

# Expediting North Carolina Business Creation: An Online Document Filing Wizard

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## Executive Summary

The North Carolina Department of the Secretary of State (NCSOS) works with the private and public sectors to help strengthen North Carolina's economy. New business creation is a key driver of our economic success. The NCSOS Business Registration Division is responsible for managing the creation of new companies and maintaining corporate documents. It is essential that these processes are as timely, accurate and efficient as possible.

The COVID-19 pandemic introduced an unprecedented increase in many business filings managed by the NCSOS. To mitigate the impact of the COVID-19 pandemic on our nation's economy, the federal government introduced the Paycheck Protection Program (PPP). This loan program required companies to be in good standing with the NCSOS. Companies not in good standing needed to be reinstated by the NCSOS before a loan could be issued. As a result, April 2020 reinstatement filings increased by 173% over April 2019. The spike in reinstatement filings overwhelmed the NCSOS, creating processing backlogs as long as sixty days. To address the backlog staff were pulled from business creation filing reviews, which in turn created backlogs for those filings and increased business creation turnaround from six to 15 or more business days.

The unexpected surge in business reinstatement filings was soon dwarfed by a surge in new business creation beginning in June 2020. By September 2020, creation filings had increased 63% over the previous year. Twenty-seven percent of these filings were rejected, many due to careless work by the applicants. There were no appropriations to hire additional staff to address the growing number of filings. Processing delays first created when NCSOS acted to address the reinstatement backlog became exacerbated by the substantial increase in new business filings.

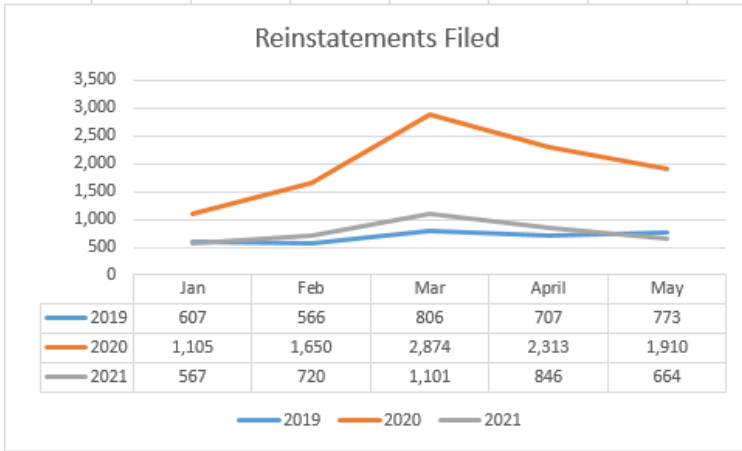
Separately, NCSOS had used CARES Act funding to develop dashboards tracking document processing in real time. Based on the data presented in the recently developed dashboards, NCSOS determined that the only way to keep up with the new business filings was to develop an Online Business Creation Wizard that would dramatically improve customers' ability to file, improve the accuracy and reduce the rejection rate of submissions, and reduce staff time required for review.

The Online Business Creation Wizard is an online process that walks customers through the creation of a business entity. The business rules for the wizard address frequent trouble spots - such as name availability, entity designators, and incomplete addresses - and require certain information before a customer may move forward in the process. The wizard is designed to reduce the number of filings with avoidable errors, the amount of examiner time spent inputting information, and to improve the customer experience by reducing rejections. The wizard first went live in October 2020.

The Online Business Creation Wizard has markedly improved turnaround time for business filings even as filings for new business formation have increased 78% from pre-pandemic levels. Despite the continued exceptional volume of filings, the wizard has reduced document creation turnaround to five or fewer days and saves the department over 1,500 staff hours each month.

# Idea

The federal government introduced the Paycheck Protection Program (PPP) to mitigate the crippling impact of the COVID-19 pandemic on our nation's economy. The PPP, which provided loans to companies in good standing with the NCSOS, resulted in a significant increase in the volume of reinstatement filings processed by the NCSOS, since companies not in good standing needed to be reinstated before a loan could be issued. April 2020 reinstatement filings increased by 173% over April 2019, creating filing backlogs as long as sixty days. NCSOS pulled extra staff from processing business creation filings to work through the backlog of reinstatement filings, which in turn resulted in creation filing backlogs. Prior to the pandemic, business creation filings were usually processed in six to nine business days. Processing times slowed to 15 or more days as examiners focused on processing reinstatements.



Using CARES Act funding, the NCSOS in June 2020 began to create Power BI dashboards for the Business Registration Division to visualize document flows in real time, compare those flows with historic trends, model trends, and identify potential efficiencies to address the delays affecting business filers.

### Creation Filings

**CF Records in Queue**

Days In Queue	Count	Earliest EnteredDate
A). Today	389	5/19/2022 1:21:40 PM
B). One Day	568	
C). 2-4 Days	1557	
D). 5 Days	157	
E). 6 Days	1	
F). 7-10 Days	1	
<b>Total</b>	<b>2673</b>	

**Entered CF**

ArrivalType	Entered	% Total
Paper	120	21.51%
PDF	90	16.13%
Web	348	62.37%
<b>Total</b>	<b>558</b>	<b>100.00%</b>

**Committed CF**

ArrivalType	Committed	% Total
Paper	117	15.02%
PDF	133	17.07%
Web	529	67.91%
<b>Total</b>	<b>779</b>	<b>100.00%</b>

**CF Rejection Rate LLC**

ArrivalType_Simple	Accepted	Rejected	Rejection Rate %
Paper	71	8	10.13%
PDF	99	21	17.50%
Web	478	40	7.72%
<b>Total</b>	<b>648</b>	<b>69</b>	<b>9.62%</b>

**CF Rejection Rate Bus Corps**

ArrivalType_Simple	Accepted	Rejected	Rejection Rate %
Paper	18	7	28.00%
PDF	14	1	6.67%
Web	25	6	19.35%
<b>Total</b>	<b>57</b>	<b>14</b>	<b>19.72%</b>

### Overall Totals

**1003106**

Total Entities

**151707**

Total Non Profit Entities

Choose: DE or AR Group

All

**Entered Total**

ArrivalType	Entered	% Total
No Arrival Type	1	0.06%
Paper	632	39.82%
PDF	161	10.14%
Web	793	49.97%
<b>Total</b>	<b>1587</b>	<b>100.00%</b>

**Committed Total**

ArrivalType	Committed	% Total
No Arrival Type	1	0.03%
Paper	1999	59.71%
PDF	319	9.53%
Web	1029	30.73%
<b>Total</b>	<b>3348</b>	<b>100.00%</b>

**Entered Document Trends**

**Committed Document Trends**

### Annual Reports

**AR Records in Queue**

Day In Queue	Count	Earliest EnteredDate
B). One Day	79	5/6/2022 9:14:52 AM
C). 2-4 Days	247	
D). 5 Days	164	
E). 6 Days	13	
F). 7-10 Days	1081	
G). 11-15 Days	1863	
H). 16-30 Days	45	
<b>Total</b>	<b>3492</b>	

**Entered AR**

ArrivalType	Entered	% Total
Paper	333	43.25%
Web	437	56.75%
<b>Total</b>	<b>770</b>	<b>100.00%</b>

**Committed AR**

ArrivalType	Committed	% Total
Paper	1660	79.16%
Web	437	20.84%
<b>Total</b>	<b>2097</b>	<b>100.00%</b>

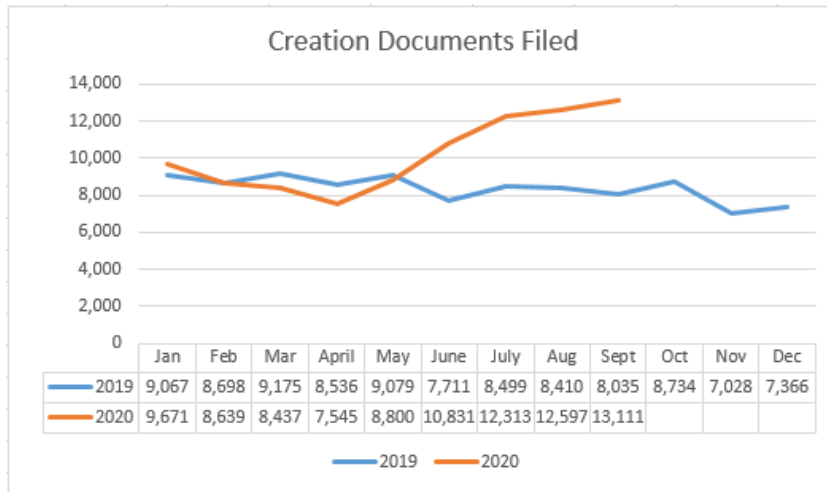
**Rejection Rate Annual Reports**

ArrivalType_Simple	Accepted	Rejected	Rejection Rate %
Paper	1407	253	15.24%
<b>Total</b>	<b>1407</b>	<b>253</b>	<b>15.24%</b>

Report Data Date: **5/30/2022**

Last Updated: **5/31/2022 4:12:17 AM**

The dashboards revealed a significant, unexpected increase in new business creation filings that began in June 2020 and dwarfed the reinstatement surge. By September 2020, creation



filings had increased 63% over the previous year. NCSOS did not have the staff to keep up with the new pandemic-related volume and was not able to meet its five-day turnaround goal for processing new business filings. In addition, 27% of new business filings were rejected – largely due to submission errors. Based on the information

shown in the dashboards, the NCSOS determined that their best approach for reducing backlogs and expediting turnaround for all filing types was to focus on making it easier to file business creation and formation documents, as these had the highest rate of submission, even though other filing types had higher rates of rejection. NCSOS determined that an Online Business Creation Wizard would dramatically improve the filing process, reduce backlogs, and make it easier for individuals to establish new businesses.

The wizard is an online process that walks customers through the creation of a business entity. The business rules for the wizard address frequent trouble spots - such as name availability, entity designators, and incomplete addresses - and require certain information before a customer may move forward in the process. The wizard is designed to reduce the number of filings with avoidable errors, the amount of examiner time spent inputting information, and to improve the customer experience by reducing rejections.

## Implementation

The first iteration of the Online Business Creation Wizard went live in October 2020. The wizard processes were tested by an internal focus group over a period of three months and then presented to a small group of volunteer customers.


Website account credentials are required to begin the Online Wizard process, which also allows customers to track document processing status. The wizard then directs the customer through a series of questions whose answers will either prompt additional questions or move the customer on to the next section. Name availability is built into the process – the wizard is tied into the NCSOS Knowledge Base (KB) Database and will reject a proposed name that is already in use. Address verification software ensures that mailing addresses are accurate and that registered agents are located in North Carolina. The wizard will not advance until the customer provides all statutorily required information, including signatures. This process substantially reduces document rejections, examination processing times and profile entry errors. At the end of the filing process, the wizard creates and populates the correct form, eliminating both the need for the customers to download a form to complete and the frequent “wrong form” errors that resulted. The wizard allows the customer to submit the document with an extended effective date, expedited options, and to upload multiple attachments separately. A final image is available at the end of the process, permitting customer review and the opportunity to make changes if necessary.

After the wizard was introduced in October 2020, dashboards showed that customers were not adopting the Online Creation Wizard at the hoped-for 40% rate. The NCSOS launched a web-based educational campaign showing the advantages of wizard use over PDF submission, but the campaign did not measurably increase wizard adoption rates.

Upon further investigation, the NCSOS determined that over half of creation filings were submitted by first-time, and likely single-use, customers. In April 2021 the NCSOS added a one-click navigational button to the main NCSOS website and other strategic locations across the NCSOS site to make it easier for new customers to learn about and access the wizard. This button takes users directly to the wizard. Within a month of button installation Online Creation Wizard usage more than doubled, from 20% to 43% of submissions. The wizard now accounts for approximately 60% of all creation submissions each month.

## Impact

The Online Business Creation Wizard has markedly improved turnaround time, even as filings for new business formation have increased 78% from pre-pandemic levels. Despite the exceptional volume of filings, the wizard has reduced turnaround time for document creation to five or fewer days, down from well over 15 days during the pandemic. In addition, the wizard saves the department over 1,500 staff hours each month, making it possible for NCSOS document examiners to keep up with the ongoing avalanche of new business filings.



Implementation

	Assumptions		Sep-20		Oct-20		Feb-21		Apr-21		Nov-21	
<b>Total</b>	10,000		16,700		14,000		16,300		16,800		13,382	
<b>Paper/PDF Submittals</b>	6,000	60%	13,900	84%	9,200	65%	11,200	67%	9,200	54%	5,268	39%
<b>Web Submittals</b>	4,000	40%			2,650	19%	4,700	29%	7,200	43%	7,845	59%
<b>Paper/PDF Rejections</b>	1,680	28%	3,700	27%	2100	23%	2,300	21%	1,500	16%	847	16%
<b>Web Rejections</b>	560	14%			273	10%	399	14%	762	11%	628	8%
<b>Avoided Rejections</b>	560				810		1113		1464		1261	
<b>Data Entry Savings (hrs)</b>	600				398		705		1,080		1,177	
<b>Rejection Savings (hrs)</b>	140				202		278		366		315	
<b>Total Monthly Savings</b>	740				600		983		1,446		1,492	

After installation of the one-click navigation button in April 2021, wizard creations now account for 60% of all submissions. Approximately 8% of wizard creations are rejected, compared to the 27% rejection rate of paper and PDF filings prior to the introduction of the wizard. Surprisingly, paper and PDF rejection rates also decreased after the introduction of the wizard. Monthly PDF and paper filings combined now account for between 3,000 and 5,000 creation submissions and have a rejection rate of approximately 12-15%. The NCSOS hypothesizes that this reduction is due to first-time submitters – who would have been more likely to make submission errors – now using the wizard and veteran users continuing to submit via paper and PDF.

The Online Business Creation Wizard was specifically developed to walk the customer through the process of creating a business and to reduce the most common errors. The wizard also saves significant time for review staff with data flowing directly into the KB Database to form entity profiles. These efficiencies translate directly into substantially improved document processing times.

The wizard has been so successful that the NCSOS is in the process of removing the PDF upload option for creation/formation documents. Successful replacement of the PDF submission process is expected to save the NCSOS another 300 staff-hours a month, which will help reduce processing times further. Based on the success of the Online Business Creation Wizard, the NCSOS has plans to implement wizard submission options for all other document types.