



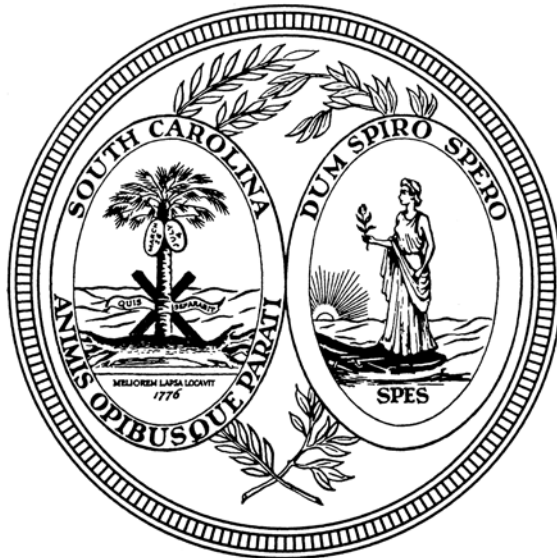
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SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

April 2010

A REVIEW OF THE RELOCATION OF THE SOUTH CAROLINA FARMERS' MARKET AND RELATED EXPENDITURES



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A REVIEW OF THE RELOCATION OF THE SOUTH CAROLINA FARMERS' MARKET AND RELATED EXPENDITURES

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Introduction

Objectives

Members of the General Assembly requested the Legislative Audit Council to conduct a review of the South Carolina Department of Agriculture's (SCDA) expenditures for its Farmers' Market relocation sites in Richland and Lexington Counties.

Our objectives for this review were to:

- Assess decisions to relocate the Farmers' Market from its current site on Bluff Road in Richland County.
- Track decisions and expenditures associated with re-directing the site from Pineview Road in Richland County to Lexington County.
- Review expenditures for the Farmers' Market relocations for adequate documentation and accuracy.
- Confirm proper authorization of relocation expenditures.

Scope and Methodology

The period of this review ranges from October 31, 2001, when the Agriculture Commission of South Carolina voted unanimously to rebuild the Columbia market on a new site, through March 2010, the date our field work ended. Much of the information used in this report was provided by the Department of Agriculture and Richland County. We tested samples of data to ensure its reliability. We obtained information from a variety of other sources, including:

- Interviews with staff of the Department of Agriculture, the General Services Division of the Budget and Control Board, and other interested parties.
- Printed documentation, such as correspondence, laws, contracts, deeds, and newspaper articles.
- SCDA and Comptroller General expenditure records regarding the Farmers' Market relocation.
- State law and directives from the General Assembly Joint Bond Review Committee.

Criteria used to measure compliance included state laws, recorded documents, agency correspondence, and expenditure vouchers that were processed by the Comptroller General's office. We reviewed expenditures for the period August 29, 2005 through September 28, 2009. We selected a sample of vouchers to review payment activity.

Summary

After spending more than \$4.4 million to develop a Farmers' Market in Richland County, the South Carolina Department of Agriculture (SCDA) decided the project was not viable and began looking for another site. The decision to move the Farmers' Market from Richland County to a Lexington County site was based primarily on vendors' lack of support for the Richland County plan, according to South Carolina Department of Agriculture officials, state and county records that we reviewed, and responses to a survey of vendors. Twelve vendors, representing about 80 percent of the market's business, responded to a survey administered by SCDA. The responses supported SCDA's decision to seek an alternative site. Some vendors expressed concern that relocating to the Richland County site was too expensive and financial incentives were not sufficient.

Plans for the Lexington County relocation site were in place before the Joint Bond Review Committee authorized funding for the project and before the SCDA officially notified Richland County that it was terminating its agreement to locate in Richland County. The General Assembly passed a resolution to relocate the site to Lexington County on May 8, 2008. SCDA officials and a General Services official with the Budget and Control Board stated that there was no official commitment to the Lexington County site until after the resolution passed. However, an incentive agreement between the developer and Lexington County was signed on December 15, 2007, and indicated that the Department of Agriculture would be occupying the "state parcel" and a state grant of \$2.6 million would fund a portion of the public improvements. In addition, two newspapers ran articles in November 2007 that the market would be relocated in Lexington County, and another newspaper defined the relocation's developer and precise location on March 14, 2008.

The General Assembly's Joint Bond Review Committee authorized SCDA to purchase 46.2 acres from a private developer. We established that SCDA has purchased 35.15 acres, but its contract to purchase 11 additional acres and buildings has been delayed.

The Farmers' Market is not planned to move to the Lexington County site until Summer 2010, more than two months after the scheduled date. However, the private developer did not officially notify the Department of Agriculture officials of this delay or request a waiver of damages until we inquired in February 2010. The agreement requires the developer to pay the state significant financial damages for this delay, and we could find no reason why financial damages should not be imposed against the developer.

SCDA used state funds to pay for certain expenses incurred by the developer before the state agreed to relocate in Lexington County. For example, we found that more than \$49,000 of state funds were used to pay to survey the developers' 174.12 acres for the site. We could not determine why the state paid for the entire surveying cost.

We noted several immaterial concerns related to documentation and recordkeeping. For example, invoices for the Farmers' Market expenditures have not been reviewed by SCDA accountants for reasonableness and documentation because management has designated three other SCDA officials to approve payments. We found insufficient documentation in several transactions that we reviewed.

Introduction

Richland County Location and Cancellation

Move from Bluff Road

On October 31, 2001, the Agriculture Commission notified the South Carolina Agriculture Commissioner of its unanimous vote to rebuild the State Farmers' Market on a site to be selected by the proper officials. On January 18, 2005, the Department of Agriculture notified Richland County Council of the decision to relocate the State Farmers' Market to a site on Pineview Road in Richland County. Richland County and state officials entered into a Memorandum of Understanding that described each entity's responsibilities related to the project. According to the agreement, Richland County was responsible for purchasing the land for the site and deeding the ownership of the land to the state. The state would pay for site improvements and other costs. Richland County also offered wholesale vendors substantial financial incentives to locate at this site, and would lease space to wholesale vendors.

Groundbreaking for the new facility took place on June 7, 2006. Richland County purchased 194 acres of land for \$4.5 million, and 144 acres would be deeded to the state. In addition, Richland County records indicate that \$10 million had been spent or committed to the development of the market in Richland County.

Table 1.1: Richland County Expenditures and Commitments to State Farmers' Market Site in Richland County

DESCRIPTION	ACTUAL EXPENDITURES	AMOUNT COMMITTED
Land	\$4,469,000	
Marketing/Promotion		\$250,000/year for 20 years
Design/Preparation		\$500,000
Property Tax Waived for Vendors		\$5.7 million for 20 years
Land for vendors to locate and use of common space at no charge		Undetermined

Source: Richland County records.

Between August 2005 and July 2008, \$4,396,765 in state funds was spent preparing, permitting and developing the Pineview Road site. The following table summarizes invoices paid with state funds for the Richland County site before the site was abandoned.

Table 1.2: Summary of State Expenditures in Richland County for Site before Project Termination

DESCRIPTION	ACTUAL EXPENDITURES
Clearing	\$2,048,414
Utility Relocation	431,000
Engineering	1,828,590
Legal, Other	88,761
TOTAL	\$4,396,765

Source: SCDA and Comptroller General records.

Shortly after groundbreaking, however, the Department of Agriculture expressed concerns about proceeding with building the market on this site in Richland County. According to SCDA officials, in September 2007, certain vendors said that they could not afford to go along with the proposed plan, and refused to agree to relocate at the Richland County site. Richland County documents indicate that wholesale vendors were not satisfied with the financial incentives offered by the county. As a result, Department of Agriculture officials publicly reported in October 2007 that they would look for another site for a State Farmers' Market. This decision was approximately 17 months after groundbreaking in Richland County.

We requested documentation to show that vendors did not support the Richland County site. Department of Agriculture staff provided us with the results of a survey administered to vendors. It is unknown how many vendors were leasing or planning to lease space at that time, but SCDA provided a list on August 13, 2009, of 26 vendors whose leases would expire in February 2010.

Twelve vendors who responded to the survey represented 80 percent of the market's business. The responses, summarized below, indicated that support for the Richland County site was questionable:

- 11 of the 12 vendors would not commit to relocating at the proposed Richland County site;
- 9 of 12 indicated that they were exploring other locations; and
- 8 of 12 vendors felt that it was important for as many wholesalers as possible to locate together.

The SCDA commissioner released a statement on October 17, 2007, that they would find a new site for the Farmers' Market. SCDA officials also explained that Richland County did not want to move forward with the project. On November 13, 2007, Richland County notified the SCDA commissioner via certified mail that its agreement was terminated as conditions under their memorandum of understanding had not been met. Richland County cited a public statement by the Agriculture Commissioner that the state had, in essence, abandoned the project. There was a clause that returned the property to Richland County if the plan fell through, and Richland County would repay the state for site improvements. Not until July 2, 2008, was Richland County officially notified that the state had terminated its agreement to build the Farmers' Market in Richland County.

Legal Dispute

After Richland County notified state officials that it was terminating its obligations to proceed with the market, it requested that the state deed the land to the county as required by the memorandum of understanding. The county also requested the state to refund any funds provided by the county that had not been spent. State officials requested the county to reimburse the state approximately \$2,534,000 worth of expenses that had been paid to develop the site. In August 2008, a legal dispute ensued concerning these issues.

On July 1, 2008, SCDA and the private developer entered into an agreement concerning the development of the Farmers' Market in Lexington County. The same day, SCDA signed an option to purchase about 35 acres from the developer. The next day, July 2, 2008, SCDA officially notified Richland County that it was terminating its agreement to locate the market in Richland County.

In July 2009 both sides agreed to a settlement. Under the settlement, Richland County would get about 37 acres of the market site's land, and the state's Research Authority would get about 109 acres of the site.

Part 1
Richland County Location and Cancellation

Lexington County Site

On July 2, 2008, the state Department of Agriculture officially terminated its obligations to build a Farmers' Market in Richland County. (As already stated, in November 2007, Richland County sent an official notification to state officials that it was terminating its pursuit of the project.) Before the state officially terminated its obligations to Richland County, it was clear that other sites were being pursued. Documents dated October 2007 and November 2007 indicate that the Department of Agriculture was pursuing a site in Lexington County. However, a General Services official of the Budget and Control Board stated that until the General Assembly passed a joint resolution to appropriate and authorize funding to relocate the State Farmers' Market to a new site in Lexington County, there was no official commitment to a new Lexington County site. SCDA officials also stated that there was a resolution in place before the decision to relocate in Lexington County was announced. The resolution passed on May 8, 2008.

Notwithstanding, public reports indicated that the decision to relocate to Lexington County was made before the funding resolution passed. On November 7, 2007, both *The State* and the *Augusta Chronicle* newspapers ran articles announcing that the State Farmers' Market would go to a site in Lexington County, and on March 14, 2008, *The Columbia Star* reported the new location in Lexington County as a "privatized 174-acre site on U.S. 321."

An incentive agreement between Lexington County, S.C. and a private developer, dated December 15, 2007, indicated that the state was planning to move the market to Lexington County. The agreement noted the state's likely involvement. For example, the agreement stated that "...it is anticipated that the State will provide an additional \$2,600,000 ...for the purpose of constructing certain facilities for the State Commission of Agriculture." Definitions in the 2007 agreement include:

AGRICULTURE COMMISSION — State Commission of Agriculture.

STATE — State of South Carolina.

STATE GRANT — "the grant of \$2.6 m. to be made by the State to fund a portion of the Public Improvements."

STATE PARCEL — "that portion of the Land to be acquired by the State and upon which the State will construct certain facilities serving the Agriculture Commission." The legal description of the property delineates 174.12 acres on a prepared plat.

Ground was broken for a new site in Lexington County on August 27, 2008, less than a year after the decision was made to relocate from the Richland County site.

Financial Commitment and Land Ownership

The Lexington County Farmers' Market site consists of 174.12 acres, most of which are owned by a private company. The state would own part of the land, and have an option to purchase additional acreage. The Joint Bond Review Committee of the General Assembly authorized the Department of Agriculture to purchase 46.2 acres of this land for \$2,659,550, and the private investors would own the remaining land. The Department purchased 35.15 acres for \$2,051,250, leaving a balance of 11.05 acres and \$608,300 yet to be purchased.

We examined two documents connected with the property to be purchased by Department of Agriculture and found:

- The first document with the developer described the state's purchase of approximately 35 acres of land at the new site. The state paid approximately \$2 million for this land.
- According to the Agreement of Purchase and Sale, dated July 1, 2009, the final purchase of land is included with construction of certain improvements, such as farmers' sheds and the office. Approximately \$5.8 million is authorized for sheds/offices on the site, of which \$608,300 is for the land.

The following table summarizes the SCDA's purchase of land and improvements from the developer.

Table 2.1: Summary of State Authorization/Expenditures for Farmers' Market Site in Lexington County

DESCRIPTION	AMOUNT
<i>Joint Bond Review Committee*</i> 46.20 acres approved for purchase	\$2,659,550
<i>SCDA** Land Purchase</i> 11.80 acres @ \$65,000/acre <u>23.35</u> acres @ \$55,000/acre 35.15 acres TOTAL	 \$767,000 <u>1,284,250</u> \$2,051,250
11.05 acres remaining for purchase	\$608,300

* JBRC meeting June 4, 2008.

** SCDA (State of S.C.) Closing Statement July 1, 2008.

Source: SCDA.

Total Funding Authorized for Lexington County Site

In May 2008, the General Assembly authorized up to \$ 22.5 million to be used to relocate the Farmers' Market. On February 26, 2010, we requested an itemization of expenditures to date for the Lexington County site. The South Carolina Department of Agriculture provided the following general and unclear documentation:

Table 2.2: Expenditures for Lexington County Site as of March 15, 2010

LAND OWNED	BUILDINGS	COSTS
Lot 10	Lab	\$4,945,915
Lot 10	Conference Center	\$2,300,000
Lot 4-A	None	\$0
Lot 4	Maintenance & Waste	To be bid
Lot 4 & Lot 3 (to be owned)	Produce shed, farmers shed & office	*\$5,800,000

* Not yet purchased.

Source: SCDA.

Expenses Paid with State Funds

State funds paid for certain expenses of the developer that were incurred before the decision to relocate to Lexington County was made. For example, SCDA documentation shows that the 174.12 acres of the developer's private property in Lexington County was surveyed prior to the General Assembly approving that SCDA relocate to Lexington County. The survey cost of \$49,250 was later paid by SCDA. SCDA paid the private developer for surveying its full 174.12 acres, although SCDA was authorized to purchase only about 26% of the site. An invoice for the survey, dated February 14, 2008, was submitted to the developer for surveying the full property. It was later included in an invoice to SCDA, which paid it on June 30, 2009. We could not determine why the state paid the full cost, especially since the service was provided before the state was authorized to expend funds associated with the project.

Financial Damages for Delays

The relocation to the Lexington County site had not occurred by the scheduled date, and a revised date had not been established by April 2010. In September 2009, Department of Agriculture informed us of the importance of obtaining a Certificate of Occupancy by the agreement date (March 1, 2010) and moving into the new facility in April 2010. This was due, in part, because the current market was needed by the new owners and Department of Agriculture buildings and laboratories needed to be housed at the new location. The earliest date the market will relocate is estimated to be Summer 2010. According to Section 5 of the Department of Agriculture's agreement with the developer, "Time shall be of the essence with respect to the performance of the work and construction of the improvements in accordance with the construction schedule."

In December 2009, public reports indicated that the market would not be complete in time to occupy the site until June 2010. A month earlier, public reports quoted the developer as stating the project was "relatively" on schedule for an April 2010 opening.

Our review of the delay in moving to the Lexington County site found the following.

- Until we requested documentation related to the delayed move, we could not find where the developer had officially notified the Department of Agriculture about the delay or requested a waiver of damages that were to be assessed against the developer in accordance with agreement. On February 18, 2010, we inquired as to whether the Department of Agriculture would invoke a financial "damages" clause in the agreement. On February 22, 2010, the developer's attorney notified the Department of Agriculture that the project would be delayed until April 30, 2010 and provided rainfall reports for September, October, November and December 2009 which documented above-average rainfall. The excessive rainfall was cited as the reason for the market not opening on time. The developer's attorney stated that all deadlines would be moved back by 35 days. On March 17, 2010, the Department of Agriculture informed us that "because of the weather, all deadlines have been pushed back."

The South Carolina Department of Agriculture should impose financial damages, as required by section 7 of the agreement, from the developer of the Farmers' Market.

- Section 7 of the agreement between the private developer and the state requires the developer to provide a Certificate of Occupancy to the state of South Carolina by March 1, 2010 or pay financial damages of \$30,000 and up to \$1,500 per day unless the delay is caused by the state or by reason of “force majeure.” However, force majeure is not specifically defined in the agreement. The state engineer’s office stated that an extension until April 5, 2010 was warranted due to excessive rain, but would not agree to additional extensions. In an email to the SCDA attorney, the state engineer’s office stated:

I don’t think at this point that they should be given another 30 days as I am told they have not been staffing the job as well as they could have been. ... there is a lot of other work that is not getting done and has nothing to do with the weather.

On April 1, 2010, SCDA and the developer signed a contract amendment indicating that financial damages will accrue for delays after April 5, 2010.

Part 2
Lexington County Site

Concerns Involving Oversight and Documentation

During our review, we noted several immaterial concerns related to documentation and recordkeeping. SCDA documentation for calculations of its Farmers' Market relocation voucher requests, adjustments to previous voucher records, and details for adjusting entries were not readily clear.

- One adjustment combined transfers on two transactions from one fund to another, but only the total number was submitted, with no reference to the original transactions for its breakdown. An invoice for payment for land purchases was adjusted to accommodate the balance in a fund, but no explanation or authorization was submitted for that variation.
- Unauthorized staff approved the payment of two invoices in our sample. It was later explained that the Commissioner had granted verbal approval, but no documentation was noted.

The SCDA accounting department was not authorized to review Farmers' Market relocation invoices for reasonableness and documentation. Only the SCDA commissioner, relocation manager, and project inspector were authorized to review and approve expenditures. The risk of duplication and oversight can occur without full review. A good accounting practice would require that full documentation be attached to voucher requests.

Conclusion

We found weaknesses in the planning and execution of the State Farmers' Market relocation that resulted in significant unnecessary expenditures and delays. For example, planning for a new site for the State Farmers' Market could have been more effective. A significant amount of state and county taxpayer funds was spent before securing firm commitments from vendors to locate at the Richland County site. More than \$4 million in state funds was spent to clear the land, move power lines, and conduct other site work before the state concluded that the location would not be viable. In addition, both Richland County and state taxpayer funds were spent to settle a lawsuit that ensued over the termination of their agreement.

When it was determined that vendors would not relocate to Richland County, but before the Richland County site was abandoned, the Department began looking for another site to locate the State Farmers' Market. After the Department of Agriculture officially terminated its agreement with Richland County for the Farmers' Market site, the Department promptly entered into an agreement with a private developer to build the State Farmers' Market in Lexington County. However, financial safeguards and additional clarity in the agreement with the private developer would have better protected the state's interests. Department of Agriculture accounting practices revealed minimum, and often insufficient, documentation to support expenditures. Further, during our review, the relocation date was delayed. It is unclear when the new site will be occupied, notwithstanding the Department of Agriculture's need to occupy the site by the established deadline. As of March 15, 2010, the Department reported that it had spent \$10.3 million of the budgeted \$22.5 million for the Farmers' Market.

Agency Comments



Hugh E. Weathers
Commissioner

State of South Carolina
Department of Agriculture

April 27, 2010

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Dear Mr. Bardin,

Thank you for the opportunity to respond to the Legislative Audit Council Review of the Relocation of the South Carolina Farmers' Market and Related Expenditures. My response is two-fold. Attached is our Department of Agriculture analysis of your review and points for consideration. In this letter, I will focus on the primary benefits of the Farmers Market relocation that are perhaps beyond the scope of your work.

The relocation of the Farmers Market to the Lexington site has saved over \$20 million of taxpayers' dollars. This savings is a result of the coordinated efforts of the Department of Agriculture, the Governor's office, the Legislature, Lexington County, and significant private investment. The financial benefit is also on-going, in that the greater portion of the total investment will be privately owned and will go on the tax rolls of Lexington County.

The relocation of the Farmers Market to the 174-acre Lexington site provides a significantly larger tract of land to accommodate growth in the market and thus in the agricultural industry in South Carolina. This agribusiness development will generate new opportunities in 2010 and for many years to come for farmers of our state. As Commissioner of Agriculture, I am confident that building the local food economy in South Carolina creates commerce and job growth, and that this new larger State Farmers Market will be a primary asset for this growth.

The relocation of the Farmers Market to the Lexington site is the final chapter in a long and complicated process designed to create a new State Farmers Market. The process has covered the tenure of three Commissioners of Agriculture, preceding my time in office by several years. What an audit process cannot reveal is the vision and courage required to propose this fiscally responsible, yet politically charged, alternative.

The Legislative Audit Council process has been good for the Department Agriculture and for me personally. It solidifies the opinion that the right course has been pursued for the benefit of South Carolina.

With best regards,

A handwritten signature in cursive script that reads "Hugh E. Weathers".

Hugh E. Weathers

Analysis of Review of the Relocation of the South Carolina Farmers Market and Related Expenditures

The Review of the Legislative Audit Council of the Relocation of the South Carolina Farmers' Market and Related Expenses has been analyzed by the Department of Agriculture. The review and discussion process overlooked pertinent data, and, as a result, presents a significantly inaccurate picture, specifically pertaining to the historical review of the Farmers Market project, the responsibilities of the Department of Agriculture, and the unique nature of the public-private partnership in the relocation of the market.

Regarding the historical analysis of the Farmers Market, the report omits key facts relating to the initial choice of the Richland County site, creating an impression that the Department of Agriculture chose the Richland County site. The report does not mention that, in 2002, the General Assembly, through the work of the Site Selection Subcommittee established in proviso 22.5, made the decision to move the State Farmers Market to the Richland County site.

The Department of Agriculture attempted to carry out the wishes of the General Assembly by investing in improving the selected site. After investing approximately \$4.4 million, it became apparent that one key component, the wholesale vendors' financial commitment to the site, was not going to materialize. Another significant omission in the report is the fact that securing the financial commitment by the vendors was not the responsibility of the Department of Agriculture. That responsibility rested with Richland County by virtue of its role as developer, designer, and financing agent for the wholesale market.

Concerning the decision to terminate the Richland County project, the report also fails to acknowledge that the State faced some very serious financial challenges in addition to Richland County's inability to secure the vendors' commitments. It is public information that the estimated cost to the State to continue the development of the Richland County site had escalated to approximately \$47 million as of November of 2006. To be thorough in analyzing the relocation decisions, this cost estimate to the State must be juxtaposed with the \$22.5 million cost of the alternative of the Lexington County site.

As to the dispute between the State and Richland County over the property transfer in the Memorandum of Understanding, the report does not acknowledge that Richland County initiated the legal action even though the County and State were actively engaged in negotiation to settle the issue. The report presents an erroneous impression that the State spent additional taxpayer funds to settle the lawsuit brought by Richland County. Rather than proceed toward a very expensive, protracted court battle, I instructed the Division of General Services to minimize the legal defense costs while continuing negotiations with the County. That responsibility was clearly assigned to me in S.1066 to resolve any dispute stemming from the relocation of the market. It is obvious, but omitted from this report, that a long and drawn out court battle would have been much more expensive and may not have produced results as favorable to the State as was settled on.

The report also ignores that the State recovered the value of its investment in the settlement with Richland County. The value is in 109 acres now titled to the South Carolina Research Authority to be used for economic development, a permit secured from the Corps of

Engineers for a bridge over wetlands on the property, as well as architectural designs used in the buildings constructed on the Lexington site. The State paid no money to Richland County in the settlement.

A great deal of comments address the Lexington County option and the sequence of events in 2007 and 2008, when the options were reviewed and decisions made regarding the relocation of the market. My fiduciary responsibility required consideration of an alternative which would reduce the cost to the State by over \$20 million. It is also important to recognize that the Department of Agriculture did not have the authority to move the market without additional legislative action. The authority was granted by Act 82 (S.1066) which recognized the value and savings generated by the public-private partnership that was proposed. All decisions made by me were lawful, fiscally sound, and an appropriate exercise of the authority granted to the Commissioner of Agriculture by Act 82. The report does not acknowledge the unique financial structure of the Lexington option or the significant savings accrued to the State by leveraging public funds with private investment.

Given the complex nature of the project, several of the Department of Agriculture's financial decisions were made that are questioned by this report. The LAC staff was given, but apparently chose to ignore, the background for each of those decisions.

For example, a section of the report focuses on payment of survey costs covering tracts of land beyond the Department's intended purchase. The decision to pay those costs was based on the fact that the language of S.1066 refers to the entirety of the 174 acres to comprise the State Farmers Market, and that all acreage included would be subject to restrictions developed for the new market, as clearly outlined in the agreement between the State and the private developer. A boundary plat was essential to incorporating all the acreage into the State Farmers Market and subjecting it to the restrictions and purpose.

The report is critical on the issue of delays on a contract between SCDA and the developer for the construction of farmer's sheds, which is only one isolated part of the market development. This construction project, as do most complicated projects, had numerous change orders which had to be incorporated into an amendment of the contract. One change order granted an extension of the completion date for weather delays, as recommended by the Office of State Engineer. Delay penalties in this contract will be assessed when the State pays for the structures upon completion. It is premature to determine the amount of financial penalty to be assessed before the completion of the work.

The projected opening date for the market has many factors to accommodate, and has always been just that—a projection. The wet weather during late winter and early spring has our crop harvest behind schedule and we will move at the most convenient time for farmers and wholesalers. The decisions that SCDA has announced regarding delays are a result of all of these factors, not any one isolated component.

As to concerns involving documentation and record keeping, LAC staff was provided information that showed our processes were consistent with guidelines from the Comptroller General and the Auditor's Office concerning journal entries for the particular type of transaction. In one paragraph, your report referred to the Director of SCDA Administration, our chief accounting officer, as an unauthorized staff person approving two invoices. The fault was not promptly initialing the document to support the earlier verbal approval. It was not, as stated in this report, an unauthorized approval of payment of invoices. In the next paragraph, you indicate that the SCDA accounting staff was not authorized to review relocation invoices. Neither conclusion is correct. Our invoices were reviewed by the Office of State Engineer, by two engineering consultants contracted to perform these services, by an Assistant Commissioner who was familiar with our contracts, and finally by our accounting staff for numerical accuracy and completeness. LAC staff was provided a specific example that it was the SCDA accounting staff that discovered and prevented a duplicate payment of an invoice. The two invoices you assert were without authorization were in fact verbally authorized by me before they were paid and have since then been initialed to confirm that authorization.

The concluding comments in this report present an inaccurate impression. You discuss planning for the Richland County site but do not discuss how the site was chosen, nor do you recognize that it was the responsibility of Richland County to secure the wholesale vendors. You imply that state funds were spent to settle a lawsuit, without recognizing that the suit was initiated by the County, and the funds were not spent on a settlement, but only for minimal defense costs.

There is no mention of the fiscal responsibility shown by this office in creating substantial savings to the State of over \$20 million as a result of the relocation to Lexington County. The omission of significant historical and financial facts permeates this report and paints a considerably inaccurate picture.

The conclusion of the report mentions the need for additional clarity in agreements with the private developer but has no previous reference in the body of the report. Thus, no comments can be provided to address what the specific concern is. However, it bears repeating that the language of the authorizing legislation S.1066 guided the specifics of the development agreement and that all decisions you reference were made in accordance with that authorization.

The allusion to 'often insufficient documentation' of SCDA accounting practices can only be described as a mis-characterization, being based solely on the lack of initials of the authorizing official being added to two documents shortly after granting verbal authorization to the SCDA Director of Administration.

The report concludes that 'it is unclear when the new site will be occupied'. It will be occupied when all of the many factors involved in this decision are best balanced, giving the highest priority to our farmers and wholesalers. Given that the initiative of a new State

Farmers Market has been a priority of the General Assembly for over ten years, a delay of two months seems immaterial.

I close using the same remarks with which I began this response. The omission of pertinent facts leads to stated or implied conclusions that are an inaccurate portrayal of the decision to relocate the State Farmers Market. That is unfortunate, given that the auditing process should be much more objective, thorough and accurate than other investigative means to provide transparency to South Carolinians concerning the stewardship of public resources and trust.

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