



OFFICE OF THE STATE AUDITOR

Performance Audit Division Update

Bond Monitoring Program Land, Water and Timber Resources #1, June 4, 2004

Mission

Section 69-46-1, Mississippi Code of 1972, Annotated, et. seq. established the Mississippi Land, Water and Timber Resources Act and created the Mississippi Land, Water and Timber Resources Board to assist the Mississippi agricultural industry in developing, marketing, manufacturing, producing and distributing agricultural products in 2000.

Governance

Powers and duties of the Board were established with the Executive Director of the Mississippi Development Authority (MDA) and the Mississippi Department of Agriculture and Commerce Commissioner (MDAC) serving as co-chairmen of the fourteen member board. The Board files an annual report with the Governor, Secretary of the Senate, and the Clerk of the House of Representatives not later than December 1 of each year.

The Screening/Finance Committee considers requests from grantees and makes recommendations to the Board regarding project requests.

The Board meets at least once quarterly to consider projects recommended for approval by the Steering/Finance Committee.

Upon approval of a project, the Board and the grantee enter into an agreement. MDA and the Board prepare closing documents and disburse funds on a reimbursement or service rendered basis. Should default occur, the Board may seek repayment under terms of the contract.

Grant and Loan Availability

The Board may provide funds to public and private entities through loans, grants, contracts and any other manner the Board determines appropriate for the purposes of carrying out the provisions of the Act. The project must demonstrate viability for success with the necessary experience and managerial expertise to justify the investment. In project selection, considerable weight is given by the board to assessing the extent to which a prospective project will either enable Mississippi businesses to develop and market new agricultural products or increase the value of existing ones.



Impact to Date

To date, the Mississippi Legislature has authorized the issuance of \$38,000,000 in general obligation bonds. Projects totaling \$25,077,058 have been approved creating over 900 new jobs in Mississippi. Additional projects totaling \$6,030,292 are in progress. Approximately \$7,000,000 remains.

Technical Support

Many projects require a significant investment by the State, both directly and indirectly. The more complicated the project, the greater the need for experts to advise the Board in their consideration of proposals.

Recent experience has shown that while the cost of hiring contractors with specific expertise may be high, the benefits received merit the expense incurred. Utilization of experts at the onset of projects allows for the addressing of problems and issues, and therefore, provides the Board with better information on which to base decisions.

Mississippi Beef Processors



Boning/Grinding

An example of problems encountered as a result of soliciting advice early in the process is the Mississippi Beef Processors (MBP) project. Initially, the project was awarded a grant in the amount of \$5,000,000 and a State guaranteed loan in the amount of \$21,000,000. Additional funds totaling approximately \$3.5 million dollars, along with an increase to \$34.5 million dollars in the State guaranteed loan, have been required to date in order to significantly improve the prospects for financial viability of the project. The Board increased funding to a guaranteed maximum cost of \$43,395,134.

Cost overruns led to the hiring of a consulting group charged with two major responsibilities. They were reviewing the project and determining the total cost to build a facility. In addition, the facility should meet the estimates given and comply with requirements of the targeted buyers of the product.

Office of the State Auditor - Monitoring

Additionally, a member of the Office of the State Auditor (OSA) staff is present at committee and board meetings to assist in the evaluation of proposed projects.

Monitoring of projects after approval is a vital part of assuring that projects approved under the Act are beneficial to Mississippi and are functioning in compliance with agreement terms. The absence of such monitoring could result in the loss of internal controls and a lack of contractual compliance.

The OSA, in cooperation with staff members of MDA, is involved in making periodic on-site visits to review activities of projects.

Funds for OSA Monitoring

In August, 2003, the State Auditor released a limited review of the Mississippi Land, Water and Timber Resources Act in which OSA offered to monitor projects authorized by the Board. In September, the Board at its regular meeting authorized the expenditure of previously appropriated funds to OSA for these purposes. The monies, made available in House Bill 1596, 2003 Regular Session, authorized OSA's reimbursement at actual costs.

The OSA will continue to monitor the MBP and other projects approved and funded by the Mississippi Land, Water and Timber Resources Board.