Jasper County School District

One Percent Sales and Use Tax Audit

July 1, 2018-June 30, 2023

May 30, 2025

South Carolina Department of Revenue
300A Outlet Point Boulevard
Columbia, South Carolina 29210

EXECUTIVE SUMMARY

The South Carolina Department of Revenue conducted a compliance audit of Jasper County School District’s One Percent Sales and Use Tax program. The audit assessed the collection and use of the tax revenues over a five-year period. It was found that the School District failed to maintain sufficient documentation for over $4 million in disbursements and made non-compliant payments from the penny tax fund.

Key findings include the lack of project-level expense tracking, insufficient supporting documentation for significant withdrawals, and expenditures unrelated to the approved tax projects. As a result, the School District is required to reimburse $4,103,457 to the penny tax account and have done so during the course of the audit. Several recommendations were made to improve financial accountability and compliance in the future.

I. INTRODUCTION

The South Carolina Department of Revenue (the Department) conducted an audit of the Jasper County School District’s One Percent Sales and Use Tax. The audit was initiated to ensure public accountability and transparency concerning the collection and expenditure of the tax revenues. The Department serves as the administrator of this tax and upholds its responsibilities under this authority.

II. AUDIT OBJECTIVE & SCOPE

The primary objective of this audit was to conduct and independent and objective compliance review of the Jasper County School District’s One Percent Sales and Use Tax. The audit scope covered the collection and expenditures of revenue generated from the tax for the period of July 1, 2018 to June 30, 2023.

III. BACKGROUND

The One Percent Sales and Use Tax Act (Act 146 of 2001) authorizes Jasper County 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 improvements provided in the resolution and included in the referendum question directly, to service general obligation debt incurred by the School District, or a combination of these purposes.

In the 2001 General Election, Jasper County voters approved the tax for a period of 25 years beginning December 1, 2002.

IV. AUDIT SUMMARY

Per the 2001 referendum, tax revenue is to fund capital projects and service general obligation debt related to such projects.

To verify revenues, the Department compared Jasper County School District's '*2004 Bond Account*' deposits from the State Treasurer's Office to the South Carolina Department of Revenue's Allocation Report. To verify expenses, we reviewed transactions on '*2004 Bond Account*' bank statements and requested supporting documentation for withdrawals.

V. TAX COLLECTION

Jasper County School District collected $30,126,459 in tax revenue for the audit period. The referendum authorized the School District to issue general obligation bonds not to exceed $45,969,965 and the School District issued $45,965,000.

VI. FINDINGS

1. Insufficient Documentation

The School District was unable to provide supporting documentation for five withdrawals from the penny tax account totaling $4,076,754. Jasper County School District's bond attorney confirmed the funds were used for debt unrelated to the penny tax projects. These funds must be reimbursed to the penny tax account.

2. Inappropriate Expenditure

A $26,703 withdrawal was used for a commercial loan unrelated to tax-approved projects. This amount must also be reimbursed to the penny tax account.

VII. CONCLUSION

This audit concludes Jasper County School District's program was not in compliance with the One Percent Sales and Use Tax Act or the 2001 referendum. However, the penny tax fund of $4,103,457 has been reimbursed by the school district, as outlined in the aforementioned findings.

VIII. RECOMMENDATIONS

To enhance accountability and future compliance, the Department recommends:

1. Formal Documentation:

The School District should develop and enforce formal accounting policies and internal controls for the tax program administration.

2. Project Based Tracking:

Expenses should be tracked by project in the general ledger to enhance transparency and allow budget comparisons.

3. Timely and Documented Withdrawals

Withdrawals should match vendor payments or debt service, supported by a transfer request form detailing the purpose and approvals.

4. Records Retention Policy

A formal policy should be established to ensure all supporting documentation is retained and available for compliance verification.