



Hampton County Capital Projects Sales Tax Audit

May 1, 2013-June 30, 2021

July 16, 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 Hampton County Capital Projects Sales Tax (CPST). The Department is responsible for ensuring 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 Hampton County CPST. The audit scope included a review of the expenditures and collection of the sales tax revenue for the period from May 1, 2013 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 priority listed 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. According to the referendum, the capital projects must be done in priority order.

In the 2012 General Election, Hampton County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of eight years beginning May 1, 2013 through June 30, 2021.

IV. AUDIT SUMMARY

As noted in the 2012 referendum, all revenue received from the sales and use tax shall be used to pay the costs of the capital projects and to pay debt service on general obligation bonds, if issued by Hampton County to fund the capital projects.

To verify collections, the Department compared Hampton County's CPST 1% general ledger revenue account to the South Carolina Department of Revenue's Capital Projects Sales Tax Allocation Report. The Department verified these funds were accounted for in Hampton County's Local Option CPST bank account. To verify expenses, the Department reviewed a selection of capital project transactions from the general ledger and reviewed supporting invoices and payments. Debt service on the general obligation bonds was verified against the Debt Service Schedule and Hampton County's Debt Service Interest & Principle general ledger account and Hampton County's Local Option CPST bank account.

V. TAX COLLECTION

The Department verified Hampton County collected \$11,212,632 in 1% capital projects sales and use tax. General Obligation Bonds were issued in the amount of \$6,485,000 to fund the approved projects. Below is a list of the Hampton County projects as approved in the 2012 referendum and reflects the actual expenditures from May 2013 through June 2022.

(For informational purposes only):

Hampton County Capital Projects				
Project Name	Original Budget	Actual Expenditures	Variance	Project Status Provided by County Administrator as of 6/13/24
(1) Emergency Communication System- Prepay existing debt	\$ 907,000	\$ 844,806	\$ 62,194	Completed ⁽¹⁾
(2) Estill Library Renovation-Prepay existing USDA loan	500,000	500,000	-	Completed
(3) New Health Department	2,627,000	2,530,380	96,620	Completed ⁽¹⁾
(4) New Recreation Complex	3,500,000	65,321	3,434,679	Not started
(5) Hampton County Library Renovation	2,500,000	2,175,486	324,514	Completed ⁽¹⁾
(6) Hampton County Detention Center Roof Repairs	102,000	8,299	93,702	Completed ⁽¹⁾
(7) Hampton County Museum Structural Improvements	195,000	-	195,000	Not Started
(8) Hampton County Animal Shelter Improvements	20,000	-	20,000	Not Started
(9) Hampton County Administration Building Exterior Improvements	100,000	41,934	58,066	Improvements underway
(10) Yemassee Multi-Purpose Building	700,000	1,064	698,936	Not Started
(11) Estill Recreation Facilities Improvements	150,000	-	150,000	Not Started
(12) Estill Senior Citizens Center Renovations	100,000	-	100,000	Completed. Actual Expenditures ~\$300,000 ⁽²⁾
Total	\$ 11,401,000	\$ 6,167,290	\$ 5,233,710	

(1) Funds from completed projects with favorable variances should be used towards other projects that have not been completed.

(2) The Department was unable to verify any expenses for this project.

VI. FINDINGS

1. Between August 2013 through June 2021, the County borrowed from the CPST Fund a total of \$13,250,000 to fund the general fund. CPST revenues should have only been used for the capital projects listed in the referendum and debt service on bonds. Although the County has reimbursed \$10,000,000, a remaining \$3,250,000 is still outstanding.

2. A duplicate reversal for a deposit error in the amount of \$363,685.19 needs to be repaid to the CPST account. A deposit error to the CPST account occurred on July 21, 2015. It was corrected on July 13, 2016 as part of a withdrawal in the amount of \$906,620.52 and again on August 5, 2016 as part of a withdrawal in the amount of \$829,423.24.

3. Supporting documentation for withdrawals from the CPST Bank account and an audit sample of invoices from the CPST general ledger were requested. Despite the request, Hampton County failed to provide all the requested information. Specifically, Hampton County was unable to provide supporting documentation for two transactions from the bank account totaling \$72,609, 21 invoices totaling \$96,274 and the invoices for the Estill Senior Citizens Center Renovations noted in the project status above for approximately \$300,000.

4. The 2012 referendum requires the CPST projects to be funded in priority order. Project number 5 was completed, and project number 4 was not started. Also, project number 9 was started prior to project numbers 4 and 6-8.

5. Hampton County did not submit required quarterly reports to the Department for the CPST program. According to S.C. Code Section 4-10-360, “within thirty days of the receipt of any quarterly payment, the county treasurer or the county administrator shall certify to the Department of Revenue amounts of net proceeds applied to the costs of each project and the amount of project costs remaining to be paid and, if bonds have been issued that were approved in the referendum, a schedule of payments remaining due on the bonds that are payable from the net proceeds of the sales tax authorized in the referendum.”

VII. CONCLUSION

This audit concludes Hampton County’s CPST program is not in compliance with the Capital Projects Sales Tax Act and the 2012 referendum, as discussed in the above findings. Hampton County must reimburse the CPST fund \$3,613,685.19.

VIII. RECOMMENDATIONS

For future Capital Projects Sales Tax programs, the Department recommends Hampton County request timely withdrawals from the CPST account for the exact amount needed to cover current invoices. Withdrawal requests should be made using a transfer request form, indicating a breakdown of the funds and including appropriate levels of approval. This process will increase transparency and aid in understanding when and how the funds in the CPST account are being spent.

The Department also recommends establishing a records retention policy for CPST program documentation. Such a policy would ensure that supporting documentation for expenditures and transactions is available for compliance verification.

Finally, the Department recommends formal documentation of accounting policies and procedures to create an internal control framework and ensure accountability and consistency in daily transactions and financial reporting. This would also ensure public accountability and transparency regarding the expenditures for the CPST revenue.