



APPALACHIAN REGIONAL COMMISSION

INSPECTOR GENERAL'S

SEMIANNUAL REPORT

TO CONGRESS

OCTOBER 1, 1992 - MARCH 31, 1993



APPALACHIAN REGIONAL COMMISSION

OFFICE OF
INSPECTOR GENERAL
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Washington, D.C. 20235
202/673-7822

May 19, 1993

MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, I am pleased to submit the semiannual report of the Office of Inspector General for the period October 1, 1992, through March 31, 1993.

During this period, operational activities included issuance of 12 individual reports, including 11 grant reviews and 1 program survey. Primary recommendations were directed at improved accounting, financial systems, and internal controls. We also identified ARC actions with respect to issues previously raised by OIG, including timely use of funds and the large number of old grants that were not closed, and noted substantial accomplishments in both of these areas.

Of particular significance was the continuing responsibilities of the Inspector General as the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE), which was established by Executive Order in May 1992 to provide for coordination and cooperation between the 33 designated Office of Inspectors General. This responsibility included participating as a member of the President's Council on Integrity and Efficiency and required extensive coordination and liaison between OIGs, OMB, and Congressional sources with respect to OIG activities. The Inspector General appreciates the support, cooperation, and assistance provided by ARC management to facilitate performance of ECIE Vice Chair responsibilities.

The Inspector General participated as a member of the PCIE Task Force on Single Audit, which recently issued a draft report for comment that contained recommendations for improved single audit work; addressed several seminars on OIG related issues; and led three ECIE peer review teams during this reporting period.

The continued support of the Office of Inspector General by ARC management and utilization of OIG reports and recommendations have contributed to improved controls and operations. The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, provides that this report be forwarded to appropriate Congressional committees within 30 days and that you provide whatever additional comments you consider appropriate.



Hubert N. Sparks
Inspector General

Enclosure

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EXECUTIVE SUMMARY

During this reporting period, 12 reports were issued, including 11 grant reviews and 1 program survey. Primary recommendations were directed at improved accounting, financial systems, and internal controls. We also identified ARC actions with respect to issues previously raised by OIG, including timely use of funds and the large number of old grants that were not closed, and noted substantial accomplishments in both these areas.

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

The Inspector General Act of 1978 requires the Inspector General to keep the Federal Co-Chairman 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 Chairman by April 30 and October 31 and to Congress 30 days later.

The Co-Chairman 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 7
Section 5(a)(1)	Significant problems, abuses, and deficiencies	Page 3
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	Page 3
Section 5(a)(3)	Prior significant recommendations not yet implemented	*
Section 5(a)(4)	Matters referred to prosecutive authorities	*
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	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

* None.

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

I. INTRODUCTION

The Inspector General Act Amendments of 1988 (P.L. 100-504) provided for the establishment of an Office of Inspector General at 34 designated Federal entities, including the ARC. The Appalachian Regional Commission (ARC) Office of Inspector General became operational on October 1, 1989, with the appointment of an Inspector General and provision of budgetary authority for contracted audit and/or investigation activities.

II. BACKGROUND

A. APPALACHIAN REGIONAL COMMISSION

The ARC was established by the Appalachian Regional Development Act of 1965 (P.L. 89-4). 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-Chairman with the Governors electing one of their number to serve as the States' Co-Chairman.

- o 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 is established by the Commission (ARC Code) by the vote of a majority of the State members and the affirmative vote of the Federal Co-Chairman. Emphasis has been placed on highways, infrastructure development, business enterprise, and human resources programs.
- o Administratively, the Office of the Federal Co-Chairman, with a staff of 11, and the Commission, with a staff of 55, are responsible for ARC operations. The States maintain an Office of States' Representative (3 persons) that has primarily liaison responsibilities. All personnel are located in Washington, DC. The Commission staff's administrative expenses, including salaries, are funded jointly by Federal and State funds; the States' Representative staff is funded entirely by the States; and the Federal Office staff is funded entirely from Federal funds.
- o The Commission's appropriation for FY 1993 is \$190 million, which is divided approximately \$130.8 million for highway projects, \$55.8 million for non-highway projects, and \$3.4 million for administrative expenses. ARC is authorized through a current appropriation.
- o Program funds are distributed to State and local entities in line with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff have responsibilities for program development, policy analysis and

review, grant development, technical assistance to States, and management and oversight.

- o In order to avail itself of Federal agency expertise and administrative capability in certain areas, the 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. Under this arrangement, the Commission retains responsibility for priorities, highway locations, and fund allocations.

B. OFFICE OF INSPECTOR GENERAL

The ARC Office of Inspector General is an independent audit and investigation unit. The OIG is headed by an Inspector General who reports directly to the Federal Co-Chairman.

Role and Authority

The Inspector General Act of 1978 (P.L. 95-452), as amended in 1988, states that the Inspector General 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 Inspector General is responsible for keeping the Federal Co-Chairman and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The Inspector General 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 the Federal Co-Chairman, acting together as the Commission, establish policies for ARC's programs and its administration. These policies are codified in 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-Chairman, 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 operations of the OIG neither replace established lines of operating authority nor eliminate 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 Inspector General.

Funding and Staffing

The OIG Funding level for FY 1992 was \$380,000. For FY 1992, approximately 31 percent was expended for contract audit services; 52 percent, for salaries and benefits; 7 percent, for travel; and 10 percent, for all other activities (training, equipment, space, supplies, etc.). The OIG funding level represents about 35 percent of the total funds available to the Office of the Federal Co-Chairman. FY 1993 funding for OIG is \$380,000, with the division of expenditures continuing at the approximate percentages as noted for FY 1992.

Initial OIG operations included authorization for an Inspector General and a Confidential Assistant. A senior auditor was employed in the latter half of FY 1991; no additional staff have been employed. Grant review activities will 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. This approach has been deemed the most appropriate to date in view of the nature of ARC operations. However, with the initiation of an OIG nationwide Hotline, a need for increased investigative resources and assistance may develop. The OIG will monitor this situation as well as the efficiency and effectiveness of the use of contracted services.

III. OIG ACTIVITY

A. AUDITS

During the reporting period, twelve reports were issued, including eleven grant reviews and one program survey report. Five grant reviews were in process at the end of the reporting period, and followup action to resolve open recommendations was being emphasized. The division of OIG resources results in audit work being performed by a combination of permanent and contractor staff. Emphasis continues to be placed on surveys of ARC operations and programs, completion of grant audits, audit planning, and audit resolution and followup. During the reporting period, the Inspector General continued to participate on a PCIE study of single audit; and a draft report containing recommendations for improving single audit was issued by PCIE for general comment. As Vice Chair of the Executive Council on Integrity and Efficiency (ECIE), which is comprised of 34 statutorily designated Office of Inspectors General and nonstatutory Inspectors General, the Inspector General was heavily involved with efforts to ensure implementation of ECIE responsibilities for effective and efficient OIG operations.

During the term of the OIG operations at ARC, various recommendations, based on audit testing, have been made to ARC management with respect to improving program operations in such areas as accountability, fund obligations and deobligations based on project activity, addressing old and inactive grants, and implementation of cost principles including travel regulations.

OIG followup tests and reviews of statistical information have reflected positive ARC actions to address these issues and resulting improvements in program operations. For example, the number of open grants have been substantially reduced based on targeted review of old grants and coordination with other agencies administering ARC grants to obtain updated status reports and information. Timely use of funds has been emphasized; and the number of funded projects,

including business development revolving loan funds with large unobligated balances has been substantially reduced. ARC conferences, training, and seminars have emphasized accountability, financial management systems, and allowable costs. For example, upcoming training directed at Local Development District (LDD) officials and financial managers will emphasize cost allocation plans, use of financial information, use of audit reports, and applicable cost principles. These activities, while sponsored by ARC, provide a Governmentwide benefit since many of the grantees receiving ARC funds also receive substantial funds from other Federal entities. Thus, actions to improve ARC grantee operations, including controls, systems, and implementation of applicable grant requirements, will have residual benefits.

The ARC OIG will continue to address these issues, including periodic followup on the extent of actions initiated and results obtained, and, as noted below, will report on issues needing continued attention.

- o A survey was conducted to determine the extent of physician and provider compliance with provisions of an ARC-administered program intended to facilitate placement of foreign physicians in Appalachian areas designated as a Health Profession Shortage Area by the United States Public Health Service. Our contacts with 18 physicians and 8 employers generally reflected support for and compliance with program objectives and provisions. We recommended program improvements including clarification of eligible work areas and type of care to be provided, feedback to ARC on problem situations, and appropriate or possible actions when noncompliance is identified.
- o Grant reviews identified several issues that will require grantee and continuing ARC action to ensure consistent implementation and/or interpretation of grant provisions and ARC policies and procedures. These issues included:
 - Clarification of requirements with respect to submission of progress reports noted in grant agreements. We noted continued instances of quarterly and/or final reports not being submitted or not submitted timely and grantee explanations that grant requirements are unrealistic and/or verbal approvals for changed reporting were obtained from ARC. Timely reporting to provide necessary information and documentation of reporting waivers was recommended.
 - Internal controls and accounting systems relative to ensuring match requirements are met, especially in cases where grantees use subrecipients who have matching requirements, need to be emphasized. We noted that grantees accepted unverified subrecipient information about the extent of matching contributions.
 - Clarification of requirements and implementation of procedures with respect to cost allocation and indirect cost rates was recommended in several grant reviews. We noted that indirect costs were not always charged in accordance with approved rates and that the inclusion of indirect costs in grantee budget submissions was not always consistent with ARC procedures identifying entities eligible for indirect costs.

--Several reviews disclosed that Federal Travel Regulations were not always followed and ARC emphasis, including reference to applicable travel regulations in contract and grant agreements or supplemental provisions, is necessary.

- o A program issue relating to ARC funding, or partial funding, of statewide studies or reports by states where the Appalachian region encompasses only a part of the state was noted in two grant reviews as was the need for identifying and accounting for expenditures that could be related to the ARC program. This issue will be followed up with ARC officials.
- o In one instance, we questioned costs approximating \$26,897 with respect to costs included in the indirect cost pool, including building use and equipment charges. The primary issue involves the arm's length provisions and appearances when grantees establish or participate in entities whose primary functions are directly related to obtaining and financing space for use by the grantee organization. We did not pursue this issue at other ARC grantees since the US Department of Commerce Office of Inspector General has an ongoing review of this area at Economic Development Districts, which in many cases are similar to ARC LDDs.
- o Followup is continuing to reach audit resolution with respect to a prior audit that questioned substantial costs due to insufficient documentation to support matching costs, program income, indirect costs, travel, and activities that did not appear consistent with the achievement of grant objectives. The grantee has made substantial efforts to obtain necessary information or explanations, and we expect resolution during the forthcoming reporting period.

B. INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the Inspector General may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations or mismanagement, gross waste of funds, or abuse of authority. The OIG does not employ special investigators. Should the need arise, the matter would be referred to the Federal Bureau of Investigation or assistance would be contracted with another Federal Office of Inspector General. The results of investigations may be referred to the appropriate Federal, state, or local prosecutive authorities for action.

There were no independent ARC OIG investigations during this period, but a planned grant audit was coordinated with an ongoing investigation by a state agency. However, with the initiation of an OIG Hotline and notification to grantees and other interested parties, as well as the Presidential initiative dealing with reinventing Government and inviting public comment through OIG Hotlines, it is anticipated that the OIG investigation workload will increase. In this regard, several citizens' concerns have been received by ARC officials in the past two months and turned over to the ARC OIG for followup.

IV. AUDIT PLANNING

Emphasis, in the second half of FY 1993, will be placed on audit followup to determine the extent to which specific report recommendations are addressed and to assess actions completed or necessary with respect to overall issues or causes resulting from individual reports. During the remainder of FY 1993, audit work will also include individual grant audits in about five states; headquarters surveys, and followup testing in areas such as staff monitoring and followup on open grants with completed budget periods, administrative expenses, grant extensions, and enterprise development programs.

Also, emphasis will continue to be placed on programmatic and performance reviews. Limited resources generally preclude substantive testing of a specific subject or function, but audit planning includes identification of program subjects that can be tested in conjunction with audits of individual grants. For example, the survey of the J-1 waiver program, which assists the placement of physicians in Appalachia, was conducted by inclusion of visits to providers and physicians located in areas close to individual grantee operations. This type of review provides expanded and overall information with respect to a particular subject, and the benefits to management are deemed sufficient to continue this type of work despite a resource induced reduction in the number of individual grant audits and/or the testing of financial and compliance issues.

In a similar vein, Government emphasis on accountability and performance measures will be incorporated in audit planning. Audit effort during the initial years of ARC OIG operations has concentrated on financial management, including use of funds, and testing grantee compliance with grant requirements, including fund control and expenditure. While financial and compliance testing will continue, it is anticipated that testing and evaluation of performance in terms of individual grants achieving intended objectives and overall benefits derived from ARC activities will be the subject of increased audit attention.

In order to maximize use of available resources directed at reviewing ARC activities, increased emphasis has been placed on nonstandard reporting formats including memorandum, letter, and survey reports. Although such reporting formats reduce the time and resources necessary for review completion, the results and information included in such reports is based on evidence and supporting documentation consistent with generally accepted auditing standards.

The OIG will also be alert for new or revised areas of ARC operations based on the priorities and emphasis of a new administration. Audit planning will include consideration of such initiatives with the overall goal being to ensure coverage of high priority, including high dollar, areas in order to assist management fulfill responsibilities for effective and efficient program operations.

V. OIG HOTLINE

During the reporting period, a regionwide toll-free Hotline was 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. Additionally, and possibly as a result of Government initiatives with respect to reinventing Government, ARC officials have received several inquiries from concerned citizens; and the OIG is following up on these concerns.

VI. LEGISLATIVE AND REGULATORY REVIEW

Primary efforts in this area were related to requests for input about potential legislative initiatives with respect to OIG operations. The ARC OIG supports legislation that would provide improved protections for IGs, including designated and career IGs by consideration of alternatives such as removal for cause criteria and term limits. Also, the ARC OIG supports extension of the Program Civil Fraud Penalties Act to include designated entities, improved protection of designated IG budgets, comparable pay for designated IGs, and criteria consistent with current qualification requirements for Presidentially appointed IGs.

VII. OTHER

The Inspector General was selected as the Vice Chair of the Executive Council on Integrity and Efficiency, which was established by Executive Order in May 1992. The ECIE, which is chaired by OMB, is comprised of the 33 statutorily designated IGs and other administratively established IGs and is intended to promote the efficiency and effectiveness of the IG community. As such, the Vice Chair serves as a coordinator and liaison for ECIE members in dealings with OMB, Congress, and the PCIE.

Specific activities, which required considerable resource use during the reporting period, included coordinating monthly ECIE meetings, conducting committee meetings, transmitting IG related information to all members, correlating and summarizing ECIE positions on various issues, representing ECIE members' interests, briefing OMB and Congressional staff, and representing ECIE at PCIE meetings. During the reporting period, the ECIE, in conjunction with OMB, issued a document titled "Inspectors General in Designated Federal Entities: Key Statutory Provisions and Implementing Guidance," which summarizes OIG responsibilities and identifies some of best practices to ensure a positive relationship between OIG and entity management. Subjects covered include: selection and appointment; removal or transfer; general supervision by the entity head; personnel, procurement, and logistical support; budget formulation and execution; audits and investigations; legislation and regulatory reviews; and IG access to agency records.

Another important ECIE function during this period was the drafting of an annual report highlighting ECIE activities and accomplishments. This activity required extensive coordination with ECIE members in order to address issues of importance or concern to various ECIE members.

The ECIE Vice Chair responsibilities and workload, although considered of the highest importance by the ARC OIG, required a substantial expenditure of time and resources in order to address member issues and ensure ECIE actions in line with the Executive Order. The normal workload attributable to coordinating and addressing interests and concerns of member entities

was increased by the inherent activity and concerns resulting from a change in Administration. Consequently, ARC OIG time was diffused between ECIE and ARC activities during this reporting period; and the OIG appreciates the support of ARC management with respect to the IG's involvement as the ECIE Vice Chair.

The Inspector General continues to serve on the PCIE Task Force on Single Audit which recently issued its draft report and recommendations for comment. The draft report highlights new and revised single audit policy and procedures that should ensure improved and more meaningful single audit reports. The Inspector General made presentations at several seminars with respect to the study. Of particular importance to the ARC OIG were issues relating to single audit coverage of nonmajor programs; the adequacy of audit coverage, especially the sufficiency of testing relating to compliance with laws and regulations; and presentation of results in formats and language understandable to the report recipients and the public. The recommendations of the task force, if adopted, should substantially improve the single audit process and better identify the realistic expectations of single audit, which in turn could reduce the criticisms of single audit especially with respect to providing Federal managers with information needed in connection with their program and oversight responsibilities.

The Inspector General led three ECIE external quality review (peer review) teams during this reporting period in line with requirements for performance of such reviews by all ECIE members. These reviews emphasized compliance with generally accepted auditing standards.

SCHEDULE OF REPORTS ISSUED OCTOBER 1, 1992 TO MARCH 31, 1993

Report No.	Title	Program Dollars or Contract/Grant Amount	Questioned Costs*	Funds to Better Use**
92-8(H)	Bolivar Central School District	\$ 20,536		
93-1(H)	Tennessee Consolidated Technical Assistance	427,848		
93-2(H)	Kentucky Coal Marketing and Export Council	75,000	\$ 1,252	
93-3(H)	Workplace Literacy Program--Southern Tier West Region, Appalachian New York	130,000		
93-4(H)	West Virginia Consolidated Technical Assistance	250,000		
93-5(H)	Northern Tier Regional Planning and Development Commission	1,012,500	26,897	
93-6(H)	Kentucky Consolidated Technical Assistance	809,360		
93-7(H)	J-1 Waiver Program			
93-8(H)	North Carolina Consolidated Technical Assistance	1,050,000		
93-1(G)	Workplace Literacy Program--Southern Tier East Region, Appalachian New York	130,000	514	
93-2(G)	Workplace Literacy Program--Southern Tier Central Region, Appalachian New York	130,000		
93-3(G)	Kentucky Housing Corporation	1,230,264		
TOTALS		\$3,388,015	\$ 28,663 ^{1/}	

* A cost the Office of Inspector General has questioned because of an alleged violation of law, regulation, contract, or other agreements 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.

** Funds the Office of Inspector General has identified in an audit recommendation that could be used more efficiently by reducing outlays, decobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures, such as timely use of funds.

^{1/} Additional costs of about \$247,000 were questioned during audits but were resolved upon issuance of the final report.

**SCHEDULE OF AUDIT REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	No. of Reports*	Dollar Value (\$ in thousands)
A. For which no management decision was made by the commencement of the reporting period	1	\$ 175
B. Which were issued during the reporting period	0	<u>\$ 0</u>
Subtotals (A + B)	1	\$ 175
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	-	-
--based on proposed legislative action	-	-
(ii) dollar value of recommendations that were not agreed to by management	-	-
D. For which no management decision has been made by the end of the reporting period	1	\$ 175 ^{1/}
E. Reports for which no management decision was made within 6 months of issuance	0	0

^{1/} Represents inactive funds in a revolving loan fund. ARC revised procedures to permit deobligation of funds after 3 years, and discussions with agency management continue with respect to voluntary deobligation prior to 3 years where activity is limited.

**SCHEDULE OF AUDIT REPORTS WITH
QUESTIONED OR UNSUPPORTED COSTS**

(\$ in thousands)

	<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	1	\$ 396	-
B. Which were issued during the reporting period	3	\$ 28	-
Subtotals (A + B)	4	\$ 424	-
C. For which a management decision was made during the reporting period	2	\$ 2	-
(i) dollar value of disallowed costs	-	-	-
(ii) dollar value of costs not disallowed	2	\$ 2	-
D. For which no management decision has been made by the end of the reporting period	2	\$ 422	- ^{1/}
E. Reports for which no management decision was made within 6 months of issuance	1	\$ 396	- ^{1/}

^{1/} Includes one report, involving \$396,000, where a management decision was made to pursue the audit recommendations; but final management decisions on disallowances cannot be finalized until review of additional documentation and negotiations between ARC and grantee are completed.

DEFINITIONS OF TERMS USED

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

Questioned Cost	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.
Unsupported Cost	A cost which the OIG questioned because the cost was not supported by adequate documentation at the time of the audit.
Disallowed Cost	A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Commission.
Funds Be Put To Better Use	A recommendation made by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation.
Management Decision	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.
Final Action	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) 673-5319 in the Washington metropolitan area

or write to:

Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW, Rm 215
Washington, DC 20235

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

