

APPALACHIAN REGIONAL COMMISSION

INSPECTOR GENERAL'S

SEMIANNUAL REPORT

TO CONGRESS

OCTOBER 1, 2000 - MARCH 31, 2001



May 31, 2001

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, 2000, through March 31, 2001.


During this reporting period, 26 reports were issued, including 18 individual grant reviews, 1 grant followup report, 1 program review, 5 J-1 Visa Waiver compliance reviews, and 1 J-1 program review. At the end of the reporting period, 4 grant reviews were in process. Recommendations in grant reviews were directed at improved reporting and eligibility of expenditures. 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 322 projects and deobligate about \$2.3 million from 97 projects during the reporting period. This included deobligation of \$923,059 applicable to 37 projects noted in prior audit reports.

Grant reviews disclosed that projects were being implemented in accordance with program requirements and that grantees generally had satisfactory accounting systems and internal controls. Exceptions noted included insufficient documentation of costs and delayed use of grant-related purchases. Questioned costs of about \$222,000 and potential deobligations of several million dollars were identified for followup. Also, followup actions were initiated with basic agencies to obtain information necessary to close additional grants.

Surveys of the J-1 Visa Waiver program in three states disclosed that tested physicians were generally practicing in accordance with program requirements as respects practice location and type of medical services provided. In one state, followup review disclosed state action to address an excess number of J-1 physicians resulting from insufficient patient workload that necessitated physicians working at other than approved locations and/or concentrating on services such as nursing home visits or hospital rounds.

During the reporting period, the IG continued as the designated IG's representative on the Audit Committee of the President's Council on Integrity and Efficiency, addressed an audit forum, and remained active in an ongoing dialogue on various issues impacting the OIG community, including the extent of single audit quality reviews.

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

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## EXECUTIVE SUMMARY

During this reporting period, 26 reports were issued, including 18 individual grant reviews, 1 grant followup report, 1 program review, 5 J-1 Visa Waiver compliance reviews, and 1 J-1 program review. At the end of the reporting period, 4 grant reviews were in process. Recommendations in grant reviews were directed at improved reporting and eligibility of expenditures. 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 322 projects and deobligate about \$2.3 million from 97 projects during the reporting period. This included deobligation of \$923,059 applicable to 37 projects noted in prior audit reports.

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During the reporting period, the IG continued as the designated IG's representative on the Audit Committee of the President's Council on Integrity and Efficiency, addressed an audit forum, and remained active in an ongoing dialogue on various issues impacting the OIG community, including the extent of single audit quality reviews.

**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 7
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 11, and the Commission, with a staff of 48, 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 2001 is \$77.4 million. ARC was fully reauthorized by Congress in FY 1999 for the first time since 1982. Also, about \$641 million was appropriated in FY 2001 for carrying out the provisions of section 1069(y) of P.L. 102-240 relating to the construction of, and improvements to, corridors of the Appalachian Development Highway System (ADHS). The funding which will be distributed among the states with unfinished ADHS segments includes about \$390 million for which ARC has allocation authority.



- 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 2001 is \$468,000. For FY 2000, approximately 29 percent will be expended for contract audit services; 57 percent, for salaries and benefits; 7 percent, for travel; and 7 percent, for all other activities (training, equipment, space, supplies, etc.).

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 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, 26 reports were issued, including 18 individual reviews, 1 followup review, 5 J-1 Visa Waiver compliance reviews, and 1 programmatic survey. At the end of the reporting period, 1 program review and 4 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.

Grant reviews disclosed that projects were being implemented in accordance with program requirements and grant agreements. Emphasis was placed on testing the eligibility of expenditures, availability of matching contributions, and achievement of grant objectives. Exceptions were noted in isolated instances with respect to untimely use of grant purchases, expenditure of funds after the expiration of the grant period, revisions of budgets without obtaining required approval, travel



claims, support for expenditures, and purchases not included in budget. Questioned costs approximated \$222,000; and potential deobligations for use on other projects approximated several million dollars.

In several instances, project accountability needed improvement to ensure that project funds were expended for intended purposes. For example, in one instance involving a complex multi-phase/task project with ARC funding of \$967,941, various factors, including multi-agency responsibilities, changed staffing, and limited project oversight, restricted the extent to which allocations, expenditures, and results could be timely verified. Although followup efforts and record searches by the grantee located documentation to support expenditures, recommendations were directed at strengthened grantee and ARC accountability, oversight, and monitoring for future grants that involve multi-agency funding and responsibilities, consolidation of many tasks, and division of work between ARC and non-ARC geographic areas.

In one instance, utilization of funds totaling \$400,000 were delayed substantially because of grantee disagreements with respect to project implementation. As of our review, \$200,000 had been drawn down for purchase of equipment by the grantee for a distance learning project; and \$200,000 remained in the project account at ARC. The initial \$200,000 was obligated in September 1995. Payment of the additional \$200,000, which had been approved in April 1999, was contingent on the system being completed and operational. Our on-site followup in January 2001 disclosed that the initial grant was used to purchase equipment. However, the equipment essentially was unused and remained in the delivery cartons that had been received about one year previous. Recommendations were directed at immediate action to ensure project completion, including equipment utilization and expanded distance learning, or recovery of the \$200,000 previously provided and deobligation of the remaining \$200,000.

Followup contacts with one grantee for which a final report necessary to support grant closing had not been received were unsuccessful, resulting in a recommendation for recovery of \$9,000 paid to a subgrantee. The cause of this situation was a lack of oversight over the subgrantee, resulting in a project intended to improve the civics education curriculum for elementary school students being unsuccessful to date.

In the area of project closeouts, ARC continued aggressive efforts to ensure timely followup and project closings; and during the reporting period, actions included 322 project closings with about \$2.3 million dollars in deobligations that can be utilized for additional projects. These actions included deobligations of \$923,059 for 37 grants noted in our followup report issued during this period.

This OIG followup report identified 120 grants with expiration dates prior to September 30, 2000, that contained balances approximating \$7 million. This included 40 grants with balances of \$3.6 million for which no drawdowns had been initiated as of October 30, 2000, and 39 grants with balances of \$2.7 million for which drawdowns of less than 50 percent had occurred.

However, ARC actions have resulted in substantial reductions of the period between project performance expiration and grant closings and/or project extensions. For example, we noted only 12 open grants with zero or less than 50-percent drawdowns for which project expiration dates were prior to April 1, 2000; and actions were initiated during the reporting period to close 8 of these grants.

With respect to the 120 open grants noted in our followup review, closing actions were initiated in 62 cases during the reporting period, with deobligations of \$923,059 in 37 cases. Additionally, the performance periods were extended in about 36 other cases; and progress payments were noted in several other cases. Consequently, timely action was initiated on most of the cases noted in our report; and outstanding obligations were substantially reduced. Such action reflects continued management attention to this area, including the timely availability of funds for use in other projects.

Emphasis should be placed on followup on grants for which little activity is noted prior to the end of the performance period in order to ascertain the reasons for the condition and identify the potential for corrective and/or timely action. Such emphasis is particularly applicable to grants for which no or limited drawdowns have been made during the grant period.

The OIG continued to support ARC's initiative to close ARC grants administered by other Federal agencies. Followup actions were initiated with four agencies about 163 grants where available information indicated project completion. Followup was initiated to facilitate grant closing and deobligation of any remaining funds.

During this period, we performed 5 compliance surveys in connection with the J-1 Visa Waiver program in three 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. ARC acts as the interested Government agency within the Appalachian region, with waivers being approved by the US Department of State and the Immigration and Naturalization Service based on ARC recommendations.

Our tests disclosed that participating physicians were generally complying with program requirements to provide 40 hours of primary care per week in a medical professional shortage area. However, in one state, our interim report noted that J-1 physicians were working, at least part time, at locations not identified on sponsor applications and/or were performing substantial alternate-type service such as visits to nursing homes or making rounds at local hospitals rather than full-time service at the approved site. We attributed this situation primarily to the number of J-1 approvals, which resulted in limited patient caseloads at the approved practice locations. Recommendations were made with respect to identification of physician need, periodic followup to monitor compliance with program requirements, notification to employers and J-1 physicians to report changed conditions, and identification of eligible services.

State actions and initiatives included followup with physicians identified in the report, notification to sponsors and physicians of service and reporting requirements, increased review of applications for physicians at new practice sites, and submission of employment verification forms on a semiannual basis.

A followup survey to determine the status of 32 J-1 Visa Waiver physicians for whom employment verification forms had not been submitted to ARC as of September 1, 2000, disclosed that, in most cases, the physicians were on-site and providing the medical services provided. The necessary forms were subsequently submitted to ARC. In several instances, physicians had not received their waivers from INS; and recommendations were made to notify ARC when employment started.

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.

## 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; and several additional inquiries are in process.

## 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 2001 Annual Plan provides the operational details for OIG activities planned during FY 2001 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 2001 audit work includes about 40 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 regionwide 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. 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. During the reporting period, followup action was initiated on calls identifying concerns with actions by several grantees.

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, additional legislation impacting IGs was resubmitted; 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 and is involved with issues related to OIG oversight of work performed under the Single Audit Act.

APPENDIX A

SCHEDULE OF REPORTS ISSUED OCTOBER 1, 2000 TO MARCH 31, 2001

Report No.	Entity and Title	Program Dollars or Contract/Grant Amount	Questioned/Unsupported Costs*	Funds to Better Use**
01-1(H)	J-1 Visa Waiver Program—Pennsylvania, Special Report			
01-2(H)	J-1 Visa Waiver Program—Alabama, Special Report			
01-3(H)	J-1 Visa Waiver Program—Northwest Alabama			
01-4(H)	J-1 Visa Waiver Program—Southwest Pennsylvania			
01-5(H)	Expired Grants Update	\$ 7,500,000		\$ 4,600,000
01-6(H)	West Virginia International Development Unit	166,851	\$ 13,000	
01-7(H)	New York Workforce Competitiveness	120,000		
01-8(H)	West Virginia Technology Training Center	650,000		
01-9(H)	Corridor G Tourism Project	260,120		
01-11(H)	Appalachian by Design	121,166		
01-12(H)	J-1 Visa Waiver Program—Tennessee			
01-14(H)	Georgia International Trade Initiative Program	967,941		
01-15(H)	J-1 Visa Waiver Program—Employment Verification Survey			
01-18(H)	Maryland Regional Education Service Agency	400,000		
01-19(H)	Western North Carolina Connect	762,277		
01-21(H)	Elmore County Telecommunications Project	400,000	200,000	200,000
01-22(H)	Scott County, Tennessee, Emergency and Health Services Complex	84,000		
01-23(H)	Cooke County, Tennessee, Dental Program	75,000		
01-24(H)	Bledsoe County, Tennessee, Dental Program	32,095		
01-25(H)	Foundation of Appalachian Ohio	164,300		
01-26(H)	Appalachian Kentucky Water Resource Planning	300,000		
01-28(H)	Haralson County, Georgia, Adult Literacy	420,000		
01-29(H)	Appalachian Georgia Early Childhood Initiative	1,077,952		
01-30(H)	Catoosa County, Georgia, Adult Literacy	117,860		
01-34(H)	North Carolina Partnership for Children	247,119		
01-35(H)	Kentucky Civics Education for Elementary School Students	16,000	9,000	
TOTALS		\$ 13,882,681	\$ 222,000	\$ 4,800,000

\* 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.

## APPENDIX B

**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	6	\$ 133	\$ 2
B. Which were issued during the reporting period	<u>3</u>	<u>\$ 222</u>	<u>\$ ---</u>
Subtotals (A + B)	9	\$ 355	\$ 2
C. For which a management decision was made during the reporting period	6	\$ 91	\$ 2
(i) dollar value of disallowed costs	1	\$ 1	\$ -
(ii) dollar value of costs not disallowed	5	\$ 90	\$ 2
D. For which no management decision has been made by the end of the reporting period	3	\$ 264	\$ - <u>1/</u>
E. Reports for which no management decision was made within 6 months of issuance	-	-	-

Notes:

1/ Followup in process. Decisions made to followup with grantees to obtain information necessary to close report.



**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	\$ 298
B. Which were issued during the reporting period	<u>2</u>	<u>\$ 4,800</u>
Subtotals (A + B)	5	\$ 5,098
C. For which a management decision was made during the reporting period	4	\$ 2,498
(i) dollar value of recommendations that were agreed to by management	3	\$ 1,086 <u>1/</u>
--based on proposed management action	3	\$ 1,086 <u>1/</u>
--based on proposed legislative action	-	-
(ii) dollar value of recommendations that were not agreed to by management	2	\$ 1,412 <u>2/</u>
D. For which no management decision has been made by the end of the reporting period	1	\$ 2,600 <u>3/</u>
E. Reports for which no management decision was made within 6 months of issuance	-	-

Notes:

- 1/ Includes deobligations applicable to grants noted in prior reports. Also, additional actions, including closings and deobligations, based on ARC management initiatives are summarized in the report body.
- 2/ Includes final payments justified based on review of grants identified in prior reports.
- 3/ Includes grants for which ongoing followup action is in process for grants identified in prior and new reports. A management decision was made to followup on cases reported but final action not completed.

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.