



INSPECTOR GENERAL'S SEMIANNUAL REPORT TO CONGRESS

Appalachian Regional Commission
October 1, 2011–March 31, 2012





April 30, 2012

MEMORANDUM FOR THE FEDERAL CO-CHAIR

SUBJECT: Semiannual Report to Congress

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

This Semiannual Report to Congress summarizes the activities of our office for the 6-month period ending March 31, 2012. During this fiscal period, we issued ten reports, followed-up on open recommendations, monitored contractor performance and addressed two hotline complaints.

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

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

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

Inspector General

Enclosure

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EXECUTIVE SUMMARY

ARC grant operations represent the most significant part of ARC's programs. For this reporting period our activities included the issuance of ten reports, follow-up on significant recommendations in prior reports, addressing two hotline complaints, and providing oversight of the annual financial statement audit. This included five grant audits issued during the reporting period and seven grant reviews that are in process. Four reports dealing with grant management and the annual financial statement audit report were also issued.

The grant audits included a response to a hotline complaint about the viability of an ARC grant in connection with a child care center. We determined that grant approval was justified and recommendations were directed at assuring the grantee referral process avoided a conflict of interest and ARC monitoring of grant implementation. Other grant reviews identified a need for improved separation of duties and improved policies and procedures.

Grant management reviews emphasized ARC follow-up on older open basic agency grants and applicable policies and procedures. Continued ARC actions, including follow-up on basic agency grants identified in prior reports as needing follow-up resulted in approximately five million dollars in actual or intended recoveries that can be put to better use.

A review of older open ARC administered grants identified the potential for more timely follow-up and recommendations were directed at grants with the best potential for closing and de-obligations. This included 45 grants, with values of \$3.4 million for which no activity was reported in the preceding 21 months, including 21 grants with values totaling \$2.6 million for which no disbursements were made.

Grant management recommendations also addressed additional or improved use of available controls with respect to processing of grant applications, seasonal workload, and follow-up on inactive grants, ARC.net information, Memorandums of Understanding with Basic Agencies, project end dates and closing of grants with zero balances.

The annual financial statement audit was completed in a timely manner and ARC received an unqualified opinion.

Actions on some recommendations in a prior report on the ARC Grant Management System, such as full implementation of ARC.net, are continuing and actions have been initiated to address some recommendations noted in this report.

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

The IG continues to coordinate/chair a group of smaller OIGs to address issues that have particular impact on these offices and is a member of the Council of Inspectors General Audit Committee.

PURPOSE AND REQUIREMENTS OF THE OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

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

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

Reporting Requirements

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

Section 5(a)(11)	Significant revised management decisions	*
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	*
Section 5(a)(14)	Results of recent peer review	*
Section 5(a)(15)	Outstanding recommendations from any peer review	*
Section 5(a)(16)	List of peer reviews conducted and any outstanding recommendations	Page 8
Section 5(b)(3)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use and summary of management actions	App D

* None.

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

I. INTRODUCTION

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

II. BACKGROUND

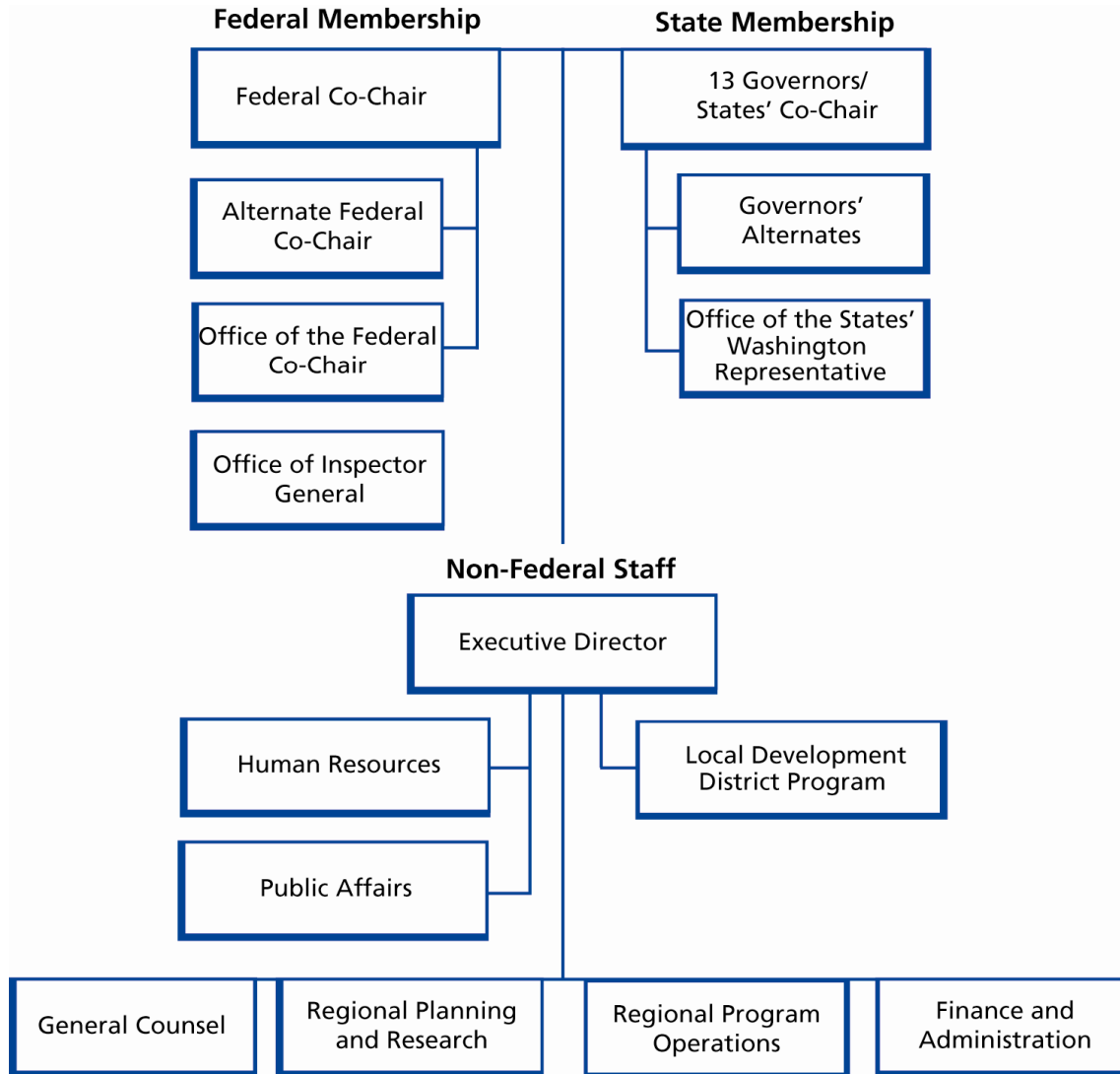
A. **APPALACHIAN REGIONAL COMMISSION**

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

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

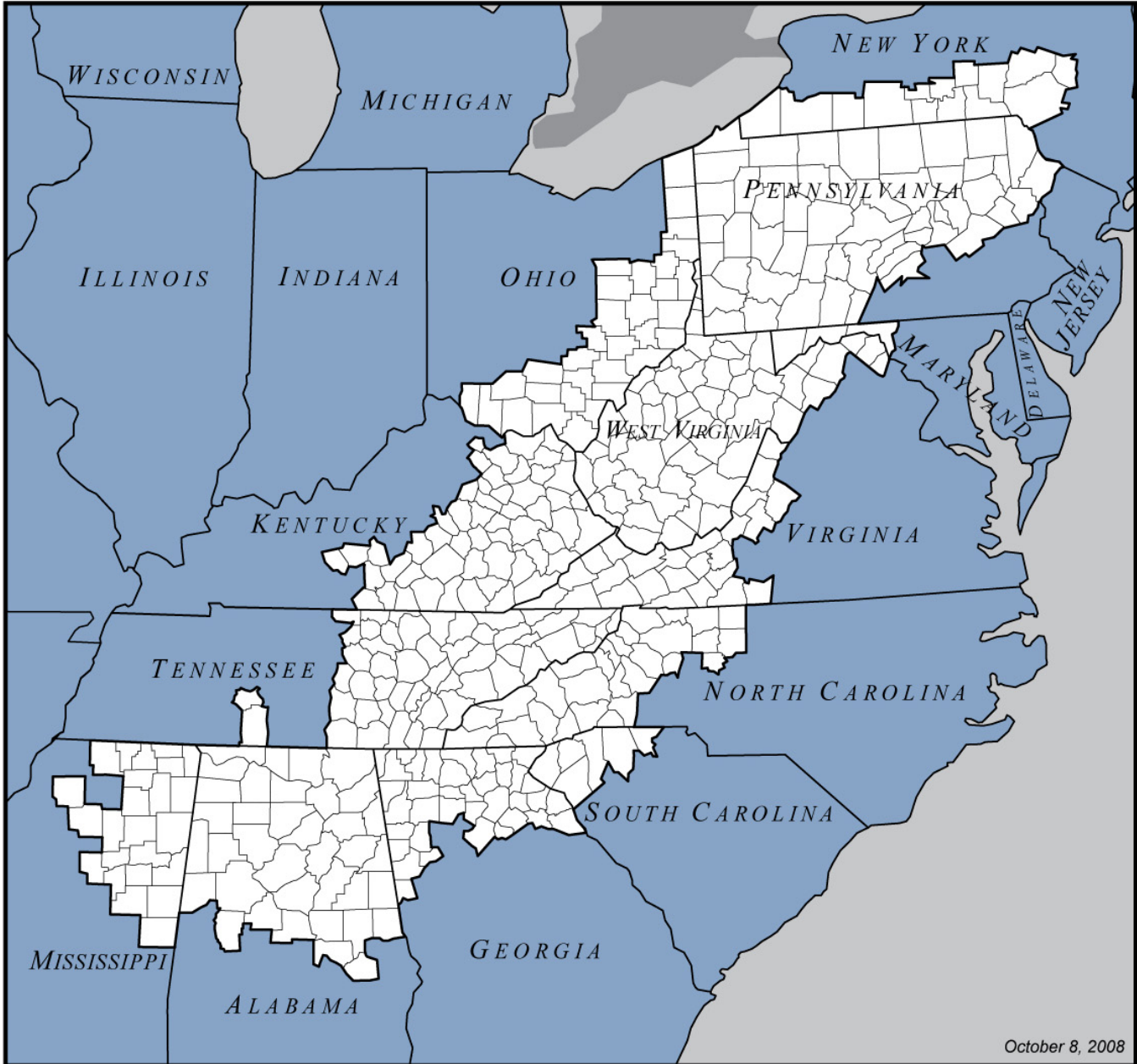
- Equity Act: A Legacy for Users (SAFETEA-LU) received funding through March 31, 2012.
- The funding provides for construction of the Appalachian Development Highway System which is under ARC's programmatic jurisdiction; provided for under Section 201 of the 1965 Appalachian Regional Development Act
- ARC's non-ADHS funds are distributed to state and local entities in accordance with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff has responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and oversight.
- In order to avail itself of federal agency expertise and administrative capability in certain areas, ARC often relies on other departments and agencies for program administration, especially with respect to highways and infrastructure projects. For example, the Appalachian Regional Development Act authorizes the Secretary of Transportation to administer the Commission's highway programs, with the Commission retaining responsibility for priorities, highway locations, and fund allocations.

ARC ORGANIZATION CHART





APPALACHIAN REGION



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

B. OFFICE OF INSPECTOR GENERAL

The ARC OIG is an independent Federal audit and investigative unit that reports directly to the Agency Head.

Role and Authority

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

Relationship to Other Principal ARC Offices

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

Funding and Staffing

The OIG funding level for FY 2012 is governed by the continuing budget resolutions. Our FY 2012 funding was \$658,000. Staffing consists of the Inspector General, an Assistant Inspector General for Audit, and a confidential assistant. Grant review activities continue to emphasize

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

In order to comply with Pub.L. No. 110-409, the Inspector General Reform Act of 2008, the OIG included funding for FY 2012 that includes reimbursement of other IGs for counsel, audit and investigative services via Memorandums of Understanding. Currently, we use the Department of Commerce OIG legal counsel and their audit staff to supplement our activities. We also use other OIG offices to provide investigative services.

Because of the small size of our OIG office, we have had to rely on the resources of other OIGs to complete some program activities. In line with legislation enacted to form more regional commissions, the IG supports consolidating regional commission OIG offices into one organization.

III. OIG ACTIVITY

A. Audits, Inspections, Evaluations and Reviews

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

We initiated a review of available information pertaining to the grant proposal and approval of a \$150,000 grant to assist with startup of a child care center based on concern raised about the impact of the proposed child care services on current child care providers, the impartiality of the referrals to be made by grantee and the financial viability of the project.

Based on available information with respect to the ARC assessment of the grant application and determination of needs, strong overall community support, including key organizations and officials, determinations that the project did not reach a level of unfair competition and controls over the child placement referrals process we concluded that ARC action was appropriate. Recognizing that the full potential impact on other childcare providers, sustainability and referral impartiality cannot be fully addressed prior to project startup we recommended actions, including ARC and state monitoring and oversight to assure project implementation.

Issues reported in other grant reviews related to separation of duties and improved policies and procedures.

Grant management reviews and reports focused on follow-up actions to determine the status of older grants with limited activity and policies, procedures and controls relative to grant management.

A follow-up review of older grants approved and at least partially funded by ARC but administered by other agencies (Basic Agencies) with construction experience in line with regulations disclosed that ARC had made substantial progress with respect to follow-up and initiating actions.

For example, this review and our continuing follow-up through March 30, 2012, identified ARC action on most of the 121 grants noted in prior reports and identification of approximately \$5 million as actual or intended recoveries that would be made available to states to fund additional needed project. Such actions recognizes the value of timely follow-up action and recommendations were directed at continued such actions, including periodic contacts with basic agency, state program managers and grantees to obtain status of grants information on a timely basis.

A review of older ARC administered grants identified a similar need for more timely follow-up to obtain the status of grants and facilitate actions, including grant closing and recoveries. Utilizing information from the ARC.net (grant information system) we identified 45 grants approved between March 2000 and April 2010 as having no payments action (progress payments or advances) within the 21 month period prior to 3/1/12. These grants had balances of \$3,408,830. This included 21 grants for which no payment action was noted since grant approval. These grants range from \$9,285 to \$500, 000 and totaled \$2,635,863.

ARC.net identifies the expected end date of ARC administered grants. We reviewed a listing of end dates for open grants and identified 38 with end dates prior to October 1, 2011 for which follow-up action appropriate to identify potential actions such as closings, potential de-obligations, and extension of end dates if justified, is appropriate.

We noted zero balances for 15 grants approved between 1978 and 2009 for which the last recorded payment/disbursement ranged between 1978 and February 2010. Although these grants do not impact program operations grant management controls should assure that such grants are closed when appropriate.

With respect to grant management actions three memorandum summary reports addressed additional or improved use of available controls with respect to time frames for processing grant applications, more balanced workloads that include earlier receipt of grant applications from states, improvements for ARC.net and revised Memorandums of Understandings with Basic Agencies, and use of the 18 month provision whereby actions can be initiated to cancel grants if projects have not been started within 18 months of approval.

During the reporting period, contract monitoring with respect to grant and financial statement audits was performed as required.

ARC Financial Statement Audit

The most recent financial statement audit report was issued timely without disclaimer or qualification; this makes the fourth consecutive report issued with a clean audit opinion since adopting federal financial reporting rules in 2007.

Peer Review

Offices of the Inspectors General (OIGs) performing audits are required to perform (and undergo) reviews of other OIG offices every three years to ensure policies and/or procedural systems are in place that provide reasonable assurance of compliance with government auditing standards (GAS). The next audit peer review of ARC OIG is scheduled for FY 2013.

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

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

B. INVESTIGATIONS

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

C. OTHER

Smaller OIG Groups

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

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

Requests for Information

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

Information provided concerns the dollar value of management decisions related to questioned costs and funds put to better use and OIG recommendations related to questioned costs. The House Committee on Oversight and Government Reform requests information concerning the number and type or status of our recommendations. We comply with information requests from other government regulatory bodies.

Appalachian Development Highway System (ADHS) Audits

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

Implementation of OIG Reform Act

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

Going Green

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

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

IV. REPORTING FRAUD, WASTE, AND ABUSE

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

V. LEGISLATIVE AND REGULATORY REVIEW

The OIG continues to review and provide comment on legislation germane to the OIG and the OIG

community. Our comments are provided to the CIGIE for incorporation with comments from all other OIGs.

Reporting to Full Commission

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No.111-203) amended the Inspector General Act changing the entity head of ARC from the Federal Co-Chair to the Commission. The Office of Management & Budget (OMB) has not yet provided guidance on these changes through the required notice and publication of the List of Designated Federal Entities (DFEs) which are to be published annually under the IG Act. This Act provides that the Inspector General report to the full Commission that includes the Federal Co-Chair and 13 Appalachian Governors.

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

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

Pending additional OMB guidance or direction on Dodd-Frank issues that impact the ARC OIG the Commission considers the legislated requirement for the entire Commission to be the Agency Head as applicable. Decisions with respect to the Federal/non-Federal status of the OIG have been delayed until the final effect of the Dodd-Frank legislation has been settled.

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS
ISSUED OCTOBER 1, 2011 TO MARCH 31, 2012

Report No.	Report Title/Description	Program Dollars or Contract/Grant Amount*	Questioned/Unsupported Costs**	Funds to Better Use***
12-01	Financial Statement Audit			
12-02	Schulyer Count Child Care Center	\$150,000		
12-03	Follow-up on Older Basic Agency Grants	\$20,000,000		\$5,000,000
12-04	Cumberland Md. HRDC Project	\$550,000		
12-05	Grant Processing			
12-06	Open Older ARC Administered Grants	\$3,400,000		
12-07	Southern Tier Central Regional Planning and Development Board	\$218,000		
12-08	McHenry Business Park	\$800,000		
12-09	Alfred State College	\$150,000		
12-10	Grant Controls			
Total		\$25,268,000		

* Older Grants recommended for follow-up to determine grant status and potential for closing and de-obligations and use of funds for needed development projects in Appalachia. Actions to date are noted in this report or will be included in future semi-annual reports.

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

	<u>No. of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision was made by the commencement of the reporting period	0	\$ 0	\$ 0
B. Which were issued during the reporting period	0	\$ 0	\$ 0
Subtotals (A + B)	0	\$ 0	\$ 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	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period	0	\$ 0	\$ 0
E. Reports for which no management decision was made within 6 months of issuance	0	\$ 0	\$ 0

APPENDIX C

**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</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	2	\$ 0
Subtotals (A + B)	2	\$ 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	2	\$5,000,000
--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

* Actions resulting from ARC follow-up grants recommended for follow-up in prior reports. Available funds to be used for additional needed projects in Appalachia.

APPENDIX D

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

<u>OIG Audit Reports</u>	<u>Number of Reports</u>	<u>Amounts Recommended by OIG</u>	<u>Amounts Agreed to by Management (Disallowed)</u>
A. For which final action by management had not been taken by the commencement of the reporting period	0	\$ 0	\$ 0
B. On which management decisions were made during the reporting period	2	\$ 0	\$ 0
C. For which final action was taken by management during the reporting period			
Dollar value of recommendations that were actually completed	1	\$ 0	\$ 5,000,000
(ii) the dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed	0	\$ 0	\$ 0
D. For which no final action had been taken by the end of the reporting period	0	\$ 0	\$ 0

** Reports recommended follow-up on older open grants.
as noted on Appendix C ARC follow-up on open grants is a continuing action
and to date approximately \$5 million has been identified as funds to better use on
Appalachia projects based on follow-up older open grants .

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, Suite 700

Washington, DC 20009-1068

Information can be provided anonymously.

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

Cover photo:

Angel Falls Rapids on the Big South Fork National River, Tennessee

Photo courtesy of the U.S. National Park Service

Appalachian Regional Commission

Office of Inspector General
1666 Connecticut Avenue, NW, Suite 700
Washington, DC 20009-1068

