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Jurisdiction: Commonwealth of Virginia, State Corporation Commission

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Overview

The Virginia State Corporation Commission (SCC) has continued efforts to achieve its vision of establishing electronic commerce (eCommerce) capabilities and tying them to its publicly-facing agency functions. The SCC, which is composed of 18 operating and support divisions, selected its Office of the Clerk as the division to develop an eCommerce initiative: an online resource that accepts documents and payments electronically. The Clerk's Office of the Commission is Virginia's central filing office for corporations, limited partnerships, limited liability companies (LLCs), business trusts and Uniform Commercial Code financing statements. As of December 31, 2011, there were over 435,000 active business entities and in excess of 540,000 financing statements in the computer database maintained in the Clerk's Office.



Since the eCommerce solution developed for the Clerk's Office, which is denominated SCC eFile, debuted in December 2009, the Commission has worked diligently to expand its functionality to make it the robust website it is today, offering 11 services available primarily to corporations and LLCs, which make up over 98% of all business entities registered with the Clerk's Office. Currently,

customers may use SCC eFile to form a Virginia stock corporation or LLC; perform registered agent changes and resignations; file corporate annual reports; pay corporate and LLC annual registration fees; obtain certificates of good standing for corporations and certificates of fact of existence or registration for LLCs; submit articles of amendment and restatement for Virginia corporations and LLCs and articles of cancellation for LLCs; file UCC financing statements and amendments; check business entity name distinguishability and perform basic business entity searches. Visit SCC eFile at <https://sccefile.scc.virginia.gov>.

In August 2011, the SCC introduced three functionalities – (i) eFile Express, the centerpiece of SCC eFile, (ii) the capability to submit formation documents in PDF format, and (iii) name distinguishability. This application focuses on these three innovations.

Description of the Innovation

eFile Express

eFile Express allows a customer to form a basic Virginia stock corporation or Virginia LLC in real-time – 24 hours a day, seven days a week. After creating a SCC eFile user account, the customer starts the

formation process by entering the desired entity name. The proposed name is checked against a customized rules table to insure that it is distinguishable from business entity names already in use or reserved, as well as against another made-to-order rules table to insure that the name is allowable for the proposed entity type. The customer then enters additional information, to include designating an agent for service of process, which also is automatically reviewed to assist with proper selection. Once all required information is entered and the required fee is paid, the customer immediately receives an electronic confirmation with links to print the evidence of filing. These documents are maintained in the online transaction history for the entity. The entire process can take as little as five minutes, which is quite a difference from the turnaround time of up to seven business days in the paper world.

PDF Submission

Recognizing that some customers may not meet the requirements for eFile Express, or may choose not to use that option, SCC eFile also allows the submission of formation documents in PDF format and online payment of associated fees for Virginia LLCs and corporations, including nonstock corporations. In addition, customers can select and pay for expedited processing and receive an email return of formation documents when submitting a PDF through SCC eFile.

Name Distinguishability

The name distinguishability functionality of SCC eFile is a stand-alone feature. It allows customers to search the Clerk's Office business entity database to determine if a proposed entity name is distinguishable from the names of all active business entities as well as names that have been designated, registered, or reserved for use by other persons. If the search query determines that a proposed business name is not distinguishable, it returns a list of the conflicting names on-screen, along with messaging that the considered name is not distinguishable. Account creation or log in is not required to use the name distinguishability feature.

While customers should obtain appropriate professional guidance before proceeding with an online transaction, SCC eFile makes the business formation process easy for the lay person and legal representative alike – a primary goal of the project from its inception.

Results of the Implementation

Online formations debuted in August 2011 and have had a meteoric rise since then. During the month of debut, the Clerk's Office issued approximately 6,100 corporate charters or LLC certificates of organization, with 15 percent of corporations and 30 percent of LLCs formed using SCC eFile. By February 2012, the percentage of corporations incorporated using SCC eFile doubled to 34 percent and LLCs formed via online submission doubled to 62 percent. The ability to form a business entity in real-time appears to be a favored feature of SCC eFile customers. LLCs are the preferred entity to form online.

Benefits of the Project

Customers benefit from the ability to form simple corporations and LLCs in real-time, any time. Previously, the only way a customer could receive same-day service was to pay a \$200.00 expedite fee. By using eFile Express, customers promptly receive an electronic copy of the evidence of filing. The response to the online formation and PDF delivery features has been overwhelmingly positive; the usage rate has surged over a short period of time. Customer survey answers, especially from persons who are not located close to the SCC's offices, express appreciation for the convenience of filing and submitting online.

Prior to the introduction of eFile Express, name distinguishability searches were performed exclusively by staff using a non-public function of the Clerk's Information System (CIS) business entity database. Customers generally had to inquire about name distinguishability by telephone or mail and often learned of any business name allowability issues after submitting formation documents.

Clerk's Office staff also use the name distinguishability feature instead of dealing with the older, more cumbersome rules in CIS. SCC eFile has made it easier for Clerk's Office staff to perform name distinguishability search queries, as the name distinguishability rules in SCC eFile are more comprehensive than those found in CIS. This use also ensures a perfect match between the rules used by staff and external customers.

The growing user adoption rate of eFile Express, name distinguishability and other SCC eFile functionalities has resulted in a reduced volume of paper documents being submitted to the Clerk's Office and less staff time devoted to document review and data entry. These circumstances have had a positive impact on the office and the staff. As examples, because more staff time is available for other tasks, there have been reductions in the turnaround times related to reviewing and processing some of the other types of documents received in the office, as well as opportunities for staff cross-training. Also, the staff has become more skilled and knowledgeable with respect to modern technology as a consequence of the introduction of SCC eFile. In addition, the Clerk's Office has begun to experience cost savings in various areas, such as postage and stationary, and a slightly smaller work force.

A sizable amount of statistical and customer data has been collected using internal reporting tools and survey responses. The Clerk's Office can effectively measure website performance and create targeted marketing strategies based on data analysis. This is key to how the SCC addresses staff and external needs. Data is used to determine how customers are updated about SCC eFile services. Outreach marketing has been refined and is now a major component of the SCC eFile communications strategy.

Lessons Learned

Recognize impact and training issues in a timely manner

The internal impact of eFile Express was not fully appreciated until fairly late in the development process. Fortunately, training was prepared and provided in time for staff to be ready when the functionality went live and office processes continued smoothly. As staff would be using new functionality to check name distinguishability, thorough training was critical. Additionally, staff would be using email to return evidence of filing for PDF submissions using the office's scanning system. Again, proper training was a key to the success of this effort. The implementation of eFile Express online formations marked a huge milestone for the project. It also signified a checkpoint for the project team to review the solution for updates from a technical and customer perspective.

Anticipate need for changes to related systems

A web design analysis has been prepared to help the project team focus on streamlining SCC eFile's navigation. By the spring of 2012, the team will implement updates that will make website navigation easier.

Solicit assistance from external stakeholders

External testing of proposed releases must be done throughout the project by users possessing varying levels of web experience and familiarity with the Clerk's Office. External stakeholder input was provided by users from law firms and service corporations – regular Clerk's Office customers with knowledge of how other jurisdictions handle online business filing. In the future, inclusion of users from a broader base may ease the burden of web design.

Recognize opportunity to document best practices

SCC eFile is the first system of its kind to be developed and deployed by the Commission. Therefore, documentation has been created which captures best practices for future SCC eCommerce projects. Institutional knowledge is maintained and the project remains viable regardless of staff changes.