

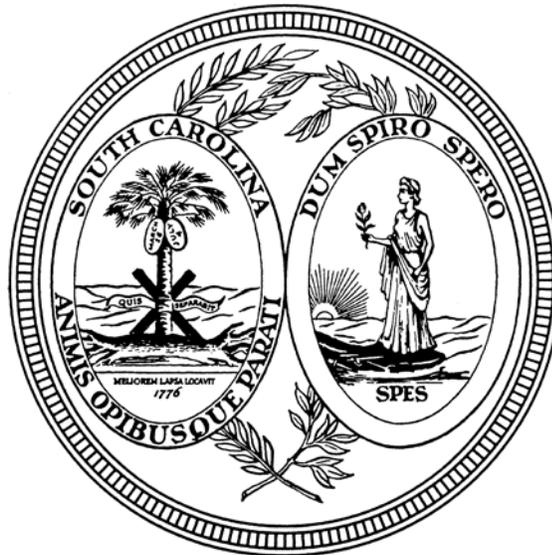


SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

February 2011

A REVIEW OF THE S.C. NATIONAL HERITAGE CORRIDOR: A PROGRAM OF THE DEPARTMENT OF PARKS, RECREATION AND TOURISM



LEGISLATIVE AUDIT COUNCIL

1331 Elmwood Ave., Suite 315
Columbia, SC 29201
(803) 253-7612 VOICE
(803) 253-7639 FAX

Public Members

Philip F. Laughridge, CPA, Chairman
Mallory Factor
Thomas F. Hartnett
Jane P. Miller
S. Jahue Moore, Esq.

Members Who Serve Ex Officio

Raymond E. Cleary, III
Senate Judiciary Committee
Michael L. Fair
Senate Finance Committee
J. Roland Smith
House Ways & Means Committee
Walton J. McLeod
House Judiciary Committee

Director

Thomas J. Bardin, Jr.

Authorized by §2-15-10 *et seq.* of the South Carolina Code of Laws, the Legislative Audit Council, created in 1975, reviews the operations of state agencies, investigates fiscal matters as required, and provides information to assist the General Assembly. Some audits are conducted at the request of groups of legislators who have questions about potential problems in state agencies or programs; other audits are performed as a result of statutory mandate.

The Legislative Audit Council is composed of five public members, one of whom must be a practicing certified or licensed public accountant and one of whom must be an attorney. In addition, four members of the General Assembly serve ex officio.

Audits by the Legislative Audit Council are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Copies of all LAC audits are available at no charge. We encourage you to visit our website to view and print copies of LAC reports.

LAC.SC.GOV

Director
Thomas J. Bardin, Jr.

Typography
Candice H. Pou
Maribeth R. Werts

Legal Counsel
Andrea Derrick Truitt

Legislative Audit Council

A REVIEW OF THE S.C. NATIONAL HERITAGE CORRIDOR: A PROGRAM OF THE DEPARTMENT OF PARKS, RECREATION AND TOURISM

Contents

Chapter 1 Introduction and Background

Objectives	1
Background	2

Chapter 2 Corridor Management and Governance

Governor Responsible for Determining Corridor Management Entity	7
Heritage Corridor Management and Board Changes — 2006 to 2010	8
Heritage Corridor State Governing Board	13
Summary	17

Chapter 3 Corridor Programs

Impact of Heritage Tourism and Economic Development	19
Discovery Centers Closed	21
Development Grants	22
Summary	24

Appendix

Agency Comments	27
-----------------------	----

Contents

Introduction and Background

Objectives

Members of the S.C. General Assembly requested the Legislative Audit Council to review the operations of the S.C. National Heritage Corridor, a federally-funded program, and managed by the S.C. Department of Parks, Recreation and Tourism (that began in 1996). Our objectives for this review were to:

- Review the administration of the South Carolina National Heritage Corridor program to determine if the program is fulfilling its mission.
- Review the heritage tourism program.
- Review administrative, financial, and other support for the program.
- Examine compliance with policies, laws, regulations, and by-laws, including the processes for awarding grants.

To conduct this review, we interviewed staff of the Department of Parks, Recreation and Tourism (PRT) and board members from Region III of the Corridor. We examined documents provided by PRT, documents supplied by officials representing Region III of the corridor, an internal audit conducted by PRT's Internal Audit staff in 2006, federal laws, memoranda of agreement between PRT and the Heritage Corridor Board, and Executive Orders concerning the Corridor that were issued by the Governor in 1997 and 2008. Because the Corridor was created by federal law and is partially federally funded, we examined federal documents and reports pertaining to the Corridor. In addition, we toured sections of Region III of the corridor to observe sites, the landscape, and the geography of the area. Our review primarily focuses on issues and concerns that affect Region III of the Heritage Corridor which consists of Aiken, Bamberg, Barnwell, and Orangeburg counties; however, these issues could affect the other three regions of the Corridor. Our review primarily focuses on management issues and decisions affecting the Corridor from 2006 through November 2010.

The management structure of the Corridor is somewhat unusual in state government. A nonprofit entity, the S.C. National Heritage Corridor, comprised of 15 board members, has been responsible for managing and directing corridor activities. However, PRT is responsible for the effective management and administration of the program, even if it delegates any responsibilities of the program to the S.C. National Heritage Corridor nonprofit entity. For example, PRT is responsible for the effective administration of the Corridor's grant program and has the ability to intervene and approve or disapprove of a grant award if management determines that an intervention is warranted. PRT has final authority over budgetary issues, and has authority to accept or reject the advice of the

Corridor's Board of Directors. The following summarizes how the Corridor operates.

Background

What is the S.C. National Heritage Corridor?

The South Carolina National Heritage Corridor is a federally-funded program administered by the S.C. Department of Parks, Recreation and Tourism with the primary mission to promote heritage tourism and economic revitalization in a 17-county region of South Carolina. The Corridor program was established in 1996 by an Act of Congress. The S.C. National Heritage Corridor Act of 1996 (16 USC 461) created the corridor, and designated 14 counties to be the corridor area. A later amendment expanded the number of counties in the corridor to 17. Federal law appropriated \$10 million in federal funds for the functions of the corridor over 15 years, and the act "sunset" in 2012. Federal law further limits expenditures of federal funds to no more than \$1 million per year. Federal law requires that the state (or management entity) provide a 50% match of federal funds spent on the corridor. There are 49 congressionally-designated national heritage areas throughout the United States.

What are the Federal Goals of the Corridor?

Federal law creating the S.C. National Heritage Corridor states that its purposes are:

- To protect, preserve, conserve, restore, promote and interpret the significant land and water resource values and functions of the corridor.
- To encourage and support...in the development of a heritage plan for the Corridor.
- To provide ...financial and technical assistance for the protection, preservation, and conservation of land and water areas in the Corridor that are in danger of being adversely affected or destroyed.
- To encourage and assist the state and counties to identify public and private technical and financial assistance programs and services available to implement the heritage plan.
- To encourage adequate coordination of all government programs affecting the land and water resources of the corridor.
- To develop a management framework for planning and implementing the plan and developing policies that will preserve, conserve, protect, restore, enhance and interpret the cultural, historical, natural, economic, recreational, and scenic resources of the Corridor.

How is the Corridor Managed?

In 1997, the Governor issued an Executive Order that directed the S.C. Department of Parks, Recreation and Tourism to manage the Corridor program. The order also directed PRT to establish a private, nonprofit entity (The S.C. National Heritage Corridor) to assist PRT and other key agencies in supporting the goals and objectives of the Corridor. This arrangement was somewhat unique in that two entities had significant responsibilities to manage the program, and the nonprofit entity primarily managed the program until the PRT Director began making changes. In 2008, the Governor issued an Executive Order that specified that PRT had sole authority to manage the Corridor program, and the State Heritage Board serves only in an advisory role. However, the nonprofit S.C. Heritage Corridor Board still has significant influence in the operations of the Corridor program.

What is the Corridor's Mission and Goals as Specified in the Nonprofit Entity's Charter and the Governor's Executive Order?

The S.C. National Heritage Corridor's articles of incorporation with the S.C. Secretary of State affirm that the organization is chartered as a nonprofit, charitable entity as defined by Section 501 (c)(3) of the Internal Revenue Service code. Section 8 of the charter states:

The corporation is organized and shall operate as an independent and autonomous entity exclusively for the benefit of the State of South Carolina by (I) supporting the goals and objectives of a heritage tourism program for economic revitalization in South Carolina...and (II) coordinating, funding, implementing and managing the operations and requirements of a nationally designated heritage corridor in western South Carolina counties....
From 1997 to 2008, Executive Order 97-18 directed the Heritage Corridor Board to assist PRT in managing the program.

What are the Programs, Events, and Sites of the Corridor?

In accordance with its state and federal mission, the Corridor promotes a number of programs, events, festivals, and other sites of historical significance. Sites of the Corridor are identified by the local communities as having historical significance that depicts the rich heritage of the S.C. Corridor.

According to Heritage Corridor information, the Corridor contains an array of intact cultural resources representative of three major components of the state's development from some of the earliest permanent European

settlements in the American South, the invention and development of the plantation system of agriculture, and the interrelationship of historic trade routes, the coastal ports, and the settlement of the state's upland region. The area also contains specific sites of importance to the Revolutionary and Civil wars and numerous state recreational facilities. Locations of great natural beauty, recreational opportunities, military history, birding, local arts and crafts, agricultural traditions, and the state's rich African American heritage are identified and interpreted along the way.

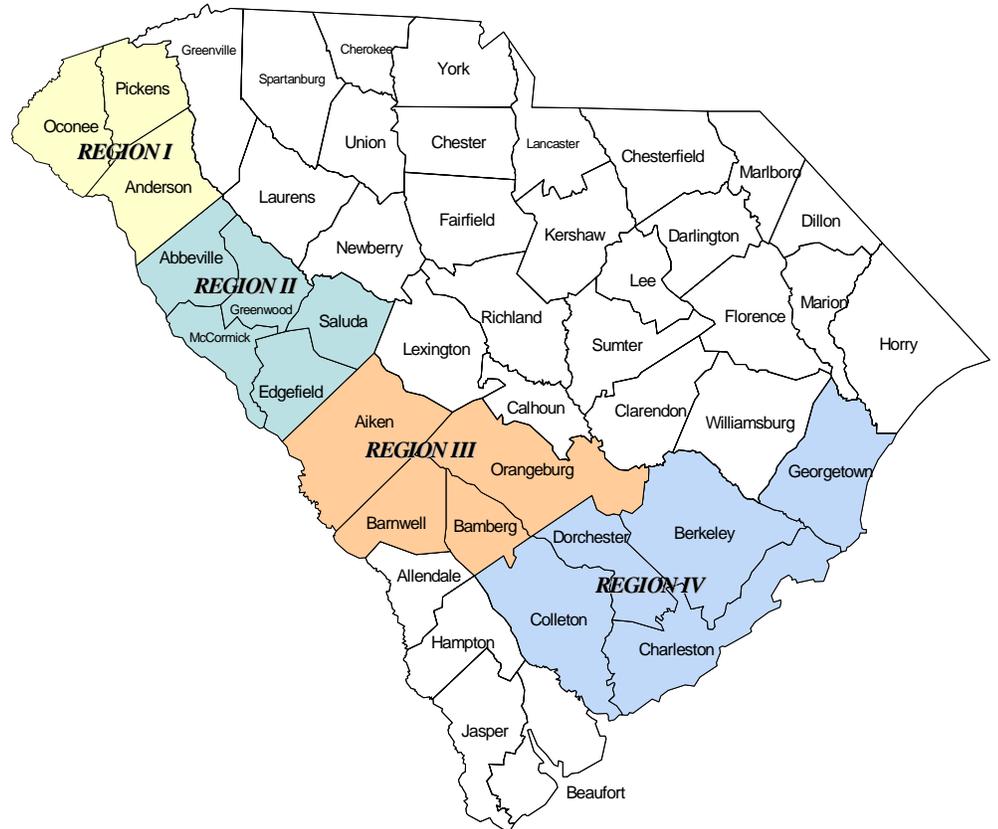
What is the Budget and Staffing Level?

PRT employs six full-time staff and a part-time administrative assistant, down from 11 full- and part-time employees that worked for the Corridor in 2007. These employees provide a range of services, including assisting regions and promoting the Corridor. From 2005 to 2010, federal expenditures for the program ranged from approximately \$800,000 to \$1 million annually. Approximately \$300,000 annually had been budgeted for grants to local projects related to the program. For example, in federal FY 2007-08, approximately \$524,000 was spent for salaries, rent, and other operating expenses, \$103,000 was spent for marketing and visitor services, and \$304,000 was awarded for community grants.

In 2010, management anticipated reductions in federal funds and took steps to reduce expenses. In FY 10-11, the Corridor's budget was reduced to approximately \$500,000, with \$250,000 of this amount earmarked for community grants. The remaining funds were budgeted for salary and operating expenses.

Map 1.1 shows the 17 counties that make up the S.C. National Heritage Corridor.

Map 1.1: Counties Within the S.C.
National Heritage Corridor



Chapter 1
Introduction and Background

Corridor Management and Governance

In this section, we describe how the Corridor has been managed, discuss issues affecting the Corridor’s regions, and provide information concerning improper expenditures of state and federal funds.

Governor Responsible for Determining Corridor Managing Entity

The Heritage Corridor’s federal enabling legislation requires that:

The management entity for the National Heritage Corridor shall be an entity selected by the Governor of the State of South Carolina which reflects a broad cross-section of interests within the Corridor and which includes:

1. at least 1 representative of one or more units of government in South Carolina; and
2. private property owners who reside within the National Heritage Corridor.

The entity could be a state agency, local unit of government, a nonprofit entity, or other organization. The duties of the management entity are also outlined in federal law, and require the entity to:

- Develop a Heritage plan, and priorities are to be given to the implementation of actions, goals, and policies in the plan. The plan also requires that staff assist units of governments and others in carrying out programs which recognize important resource values, encourage economic viability in affected communities, establish interpretive exhibits, and develop recreational and educational opportunities.
- Increase public awareness and appreciation for resources in the Corridor, restore historic buildings, and ensure that signs identifying public access points and sites of interest are placed in the Corridor.
- Consider the interest of diverse units of government, businesses, private property owners, and nonprofit groups within the Corridor.

Governor Directs a Nonprofit Agency to Manage the Corridor

Under federal law, the Governor could cede management authority of the Corridor to a state agency, a unit of local government, an independent federal commission, or a nonprofit organization. When the Corridor was established, the Governor determined that a nonprofit agency would manage the program, and the state would serve as the “fiscal agent” for receiving and dispersing state and federal funds to the nonprofit agency.

In May 1997, the Governor issued Executive Order 97-18. It directed the South Carolina Department of Parks, Recreation and Tourism:

To establish the South Carolina Heritage Corridor as an independent, autonomous, public benefit corporation under section 501 (c) (3) of the Internal Revenue Code, which corporation will *assist the Department of Parks, Recreation and Tourism, and other key State agencies, in supporting the goals and objectives of the Heritage Tourism Program*, and in coordinating, funding, implementing, and managing the operations and requirements of the Heritage Corridor (emphasis added).

The Executive Order recognized that the Corridor program complimented PRT’s mission of tourism and economic development. It noted that “the State has recognized Cultural and Heritage Tourism as a highly effective strategy for rural economic development in South Carolina...”. Because both the federal government and the Department of Parks, Recreation, and Tourism recognize that one of the purposes of the Corridor is to attract tourism, a system to accurately gauge the impact of the program on tourism is essential (see p. 21).

Heritage Corridor Management and Board Changes — 2006 to 2010

Although the Corridor Program has only been in place since 1997, it has undergone a number of changes. From 1997 until 2003, PRT managed the Corridor’s operations. Staff of PRT provided all staffing necessary to operate the program and also provided fiscal oversight.

In 2003, the nonprofit Heritage Board assumed management and operations of the Corridor. PRT provided federal and state funding for the Corridor program. The nonprofit entity hired staff to operate and manage the Corridor, and manage the grant program. These staff were not state employees.

Below we describe significant audits, assessments, and other changes in the relationship with the Heritage Board that the program has undergone since 2006.

Internal Audit of Corridor Management and Expenditures — 2006

In 2006, the Department of Parks, Recreation and Tourism’s Internal Auditor conducted an audit of the private, nonprofit S.C. National Heritage Corridor. Since the Corridor was the management entity for the program and had received state and federal funds to administer the program, the agency’s auditors reviewed expenditures made by the entity from July 1, 2004, through December 31, 2005. The audit found that “[m]any of the deficiencies appearing in the report indicated clearly, a limited knowledge and understanding of applicable State and Federal Regulations by both SCNHC [the management entity] and SCPRT staff.”

Table 2.1 provides examples of expenditures that PRT’s auditors questioned.

Table 2.1: Examples of Questioned Expenses Documented in PRT’s Internal Audit

EXAMPLES OF CORRIDOR EXPENSES	AMOUNT
Luncheons, Christmas Meals, Receptions, Tours	\$26,955
Catering Services	\$14,912
Santa Suits, Hot Dog Warmer, Gift Certificates	\$8,531
Wine/Alcohol Bar Tabs for Meetings	\$5,568
Gala – Decorating, Give-aways	\$5,000
Credit Card Expenditures without Receipts	\$3,496
Entertainment (band)	\$650

In addition, the auditors found that the entity had awarded grants to itself. The grants, totaling more than \$50,000, were for brochures, marketing, maps and other expenses. While the Board’s Director challenged this finding, the audit indicated that supporting documentation was not made available to resolve the challenge.

In 2006, before the audit was finalized, PRT took corrective action and required that, among other actions, fiscal management of the corridor be transferred to PRT. Staff of the Corridor became PRT employees and the director reported to the PRT executive director. Additional changes were made to the State Board’s practices including requiring formal minutes, hiring legal counsel and developing written policies.

However, questionable state and federal funds that the Corridor Board expended were not repaid. We asked PRT management why the private, nonprofit Corridor was not required to repay the state for these expenses. PRT’s director of finance stated that funds were not required to be repaid for three reasons.

- First, state and federal funds were commingled with private funds. “All the funds were deposited and expended from the same account. Therefore, with the lack of detail and separation of funds we were unable to entirely distinguish the source of funds and therefore we did not make any adjustments to the federal reporting.”
- Second, some expenditures dealt with violations of the state procurement code. PRT stated that “[w]e did not make adjustment to the federal report since that year (2002 was the year the grant was paid) had closed before the final audit report issued January 8, 2007.”
- Third, “There was some dispute as to the interpretation of the A-87 [federal cost guidelines] relating to advertising and public relations costs when part of the enabling legislation from congress explicitly states ‘Featured programs and activities such as tours, museums, and festivals take place through voluntary efforts coordinated by the areas’ management entities.’ Therefore, no adjustments were made to the federal reports for expenditure or matching funds information.”

We found that questionable expenditures could have been prevented if the Department of Parks, Recreation and Tourism had examined Board requests for reimbursements. One request for reimbursement that PRT paid included itemized expenditures for alcoholic beverages and other items should not be paid for with public funds.

We could find no reason why PRT should not have aggressively pursued repayment of these expenses. In addition, we could find no evidence that staff were held accountable.

Internal Audit Not Provided to Board Members

In April 2006, the Corridor’s Board of Directors was informed that an internal audit of the Corridor was underway, and that funds spent for marketing, advertising, or educational programs were being questioned by auditors. There was no evidence that the Board was informed at that time that public funds were spent on other questionable expenses.

The final audit was provided to the board’s chair and vice chair and discussed with them. According to PRT management, the board chair did not provide the report to all board members.

Memoranda of Understanding Between the Corridor Board and PRT — 2006 to Present

The Corridor’s Board and the Department of Parks, Recreation and Tourism have operated annually under a Memorandum of Understanding to establish guidelines for the management of the program.

Memorandum of Understanding — 2006

This MOU became effective shortly after the internal audit uncovered questionable expenditures in 2006. It stated that PRT would:

- Serve as the fiscal agent for state and federal funding.
- Ensure accurate record keeping.
- Prepare monthly budget reports.
- Provide administrative support, marketing for the Board, and coordinate with the Board and federal officials.

The Corridor’s responsibilities include:

- Establish policy and exercise oversight over the program’s operations.
- Manage day-to-day affairs.
- Prepare the annual budget.
- Follow state and federal administrative policy, and keep proper paperwork.

Both entities agreed that the Board’s staff were temporary federal grant employees, and PRT agreed to allocate funding for the Board’s Discovery Centers.

Memorandum of Understanding — 2007

In September 2007, another MOU was signed. Notable changes from the previous agreement concern the budget, and indicated that PRT would allocate \$500,000 to the Board for FY 2007-08. The PRT Director of Community and Economic Development was directed to serve as the primary contact for the Board’s executive director.

Memorandum of Understanding — 2008 to Present

In September 2008, the MOU was again revised to clarify additional services that PRT would provide for the Corridor. The agreement specified PRT’s oversight responsibilities over staff, including its authority to “hire, fire, and substitute employees providing services to SCHNC subject to the policies and procedures of SCPRT”. In addition, the document indicated that the Corridor would work with PRT to carry out the missions of the Corridor, the heritage areas and PRT as they pertain to heritage tourism. PRT stated that it would strive to provide funding and in-kind support sufficient to satisfy federal requirements.

Program Assessment by
Outside Consultant —
2008

The Corridor's Board hired a consultant to "examine the operations and functions of the management entity" and a report was issued in 2008. The assessment cost approximately \$15,000, and was completed by the President of a heritage corporation in another state. The consultant's major recommendations included:

1. Board By-Laws and Filings

The consultant recommended that public officials should abstain from voting on matters involving state funding, and public officials should serve without voting rights. The assessment found that tax filings had been made.

2. Board Structure

The consultant stated that the board structure that included county boards, regional boards, the state board and other less organized boards was not working. The consultant stated that some regional boards, namely Region III, did not work cooperatively through the organization. Seven recommendations were made, including providing more voting positions, term limiting members, renaming regional boards, creating more board committees, and other changes.

3. Board Operational Procedures, Policies and Practices

The consultant recommended creating a number of board committees, including an audit committee, finance committee, board development committee, personnel committee, and program committee. Also, as a result of the assessment, policies pertaining to conflicts of interest and whistle-blower protection, among others, were created.

4. Fund Raising

The consultant described concerns about the Board's efforts in raising private funds. A recommendation that PRT discontinue its efforts to regain control of the administration and management of the Corridor program was issued. However, PRT did not implement this recommendation and in 2008 the Governor issued an executive order to place the Corridor program under the direct control of PRT (see p. 13).

5. Staff Structure

The consultant recommended that the director receive administrative support and be provided the authority to implement Board policy.

As a result, certain administrative changes were made, disclosure forms were created, and by-laws were amended. However, the recommendation to remove PRT from controlling administration and management was not implemented.

Executive Order Changes Management of the Corridor — 2008

In December 2008, Executive Order 2008-15 once again clarified the management of the S.C. National Heritage Corridor. The Governor's order stated, in part that:

...In order to clarify the respective roles for the SCPRT and SCHNC, inc. with regard to the Program, I hereby recognize and designate SCPRT as the management entity for the Program, including all fiscal and administrative responsibilities, with full authority to direct the Program as it determines necessary.

The order clarified that PRT is responsible for all management and operational functions of the Corridor. The order stated that the SCNHC is an advisory body to PRT, and the Corridor was directed to provide input to PRT from local communities in the Corridor via its Board of Directors and to continue its role of raising private and local funds to support the Program. In summary, this order delegated all management responsibilities of the Corridor to PRT.

The order further stated that the nonprofit Heritage Corridor had been unsuccessful in raising funds to make the program self-sustaining and was not likely to do so in the future. The Corridor Board, although an important advisory entity, does not have final authority over personnel, management, funding, awarding of grants or any aspect of the Corridor unless approved by PRT.

Heritage Corridor State Governing Board

Because the Heritage Corridor's State Board has had significant influence and oversight of the South Carolina National Heritage Corridor program, we examined its authority and by-laws. Board members are volunteers who oversee the operations of the program, evaluate requests for community grants, and serve to implement the goals of the program and perform services for the program. The Board is comprised of private sector and public sector members as required in the organization's by-laws. In addition, the Corridor's four regions have established governing boards to oversee the operations in their regions, and the regions have selected members to serve on the State governing board.

The management structure of the S.C. Heritage Corridor Board is somewhat unique in South Carolina state government. The Corridor's State Board is a nonprofit entity, a 501 (c)(3) nonprofit "charity," with a charter issued by the S.C. Secretary of State. The nonprofit entity has had management and oversight responsibilities for the program, and PRT has provided the Board with state and federal funds. Recently, PRT began exercising significant oversight over the program, and the Governor directed PRT to manage the program beginning in December 2008. Although the role of the Board has changed, the relationship with PRT has been a public-private partnership designed to serve the interest of promoting heritage tourism..

Because the Board still exerts major influence, we examined the manner in which board members are appointed, their qualifications for serving on the Board, and the impact of recent by-law changes concerning the Board composition.

Board Composition

Heritage corridor by-laws state that " Eight (8) members of the Corporation Board shall be leaders in their respective Heritage Corridor Regions". The Board's nominating procedure policy further states that "[a]ll members must be leaders in their respective regions or in their specialty field."

While the definition of leader is not defined in the agency's by-laws or policies, there is no evidence that the board has had members who have not fit the appropriate criteria.

We also examined board member qualifications to determine if a specified number of members are chosen based on their experience or expertise in tourism. Although the Board currently has members whose professions relate to retail and tourism, there are no requirements for any members to have these backgrounds.

Region III Nomination to the State Board in 2009

On two occasions in 2009, Region III board members nominated a currently-serving candidate for reelection to the state governing board. Documents indicate that Region III Board members unanimously supported the member for reelection. Members of the state governing Board's nominating committee also nominated a candidate to compete for the seat. At that time, the by-laws only allowed the Chairs of the four regions to nominate candidates to represent their regions. Article VI, Section 1 B of the Board's by-laws stated that:

After the members of the Corporation Board have consulted each other to insure that there will be broad representation of different types of members on the Corporation Board, the Board of Directors of the Corporation shall select the members/representatives from a slate of candidates, one or more, **prepared for each region by the respective Chairpersons of each of the four (4) regional advisory boards** in collaboration with the Nominating Committee of the Corporation Board (emphasis added).

We could find no clear provision in the by-laws that provided the Board with the authority to also nominate candidates, although the by-laws stated that the Board desired broad representation and that candidates should be nominated in “collaboration” with the Nominating Committee. In November 2009, the Board approved a nominating committee policy that authorized the committee to select candidates. However, not until the Board’s by-laws were amended in September 2010, did the Board’s Nominating Committee have clear authority to nominate candidate, regardless of whether Region III members approved (see below).

Disagreement Concerning Term Expiration

State Board members expressed concern about the nominee’s term expiration date (and other issues) and hired an attorney to help resolve the issue. The State Board’s research of minutes, that were ten years old, determined:

- State Board minutes were not always clear concerning members’ terms, and assumptions had to be made. Certain recording mistakes were made.
- The Region III nominee’s term expired in 2008. The State Board would not honor the Region’s repeated requests to hold an election to seat their nominee.

However, Region III Board members documented that their memory of their nominee’s term conflicted with the Board minutes, and submitted statements and documents to the State Board to justify their position. They contended that minutes from 2000 indicated that the nominee was serving an unexpired term of a previous board member, and that an error in the minutes had never been corrected. The State Board did not accept the Region’s statements and documentation.

Because the State Board determined that Regional Board’s minutes were inconsistent as to when the nominee’s term ended, the Board agreed to allow him to serve until the end of 2010. The Board deferred the election for this seat until November 2010. The by-laws do not specify a time line for acting on board nominees or vacancies.

However, regardless of when his term expired, the Board could have held the election when Region III requested it in 2009. Instead, the State Board decided to not hold the election to fill the Region III vacancy until November 2010, two months after the by-laws were amended to change the nomination process. In that meeting, the candidate nominated by Region III Board members was not elected; the candidate nominated by the full board's nominating committee was elected. This election was in compliance with the amended by-laws, discussed below.

State Board Change in By-Laws Has Weakened Regional Input

In September 2010, the Board amended its by-laws, which resulted in the influence of regional advisory boards being lessened. Before the revisions Article VI, Section 1 (b) stated that:

Eight members of the Corporation Board shall be leaders in their respective Heritage Corridor Regions. After the members of the Corporation Board have consulted each other to insure that there will be broad representation of different types of members on the corporation board, the Board of Directors shall select the members/representatives from a slate of candidates, ***one or more, prepared for each region by the respective chairpersons of each of the four (4) regional advisory boards...*** (emphasis added).

The 2010 amendment to this section of the by-laws requires that members be selected from:

A slate of candidates, one or more, prepared and submitted by the Nominating Committee for the corporation board, ***said slate having been prepared in the sole discretion of the Nominating Committee*** as set forth in the Corporation's Nominating Procedure Policy (emphasis added).

Nominees must reside within the 17 federally-mandated counties and be leaders in their respective regions or in their specialty field. As a result, board members are chosen at the direction of the nominating committee, and there is no assurance that each region has the ability to select candidates. In 2010, Region III board members made recommendations to the Board's nominating committee to fill open seats in the Region. However, the Board did not act on the recommendations until November 2010. At that meeting, the full Board voted to fill the seat with a nominee selected by the nominating committee, not the candidate recommended by Region III Board members.

Volunteers who serve on Regional Boards or other committees related to the Heritage Corridor provide their time and expertise in an effort to promote heritage tourism in their communities. When their decisions are rejected, there is less likelihood that Regions will support the State Board's recommendations and decisions and that the program will be as effective as possible.

Summary

From 2006 to present, a number of studies, reports, and recommendations have been provided to PRT management in an effort to increase accountability and improve program operations. PRT management has strengthened its oversight of program spending and increased its involvement in the program as a result of its internal audit. For example, PRT eliminated the check-writing ability that Board staff had maintained, clarified that Board staff are PRT employees subject to the disciplinary guidelines of state government, and PRT evaluates the performance of the program director. However, we could not find where staff was held accountable for spending state and federal funds in violation of federal and state guidelines.

Our review also indicated that the State Board still maintains significant influence over the operations of the S.C. Heritage Corridor. The Board approves grants, directs staff actions, and has taken action that negatively impacts Regions. The Board has influence over events and programs recommended by staff. The Board also used its power to ignore a Region's choice to fill a seat on the State Board, and attempted to nominate a candidate not approved by a Region, although it did not expressly have this authority until November 2010. We could not determine the reason a by-law change to eliminate the authority for Region Chairpersons to select their candidate to fill positions on the State Board was necessary.

In order for the Corridor to achieve its mission, it is important for all Regions to have confidence in the decisions and actions of the State Board and PRT staff. When Region Boards perceive that their efforts, recommendations and concerns are not considered, there is less likelihood that the mission of the entire Corridor will be achieved. The Executive Order issued in 2008 provides PRT with final authority to manage the program, and therefore the Director of PRT has the authority to support or override any decision of the State Board or his staff.

Chapter 2
Corridor Management and Governance

Corridor Programs

The S.C. National Heritage Corridor Board has authority to advise PRT concerning the operations of the Heritage Corridor. For example, the State Board reviews applications for community grants and has the power to approve or deny any application. Regional boards have been responsible for advising the State Board concerning issues related to achieving the Corridor's mission, including reviewing community grant applications and recommending approval or denial of these applications. In FY 2010-11, about 50% of the Corridor's budget was designated for community grants. Although the State Heritage Board has exercised significant influence, the Governor's 2008 Executive Order clarified that PRT has complete authority to operate all aspects of the Corridor program and is not required to implement any recommendation made by the State Corridor Board.

Because the State Board still has significant influence on the Corridor's programs and funding, we conducted a limited review of the process for awarding grants and reviewed certain decisions that have had an impact on the Corridor. In addition, we examined the agency's process for measuring the extent to which it is achieving its mission.

Impact on Heritage Tourism and Economic Development

One of the primary missions of the S.C. Heritage National Corridor is to promote and develop "heritage tourism." Because South Carolina attracts a significant tourism population to the state's coastal and mountain regions of the state, marketing the inland counties to tourists already in the state could greatly benefit the state's economy in more rural, inland regions of the state. We examined the agency's processes to measure its effectiveness at increasing tourism to high unemployment counties and found the following.

Statistical Reports Concerning Corridor Activities

We requested documents from PRT to assess the economic impact that the Corridor program had on counties. Corridor staff collect and report performance data to the National Park Service, and these reports provide limited information concerning accomplishments. These performance reports consist of:

- Number of visitors to main attractions within the heritage area.
- Number of partnerships.
- Number of educational programs offered.
- Grants awarded.
- Resources conserved (grants awarded for trails or greenways).
- Number of grants awarded for National Registry properties.
- Funding from federal, state, local and private sources.

In addition, Corridor staff have prepared annual reports that summarize activity in the corridor and provide narrative descriptions of projects and accomplishments. According to the most recent report we reviewed, in FY 07-08, the Corridor reported that it conducted 55 group tours throughout the Corridor with a direct economic impact of \$102,310.

Measuring Economic Revitalization and Heritage Tourism

One of the primary missions of the Corridor is to promote tourism and increase economic revitalization. While the Corridor's programs might not be significant enough to make a measurable impact on unemployment in counties throughout the Corridor, the table indicates that a number of counties have unemployment that exceeds the state average and could benefit from any tourism generated by the Corridor's programs. Unemployment in 7 of 17 counties in the Corridor was above the state average of 10.7% in October 2010. Three counties in Region III had the highest unemployment rates of all counties in the corridor and one county (Aiken) had the lowest rate.

Table 3.1: Unemployment Rate for Each County in the Heritage Corridor — October 2010

UNEMPLOYMENT RATE	
REGION 1	
Anderson	10.6
Oconee	10.3
Pickens	9.1
REGION 2	
Abbeville	12.2
Saluda	9.1
Edgefield	10.0
McCormick	14.0
Greenwood	11.0
REGION 3	
Aiken	8.1
Bamberg	14.4
Barnwell	15.3
Orangeburg	14.1
REGION 4	
Charleston	8.4
Berkeley	9.5
Dorchester	9.0
Georgetown	10.7
Colleton	12.7

Source: S.C. Department of Employment and Workforce

Performance Measures Do Not Assess Economic Revitalization

To accurately gauge the impact that the agency's programs and services have had on heritage tourism and economic revitalization in the Corridor, specific performance measures and systems to determine the program's success are needed.

The Corridor requested the University of South Carolina-Clemson University Research Partnership to conduct a study of the economic impact of the corridor. The study, completed in 2010, did not measure the economic impact of Corridor-related activities on tourism. For example, the report states that "[v]isitors to the 14-county region annually generate \$624 million in direct economic impact." However, the amount that can be attributed to the Heritage Corridor's programs is not documented in the study, and the study did not take into account that the program now consists of 17 counties.

Statistical measures can accurately account for activities within the corridor, but do not necessarily assess the extent to which the program is drawing tourists to the four regions. That is, the number of children visiting sites in the Corridor is important to measure, but does not provide useful information concerning heritage tourism. To accurately gauge the degree to which the program is accomplishing its mission of economic revitalization and heritage tourism, a system to measure its effectiveness is vital.

Discovery Centers Closed

Due to the anticipated budget cuts, PRT management determined that it was necessary to assess whether other nonprofit or private organizations could operate the discovery centers in Regions II and III. (The other regions did not have Discovery Centers.) Discovery Centers are locations that house exhibits, artifacts, and other items of local interest that represent the unique history and culture of the area.

In May 2010, PRT notified Regions II and III that the centers would be moved or closed, effective June 30, 2010, unless a viable partnership arrangement could be arranged. Documents indicate that the cost to operate each center would be approximately \$79,000 to \$150,000 annually.

Region III officials expressed their concern about the move of the Discovery Center. They indicated that Barnwell County had contributed a significant amount of resources (\$379,500) to house the center in Blackville, and volunteers in the region had committed a significant amount of volunteer work to plan for the center, get it ready for occupancy, and work with the community to market it.

Officials also expressed concern that they did not receive adequate time to obtain funds from local governments or private sources to keep the Discovery Center in Blackville, and PRT management granted an extension of time for the region to develop a viable alternative. Because the decision to move the center was made late in the counties' budget deliberation process, it was too late to adequately request funds to keep the center in Blackville. In addition, moving the center from an area with high unemployment to a county within the region with low unemployment might be contrary to the mission of economic development and tourism of the Corridor.

While Barnwell County determined that it could provide \$10,000 to operate the center, a viable solution to keep the center in Blackville was not reached and PRT decided to relocate the Discovery Center to Aiken County, which is part of Region III. According to PRT staff, exhibits from the Region III Discovery Center will be donated to Arts and Heritage Center in North Augusta and the region will not have a Discovery Center. The Region II Discovery Center was taken over by the Historical Society.

Development Grants

The State Board awards grants to assist communities and organizations in developing, implementing, and maintaining a successful tourism attraction or program that benefits residents and attracts visitors to the area. Grants are awarded to nonprofit organizations and require the recipient to provide a cash match. In addition, grant projects are awarded in one of three categories — planning, product development, or marketing and visitor services, and must be located within a Corridor county. Funds can be used for technical services, interpretation, museum exhibits, marketing, displays based on history, conservation and preservation, agricultural heritage, and nature-based programs. Projects that directly impact the visitor experience and that demonstrate a high degree of sustainability are given consideration.

The following table shows the amount of grants awarded to projects within each region from July 1, 2004, through June 30, 2010.

**Table 3.2: Grant Awards by
Region July 1, 2004 to
June 30, 2010**

REGION	TOTAL GRANT AWARDS	PERCENT OF TOTAL
Region I	\$528,587	26%
Region II	\$356,025	18%
Region III	\$649,001	32%
Region IV	\$473,355	24%

From 1999 to 2001, the nonprofit S.C. Downtown Development Association administered the grant program. The organization scored the applications based on a point system, and the higher the points, the more worthy the project was determined.

Responsibility for reviewing grant applications was then assigned to regional boards. Members review grant applications from their regions and make funding recommendations to the State Board. The State Board has final authority to award grants. We reviewed State Board minutes related to grants applied for from January 2007 to November 2010, and found no material concerns except as described below.

Grant Applications Denied and Subsequently Approved

Our limited review of Board minutes and other documents found that generally, Region Boards reviewed grant proposals and if they met award criteria, were recommended for approval to the full Board. However, two grants for \$20,000 each in Region III were not recommended for approval by the Region Board and were voted down at the State Board meeting in August 2009. However, the applications were reconsidered during the November 2009 State Board meeting and approved.

These grants were designated for projects in Region III, but were not supported by Region III Board members and did not receive a majority of votes for approval in the August 2009 State Board meeting. Board minutes state that Region III was concerned about the sustainability of the projects and availability of matching funds. Other documents we examined indicated that Region III members rejected one project because it had received the maximum of \$60,000 allowed for grants. The State Board interpreted the funding limit to apply to each project, not a location which contains multiple projects; there were multiple projects at this location. However, the grant award policy prohibits expending more than \$60,000 for any location or project. The Corridor's grant program funding guidelines state:

- Applicants may submit grant proposals in multiple grant cycles, however, grant awards may not exceed \$60,000 per location.
- Due to the competitive nature of the SCHNC grant program, a project is limited to \$60,000 in grant awards

In November 2009, State Board minutes indicate that a letter submitted by a State Board member requested that these grants be reconsidered. The letter was not available for our review because it could not be found, so we could not examine the reason the board member requested a reconsideration. Minutes from the State Board meeting indicate both grants were approved

because inaccurate information had been presented in the earlier meeting as a justification to not fund these grants. However, the inaccurate information, if any, was not specified in the Board's minutes or other official documents; therefore, we could not evaluate the specific information that was inaccurate. Furthermore, there is no explanation concerning the State Board's decision to exceed the maximum award for a project at one location.

Summary

Although Corridor staff maintain data concerning visitors to certain promotions, Corridor sites, discovery centers, and other activities, data concerning the extent to which the program is achieving its mission of heritage tourism and economic revitalization has not been available. Outcome measures would provide information concerning the extent to which programs in each region have been effective, and provide information to determine if marketing and promotions need to be enhanced, revised, or reinvented.

In addition, there are opportunities for the State Board to keep more detailed records to document their decisions. For example, while Board minutes state that inaccurate information was presented as a justification to deny the awarding of two grants, the minutes did not specify what the inaccurate information was, and a letter concerning reconsidering awarding the grants could not be located. Further, we could not find documentation that explains why the State Board approved one grant that did not meet its guidelines.

Finally, when state-level decisions that have a major impact on Regions are made, it is important for Regions to be provided as much time as possible to prepare for their consequences. It is also important that regional boards receive accurate and timely information concerning budgetary information and clarification about inaccurate information that is presented in Board meetings.

Recommendations

1. In an effort to improve operating efficiencies and improve the relationship between the Department of Parks, Recreation and Tourism, the S.C. National Heritage Corridor, and Region Boards, PRT, in conjunction with the Office of the Governor, should examine alternatives to the program's current management and advisory structure. Alternatives could include:
 - PRT controls all operations of the program – In compliance with Executive Order 2008-15, PRT would manage all aspects of the program, including evaluating community grant applications. The State Corridor Board would serve in an advisory function, but PRT would exercise final authority over all aspects of the program, including the process of evaluating and awarding community grants.
 - Keep the current management structure but require the Corridor to provide all funds to match federal funds. No state funds would be used for the program, and PRT would provide limited administrative and fiscal record-keeping.
 - Place all operations under the nonprofit South Carolina Heritage National Corridor Board – The Corridor would have complete autonomy, receive and manage the federal grant, and provide matching funds as required by federal law. The staff would become Corridor employees and state government would not be responsible for administrative, staffing, and oversight responsibilities.
 - Place all program operations under the nonprofit South Carolina Heritage National Corridor Board – The Corridor would have complete autonomy, receive and manage the federal grant, and provide matching funds and administrative support. The staff would become Corridor employees. PRT would provide technical assistance and training concerning federal grant rules and guidelines and other advisory services.
2. If PRT continues to manage the Corridor in conjunction with the State Board, the following recommendations should be considered:
 - Management of the South Carolina Department of Parks, Recreation and Tourism should meet with the State Corridor Board's Chairman and the Region III Board to discuss solutions to issues raised in this report and develop a written corrective action plan.

- Management of the Department of Parks, Recreation and Tourism and the Chairman of S.C. National Heritage Corridor should examine the effect of the by-law amendment that removed the authority of Region Chairpersons to appoint their representatives to the State Governing Board. If the State Board determines that it should control the process for selecting members to represent regions, then PRT management and the State Board should work with Regions to ensure their cooperation.
- Management of the Department of Parks, Recreation and Tourism should review issues and recommendations issued in the internal audit performed on the operations of the Corridor. Management should provide the report to the Corridor's State Board and request repayment, to the extent possible, of questionable expenditures identified in the audit.
- PRT and the State Board should develop outcome measures that gauge the effectiveness of the Corridor Program, and the effectiveness of the program by region. Management should periodically evaluate the effectiveness of the Corridor and incorporate strategies to improve program outcomes (such as increasing heritage tourism) when appropriate.

Agency Comments

South Carolina

Department of Parks, Recreation & Tourism

Mark Sanford
Governor

Chad Prosser
Director

February 2, 2011

Thomas J. Bardin, Jr., Director
SC Legislative Audit Council
1331 Elmwood Ave., Suite 315
Columbia, South Carolina 29201

Dear Mr. Bardin:

Thank you for providing the Department of Parks, Recreation and Tourism the opportunity to review the final draft report and provide final comments on *A Review of the S.C. National Heritage Corridor: A Program of the Department of Parks, Recreation and Tourism*. The agency has determined that it does not wish to provide further comments on the report at this time.

Again, thank you for your diligent efforts and cooperative spirit throughout the review process.

Sincerely,



BJ Willoughby
General Counsel

Cc: Amy Duffy, Chief of Staff



This report was published for a total cost of \$23; 50 bound copies were printed at a cost of 47¢ per unit.