



November 2011

MEMORANDUM FOR        THE FEDERAL CO-CHAIR

SUBJECT:                    Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, the Inspector General Reform Act of 2008, Public Law 110-409, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203. I am pleased to submit the Office of Inspector General's Semiannual Report to Congress.

This Semiannual Report to Congress summarizes the activities of our office for the 6-month period ending September 30, 2011. During this fiscal period, we issued six reports, followed-up on open recommendations, conducted a peer review of another Office of Inspector General, issued contacts for independent public accountants' audits of agency grants and addressed two hotline complaints.

Also during this period, the Inspector General and staff continued to serve as representatives on the Council of the Inspectors General on Integrity & Efficiency (CIGIE), the Federal Audit Executive Committee (FAEC), and the various Intergovernmental Audit Forums covering our jurisdictional region. The Inspector General accepted responsibility to coordinate and chair a smaller OIG group in order to address issues directly impacting these offices.

The current Inspector General (IG), who previously was the first IG at the Appalachian Regional Commission (ARC) (1989-2002), returned as Interim Inspector General in April 2011 pending a selection of a permanent IG at ARC.

The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, provides that this report be forward to appropriate Congressional committees within 30 days and that you provide whatever additional comments you consider appropriate.

I appreciate the Commission's cooperation with the Office of Inspector General in the conduct of our operations.

A handwritten signature in cursive script that reads "Hubert Sparks".

Hubert Sparks  
Inspector General

Enclosure

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## EXECUTIVE SUMMARY

ARC grant operations represent the most significant part of ARC's programs. For this reporting period our activities included the issuance of six reports, follow-up on significant recommendations in prior reports, addressing two hotline complaints, providing oversight of the annual financial statement audit and conducting a peer review of compliance with auditing standards by the Federal Labor Relations Authority OIG.

Two grant audits were issued during the period. One report recommended actions to assure that grant objectives were met with respect to investments in Appalachian distressed counties and evaluation of future requests for grants involving capital investments.

A performance audit dealing with ARC Performance Measures concluded that ARC was implementing GPRA provisions. Recommendations were directed at additional actions to improve reporting and utilization of assessment results. Two inspection reports on management of ARC approved projects for which other agencies have project administration and monitoring responsibilities involved numerous older projects for which no ARC disbursements were reported or were completed and subject to grant closing. Recommendations included: increased coordination and cooperation from the participating agencies, including timely follow-up to determine grant status, potential for closing, and potential de-obligation actions. In addition, we recommended guidance for ARC project managers with respect to monitoring these grants.

Prior recommendations on grant operations were generally implemented, including revision of a Grant Administration Manual that included frequently asked questions. Actions on some recommendations in the prior report on the ARC Grant Management System, such as full implementation of ARC Net, are continuing.

During the reporting period an interim Inspector General (IG), who was the first ARC-IG (1989-2002), was appointed to fill the position of the retiring IG pending Congressional and/or OMB decisions and implementing actions with respect to the IG related sections in Dodd-Frank Legislation that impacts the ARC in a particular manner.

Decisions and/or OMB guidance with respect to implementing certain sections of Dodd-Frank Legislation have not been issued. The primary issues are the designation of full Commissions/ Boards as Agency Heads at designated Federal Entities (DFEs), such as ARC, who's Commission, consists of primarily Non-Federal Officials and the status of Federal OIG staff, including the IG.

The IG accepted a Council of Inspectors General request to coordinate/chair a group of smaller OIGs to address issues that have particular impact on these offices.

**PURPOSE AND REQUIREMENTS OF THE  
OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT**

The Inspector General Act of 1978 requires the IG to keep the Federal Co-Chair and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the necessity for corrective action. In addition, the Act specifies that semiannual reports will be provided to the Federal Co-Chair by April 30 and October 31 and to Congress 30 days later.

The Federal Co-Chair may transmit comments to Congress along with the report but may not change any part of the report. The specific requirements prescribed in the Act, as amended (Public Law 100-504), are listed below.

Reporting Requirements

Section 4(a)(2)	Review of legislation and regulations	Page 9
Section 5(a)(1)	Problems, abuses, and deficiencies	Pages 6-7
Section 5(a)(2)	Recommendations with respect to problems, abuses, and deficiencies	Pages 6-7
Section 5(a)(3)	Prior significant recommendations not yet implemented	**
Section 5(a)(4)	Matters referred to pro-seductive authorities	Page 8
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	*
Section 5(a)(6)	Listing of audit reports showing number of reports and dollar value of questioned costs	App A
Section 5(a)(7)	Summary of each particularly significant report	**
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App B
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use and summary of management decisions	App C
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of the reporting period	*

Section 5(a)(11)	Significant revised management decisions	*
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	*
Section 5(a)(14)	Results of recent peer review	*
Section 5(a)(15)	Outstanding recommendations from any peer review	*
Section 5(a)(16)	List of peer reviews conducted and any outstanding recommendations	Page 7
Section 5(b)(3)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use and summary of management actions	App D

\* None.

\*\* See references to Sections 5(a)(1) and 5(a)(2) for discussion of significant reports (including recommendations).

## I. INTRODUCTION

The Inspector General Act Amendments of 1988, (Pub. L. No. 100-504) provides for the establishment of an Office of Inspector General (OIG) at 30 Designated Federal Entities (DFEs), including the ARC. The ARC OIG became operational on October 1, 1989, with the appointment of an IG and provision of budgetary authority for contracted audit and/or investigation activities.

## II. BACKGROUND

### A. APPALACHIAN REGIONAL COMMISSION

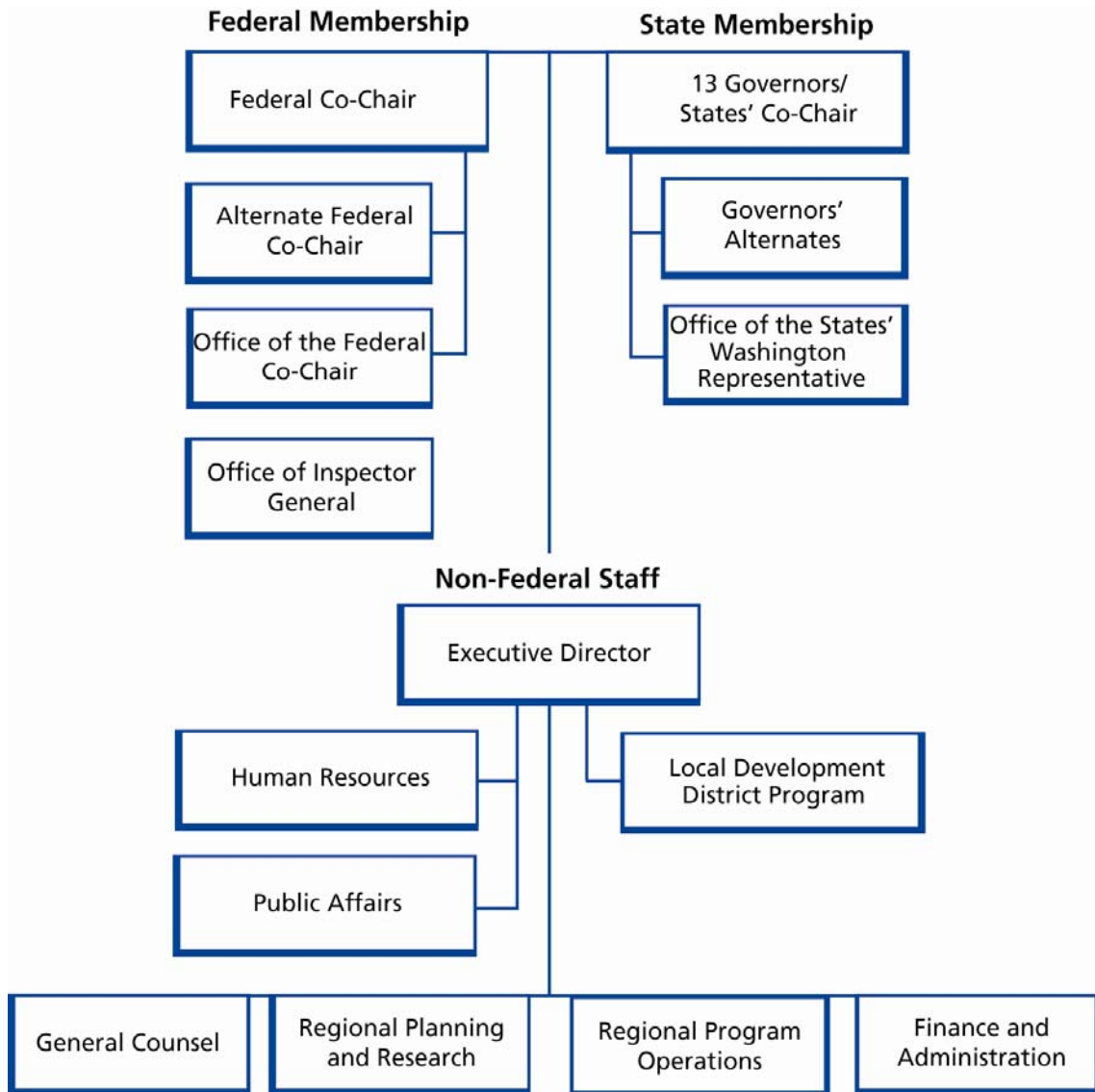
The Appalachian Regional Development Act of 1965, (Pub.L. No. 89-4) established the Appalachian Regional Commission. The Act authorizes a Federal/State partnership designed to promote long-term economic development on a coordinated regional basis in the 13 Appalachian States. The Commission represents a unique experiment in partnership among the Federal, State, and local levels of Government and between the public and private sectors. It is composed of the Governors of the 13 Appalachian States and a Federal representative who is appointed by the President. The Federal representative serves as the Federal Co-Chair with the Governors electing one of their numbers to serve as the States' Co-Chair.

- Through joint planning and development of regional priorities, ARC funds are used to assist and encourage other public and private resources to address Appalachia's unique needs. Program direction and policy are established by the Commission (ARC Code) with the vote of a majority of the State members and the affirmative vote of the Federal Co-Chair. Emphasis has been placed on highways, infrastructure development, business enterprise, energy, and human resources programs.
- Administratively, the Office of the Federal Co-Chair, with a staff of 8 and the Commission, with a staff of 45, is responsible for ARC operations. The Office of Inspector General has a staff of 3. All personnel are located in Washington, DC. The Commission staff's administrative expenses, including salaries, are funded jointly by Federal and State moneys. The Federal Office staff is funded entirely from Federal funds.
- The Commission's appropriation for FY 2011 was \$68.3 million. The office is currently operating under the government-wide continuing resolution. ARC was reauthorized in October 2008 through FY 2012. In addition, in March 2010 the Highway Trust Fund, under Section 1101 of the Safe, Accountable, Flexible, and Efficient Transportation

Equity Act: A Legacy for Users (SAFETEA-LU) received short-term funding through the end of Fiscal Year 2011. The funding provides for construction of the Appalachian Development Highway System which is under ARC's programmatic jurisdiction; provided for under Section 201 of the 1965 Appalachian Regional Development Act.

- ARC's non-ADHS funds are distributed to state and local entities in accordance with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff has responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and oversight.
- In order to avail itself of federal agency expertise and administrative capability in certain areas, ARC often relies on other departments and agencies for program administration, especially with respect to highways and infrastructure projects. For example, the Appalachian Regional Development Act authorizes the Secretary of Transportation to administer the Commission's highway programs, with the Commission retaining responsibility for priorities, highway locations, and fund allocations.

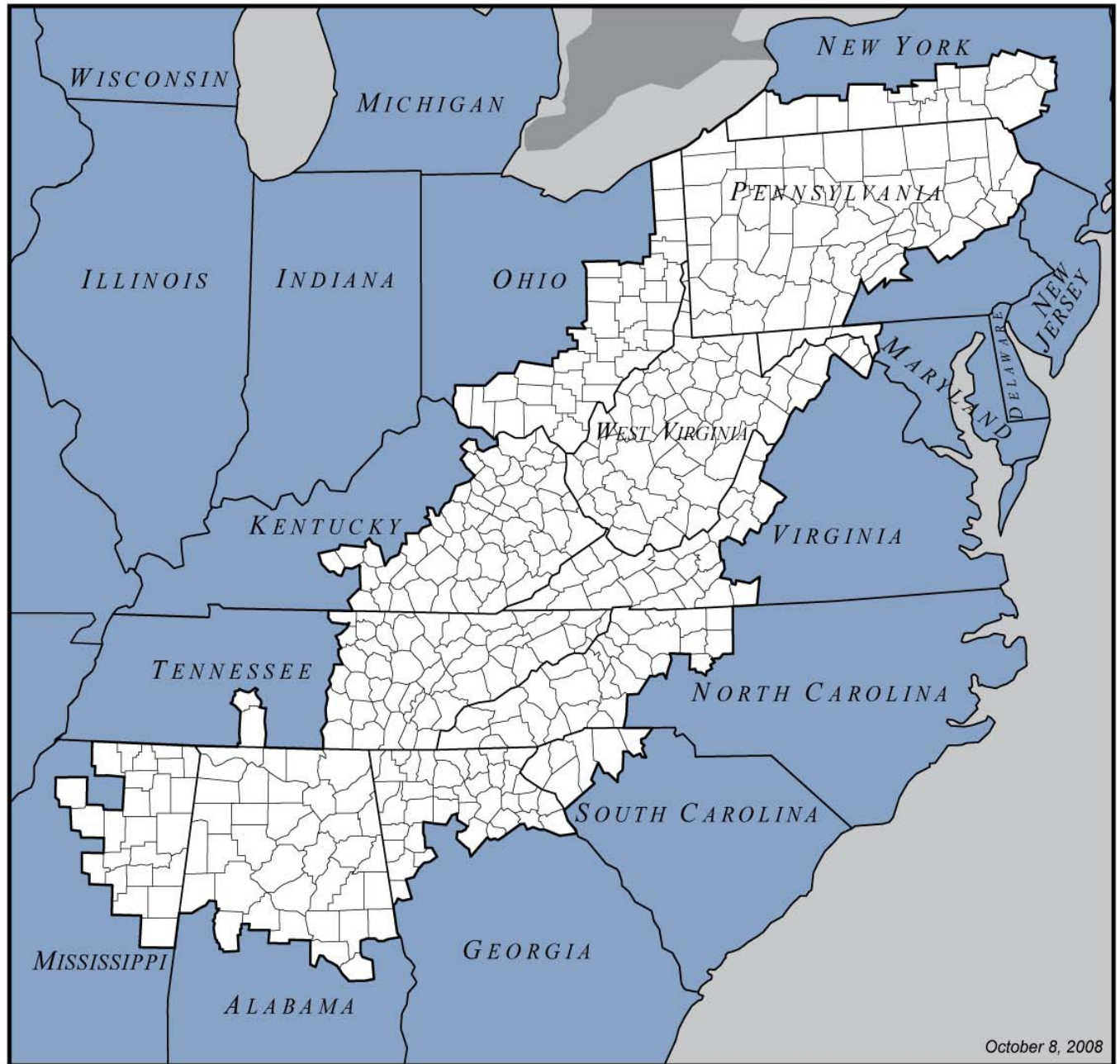
# ARC ORGANIZATION CHART







APPALACHIAN REGION



Appalachia, as defined in the legislation from which the Appalachian Regional Commission derives its authority, is a 205,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

## **B. OFFICE OF INSPECTOR GENERAL**

The ARC OIG is an independent Federal audit and investigative unit. An independent Federal Inspector General who reports directly to the Federal Co-Chair heads the OIG.

### **Role and Authority**

The Inspector General Act of 1978, (Pub.L. No. 95-452), as amended in 1988, states that the IG is responsible for (1) audits and investigations; (2) review of legislation; and (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, the program and operations of the establishment. In this regard, the IG is responsible for keeping the Agency Head and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The IG has authority to inquire into all ARC programs and activities that are federally funded. The inquiries may be in the form of audits, surveys, investigations, personnel security checks, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all levels of ARC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and employee conduct and (2) to recommend appropriate corrective actions.

### **Relationship to Other Principal ARC Offices**

The States' and Federal Co-Chairs, acting together as the Commission, establish policies for ARC's programs and its administration. These policies are provided under the ARC Code and implemented by the Commission staff, which is responsible for monitoring project performance and providing technical assistance as needed. The Federal Co-Chair, as the Federal fiscal officer, is responsible for the proper use and protection of Federal funds, for ensuring compliance with applicable Federal laws and regulations, and for taking appropriate action on conditions needing improvement, including those reported by the OIG. The operation of the OIG neither replaces established lines of operating authority nor eliminates the need for the Commission offices to take reasonable measures to protect and enhance the integrity and effectiveness of their operations. All Commission offices are responsible for monitoring and evaluating the programs entrusted to them and reporting information or incidences needing further audit and/or investigation to the IG.

### **Funding and Staffing**

The OIG funding level for FY 2011 is governed by the continuing budget resolutions. Our FY 2011 funding was \$635,000. Staffing consists of the Inspector General, an Assistant Inspector General for Audit, and a confidential assistant. Grant review activities continue to emphasize

use of contracted services (e.g., independent public accounting firms or other OIG offices) supplemented by programmatic and performance reviews directed by OIG staff. Investigative assistance is provided by other OIG offices on an as-needed basis through memoranda of understanding. This approach is deemed the most appropriate to date in view of the nature of ARC operations and limited resources.

In order to comply with Pub.L. No. 110-409, the Inspector General Reform Act of 2008, the OIG included funding for FY 2011 that includes reimbursement of other IGs for counsel, audit and investigative services via Memorandums of Understanding. Currently, we use the Department of Commerce OIG legal counsel and their audit staff to supplement our activities. We also use other OIG offices to provide investigative services.

Because of the small size of our OIG office, we have had to rely on the resources of other OIGs to complete some program activities. In line with legislation enacted to form more regional commissions, a recommendation was made for consolidating regional commission OIG offices into one organization or moving regional commission OIG offices to larger agencies that already have similar agency programs.

### III. OIG ACTIVITY

#### **A. Audits, Inspections, Evaluations and Reviews**

During the reporting period six reports were issued, including two audit reports and four inspection reports.

One audit report dealing with capital investments in Appalachia identified a need to assure that agreed to investments of \$200,000 in ARC grant funds were placed in ARC designated distressed areas. Also, we recommended that future grants of this type would include evaluations of management fees and relationships between non-profit and for profit entities prior to grant approval.

A performance inspection of ARC performance measures noted continuing progress in implementing GPRA requirements. Recommendations pertained to increased distribution and use of performance reports as a management tool, identification of performance measures for additional grantees, inclusion of updated performance results data into ARC Net and the PAR, and improved identification of program results in proportion to the direct effect of ARC's funding. Actions were generally initiated and additional actions are expected when guidance from OMB is received about reporting from projects with multi-agency funding.

Two inspection reports concerned grants administered by other agencies on behalf of ARC. By regulation, agencies with construction experience are required to administer these types of grants, i.e., basic agencies, after ARC has approved the grant and funding. In most cases the ARC funds are supplemented by funds from the assigned basic agency or from State and local funds.

In coordination with ARC's management's efforts to improve oversight of basic agency grants, we identified basic agency grants issued prior to FY 2009 for which no or limited ARC funds were expended or for which all funds were reported as disbursed. The review disclosed numerous grants approved between 2002 and 2008 for which no ARC funds were reported as disbursed. We also noted many grants, including 202 for which the Federal Highways Administration administers the grants, for which all funds were reported as expended between FY 1988 and FY 2008 but the grants remained open. We recommended follow-up with the basic agency to obtain the current status of the grants and to assist in making determinations of deobligating funds and closing the grants, as possible and necessary. In addition, we recommended that ARC define responsibilities for project managers to assure improved coordination with basic agencies, including periodic/timely notification of project results and the establishment of end dates for basic agency projects.

Two hotline complaints were addressed and others were referred to the appropriate office.

Follow-up actions on prior reports, including grant management systems and grant operations, disclosed that management actions were progressing on the audit recommendations. A payment to one grantee was reduced \$11,723 in line with a prior audit identification of grant implementation issues.

During the reporting period, contracts were finalized with two firms to perform audit services, including grant reviews.

#### **ARC Financial Statement Audit**

The most recent financial statement audit report was issued without disclaimer or qualification; this makes the second consecutive report issued with a clean audit opinion since adopting federal financial reporting rules in 2007. We are monitoring performance of the on-going Financial Statement Audit and anticipate report issuance on a timelier basis than previously noted.

#### **Peer Review**

Offices of the Inspectors General (OIGs) performing audits are required to perform (and undergo) reviews of other OIG offices every three years to ensure policies and/or procedural systems are in place that provide reasonable assurance of compliance with government auditing standards (GAS). ARC completed a peer review of the Federal Labor Relations Authority OIG and issued a report on its system of quality controls on June 9, 2011; there were no recommendations made to the Federal Labor Relations Authority OIG. In 2009, CIGIE issued new guidance for peer reviews and we have implemented changes to help ensure conformity with them.

The current audit peer review process, as legislatively mandated, assesses compliance with auditing standards but does not address issues impacting the efficiency and effectiveness of audit operations which comprises the largest segment of OIG offices.

The IG continues to recommend to the Council of Inspector General and Legislative Staff that OIG peer reviews be revised to incorporate assessments of key OIG operational elements such as: planning; timely reporting; staff development, including training, utilization and supervision; audit follow-up and inclusion of actual results in Semi-Annual and Annual OIG reports based on implementation of recommendations.

## **B. INVESTIGATIONS**

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; or abuse of authority. The OIG does not employ criminal investigators. When the need has arisen, the matter has been referred to the Federal Bureau of Investigation or assistance was contracted with another Federal OIG. Also, the results of investigations may be referred to the appropriate Federal, State, or local prospective authorities for action.

## **C. OTHER**

### **Smaller OIG Groups**

Smaller OIG offices have some significantly different operational concerns than larger OIG offices in trying to maintain effective and efficient oversight of agency programs. One challenge involves the significant human and capital resources being allocated to the ever growing number of mandated reviews.

The IG is the current coordinator/chair of this group that meets periodically to discuss such issues and recommends actions/best practices to facilitate smaller OIG operations.

### **Requests for Information**

Each year we receive and comply with requests for information from various governmental entities compiling statistics on OIG offices or their auditee agencies. CIGIE requests information for its annual OIG profile update and compilation of OIG statistics. The yearly compilation summarizes the results of audit and inspection activities for of all federal OIG offices.

Information provided concerns the dollar value of management decisions related to questioned costs and funds put to better use and OIG recommendations related to questioned costs. The House Committee on Oversight and Government Reform, also with some regularity, requests information concerning the number and type or status of our recommendations. We comply with information requests from other government regulatory bodies. For example, GAO requested us to provide information on implementation of the 2008 IG Act Amendments.

## **Appalachian Development Highway System (ADHS) Audits**

Since Fiscal Year 1999, ADHS has been funded by the Highway Trust Fund, which is administered in part by the U.S. Department of Transportation (DOT). ARC retains certain programmatic responsibilities, but the funding source is the Highway Trust Fund. Our office has reached an understanding with the DOT OIG regarding audit cognizance and has signed an MOU with the DOT OIG.

## **Implementation of OIG Reform Act**

The OIG has implemented all of the requirements of Pub.L. No. 110-409 the Inspector General Reform Act of 2008. A Memorandum of Agreement for Counsel Services is in place with the Department of Commerce OIG.

## **Going Green**

ARC management has implemented green measures within the organization's internal operations. Examples include a document scanning system that has been linked to ARC's e-mail system and an expansion of ARC net to include operational elements and ARC continues to encourage state partners to move to a paperless application process. Reduction in paper utilization can reduce cost, improve the timeliness of management decisions through better document storage and retrieval, and helps to reduce demands on our earth's ecological systems.

Our office, in alignment with management's initiative, is committed to "going green" and we continue to work toward that end. To date, our office has made substantial strides in working with contracted auditors and issuing reports electronically.

## **IV. REPORTING FRAUD, WASTE, AND ABUSE**

A region wide toll-free hotline was previously established to enable direct and confidential contact with the ARC OIG, in line with governmental and longstanding OIG initiatives as identified in the IG Act of 1978; to afford opportunities for identification of areas subject to fraud, waste, or abuse. Also, in accordance with the Inspector General Reform Act of 2008, the ARC OIG implemented another communication channel allowing anonymous reporting of fraud, waste or abuse via a link on our website's home page. The web link is, <http://ig.arc.gov/>.

## **V. LEGISLATIVE AND REGULATORY REVIEW**

The OIG continues to review and provide comment on legislation germane to the OIG and the OIG community. Our comments are provided to the CIGIE for incorporation with comments from all other OIGs.

### Reporting to Full Commission

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No.111-203) amended the Inspector General Act changing the entity head of ARC from the Federal Co-Chair to the Commission. The Office of Management & Budget (OMB) has not yet provided guidance on these changes through the required notice and publication of the List of Designated Federal Entities (DFEs) and Federal Entities which they are required to publish annually under the IG Act. This Act provides that the Inspector General report to the full Commission that includes the Federal Co-Chair and 13 Appalachian state Governors. ARC implementation of the Act could raise significant issues with respect to the Federal/Non Federal status of the OIG, authorities of Non-Federal Commissioners and OIG independence.

We believe ARC and other economic development Commissions are among the few DFEs that have a majority of non-Presidentially (or non-federal) appointed Commission members. Although the Dodd-Frank Legislation provides tenure protection to DFE IG's, a question remains as to whether some of the provisions were intended to apply to Commission's composed primarily of non-Federal, non-Presidentially appointed members. In addition to surfacing the issue of non-Federal appointees authority to employ IG's, whose primary responsibility is to oversight the use of Federal funds, the related issue of the federal v the non-federal status of the OIG Office, needs Congressional or OMB resolution.

We have recommended that DFE's having a majority of non-Presidential appointees as Commission or Board members be exempt from the OIG provisions in the Dodd-Frank Act, or if the Agency Head remains the full Commission that the OIG Office, including the IG and current Federal OIG Staff, remain Federal.

Pending resolution of this issue, the ARC Commission in accord with the IG's recommendation, has delayed consideration of implementing the ARC Code Amendments, revising Section 2.9 of the ARC Code that deals with OIG operations, until a later time or until the final effect of the Dodd-Frank bill has been settled, whichever occurs earlier.

**SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS**  
**ISSUED APRIL 1, 2011 TO SEPTEMBER 30, 2011**

Report No.	Report Title/Description	Program Dollars or Contract/Grant Amount*	Questioned/Unsupported Costs**	Funds to Better Use***
11-04	Kentucky Highlands Investment Corporation	\$500,000	\$200,000	
11-05	Older Basic Agency Grants with Fund Balances	\$15,841,552 *		
11-06	Older Agency Grant with no fund balances			
11-07	ARC Performance Measures			
11-08	Welch/Riverside Sewer Replacement	\$1,200,00		
11-09	J-1 Visa Waiver Program Alabama			
Total		\$17,541,552	\$200,000	

\* Older Grants recommended for follow-up to determine grant status and potential for closing and de-obligations.



SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS  
OF QUESTIONED OR UNSUPPORTED COSTS

	<u>No. of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision was made by the commencement of the reporting period	0	\$ 0	\$ 0
B. Which were issued during the reporting period	1	\$ 200,000	\$ 0
Subtotals (A + B)	1	\$ 200,000	\$ 0
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	1	\$ 200,000	\$ 0
(ii) dollar value of costs not disallowed	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period	0	\$ 0	\$ 0
E. Reports for which no management decision was made within 6 months of issuance	0	\$ 0	\$ 0

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS WITH  
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AND SUMMARY OF  
MANAGEMENT DECISIONS

	<u>No. of Reports</u>	<u>Dollar Value (\$ in thousands)</u>
A. For which no management decision was made by the commencement of the reporting period	0	\$ 0
B. Which were issued during the reporting period	0	\$ 0
Subtotals (A + B)	0	\$ 0
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management		
--based on proposed management action	0	\$ 0
--based on proposed legislative action	0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	\$ 0
D. For which no management decision has been made by the end of the reporting period	0	\$ 0
E. Reports for which no final management decision was made within 6 months of issuance	0	\$ 0

APPENDIX D

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS WITH  
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AND SUMMARY OF  
MANAGEMENT ACTIONS (\$ in thousands)

<u>OIG Audit Reports</u>	<u>Number of Reports</u>	<u>Amounts Recommended by OIG</u>	<u>Amounts Agreed to by Management (Disallowed)</u>
A. For which final action by management had not been taken by the commencement of the reporting period	0	\$ 0	\$ 0
B. On which management decisions were made during the reporting period	0	\$ 0	\$ 0
C. For which final action was taken by management during the reporting period	0	\$ 0	\$ 0
Dollar value of recommendations that were actually completed	0	\$ 0	\$ 0
(ii) the dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed	0	\$ 0	\$ 0
D. For which no final action had been taken by the end of the reporting period	0	\$ 0	\$ 0

**DEFINITIONS OF TERMS USED**

The following definitions apply to terms used in reporting audit statistics:

<b>Questioned Cost</b>	A cost which the Office of Inspector General (OIG) questioned because of an alleged violation of a provision of a law, regulation, contract, or other agreement or document governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.
<b>Unsupported Cost</b>	A cost which the OIG questioned because the cost was not supported by adequate documentation at the time of the audit.
<b>Disallowed Cost</b>	A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Commission.
<b>Funds Be Put To Better Use</b>	A recommendation made by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation.
<b>Management Decision</b>	Management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary. Interim decisions and actions are not considered final management decisions for the purpose of the tables in this report.
<b>Final Action</b>	The completion of all management actions that are described in a management decision with respect to audit findings and recommendations. If management concluded that no actions were necessary, final action occurs when a management decision is issued.

**THE OFFICE OF INSPECTOR GENERAL  
APPALACHIAN REGIONAL COMMISSION**

**serves American taxpayers  
by investigating reports of waste, fraud, or abuse  
involving Federal funds.**

**If you believe an activity is  
wasteful, fraudulent, or abusive of Federal funds,  
please call  
toll free 1-800-532-4611  
or (202) 884-7667 in the Washington metropolitan area**

**or write to:**

**Office of Inspector General  
Appalachian Regional Commission  
1666 Connecticut Avenue, NW, Rm. 700  
Washington, DC 20009-1068**

**Information can be provided anonymously.  
Federal Government employees are protected from reprisal,  
and anyone may have his or her identity held in confidence.**

**Cover photo courtesy of the U.S. National Park Service**

**Appalachian Regional Commission**

Office of Inspector General  
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Washington, DC 20009-1068

