



Secretary of State

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Tanya Gibson
Second Vice-President
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RE: Submission for IACA Merit Award

Jurisdiction Name: Washington State, Office of the Secretary of State

Contact Name/Title: Patrick Reed, Public and Government Affairs Manager

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Dear Ms. Gibson and IACA Board Members,

In 2019, the Office of the Secretary of State of Washington (OSOS) completed the vendor contract for a new online filing system for business entities, nonprofits, and charities. Implementation of our Corporations and Charities Filing System (CCFS) has revolutionized the way entities file formation and maintenance documents in Washington, as well as the public's access to records and information about registered entities.

Prior to implementation of CCFS, our office operated largely through paper filings, which were scanned and uploaded to our electronic database. The old method was labor-intensive and cumbersome for customers as well as staff. With CCFS, the overwhelming majority of our filings are now completed online, automatically, and nearly instantaneously upon submission. This has enabled our staff to handle the remaining paper submissions quickly and efficiently, and to process complex filings which come in-house for review promptly.

All current records filed with our office are now available to our customers and to the public to view or download for free. In most cases, the entire filing history for active entities can be viewed and downloaded via CCFS. Prior to implementation of CCFS, customers wanting copies of records had to contact our office and pay a processing fee. CCFS has put Washington in the vanguard of open government when it comes to the public's ability to obtain information on business and charitable entities quickly and easily, and has eliminated the financial barriers to access information.

1. Effectiveness: The degree to which the change has achieved tangible results

Does it respond to needs of clients? Our office has realized a 90% (YTD 2020) adoption rate of the new CCFS system. It provides a way to file online nearly all required formation, maintenance, and termination documents, mostly with real-time recording

Does it improve productivity? Of the 653,000 documents filed with our office in 2019, 88% were filed online through CCFS. Of those online filings, 78% were fulfilled automatically without further action by our employees. Our employees are able to process more quickly the more complex filings in-house, such as mergers and conversions, and to complete filings that were rejected by CCFS due to incomplete information.

Does it improve compliance? CCFS improves compliance in filing annual maintenance documents through real-time online filing. Customers can file their annual report via CCFS up until 11:59 p.m. of the due date and still be compliant. Reports can be filed either from the customer dashboard, or by utilizing an express option with or without changes to the previous year's filing.

Does it improve the integrity of the public record? CCFS retains all documents that are submitted automatically; data from paper submissions are entered by OSOS staff to ensure consistency with online filings. Our system has an advanced search feature for internal use by staff, and there is a SQL backend data search. Using these features, our staff are able to accurately locate entity data for situations such as reactivation of inactive entities, and entity name searches to ensure names are not duplicative.

The customer-facing entity search provides the means for customers to download for free a PDF copy of any document filed by an entity. We also have a complete data extract available to the public in a CSV format, ensuring all of the recorded documents are free and easily accessible to the public.

CCFS also has enabled us to return full control of the annual report filings to our office. In previous years, we had contracted with the Washington Department of Revenue (DOR) to assist with filing the annual reports, as our old system did not have the capacity to process this volume of filings quickly and efficiently. DOR charged an \$11 transaction fee for filing an annual report, and would then forward the completed records to our legacy system. Not only did CCFS allow us to regain full control over the data and records (limiting risk of loss during transfer), we were also able to eliminate the \$11 transaction fee because our system automation is able to handle the volume of filing. That fee elimination returned approximately \$5,000,000 per year to the business community. One feature of CCFS is the ability of customers to "subscribe" to an entity via their user account. With any document that is filed for an entity, an email alert is generated to all subscribers. This provides a means for entities to know of any potential improper filings, and to monitor the integrity of their own data in CCFS.

Does it demonstrate its effectiveness quantitatively and qualitatively? The quality of filings have increased by using business rules at the customer data entry point preventing the most common filing and rejection mistakes. With fewer transactions processed manually, some staff have been re-assigned to review some filed records for quality assurance, and to identify and report customer or staff errors for correction. Other staff have been assigned to data cleanup projects to review and update legacy data and/or identify archival material. All of these actions are resulting in a cleaner database, with greater ease of finding records, and accurate on-demand service for customers.

2. Originality: The degree to which the change demonstrates creativity and true innovation

Does it represent a fundamental change in legislation, regulation or policy? The CCFS system was built based on existing business rules during development. Midway through development, the Washington State Legislature adopted the Uniform Business Organization Code, which resulted in re-writing several business rules to accommodate the changes in law. As we continue to assess and

refine CCFS, we have identified a list of potential legislative changes that could further improve the “ease of filing” for customers and continue to reduce the need for manual review based on system capabilities.

Does it represent a significant improvement in service delivery? CCFS has improved service delivery significantly through real-time filing of documents for most records submitted online. This has in turn enabled staff to complete the remaining manual filings with faster turnaround, and to conduct quality control of the automated filings.

Our service delivery to customers requesting information or records regarding registered entities has also improved dramatically with CCFS. Where before, customers had to submit a request for records to our office, pay a fee, and wait for our staff to process the request, customers and the general public can now access an entity’s entire filing history at any time, at no cost.

Does it introduce a substantially new technology or service concept? CCFS is an entirely new technology for our office and our customers. The system was built and designed from the ground up, specific to the laws of our state and the needs of our customers. We continue to develop new enhancements to the system to further improve service delivery and streamline in-house operations, and to implement ongoing legislative changes which impact entity filing requirements. For example, in 2019, the legislature created a new entity type – the limited cooperative association. We developed an enhancement in CCFS to enable this new entity type to be properly recorded in our system.

3. Significance and Transferability: The degree to which the change successfully addresses an important issue and may inspire change elsewhere?

Does it make substantial progress in diminishing this problem/issue? CCFS provides a solution and/or pathway to solving multiple issues. Our legacy system was failing and at risk of losing important data. Customers wanted an easier way to file routine documents like annual reports and amended reports. Requests for records created significant demands on staff time, and the request process and associated fees created barriers to quick and easy access to public data. With all documents available at any time through CCFS, these issues have been largely resolved, except in the cases of long-dissolved entities whose records are now archived. Requests for such archival records can now be fulfilled much more quickly, with reduced administrative burden on our research staff.

Does it offer a one-time solution, or will the benefits be more significant over time? As we continue to enhance the system, we will be able to accommodate evolving business needs and changes in the laws effecting entity filings. With CCFS implemented and stabilized, and with 90% of customers now filing online, we have begun to transition away from sending filing reminders, confirmation letters, and copies of fulfilled documents by postal mail and have begun implementing email communication with all electronic filers. This change will save the office and the taxpayers upwards of \$600,000 each year.

Does this change/address a problem/issue that is likely to exist in other jurisdictions? Many jurisdictions have already made the transition to online filing, but there are others who are in the planning phases of that transition. Our ability to increase filing capacity through CCFS, especially with automatic fulfilment of most documents, addresses an issue of filing capacity that is likely to exist in many other jurisdictions with a high volume of active entities.

We are also aware other jurisdictions charge a fee for viewing or printing documents. While we still charge a nominal fee if the customer needs a certified copy, we have made entity records and filing history available for free to all. This move toward greater transparency has been broadly welcomed by the public, and has gained international accolades. *See attached article from OpenCorporates.com.*

Can the solution be replicated? Will this change serve as a model for others? While CCFS is proprietary code developed specifically for Washington State, the development of an online filing system with automatic fulfilment and full records access for the public can be replicated in other jurisdictions, with the right vendor or in-house development staff.

To what extent are components, concepts, principles, or insights of this initiative transferable to other areas? As we have continued to build enhancements to CCFS, we have expanded the components and concepts to filings for our Charities program. We have tailored the system specifications to the unique business needs of the Charities program, such as reporting of financial data for charities, and reporting fundraising contracts by commercial fundraisers. This has enabled charitable entities and commercial fundraisers to utilize the same online filing system, expedited the customer filing experience, and further enhanced staff capacity to meet the needs of growing commercial and charitable sectors.

4. Lessons learned: The road to implementation

What unexpected issues arose on your journey to implementation? The biggest unanticipated hurdle to implementation was the Legislature's enactment of the Uniform Business Organization Code in 2016. This omnibus law unified and standardized the filing requirements for most business and nonprofit entities domiciled or doing business in Washington. Development of CCFS was well underway, requiring significant rewriting of the business rules and related code in CCFS to accommodate the changes.

The Project Manager position changed hands several times in the initial steps of developing CCFS. This impacted our communications and relations with the vendor, and delayed implementation of some deliverables from the original scope of work.

If you had the opportunity to do it all over again, what would you do differently? Having learned a great deal through the process of soliciting bids, developing the code, and implementing the program, we would likely now structure the Request for Proposals with greater specificity, and be clearer with the business rules and requirements during the early stages of development. We would likely engage a Project Manager with clearer, more specific expectations as well. Concomitant with developing and implementing the program, we would likely designate an Organizational Change Manager to facilitate adoption of the new program by the staff, and to navigate the profound changes in workplace structure and job expectations that have come about through implementation of CCFS.

What other valuable advice could you offer to another jurisdiction considering a similar change? Be specific and selective in your planning, scope, development, and implementation. Work proactively to avoid the position of choosing between an expedited timeline and the overall quality and functionality of the program. Anticipate the significant changes to workplace culture and the nature of employees' work, and have a clear plan for organizational change management.