# Aiken County – City of Aiken Capital Project Sales Tax Audit

*May 1, 2019 - June 30, 2022*

December 15, 2023

South Carolina Department of Revenue
300A Outlet Point Boulevard
Columbia, South Carolina 29210

## I. INTRODUCTION

The South Carolina Department of Revenue (Department) conducted an audit of the City of Aiken Capital Project Sales Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Capital Project Sales Tax revenue collected, by utilizing its authority as the administrator of the tax.

## II. AUDIT OBJECTIVE & SCOPE

The purpose of this audit was to perform an independent and objective compliance audit of the City of Aiken Capital Project Sales Tax. The audit scope included review of the expenditures and collection of the sales tax revenue for the period from May 1, 2019 to June 30, 2022.

## III. BACKGROUND

The Capital Project Sales Tax Act (SC Code Section 4-10-300) empowers counties to impose, pursuant to a referendum, a sales and use tax not to exceed 1% within its jurisdiction for a specific purpose or purposes and for a specific period of time. The revenue from the tax is to be used to pay for capital projects provided in the resolution and included in the referendum question directly, to service general obligation bond debt incurred by the county for such improvements, or a combination of these purposes.

In the 2018 General Election Aiken County voters approved a referendum on the reimposition of the 1% Sales and Use tax for a period of seven years (May 1, 2019 through June 30, 2026) to raise funds for specified capital improvements in the City of Aiken.

## IV. AUDIT SUMMARY

As noted in the 2018 referendum, all revenue received from the sales and use tax would be used to pay the costs of the specified capital projects.

To verify collections, we compared the deposit amounts indicated on the South Carolina State Treasurer's Collections Report for Aiken County to the South Carolina Department of Revenue's Allocation Report. We also verified these funds were accounted for in the City of Aiken Capital Penny Tax Local Government Investment Pool (LGIP) account. To verify expenses, we reconciled the withdrawals indicated on the LGIP statement to the capital project transactions indicated on the City's general ledger and vendor payments indicated on supporting documentation. As of June 30, 2022, the balance in the LGIP account was $9,847,241.

## V. TAX COLLECTION

City of Aiken received $21,955,668 in 1% Capital Project Sales and Use Tax for the audit period. Below is a list of the City of Aiken projects as approved by the 2018 referendum that reflects the actual expenditures from May 2019 through June 30, 2022 (**For informational purposes only**):

| Aiken County - City of Aiken Capital Projects | | | |
|---|---|---|---|
| **Project** | **Original Budget** | **Actual Expenditures** | **Budget Variance** |
| **City of Aiken** | | | |
| 1. Water infrastructure projects including valve and pressure zone replacements, hypochlorite generation station replacements and galvanizes pipe replacements city-wide | $ 10,000,000 | $ 56,102 | $ 9,943,898 |
| 2. Sanitary sewer pipe rehabilitation | 10,000,000 | 3,578,434 | 6,421,566 |
| 3. Storm water system improvements including corrugated metal pipe replacement in Houndslake, the downtown area, McCormick Street and Kennedy Colony | 10,000,000 | 2,815,467 | 7,184,533 |
| 4. Whiskey Road Corridor improvements, congestion relief and sidewalk installation | 8,000,000 | 959,615 | 7,040,385 |
| 5. Public Safety equipment including replacement of a ladder truck and pumper truck, construction and renovation of Public Safety facilities | 3,911,319 | 2,000,000 | 1,911,319 |
| 6. Parks and Recreation Improvements (see referendum for complete list) | 9,000,000 | 2,583,384 | 6,416,616 |
| **Total** | **$ 50,911,319** | **$ 11,993,002** | **$ 38,918,317** |

## VI. CONCLUSION

For the audit period, this audit concludes that with the exception of one recommendation, the City of Aiken is in compliance with the Capital Projects Sales and Use Tax Act and the 2018 referendum. The Capital Project Sales and Use Tax revenue was used for projects listed on the 2018 referendum.

## VIII. RECOMMENDATION

Although the City of Aiken is in compliance with the Capital Projects Sales and Use Tax Act and the 2018 referendum, we recommend that the City of Aiken create an operating expense account specifically for the authorized capital improvement projects. Currently, the City of Aiken pays expenses whether related to authorized capital projects or regular operating expenses from the same account. Having a separate account where the capital project expenses are not comingled with other routine expenses, would make for a better audit trail in order to identify all transactions related to those projects.