Dorchester County
Transportation Sales and Use Tax Audit

July 1, 2018-June 30, 2023

February 5, 2024

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 Dorchester County Transportation Sales and Use Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Transportation Sales and Use 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 Dorchester County Transportation Sales and Use Tax. The audit scope included review of the expenditures and collection of the sales tax revenue for the period from July 1, 2018 to June 30, 2023.

III. BACKGROUND

The Transportation Sales and Use Tax Act (SC Code Section 4-37-30) 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 provide funding for highways, roads, streets, bridges, mass transit systems, greenbelts, and other transportation-related projects including, but not limited to, drainage facilities relating to the highways, roads, streets, bridges, and other transportation related projects."

In the 2004 General Election, Dorchester County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of twenty-five years beginning May 1, 2005.

After enactment of the Dorchester County Transportation Sales & Use Tax, pursuant to SC Code 4-37-10 the County established a transportation authority. Dorchester County Transportation Authority (DCTA) contracted with Davis & Floyd Inc. to assist with the program management, project management, planning, design, and construction administration of the transportation projects. Given its contractual relationship with the County and its responsibilities for Penny Tax projects, the Department reviewed the County's contract with Davis & Floyd as a part of this audit.

IV. AUDIT SUMMARY

As noted in the 2004 referendum, all revenue received from the sales and use tax would be used to pay the costs of the transportation projects and to pay debt service on general obligation bonds, if any, issued by Dorchester County to fund the transportation projects.

Also noted in the referendum, the tax is to be imposed for a period not to exceed twenty-five years or the length of the payment for the projects, whichever shall occur first. The initial estimate of the projects was $163,113,630. In May 2017, Dorchester County consulted with The Department of Revenue and County attorneys regarding the maximum collection since project costs had increased due to inflation. It was determined based on SC Code Section 4-37-30 (A)(5)(B) the County could proceed with additional collections to complete the projects and pay off bonds.

To verify collections and that the funds were accounted for, we compared the State Treasurer's Office (STO) Collections report for Dorchester County to the South Carolina Department of Revenue's Allocation Report. It was determined the STO did not send the June 2022 payment of

$2,305,264 (plus interest). STO sent an extra payment in July 2023 for $2,610,373 but was a duplicate of the May 2023 payment. This was $305,110 more than was needed for the missing June 2022 payment. STO is in the process of correcting the overpayment.

To verify expenses, we reviewed transactions from the '1% Sales Tax/DCTA' Fund account on the project disbursements/general ledgers. We compared these transactions to the supporting invoices and additional documentation for the transportation projects.

V. TAX COLLECTION

Dorchester County collected $119,609,576 in 1% Transportation Sales and Use Tax for the audit period. The County also issued a $125,000,000 General Obligation (GO) Bond, to fund the approved projects. Below is a list of the remaining Dorchester County transportation projects as approved by the 2004 referendum that reflects the actual expenditures from July 1, 2018 through June 30, 2023 (**For informational purposes only**):

Dorchester County Transportation Projects (FY2019-FY2023)			
Project	**Original Budget**	**Actual Expenditures**	**Budget Variance**
Berlin G. Myers (ROAD01)	$ 52,000,000	$ 28,902,369	$ 23,097,631
Intersection Improvements at Jedburg and Deming Way (ROAD02)*	21,754,700	65,263,449	(43,508,749)
Dorchester Road (ROAD03)*	14,960,000	47,076,473	(32,116,473)
Pave 260 miles of dirt roads*	31,558,550	50,245,366	(18,686,816)
SC Route 165 (ROAD20)*	19,177,400	42,656,376	(23,478,976)
Total	**$ 139,450,650**	**$ 234,144,033**	**$ (94,693,383)**

*Overages funded by over collection of penny tax revenue and other revenue streams.

VI. CONCLUSION

For the reported period, this audit concludes Dorchester County Transportation Sales and Use Tax records are in compliance with the Transportation Sales and Use Tax Act and the 2004 referendum. The Transportation Sales and Use Tax revenue was used for transportation projects listed on the 2004 referendum or to service general obligation bond debt incurred by the county for those projects. Additionally, bond proceeds were expended only on the projects indicated on the referendum. While in compliance with the aforementioned act and referendum, an overpayment in the amount of $305,110 for the transportation sales and use tax revenue was sent to Dorchester County by the State Treasurer's Office. The State Treasurer's Office is in the process of correcting the over payment.