

Former SD Official Used Position to Increase Beef Plant Grant

DIRK LAMMERS, Associated Press

SIOUX FALLS, S.D. (AP) — Weeks after learning he was going to lose his job as South Dakota's Tourism and State Development secretary, Richard Benda was using his state position to help secure his future in the private sector, according to a state audit released Thursday.

Benda was on his way out the door in December 2010 when he tacked on an extra \$550,000 to a Future Fund grant agreement with the South Dakota Development Corporation to help the struggling [Northern Beef Packers](#) [1] plant, according to documents obtained by The Associated Press.

"Business development and job creation are infinitely important to each community and associated costs are at time difficult to precisely identify," Benda wrote in the amended agreement letter. "Therefore, in order to ensure the Northern Beef Packers project is completed as proposed, additional funds will be provided."

But the additional \$550,000 did little to help Northern Beef, which filed for Chapter 11 bankruptcy protection last year. Exactly \$550,000 from a separate \$1 million Future Fund check was improperly diverted to SDRC Inc. — Benda's new employer as of mid-January 2011 — to pay monitoring fees for the EB-5 investment-for-green-cards immigration program loans that were keeping the plant afloat, an investigation by Attorney General Marty Jackley found.

Benda that month hand-delivered the \$1 million Future Fund check to the Aberdeen plant, then asked for \$550,000 back to cover the loan monitoring fees, according to former Gov. Mike Rounds.

Rounds said Benda was a private employee at the time and the governor's office had no knowledge that Benda would be seeking loan fee payment when delivering the state funds. Northern Beef officials wrote a check for the loan monitoring fees out of their own account, the former governor said, and the question is whether the money could be spent at their discretion because they already paid for the construction receipts.

"Could they issue those checks back to Rich?" Rounds asked. "And I think the answer is, from all sources I've seen, is that Northern Beef does nothing wrong with paying that bill."

Benda was found dead Oct. 22 with a fatal shotgun wound. His death was ruled a suicide.

The Department of Legislative Audit report released Thursday found that Benda

Former SD Official Used Position to Increase Beef Plant Grant

Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

pped two Future Fund grant agreements with the South Dakota Development Corporation, with \$50,000 tacked onto a separate \$800,000 Northern Beef grant.

Tony Venhuizen, Daugaard's spokesman, said the agreements are grants to the nonprofit development corporation for the purpose of making loans to the beef plant. Northern Beef never actually received any extra money from Benda's authorizations. On Feb. 1, 2011, \$1.2 million of the \$2.05 million was given to Northern Beef, but \$850,000 was returned to the Future Fund in April 2012, he said.

"They never used the increase that he authorized," Venhuizen said.

Venhuizen said he didn't know what prompted the decision to return the funds.

The audit called the use of the \$550,000 for loan fees "a matter between private parties and consequently not within the scope of our audit," wrote Auditor General Martin Guindon. But the report did find a "material weakness in policies and procedures concerning potential conflict of interest" and suggested that the Governor's Office of Economic Development create a disclosure policy.

Rounds said he agrees with that recommendation. But he added that he didn't know that Benda was negotiating to work for SDRC and the development board, not the governor's office, signed off on the additional funds.

"It is a separate board, and it does not come through the governor's office," Rounds said.

Jackley said Thursday that the auditor general's findings are consistent with his investigation on both the voucher issue and the conduct surrounding the \$550,000 Future Fund grant. He commended Daugaard and economic development director Pat Costello in their efforts to strengthen the financial controls within the Governor's Office of Economic Development.

Jackley's investigation, which was first reported in November, also found that Benda had double-billed the state for three flights.

In October, Daugaard announced an investigation into possible financial misconduct before his administration. The news came a day after Benda's funeral.

SDRC is a privately held Aberdeen company that recruited foreign investors for the failed Northern Beef Packers plant and other ventures in the state. The Governor's Office of Economic Development for years contracted with SDRC to administer the federal EB-5 program, in which foreign investors can secure permanent residency for as little as \$500,000. South Dakota has since canceled the contract.

No charges have been filed, but a [federal investigation into the use of the EB-5 program in South Dakota is ongoing](#) [2].

Northern Beef opened on a limited basis in 2012 after years of delays, but the company filed for bankruptcy protection in July because it lacked money to buy

Former SD Official Used Position to Increase Beef Plant Grant

Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

cattle for slaughter.

San Francisco-based investment banking firm White Oak Global Advisors submitted the winning \$44.3 million credit-and-cash bid for the idled plant in December. The sale closing is pending court approval.

Source URL (retrieved on 02/01/2015 - 8:50am):

<http://www.foodmanufacturing.com/news/2014/02/former-sd-official-used-position-increase-beef-plant-grant>

Links:

[1] <http://www.foodmanufacturing.com/news/2013/12/investment-firm-wins-auction-sd-beef-plant>

[2] <http://www.foodmanufacturing.com/news/2013/11/some-eb-5-investments-transferred-northern-beef-packers>