



INSPECTOR GENERAL'S SEMIANNUAL REPORT TO CONGRESS

Appalachian Regional Commission

October 1, 2009–March 31, 2010





April 2010

MEMORANDUM FOR THE FEDERAL CO-CHAIR

SUBJECT: Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, and the Inspector General Reform Act of 2008, Public Law 110-409, I am pleased to submit the Office of Inspector General Semiannual Report to Congress.

This Semiannual Report to Congress summarizes the activities of our office for the 6-month period ending March 31, 2010. During this semiannual period, we issued 4 reports. Two other reports are soon to be issued in draft. During this period, the Inspector General continued to serve as representative on the Council of the Inspectors General on Integrity & Efficiency (CIGIE).

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

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

A handwritten signature in black ink, appearing to read 'C/H Jennings', written over a horizontal line.

Clifford H. Jennings
Inspector General

Enclosure

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EXECUTIVE SUMMARY

ARC grant operations represent the most significant part of ARC's programs. We previously issued two reports related to grant operations with most of the recommendations still being implemented. As a result, we feel it necessary to mention the report's findings and recommendations, although we will not elaborate upon them in this section of the report. A brief synopsis of the report is discussed below under *OIG Activities*. For this reporting period, the Office of Inspector General (OIG) worked on projects ranging from finishing implementation of an audit recommendations database to the performance and monitoring of audits and inspections. We also issued four reports, are monitoring a performance measures audit, a financial statement audit, and are performing an inspection on grant compliance issues. Below are summaries of our activities, we mention first the financial statement audit to highlight several issues of concern, i.e., its lateness and our concerns with child agency (ARC funds under the control of other agencies) reporting requirements.

The Appalachian Regional Commission's financial statements are audited by an outside independent auditor. The OIG monitors the activities of the auditor to help ensure compliance with applicable statutes, OMB guidelines, and auditing standards. Performance and Accountability Report submissions, including the financial statement audit, were required by November 16th for 2009.

The 2009 financial statement audit was not issued timely and was still outstanding as of March 31, 2010. The major issues in completing the audit timely stem from ARC's adoption in 2007 of federal financial statement reporting and disclosure requirements. Difficulties preparing the financials in accordance with these requirements were numerous but some of the most significant issues were: getting timely and accurate financial information from child agencies; preparing the Statement of Financing footnote disclosure; and ensuring records were kept accurately, especially ensuring the accuracy of the budgetary accounts.

Although many of the problems in getting accurate child financial information have improved, continual effort on the part of ARC and the child agencies is necessary to maintain the reporting process. Past concerns and efforts have included:

- Providing activity and balance reports in a timely manner.
- Child agency reports were not always accurate or in agreement with previously submitted reports.
- ARC personnel had to reconcile activity and balances with the records of the child agencies.
- ARC contracted accounting and auditing service fees increased as assistance was needed for reconciliation and verification of reported amounts (because of the immateriality of amounts to the Child agencies, ARC auditors had to do additional audit work on child agency funding and could not rely on the work of the child agency auditors).
- ARC managers had to expend effort to provide management representations as to the validity of child reported grant activity fund usage and balances; therefore, they had to understand and obtain confidence in child agency internal controls.

In addition to the activities described above, we issued four reports dealing with a grantee's performance in West Virginia. These reports made 15 recommendations related to the findings which concern recordkeeping, the location of service facilities, and grantee reporting. Discussions continue with management concerning closure of these reports' findings.

Also, over the last several months, we have been finalizing the installation and customization of a recommendation tracking system. The system is maintained by our office, but provides current information about the status of OIG recommendations to selected ARC users.

Aside from our financial statement audit monitoring activity and the issuance of four grantee reports, we have been monitoring an audit of ARC performance measures and preparing an inspection report on grant management compliance.

During the reporting period, the IG served on the Council of the Inspectors General on Integrity & Efficiency (CIGIE). The OIG reviewed legislation that affects the OIG as well as the entire IG community.

PURPOSE AND REQUIREMENTS OF THE OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

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

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

Reporting Requirements

Section 4(a)(2)	Review of legislation and regulations	Page 9
Section 5(a)(1)	Problems, abuses, and deficiencies	Pages 6-8
Section 5(a)(2)	Recommendations with respect to problems, abuses, and deficiencies	Pages 6-8
Section 5(a)(3)	Prior significant recommendations not yet implemented	**
Section 5(a)(4)	Matters referred to prosecutive authorities	Page 8
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	*
Section 5(a)(6)	Listing of audit reports showing number of reports and dollar value of questioned costs	App A
Section 5(a)(7)	Summary of each particularly significant report	**
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App B
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use and summary of management decisions	App C
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of the reporting period	*
Section 5(a)(11)	Significant revised management decisions	*
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	Page 6
Section 5(b)(3)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use and summary of management actions	App D

* None.

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

I. INTRODUCTION

The Inspector General Act Amendments of 1988 (P.L. 100-504) provides 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

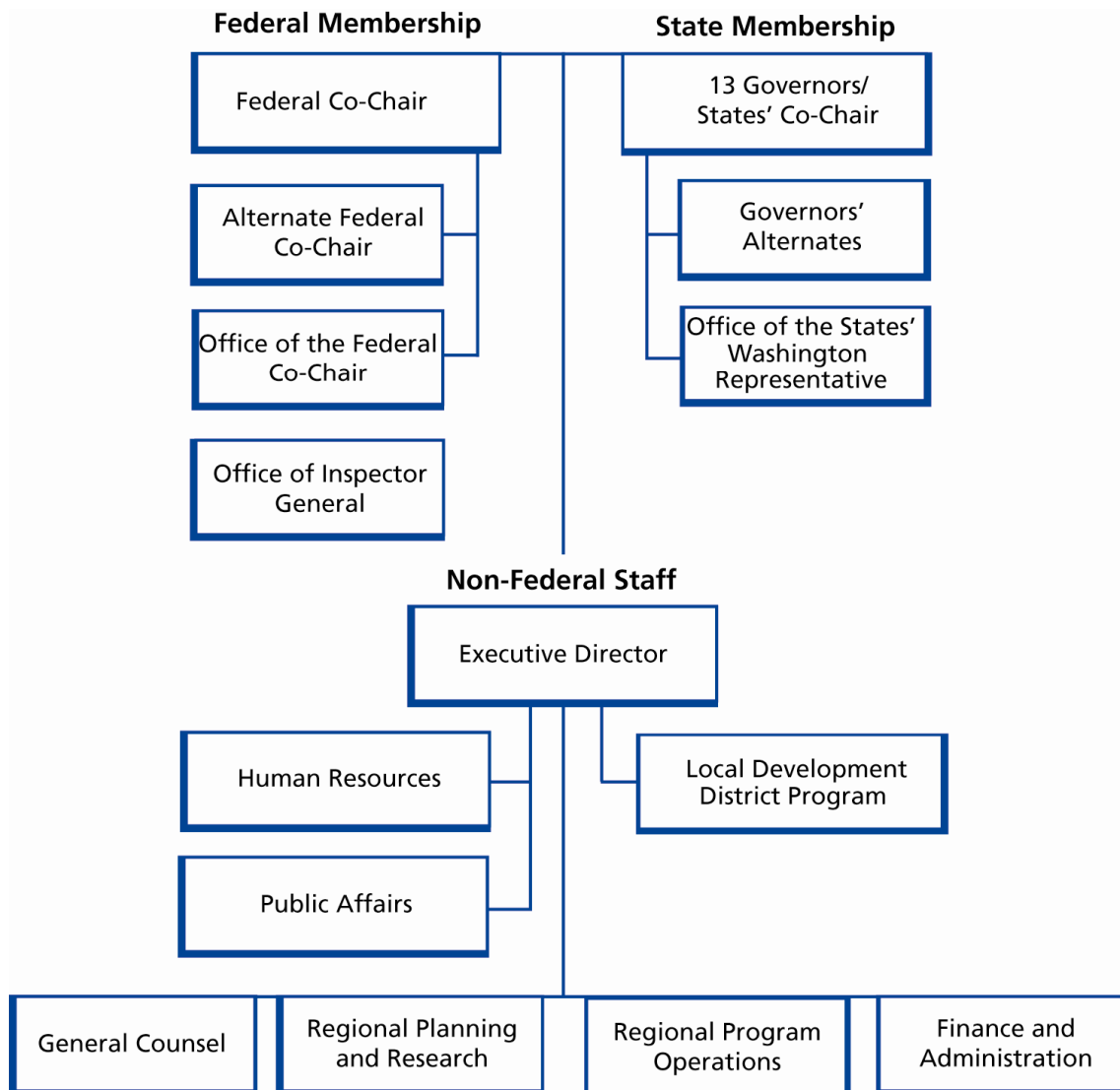
A. APPALACHIAN REGIONAL COMMISSION

The Appalachian Regional Development Act of 1965 (P.L. 89-4) established the Appalachian Regional Commission. The Act authorizes a Federal/State partnership designed to promote long-term economic development on a coordinated regional basis in the 13 Appalachian States. The Commission represents a unique experiment in partnership among the Federal, State, and local levels of Government and between the public and private sectors. It is composed of the Governors of the 13 Appalachian States and a Federal representative who is appointed by the President. The Federal representative serves as the Federal Co-Chair with the Governors electing one of their numbers to serve as the States' Co-Chair.

- Through joint planning and development of regional priorities, ARC funds are used to assist and encourage other public and private resources to address Appalachia's unique needs. Program direction and policy are established by the Commission (ARC Code) with the vote of a majority of the State members and the affirmative vote of the Federal Co-Chair. Emphasis has been placed on highways, infrastructure development, business enterprise, energy, and human resources programs.
- Administratively, the Office of the Federal Co-Chair, with a staff of 8, and the Commission, with a staff of 45, is responsible for ARC operations. The States maintain an Office of States' Representative (2 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 2010 is \$76 million. ARC was reauthorized in October 2008. In addition, in March 2010 the Highway Trust Fund, under Section 1101 of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) received short-term funding through the end of Fiscal Year 2010. The funding provides approximately \$439.5 million for construction of the Appalachian Development Highway System which is under ARC's programmatic jurisdiction, as provided for under Section 201 of the 1965 Appalachian Regional Development Act.
- ARC's non- ADHS funds are distributed to state and local entities in accordance with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff has responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and oversight.

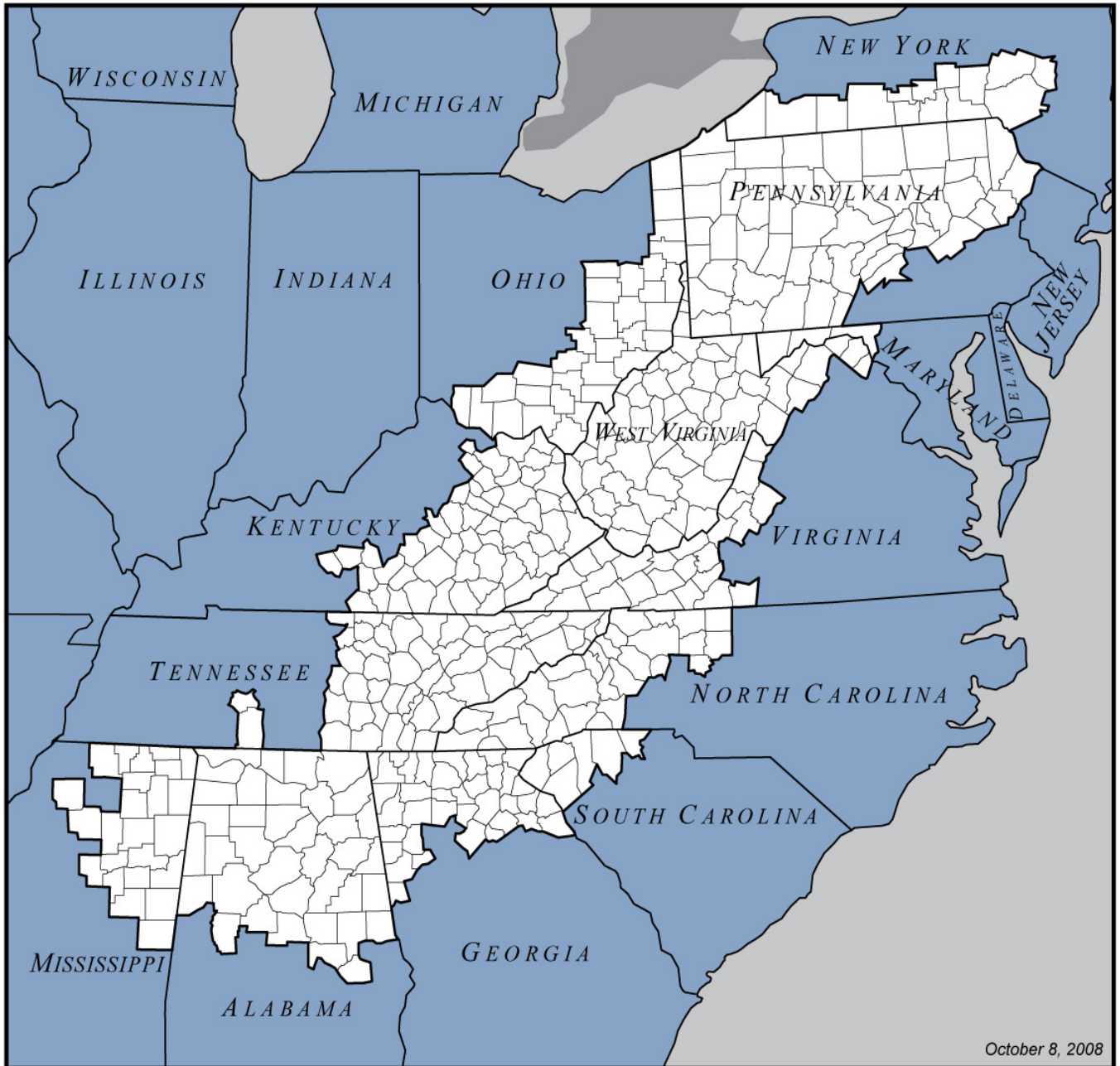
- In order to avail itself of federal agency expertise and administrative capability in certain areas, ARC often relies on other departments and agencies for program administration, especially with respect to highways and infrastructure projects. For example, the Appalachian Regional Development Act authorizes the Secretary of Transportation to administer the Commission's highway programs, with the Commission retaining responsibility for priorities, highway locations, and fund allocations.

ARC ORGANIZATION CHART





APPALACHIAN REGION



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



APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

September 30, 2009



- ADHS Miles Open to Traffic—
September 30, 2009
- ADHS Miles Not Open to Traffic
- Interstate Highway System

B. OFFICE OF INSPECTOR GENERAL

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

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-Chair and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The IG has authority to inquire into all ARC programs and activities that are federally funded. The inquiries may be in the form of audits, surveys, investigations, personnel security checks, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all levels of ARC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and employee conduct and (2) to recommend appropriate corrective actions.

Relationship to Other Principal ARC Offices

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

Funding and Staffing

The OIG funding level for FY 2010 is \$612,000. Staffing consists of the Inspector General, an Assistant Inspector General for Audit, and a confidential assistant. Grant review activities continue to emphasize use of contracted services (e.g., independent public accounting firms or other OIG offices) supplemented by programmatic and performance reviews directed by OIG staff. Investigative assistance is provided by other OIG offices on an as-needed basis through memoranda of understanding. This approach is deemed the most appropriate to date in view of the nature of ARC operations and limited resources.

In order to comply with P.L. 110-409, the Inspector General Reform Act of 2008, the OIG included funding for FY 2010 that includes reimbursement of other IG's for counsel and investigative services via a Memorandum of Understanding. Future year funding requests will be predicated on actual experience using this method.

III. OIG ACTIVITY

A. AUDITS, INSPECTIONS, EVALUATIONS & REVIEWS

ARC grant operations represent the most significant part of ARC's programs. We previously issued two reports related to grant operations with most of the recommendations still being implemented. Below we provide a brief synopsis of the reports' findings and recommendations. During the current reporting cycle, we issued 4 reports involving grantee activities. Three other reports are in process and should be finalized during the next reporting cycle; one concerning performance measures, one concerning the financial statement audit and the last concerning ARC grant compliance (not detailed below). In addition, our office began monitoring activities for three audits pertaining to grantee activities.

All issued reports can be found on the OIG website <http://www.arc.gov/oig>

Audits of ARC's Grant Operations

We completed a comprehensive review of ARC's grant management system in April 2008. The audit revealed the system had data conversion, entry and internal processing errors. Additionally, inadequate resources had been allocated to ensure timely completion of the project/system and to provide for system documentation. System access and security features were not controlled appropriately and there was only a single person knowledgeable of the system internals. Ten recommendations to address these findings resulted from the audit.

A complement to the grant management system audit was an inspection which focused on ARC's grant administration and monitoring. The inspection report discussed ARC's control policies and grant monitoring processes. ARC grants made to foster economic growth and to address other concerns in the Appalachian region are primary to ARC and we placed great emphasis on providing recommendations that would improve the process. The inspection report was issued in August 2009 and made 17 recommendations. The recommendations were wide ranging but addressed: development and enforcement of policies, development of grant monitoring plans, improving supervisory oversight, training, metric reporting, documentation, file organization, tracking grantee characteristics, and controls to safeguard grant files.

Audits of ARC's Grantees

Four audits reports were issued to a West Virginia grantee concerning four different grants. These reports made 15 recommendations related to the findings which concern inadequate payroll documentation, the use of estimated salary and related costs instead of actual costs, improper locations of facilities, and missing and/or late reports of activity. As a result of these findings, recommendations were made for ARC to recover \$194,243 in grant funds. Management has not agreed to recovery of these funds, and we continue to seek resolution of this issue and more importantly the surrounding findings that resulted in this recommendation.

In-process Audits and Inspections

As discussed above, we are providing oversight of a contract auditor examining ARC's performance metrics, reporting, and usage.

The 2009 financial statement audit has not been issued and is now over four months late. Some of the issues contributing to the audit's late completion included: getting timely and accurate financial information from child agencies (ARC funds under the control of other agencies); preparing the Statement of Financing footnote disclosure; and ensuring records were kept accurately, especially ensuring the accuracy of the budgetary accounts.

ARC has had difficulties complying with federal agency Parent-Child, reporting requirements. As a parent organization, ARC is much smaller than its children (and smaller than most other parent agencies). ARC's funding, exclusive of highway funding, provided to its child agencies is not material to any of its children and therefore is not audited by the children at the lower materiality level needed for ARC's audit needs. This has a negative impact on ARC's reporting and substantially increases the amount of work required by accounting and auditing personnel to support an unqualified financial statement opinion.

For instance, ARC staff regularly needs to ensure that the child agencies are providing timely reports, that the numbers on the reports (as previously reported and current), the posting of those numbers to ARC records, the cumulative balance, and the results of activities, are correct. Also, outside accountants were needed to help reconcile some of the federal activity. In addition, ARC management had to develop experience with the internal controls and processes at the other agencies to make affirmations to the auditors that the reported results from the child agencies were correct and then it had properly disclosed those results (ARC has been forced to move to and adopt the more onerous federal accounting standards in lieu of generally accepted accounting standards to report its financial status and activities). Lastly, ARC auditors need to perform testing on the child agency data to satisfy themselves as to its accuracy. All of these processes take time and increase costs.

Peer Review

Offices of Inspectors General (OIGs) performing audits are required to perform (and undergo) reviews of other OIG offices every three years to ensure policies and/or procedural systems are in place that provide reasonable assurance of compliance with government auditing standards (GAS). ARC completed a peer review of the Federal Election Commission OIG and issued a report on its system of quality controls on March 28, 2008. Recently, CIGIE issued new guidance for peer reviews and we have been implementing changes to help ensure conformity with them. However, we note that the Peer Review concerns itself foremost with OIG internally generated audits conducted under GAS. The ARC OIG relies on contract auditors for its GAS audits; and for its internal review work relies on CIGIE's Inspection guidelines. The Denali Commission's OIG has a similar arrangement for its activities and was granted a prolonged deferral of its peer review. Our office has been told that a temporary deferral for its peer review has been granted and plans to request a prolonged deferral period similar to that of the Denali Commission. We are scheduled to perform a peer review of the Election Assistance Commission in 2012.

We also recently contracted for the audit of three grants to review compliance with grant requirements, controls, and grant objectives.

B. INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of

law, rules, or regulations; mismanagement; gross waste of funds; or abuse of authority. The OIG does not employ criminal investigators. When the need has arisen, the matter has been referred to the Federal Bureau of Investigation or assistance was contracted with another Federal OIG. Also, the results of investigations may be referred to the appropriate Federal, State, or local prospective authorities for action.

As a result of the computer security review performed by the DHS OIG, an investigation was opened and certain personnel actions taken. The investigation is still awaiting the resolution of a referral to another law enforcement agency. ARC itself has taken all necessary actions resulting from the audit and subsequent investigation.

Previously, the OIG referred a case involving ARC funding to the Tennessee Valley Authority's OIG for investigation. The investigation is still ongoing.

C. OTHER

Requests for Information

Each year we receive and comply with requests for information from various governmental entities compiling statistics on OIG offices or their auditee agencies. CIGIE requests information for its annual OIG profile update and compilation of OIG statistics. The yearly compilation summarizes the results of audit activities for of all federal OIG offices. Information provided concerns the dollar value of management decisions related to *questioned costs* and *funds put to better use* and OIG recommendations related to *questioned costs*. The House Committee on Oversight and Government Reform, also with some regularity, requests information concerning the number and type or status of our recommendations. Lastly, we comply with information requests from other government regulatory bodies. For example, previously GAO requested us to provide survey information on governance and the role of the inspector general. Their requests involved our office's allocation of resources and the number of open recommendations.

OIG Policy Manual

The policy manual, after many months of effort has been completed. Many of its guidelines have already been implemented and can apply to many types of engagements, but it was specifically written to help ensure compliance with generally accepted government auditing standards.

Electronic Audit Workpapers

The OIG is aware of the benefits of electronic work papers for improving audit efficiency. In particular, we believe that an improved indexing and numbering system, together with an improved supervisory review structure could be beneficial. We have recently reviewed the most common electronic workpapers in use by federal agencies. Our budget request for FY2011 includes funding to implement electronic workpapers.

Recommendation Tracking Database

ARC-OIG has implemented a recommendation tracking database. The design of the database and some of the customization for ARC-OIG's use was provided by another OIG for which we are appreciative. The database is also available to selected ARC personnel, who can access the database at any time to review the status of all open and closed recommendations, and update the implementation progress of open recommendations.

Implementation of OIG Reform Act

The OIG has implemented all of the requirements of P.L. 110-409, The Inspector General Reform Act of 2008. We also completed an upgrade of our website and now have the ability to receive anonymous reports of fraud, waste, and abuse. Details below.

Going Green

ARC management has implemented green measures within the organization's internal operations. For example, a document scanning system has been linked to ARC's e-mail system. Management, in a written response to our draft report on ARC's grant management system stated, "We have had preliminary discussion with our state partners about the need to move to a paperless application process, and will pursue this more vigorously within this fiscal year." Reduction in paper utilization can reduce cost, improve the timeliness of management decisions through better document storage and retrieval, and helps to reduce demands on our earth's ecological systems.

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

IV. REPORTING FRAUD, WASTE, AND ABUSE

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

V. LEGISLATIVE AND REGULATORY REVIEW

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

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS
ISSUED APRIL 1, 2009 TO SEPTEMBER 30, 2009

Report No.	Report Title/Description	Program Dollars or Contract/Grant Amount*	Questioned/Unsupported Costs**	Funds to Better Use***
10-01	Memorandum Report on Review of Mission West Virginia, Inc., Hurricane, West Virginia, Striving for Technological Empowerment While Providing Unlimited Potential, ARC Grant Number: WV-14468	\$ 196,145	\$ 55,579	
10-02	Memorandum Report on Review of Mission West Virginia, Inc., Hurricane, West Virginia, Striving for Technological Empowerment While Providing Unlimited Potential, ARC Grant Number: WV-14468-C1	150,000	48,117	
10-03	Memorandum Report on Review of Mission West Virginia, Inc., Hurricane, West Virginia, Striving for Technological Empowerment While Providing Unlimited Potential, ARC Grant Number: WV14468-C2	113,147	83,961	
10-04	Memorandum Report on Review of Mission West Virginia, Inc., Hurricane, West Virginia, Striving for Technological Empowerment While Providing Unlimited Potential, ARC Grant Number: WV14468-C3	143,745	6,586	
TOTALS		\$ 603,037	\$ 194,243	\$ 0.00

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS
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	0	\$ 0	\$ 0
B. Which were issued during the reporting period	4	\$ 194	\$ 0
Subtotals (A + B)	4	\$ 194	\$ 0
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	0	\$ 0	\$ 0
(ii) dollar value of costs not disallowed	4	\$ 194	\$ 0
D. For which no management decision has been made by the end of the reporting period	0	\$ 0	\$ 0
E. Reports for which no management decision was made within 6 months of issuance	0	\$ 0	\$ 0

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

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

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

	<u>Number of Reports</u>	<u>Amounts Recommended by OIG</u>	<u>Amounts Agreed to by Management (Disallowed)</u>
	<u>OIG Audit Reports</u>		
A.	0	\$ 0	\$ 0
B.	0	\$ 0	\$ 0
C.			
(I)	0	\$ 0	\$ 0
(ii)	0	\$ 0	\$ 0
D.	0	\$ 0	\$ 0

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) 884-7667 in the Washington metropolitan area

or write to:

Office of Inspector General

Appalachian Regional Commission

1666 Connecticut Avenue, NW, Rm. 700

Washington, DC 20009-1068

Information can be provided anonymously.

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

On the Cover:

Grotto Falls on Trillium Gap Trail
Great Smoky Mountains National Park

Photo courtesy of National Park Service

Appalachian Regional Commission

Office of Inspector General
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