

APPALACHIAN REGIONAL COMMISSION

INSPECTOR GENERAL'S

SEMIANNUAL REPORT

TO CONGRESS

OCTOBER 1, 1998 - MARCH 31, 1999



June 2, 1999

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 (OIG) for the period October 1, 1998, through March 31, 1999.


During this reporting period, 15 reports were issued, including 12 individual grant reviews, a followup report dealing with expired grants, and 2 J-1 Visa Waiver compliance reviews. At the end of the reporting period, 7 grant reviews were in process. Recommendations in grant reviews were directed at improved accounting and financial systems and controls, including eligibility of expenditures and identification and support for matching contributions. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to deobligate about \$4.7 million for 88 projects during the reporting period, which included about \$367,000 applicable to cases noted in prior OIG reports.

Significant reviews included a periodic followup of controls over grants with expired performance periods. This review disclosed that ARC has continued aggressive efforts to ensure timely action on expired grants. This review identified an additional 35 grants with expired performance periods that were subject to further followup and action with respect to balances approximating \$1.3 million and 12 older grants with balances approximating \$700,000. Action was initiated to followup on these projects.

A review of the J-1 Visa Waiver program disclosed a need for actions to ensure that physicians sponsored by a health care provider in New York state were practicing in accordance with program requirements as respects practice location and type of medical services provided.

The Development District Association of Appalachia, in coordination with ARC, conducted a second financial management teleconference directed at program and financial managers throughout Appalachia. The teleconference, which attracted about 1,000 attendees, emphasized changes to the Single Audit Act and key cost principles. Also, during this reporting period, ARC completed a Grant Administration Manual for inclusion with each new grant award. The manual, which addresses frequently asked questions about grant administration and requirements, was a collaborative effort between ARC staff, General Counsel, and OIG. Grant administration was also enhanced by development of a Project Summary Report that will improve the tracking of open projects.

The continued support of the OIG 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

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary	ii
Purpose and Requirements of the OIG Semiannual Report	iii
I. Introduction	1
II. Background	1
Appalachian Regional Commission	1
Office of Inspector General	2
III. OIG Activity	3
Audits	3
Investigations	5
IV. Audit Planning	5
V. OIG Hotline	6
VI. Legislative & Regulatory Review	6
VII. Other	6
Appendices	
A. Schedule of Audit Reports Issued October 1, 1998, through March 31, 1999	
B. Schedule of Reports with Questioned or Unsupported Costs	
C. Schedule of Reports with Recommendations that Funds be put to Better Use	
D. Definition of Terms Used	

EXECUTIVE SUMMARY

During this reporting period, 15 reports were issued, including 12 individual grant reviews, a followup report dealing with expired grants, and 2 J-1 visa waiver compliance reviews. At the end of the reporting period, 7 grant reviews were in process. Recommendations in grant reviews were directed at improved accounting and financial systems and controls, including eligibility of expenditures and identification and support for matching contributions. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to close out 293 projects and deobligate about \$4.7 million during the reporting period.

Significant reviews included a periodic followup of controls over grants with expired performance periods. This review disclosed that ARC's continued aggressive actions had resulted in deobligations approximating \$367,000 on grants noted in prior reports. Also, the review identified an additional 35 grants with expired performance periods that were subject to further followup and action with respect to balances approximating \$1.3 million and 12 older grants with remaining balances approximating \$700,000. Additional deobligations exceeding \$74,000 were finalized prior to March 31, 1999.

We continued to work with first-time and smaller grantees with respect to the implementation of practical accounting and financial systems and controls sufficient to ensure compliance with grant agreements, identification of eligible costs, maintenance of records, and preparation of reports. Primary areas in need of improvement with respect to grantee financial operations included identification and support of matching contributions and program expenditures.

During this reporting period, our field surveys of the J-1 Visa Waiver program disclosed a need to ensure that one health care provider in New York state was utilizing participating physicians in accordance with program requirements with respect to types of medical services being provided and physician locations.

The Development District Association of Appalachia, in coordination with ARC and OIG, conducted a second financial management teleconference directed at program and financial managers throughout Appalachia. The teleconference, which attracted about 1,000 attendees, emphasized changes to the Single Audit Act and key cost principles. Also, during the reporting period, ARC completed a Grant Administration Manual for inclusion with each new grant award. The manual, which addresses frequently asked questions about grant administration and requirements, was a collaborative effort between ARC staff, General Counsel, and OIG. Grant administration was also enhanced by development of a project summary report that will improve the tracking of open projects.

**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-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 Co-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 6
Section 5(a)(1)	Problems, abuses, and deficiencies	Page 3
Section 5(a)(2)	Recommendations with respect to 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 (OIG) at 30 designated Federal entities, 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 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.

- 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) 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.
- Administratively, the Office of the Federal Co-Chairman, with a staff of 10, and the Commission, with a staff of 51, 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.
- The Commission's appropriation for FY 1999 is \$66.4 million, which is divided approximately \$62.4 million for non-highway projects and \$4 million for administrative expenses. ARC was fully reauthorized by Congress for the first time since 1982. Also, the Department of Transportation and Related Agencies Appropriation Act for Fiscal Year 1998 (Public Law 105-66) appropriated \$300 million in FY 1999 for carrying out the provisions of section 1069(y) of Public Law 102-240 relating to the construction of, and improvements to, corridors of the Appalachian Development Highway System (ADHS). The funding will be distributed among the states with unfinished ADHS segments as determined by ARC.
- 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.

- 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 OIG 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 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 Federal Co-Chairman 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 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 IG.

Funding and Staffing

The OIG funding level for FY 1999 is \$438,000. For FY 1999, approximately 27 percent will be expended for contract audit services; 57 percent, for salaries and benefits; 8 percent, for travel; and 8 percent, for all other activities (training, equipment, space, supplies, etc.). The OIG funding level represents about .65 percent of the total funds available to the Commission for non-highway projects.

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 and limited resources. However, we would welcome initiatives that would facilitate sharing of investigative resources in order to strengthen this aspect of OIG operations.

III. OIG ACTIVITY

A. AUDITS

During the reporting period, 15 reports were issued, including 12 individual reviews, 1 program followup survey, and 2 J-1 Visa Waiver compliance reviews. At the end of the reporting period, 7 grant reviews were in process. 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 term of the OIG operations at ARC, various recommendations, based on audit testing, have been made to ARC management with respect to improving operations in such areas as accountability, financial management, fund obligations and deobligations based on project activity, implementation of cost principles, and audit followup. Programmatic issues, with respect to grant administration, project results, and internal control systems, have been addressed.

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, timely use of funds and project closings continue to be emphasized; and the number of funded projects with large unobligated balances has been substantially reduced. ARC conferences, training, and seminars continue to emphasize accountability, financial management systems, and allowable costs. Additionally, ongoing ARC actions, such as revisions of accounting systems and service agreements; strategic planning, including assessment of appropriate internal and external performance measures; and issuance of revised policies and procedures and guidance to grantees, are in line with OIG recommendations and executive and legislative initiatives to improve Government operations.

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.

- A periodic followup review of controls over contracts/grants with expired performance periods identified a rapidly declining universe of grants in this category. Actions included grant closings and deobligations of funds for use on other projects and extensions of performance periods.

For example, during this reporting period, deobligations of \$367,457 were initiated on grants included in our prior report. Our review identified 35 additional grants with balances of approximately \$1.3 million for which performance periods had expired prior to October 1, 1998, and for which additional followup action was appropriate; 12 older open grants with

remaining balances of \$718,644 were also identified for additional followup. Followup actions initiated by ARC included a review of the status of each grant; followup letters to grantees; establishment of deadline dates for grantee reporting; and closing actions, including deobligation of about \$74,000 prior to the end of the reporting period.

- ARC actions during the reporting period resulted in 293 project closeouts, including 88 projects with deobligations of \$4,673,019. This included closeout of the Georgia ARC Housing Project that resulted in deobligation of \$510,877 and the reallocation of funds to Georgia for use on other priority projects.
- During this period, we performed compliance visits in connection with the J-1 Visa Waiver program in two states. ARC participates as a Federal entity sponsor to assist Appalachian Region communities in providing health care services to medically underserved areas. The program provides a waiver of the requirement for a foreign physician to return to his/her home country after completion of medical training in the United States. Our tests disclosed that, although participating physicians were generally complying with program requirements to provide 40 hours of primary care per week in medical professional shortage or underserved areas, some physicians employed by one sponsor were not working at approved locations and/or were not performing primary care services in line with program requirements. We attributed this situation primarily to excess physicians in relation to the available workload at intended locations. Recommendations were directed at ensuring compliance with program requirements, and a followup review will be conducted to ensure implementation of the recommendations.
- Continued emphasis was placed on testing first-time program participants in order to determine and evaluate the extent of knowledge and understanding of program procedures and requirements. Our tests disclosed that, although funds were spent and projects completed in accordance with grant agreements, some grantees did not have adequate financial systems or accounting controls and, thus, were unable to fully support claims for reimbursement. Also, there was limited understanding with respect to information necessary to support required matching contributions and allocation of costs between different funding sources and allowable costs as noted in the applicable OMB Circulars (A-87 and A-122). We worked with the grantees to identify practical financial and accounting systems.
- The Development District association of Appalachia and the Appalachian Regional Commission, in coordination with the OIG, conducted a second financial management teleconference in December of 1998. This conference, which reached about 1,000 program and financial managers and independent public accountants, emphasized changes to the Single Audit Act and key issues related to grant financial management. The program was broadcast to remote locations in the 13 state Appalachian region and was available nationwide to any organization with capability for obtaining the satellite communication. The use of this training mode was considered to be a very effective and cost-beneficial method to reach a widely scattered and diverse audience.
- Additional ARC actions to improve grant administration and management consistent with prior OIG recommendations included completion of a 302 Grant Administration Manual that will be mailed to the grantee with each new grant award. Preparation of the manual was a collaborative effort between the Inspector General, General Counsel, and ARC staff. The manual addresses frequently asked questions and is expected to help new grantees meet all of

the terms and conditions of the grant agreement and provide information about issues most frequently raised during audit reviews by the OIG. Also, a new Open Project Summary Report that will assist staff track expiration dates on all open projects was designed and implemented. The report also identifies funds obligated and the fund balance for each open project. The report will enable staff to better monitor the financial status of projects, which, in turn, will help reduce the number of projects open beyond the expiration date. Action was also initiated to coordinate more closely with state program managers to obtain information necessary to close out old 214 (pass-through) projects.

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. Should the need arise, the matter would be referred to the Federal Bureau of Investigation or assistance would be contracted with another Federal OIG. Also, the results of investigations may be referred to the appropriate Federal, State, or local prosecutive authorities for action. During the reporting period, the Inspector General conducted followup administrative inquiries with respect to several hotline concerns.

IV. AUDIT PLANNING

The OIG will be alert for new or revised areas of ARC operations based on the priorities and emphasis of ARC management, including results of strategic planning initiatives. 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 to fulfill their responsibilities for effective and efficient program operations.

Of particular importance is maintaining the flexibility of the audit plan to address changing needs and priorities. Coordination with ongoing ARC efforts to implement an entity-wide strategic plan is considered an important element of planning, and discussions with ARC management have identified several areas for review.

The OIG's strategies and objectives for the next 5 years are defined in a strategic plan. The FY 1999 Annual Plan provides the operational details for OIG activities planned during FY 1999 to implement this strategic plan. We expect to revise this strategic plan periodically until our experiences validate our planning assumptions and we have achieved a comfort level with how we have programmed activities over this extended time period.

Additional emphasis will be placed on coordinating OIG reviews with ARC implementation of the Government Performance and Results Act (GPRA) and revised operational procedures resulting from reauthorization legislation requirements. In order to provide some coverage of ARC funds that are administered by other agencies, e.g., construction and technical projects, we are coordinating with the OIGs at the applicable agencies and reaching concurrence for ARC OIG review of some of these projects.

FY 1999 audit work includes about 30 individual grant audits in the Appalachian States; additional followup on grants with completed budget periods, grant extensions, and project results; and tests of

the J-1 visa waiver program. Continued emphasis will be placed on audit followup and corrective action plans, including working with agency management to address open issues and achieve audit resolution and closure.

In order to maximize use of available resources directed at reviewing ARC activities, emphasis will continue to be 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.

V. OIG HOTLINE

A nationwide 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. Efforts continue to publicize the hotline by notifications to contractors and grantees, and field visits evaluate the extent to which employees were made aware of this system. However, contacts with the ARC OIG relative to public complaints or concerns continue to be primarily received through ARC staff, on regular OIG phone lines, or from other OIG offices.

Also, numerous hotline calls were received with respect to matters for which other agencies have jurisdiction. This resulted primarily from the ARC OIG hotline apparently being the first such OIG listing in some telephone directories, resulting in ARC OIG being contacted by citizens who did not know the appropriate agency for handling their concerns. The ARC OIG facilitated the complaint process by identifying the applicable agency based on complainant information and providing the correct OIG hotline number.

VI. LEGISLATIVE AND REGULATORY REVIEW

Primary efforts in this area continued to be related to potential legislative initiatives with respect to OIG operations. The ARC OIG continues to support 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. During the reporting period, legislation impacting IGs was submitted; and the IG commented on the various initiatives noted in the proposed legislation. Specifically, the IG concurred with proposals dealing with term limits, reporting to Congress and additional oversight of OIG offices. With respect to the consolidation of some designated OIGs, the IG recommended that such action be deferred pending additional study, including contact and discussion with the applicable OIGs and parent agencies.

VII. OTHER

The Inspector General continues to serve as the representative of the Executive Council on Integrity and Efficiency on the Audit Committee of the President's Council on Integrity and Efficiency.

The IG is serving as the co-leader of a project intended to assess the extent of oversight being provided to ensure the quality of Single Audit reports that are required in connection with programs financed

all or in part with Federal funds. This project is in line with goals to ensure that grant-related information contained in the financial statements of the Federal government is accurate and reliable. In connection with this project, a presentation was made to an Intergovernmental Audit Forum on the status of Single Audit Act implementation.

During this period, the IG was an active participant in discussions related to the independence of designated IGs. This issue arose because of interpretations by the American Institute of Certified Public Accountants (AICPA) that presidentially appointed and legislatively confirmed IGs meet the AICPA definition of independence but that designated IGs that are appointed by the head of the designated Federal entity do not meet this definition. The IG strongly disagreed with the AICPA interpretation based on the unique and clear language of the Inspector General Act of 1978 and Amendments of 1988 that provide designated IGs, by statute, with the same authorities for independent performance of their duties as provided presidentially selected IGs. Thus, the IG recommends the Executive and Legislative Branches reiterate the intended and mandated independence of designated IGs.

SCHEDULE OF REPORTS ISSUED OCTOBER 1, 1998 TO MARCH 31, 1999

Report No.	Entity and Title	Program Dollars or Contract/Grant Amount	Questioned/Unsupported Costs*	Funds to Better Use**
99- 1(H)	Greater Tri-Cities Foreign Trade Zone	\$ 100,000		
99- 2(H)	Appalachian International Business Center	253,325	\$ 459	
99- 3(H)	J-1 Visa Waiver Program—New York			
99- 4(H)	CREATE Foundation	220,000		
99- 5(H)	Mississippi Technical Assistance	540,000	332	\$ 134,751
99- 6(H)	J-1 Visa Waiver Program—South Carolina			
99- 7(H)	McCreary County Learning Center	250,000		
99- 8(H)	Buckhorn Montessori Preschool Expansion	202,221		
99- 9(H)	Breathitt Montessori Preschool Expansion/Relocation	170,500		
99-10(H)	Buckhorn Leadership Initiative	35,080		
99-11(H)	Science and Math To Go	156,000		
99-12(H)	Internet Training Facilities Project	164,000		
99-13(H)	Adding Rural Counties to AppNet	338,282		
99-14(H)	Economic Development Information System	418,000		
99-15(H)	Expired Grants Update	5,267,780		367,000 1/
TOTALS		\$8,115,188	\$ 791	\$ 501,751

Note:

- 1/ Amount deobligated based on prior reports. Current report identified 47 additional grants with balances approximating \$2 million for followup.
- * 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. Includes required matching contributions.
- ** Funds the Office of Inspector General has identified in an audit recommendation that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures, such as timely use of funds.

**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	7	\$492	\$517
B. Which were issued during the reporting period	<u>2</u>	<u>1</u>	<u>-</u>
Subtotals (A + B)	9	\$493	\$517
C. For which a management decision was made during the reporting period	6	\$472	\$211
(i) dollar value of disallowed costs	2	\$ 1	-
(ii) dollar value of costs not disallowed	4	471	211 <u>1/</u>
D. For which no management decision has been made by the end of the reporting period	3	21	\$306 <u>2/</u>
E. Reports for which no management decision was made within 6 months of issuance	3	21	\$306 <u>2/</u>

Notes:

1/ Information submitted by grantees was sufficient to justify report closing without additional action. In one instance, a deobligation of \$396,000 was previously reported.

2/ Management decisions delayed pending receipt of information from grantees. In one case, personnel changes have been a primary factor; and in another case, pursuit of project operating rights has caused delays in reaching decisions on final action.

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

	<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	3	\$ 1,860
B. Which were issued during the reporting period	<u>2</u>	<u>\$ 2,152</u>
Subtotals (A + B)	5	\$ 4,012
C. For which a management decision was made during the reporting period	2	\$ 1,656
(i) dollar value of recommendations that were agreed to by management	2	\$ 502
-based on proposed management action	2	\$ 502 <u>1/</u>
-based on proposed legislative action	-	-
(ii) dollar value of recommendations that were not agreed to by management	1	\$ 1,154 <u>2/</u>
D. For which no management decision has been made by the end of the reporting period	3	\$ 2,356 <u>3/</u>
E. Reports for which no management decision was made within 6 months of issuance	2	\$ 339 <u>4/</u>

Notes:

- 1/ Includes deobligations on grants noted in prior reports and on report issued during current reporting period.
- 2/ Includes final payments justified and authorized based on review of grants noted in prior reports.
- 3/ Includes grants for which ongoing followup action is in process for expired grants in prior reports.
- 4/ Includes grants where action is continuing to achieve resolution, including recommendations pertaining to a revolving loan fund balance.

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.