



McCormick County Capital Project Sales Tax Audit

May 1, 2017 - June 30, 2022

May 21, 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 McCormick County 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 McCormick County 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, 2017 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 2016 General Election McCormick County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of eight years beginning May 1, 2017 through June 30, 2025.

IV. AUDIT SUMMARY

As noted in the 2016 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 McCormick County to fund the capital projects.

To verify collections, we compared the deposit amounts indicated on the South Carolina State Treasurer's Collections Report for McCormick County to the South Carolina Department of Revenue's Allocation Report. We also verified that the deposits were accounted for in the McCormick County Capital Penny Tax account titled "Special Acct." To verify expenses, we reviewed a selection of capital project transactions from the general ledger and verified supporting invoices and payments from their South Carolina Office of State Treasurer Local Government Investment Pool (LGIP) Statement. As of June 30, 2022, the balance of the LGIP account was \$967,763.95. Debt service on the general obligation bond was verified against the Debt Service Schedule and the payments from the McCormick County "Special Acct."

V. TAX COLLECTION

McCormick County collected \$3,365,428 in 1% Capital Project Sales and Use Tax for the audit period. Bond proceeds used to fund the approved projects was \$2,500,000. Below is a list of the McCormick County projects as approved by the 2016 referendum that reflects the actual expenditures from May 1, 2017 through June 30, 2022 **(For informational purposes only)**:

McCormick County Capital Projects				
Project	Budgeted Cost	Actual Expenditures	Budget Variance	
1. Public Safety Emergency Radio System	\$ 697,735	\$ 753,196	\$ (55,461)	
2. Emergency Operations Center	\$ 1,384,026	\$ 1,384,026	-	
3. EMS Northern Substation	\$ 75,000	\$ 75,000	-	
4. Willington Historic Buildings Awnings	\$ 6,000	\$ 6,000	-	
5. Volunteer Firefighters Gear (Turnout and SCBA Packs)	\$ 350,000	\$ 350,000	-	
6. Mims Multi-Purpose Sports and Conference Center (Live Safety Renovation)	\$ 1,000,000	\$ 136,913	863,087	
7. Town of McCormick Public Safety Office Renovations	\$ 12,500	\$ -	12,500	
8. McCormick County Arts Council (Life safety Renovations)	\$ 50,739	\$ 50,739	-	
Total	\$ 3,576,000	\$ 2,755,874	\$ 820,126	
Note: Overage for Public Safety Emergency Radio System will be paid for with non Capital Project Sales Tax funds (Total of \$55,461) subsequent to the audit period.				

VI. FINDINGS

During the audit, we found that 1 of 8 projects (13%), was over the budget amount by \$55,461. Per the Finance Director, overage for that project was paid for with Capital Project Sales Tax (CPST) funds. However, the funds will be reimbursed with non CPST funds subsequent to the audit.

Also, it was found that Capital Project Sales and Use Tax projects were not funded in priority order as indicated in the 2016 referendum. Project number 8 is complete while project number 7 received no funding. The Finance Director confirmed that the funds have been set aside for project number 7, Town of McCormick Public Safety Office Renovations.

VII. CONCLUSION

For the audit period, this audit concludes that with the exception of two findings, McCormick County's Capital Project Sales Tax records are in compliance with the Capital Project Sales and Use Tax Act and the 2016 referendum. The Capital Project Sales and Use Tax revenue was used for projects listed on the 2016 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.

VIII. RECOMMENDATION

Although McCormick County is in compliance with the Capital Project Sales and Use Tax Act and the 2016 referendum, we recommend that McCormick County request withdrawals from the LGIP account for the exact amount needed to cover current invoices. Currently, McCormick County makes requests for less money than is needed to cover current invoices. Withdrawal requests should also be made on a claim form to indicate a breakdown of the funds being requested as well as the signature of the individual requesting the withdrawal.

Additionally, we recommend that McCormick County perform timely (weekly, biweekly, monthly) withdrawals from the LGIP account for the exact amount of the capital project expenses to make for a cleaner audit trail and make it easier to identify related expenses paid from the LGIP account. This process will increase transparency and aid in the understanding of when and how the funds in the LGIP account are being spent.

Also, we recommend that McCormick County create an operating expense account specifically for the authorized capital improvement projects. Currently, McCormick County 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.