600-534534 Computers/Printers	6,000 NR

	<u>Center Authorized Budget</u>	<u>Current Request</u>
Total Budget	\$ 395,798	\$129,751
Receipts	<u>395,798</u>	<u>129,751</u>
Appropriation	\$ -0-	\$ -0-

Funding Source(s): Solicitation License Fees

Justification for Position (including description of duties and responsibilities):

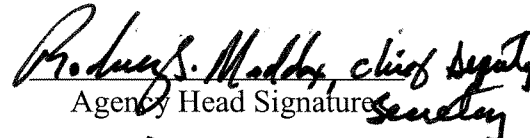
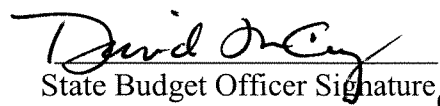
See the attached explanation

Statutory Reference for Request

G.S. 131F Solicitation of Contributions Fund

Haley Montgomery  
Presentation to be made by

Deputy Secretary of State  
Title

  
Agency Head Signature  
  
State Budget Officer Signature  
CSC  
9.11.06

## **Justification for Increased Staffing**

The Charitable Solicitation Licensing Section (hereinafter "CSL") is the only receipts-funded section of the Secretary of State's Office. For the last five fiscal years, CSL's receipts have been at least \$215,000 more than its annual operating budget. We are requesting to use a portion of this excess to establish and fill two new positions. This proposed use of funds request seeks the use of \$129,751 to establish and fill two new positions.

The Secretary of State has been given the responsibility "to protect the public by requiring full disclosure by persons who solicit contributions from the public of the purposes for which the contributions are solicited and how the contributions are used." See Section 131F-1 of the Charitable Solicitation Act (hereinafter "Act"). CSL is responsible for licensing Charitable and Sponsor Organizations, Solicitors and Fund-raising Consultants who solicit contributions from the citizens of North Carolina. It is also responsible for enforcing the Act.

### Document Examiner Position (New Position)

In order to improve the turnaround for processing license applications as required by the 1<sup>st</sup> Amendment of the U.S. Constitution and the Act and to enhance the process of educating the nonprofit community of CSL licensure requirement, the Department proposes to create a Processing Assistant V (referred to by the working title of "Document Examiner")

CSL has licensed almost three thousand nine hundred (3,900) Charitable and Sponsor Organizations this year, versus the approximately two thousand eight hundred (2,800) that were licensed last year. In addition, the number of licenses issued to Professional Solicitors and Fund-raising Consultants has increased by 100 over those issued last year. Although the number of applications has significantly increased, the staffing has remained the same. Due to the implications to a person's 1<sup>st</sup> Amendment rights to freedom of speech, the Act requires that CSL staff must issue or deny an applicant's license within ten days of receipt of the application.

With the current staff and rising application numbers, it is becoming increasingly difficult to satisfy the constitutionally-mandated turnaround time. It takes approximately three (3) to four (4) hours to process an application; this translates into thirteen thousand five hundred (13,500) to eighteen thousand (18,000) work hours needed to process forty-five hundred (4,500) applications per year. Currently, CSL is inadequately staffed to meet this demand, in that there are three (3) FTE's to perform this work, which only comes to six thousand (6,000) work hours per year.

In addition, CSL document examiners must review all contracts between a Charitable/Sponsor Organization and professional Solicitors or Fund-raising Consultants for compliance with the Act. Current staffing levels do not allow the level of review to insure that the public and charities are being adequately protected. In order to carry out the statutory purpose of the Act, it is necessary to perform a more in-depth review of contracts than has heretofore been possible.

CSL is also mandated to educate the nonprofit community about requirements of the Act. While CSL has made efforts to educate the nonprofit community to the extent that present resources allow, there is still a large deficit in this area. Currently there are eighty-one thousand five hundred seventy-seven (81,577) nonprofit organizations incorporated in North Carolina; however, only three thousand nine hundred (3,900) are licensed to solicit contributions in North

Carolina. While only those nonprofits that intend to solicit contributions in North Carolina are required to be licensed, it is clear from the difference in these numbers that it is highly likely that there are many nonprofits soliciting contributions in North Carolina without a solicitation license, many perhaps simply out of ignorance of the requirement. Additionally, nonprofits incorporated in other states must also be licensed in North Carolina if they intend to solicit contributions within North Carolina, adding to the number of potential licensees or those who must be educated about regulation. There are two-thousand one hundred five (2,105) of these organizations.

In order to insure that nonprofits are in compliance with the law from the beginning of their existence, CSL desires to begin educating newly incorporated nonprofits about the licensing requirements by enclosing an information sheet explaining the solicitation licensure requirements when the Corporations Division returns the nonprofit corporation's certificate of incorporation. This new outreach to the nonprofit community is expected to increase the number of inquiries and applications received by CSL; the additional position is necessary to meet these needs.'

Additionally, the document examiners respond to numerous public inquiries, as well as to nonprofit organizations, Solicitors and Fund-raising Consultants.

#### Forensic Accountant (New Position)

The second position the Department seeks to establish is an Accountant II with experience in auditing nonprofit organizations and experience and training in forensic accounting. This individual would not only be invaluable to the investigative process but would also have the expertise to train the CSL staff to examine various items in the financial information for consistency with the overall reporting and to spot potential problems in the financial reporting which may require further investigation. Any suspect financial information discovered by staff could then be turned over to the Accountant II for a thorough analysis and determination of whether additional information will be required before a license is issued. The Department seeks to establish this position as the midrange of the salary grade in order to obtain an experienced candidate who will be able to work without supervision from another Accountant position.

CSL is also charged with enforcement of the Act. Until the addition of a law enforcement officer in March 2006 who has significant experience in investigations, CSL has had insufficient staffing to successfully investigate and document the evidence needed to pursue more serious enforcement actions. CSL's enforcement action prior to the hiring of an investigator has been limited to violations that staff discovered in reviewing documentation received with applications for licensure or contracts which have been filed with CSL by Solicitors and Fund-raising Consultants as required under the Act. The processing of applications includes the review of financial information which is commonly ten (15) to fifteen (20) pages of information to be reviewed per application. Although the current staff does review the financial information, their position of Processing Assistant V does not require, and they therefore do not have, the background or the training in accounting and financial matters to be able to spot inconsistencies in the presentation of the information. No other position within the CSL unit possesses sufficient expertise in analyzing financial information to explain the overall purpose of this information and how it relates to whether a license should be issued.

As CSL's investigations have become more complex, there is an increased demand to review financial data. Although CSL's investigator has discovered discrepancies in the financial data

acquired during the investigation, this individual does not have the experience or educational background to perform a detailed analysis of the financial data.

Additionally, this individual would be responsible for updating CSL forms, instructions and procedures to insure that the correct information is requested in terms familiar to the individuals in the nonprofits who are responsible for accumulating and providing the financial data required by the Act to CSL. This individual would also be a valuable technical resource available to respond to complex client inquiries as well as staff questions.

**Office of State Budget and Management  
Salary Reserve Funds for Position Reallocations**

**Agency:** Secretary of State **Division:** Charitable Solicitation Licensing

**Budget Code:** 13200 **Center Title:** Charitable Solicitation Licensing **Center Number:** 1600

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Operating Expenses

1600-531212 Salaries	\$ 12,000
1600-531512 Social Security	918
1600-531522 Retirement	857

	<u>Center Authorized Budget</u>	<u>Current Request</u>
Total Budget	\$395,798	\$ 13,775
Receipts	<u>395,798</u>	<u>13,775</u>
Appropriation	\$ -0-	\$ -0-

Funding Source(s): Solicitation License Fees

Justification :  
See the attached explanation

Statutory Reference for Request

G.S. 131F Solicitation of Contributions Fund

Haley Montgomery

Presentation to be made by

Deputy Secretary of State

Title

Rodney S. Madder, Chief Deputy  
Agency Head Signature *Secretary*

David McCay  
State Budget Officer Signature

CSC  
9.11.06

## **Justification for Restructuring Current Staff Responsibilities**

The Department is recommending that the responsibilities and duties of two current staff members in CSL be reclassified to increase the efficiency and effectiveness of the section. The Department proposes to reclassify as follows: (1) the Administrative Assistant I, SG 63 to an Administrative Officer II, SG 70 and (2) the Processing Assistant V, SG 61 to an Administrative Assistant I, SG 63. Due to the restructuring of CSL, the remaining positions need to be studied for appropriate reclassification and possible upgrading in positions; the Department seeks to establish a salary reserve in order to meet the needs in this area. This proposed use of funds request seeks the use of \$13,775 for this purpose.

The Administrative Officer II will review the appropriate statutes and make determinations as to the exempt status of the more complex exemption from licensure requests, (e.g., determination that an organization is a community trust, a church or religious organization, etc.), will supervise the Administrative Assistant I, will collect, document and collaborate with the IT department to make changes to the internal processing system used to record and document the application process and the contract review. The Administrative Officer II will maintain, update, and communicate changes in the policy and procedures manual as well as conducting training classes, if necessary. The Officer will develop a checklist for contract review, communicate the use of the form, and train the staff to review the contract for these items. The Administrative Officer will develop and draft a disaster plan for CSL. The Officer will review CSL' website and make recommendations regarding changes to the format as well as additions the website such as how to file a formal complaint, information pieces for the public and for the nonprofit community. The Officer will meet with the Director as often as necessary to review the status of workflow, take on ad hoc projects, make recommendations regarding ways to improve the section efficiency, and to make recommendations to improve the section's compliance with the Act.

The Administrative Assistant I will supervise the three (3) Document Examiners and one (1) Office Assistant III, manages the distribution of applications for licensing, exemption requests, and contract review. This Administrative Assistant also reviews initial licensing applications completed by the Document Examiners, processes requests for exemption from licensure, compiles the materials necessary to file the required annual report, and responds to the more complex inquiries that arise for the staff, the public and the nonprofit community. Participate in the hiring of licensing staff and make requests for temporary staff as needed and manage their work.

With the expected adjustment of the two (2) positions discussed above, it is expected that the remaining established positions will require study and realignment of duties as appropriate. Therefore, a salary reserve is necessary to insure that any necessary upgrades and/or in-range adjustments may have funding.