



Florence County Capital Projects Sales Tax Audit

July 1, 2018-June 30, 2021

April 22, 2022

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 Florence County Capital Projects Sales Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Capital Projects 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 Florence County Capital Projects Sales 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, 2021.

III. BACKGROUND

The Capital Projects 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 2013 General Election Florence County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of seven years beginning June 1, 2014 through May 31, 2021.

IV. AUDIT SUMMARY

As noted in the 2013 referendum, all revenue received from the sales and use tax would be used to pay the costs of the capital projects and to pay debt service on general obligation bonds, if any, issued by Florence County to fund the capital projects.

To verify collections, we compared the South Carolina State Treasurer's Collections Report for Florence County to the South Carolina Department of Revenue's Allocation Report. We verified these funds were accounted for in the Florence County Treasurer ACH Deposits Account which were moved quarterly to the Florence County Operating Checking Account. To verify expenses, we reviewed a selection of capital project transactions from the CPST II Capital Project Fund Accounts Payable History and verified supporting invoices and payments. Debt service on the general obligation bonds was verified against the Debt Service Schedule and the payments from the Florence County Treasurer and the general ledger.

V. TAX COLLECTION

Florence County collected \$75,080,772.97 in 1% Capital Projects Sales and Use Tax for the audit period (Total collections from 6/1/14-5/31/21: \$162,662,721.85). Bond proceeds including bond premium used to fund the approved projects was \$137,428,324.95. Below is a list of the Florence

County projects as approved by the 2013 referendum that reflects the actual expenditures from June 2014 through May 2021 **(For informational purposes only)**:

Florence County Capital Projects (FY15-FY21)				
Project	Original Budgeted Cost	Amended Budget	Actual Expenditures	Budget Variance
Public Safety-Fire	\$ 18,445,000	\$ 20,073,623	\$ 20,027,808	\$ 45,815
Public Safety-EMS	1,480,000	1,502,000	1,501,589	411
Emergency Management	19,955,251	19,955,251	19,628,673	326,578
Sheriff	1,969,600	1,969,600	1,969,600	-
County Administration	5,200,000	9,539,908	7,246,304	2,293,604
Water and Sewer Improvements	4,418,000	3,529,935	3,526,593	3,342
Veteran Affairs	1,200,000	1,200,000	1,199,882	118
Municipalities	37,369,472	39,167,635	38,204,925	962,710
Florence County Recreation	1,440,000	1,460,449	1,298,792	161,657
Lake City Community Hospital	888,000	888,000	888,000	-
Lynches Lake-Camp Branch Watershed	80,000	80,000	79,906	94
Road Paving and Drainage	16,250,000	12,122,853	12,122,828	25
General Road Improvements District 1	4,033,853	4,132,868	3,662,000	470,868
General Road Improvements District 2	4,033,853	4,033,853	4,029,977	3,876
General Road Improvements District 3	4,033,853	4,206,029	2,748,327	1,457,702
General Road Improvements District 4	4,033,853	4,033,853	3,678,994	354,859
General Road Improvements District 5	4,033,853	4,142,235	3,937,573	204,662
General Road Improvements District 6	4,033,853	4,033,853	3,732,277	301,576
General Road Improvements District 7	4,033,853	4,307,881	3,675,092	632,789
General Road Improvements District 8	4,033,853	4,372,636	3,326,519	1,046,117
General Road Improvements District 9	4,033,853	4,224,369	3,666,368	558,001
Total	\$ 145,000,000	\$ 148,976,831	\$ 140,152,027	\$ 4,847,973
Excess proceeds of the Capital Project Sales Tax were authorized to be applied to additional road projects in Ordinance No. 27-2019/20.				
10 remaining road/sidewalk projects to be completed using CPSTII funds.				

VI. FINDINGS

During the audit, it was discovered that \$173,165.85 was inadvertently charged to the penny tax account (CPST II) instead of the Judicial Center Construction account (non-penny tax project). Florence County Finance has corrected this issue.

VII. CONCLUSION

With the exception of the above finding, this audit concludes Florence County is in compliance with the Capital Projects Sales and Use Tax Act and the 2013 referendum for this audit period. The Capital Projects Sales and Use Tax revenue was used for projects listed on the 2013 referendum or to service general obligation bond debt incurred by the county for those projects.

VIII. RECOMMENDATION

To improve the expenditure audit trail, we recommend Florence County provide a better explanation of the expenditures and the supporting documentation. For example, if supporting documentation for an expenditure is provided but does not match the General Ledger expenditure, it should be noted on the supporting documentation why the amounts are different. This typically occurred when part of the expenditure request was paid with penny tax funds and partially paid with other funds. A notation on the expenditure documentation would streamline the audit process.

A second recommendation is to create a bank account specifically for the authorized capital improvement projects. Currently there is one operations bank account from which all county expenses are paid. In other words, Florence County pays all expenses whether related to authorized capital improvement projects or regular operating expenses from the same account. Having a separate account where the capital improvement project expenses are not comingled with other routine expenses, would make for a cleaner audit trail and make it easier to identify all transactions related to those projects.