



Lancaster County Capital Projects Sales Tax Audit

July 1, 2018-June 30, 2021

July 12, 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 Lancaster 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 Lancaster 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 2014 General Election, Lancaster County voters approved a referendum on the reimposition of the 1% Sales and Use tax for a period of seven years beginning May 1, 2016.

IV. AUDIT SUMMARY

As noted in the 2014 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 Lancaster County to fund the capital projects.

To verify collections, we compared the South Carolina State Treasurer's Collections Report for Lancaster County to the South Carolina Department of Revenue's Allocation Report. We verified those funds were accounted for in Lancaster County's 1% Rev Capital Projects Sales Tax Fund.

We selected and reviewed a sample of capital project transactions from the Detail Account Inquiry by Fund and verified the transactions against the supporting invoices and payments provided by Lancaster County Finance. Debt service on the general obligation bonds was verified against the debt Service Schedule and the transfers from the Debt Service account for General Obligation Series 2015A.

V. TAX COLLECTION AND PROJECT EXPENSES

Lancaster County collected \$35,759,038 in 1% Capital Projects Sales and Use Tax for the audit period (Total collections from May 1, 2016-June 30, 2021: \$54,483,429). Total bond proceeds including bond premium used to fund the approved projects was \$18,744,109.

Below is a list provided by Lancaster County Finance of the Capital Projects as approved by the 2014 referendum that reflects the actual expenditures from May 2016 through June 2021.
(For informational purposes only):

Lancaster County Capital Projects					
Project		Budgeted Cost		Actual Expenditures	Budget Variance
Equipment-Law Enforcement	\$	238,000	\$	23,156	\$ 214,844
County Road Improvements		26,000,000		24,721,571	1,278,429
Communications System		7,500,000		9,311,482	(1,811,482)
Library Improvements		8,000,000		8,774,603	(774,603)
Total	\$	41,738,000	\$	42,830,811	\$ (1,092,811)
Over-run for the Communications System occurred outside of the audit period.					
County Council approved over run of the Library Improvements project during the audit period. (Ordinance 2020-1664 & Ordinance 2021-1740)					

VI. FINDINGS

During the audit, Lancaster County was unable to provide supporting documentation for seven transactions (Total \$1,216) of the audit sample due to P-Card expenditures being over two years old. The P-card receipt documentation is scanned into Bank of America's system and the system only retains the documentation for two years. Going forward, Lancaster County Finance is requesting P-Card supporting documentation to be kept on hand.

VII. CONCLUSION

With the exception of the above finding, this audit concludes Lancaster County is in compliance with the Capital Projects Sales and Use Tax Act and the 2014 referendum for this audit period. The Capital Projects Sales and Use Tax revenue was used for projects listed on the 2014 referendum or to service general obligation bond debt incurred by the county for those projects.

VIII. RECOMMENDATION

To improve the audit trail we recommend Lancaster County 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, Lancaster 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.