

**APPALACHIAN REGIONAL COMMISSION**

**INSPECTOR GENERAL'S**

**SEMIANNUAL REPORT**

**TO CONGRESS**

**APRIL 1 - SEPTEMBER 30, 1994**



December 5, 1994

MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, I am pleased to submit the semiannual report of the Office of Inspector General for the period April 1 through September 30, 1994.

During this period, operational activities included issuance of 20 reports, including 17 individual reviews and 3 program surveys. Primary recommendations were directed at improved accounting, financial systems, internal controls, and deobligations of funds. We continued to assist management in assuring physician and provider compliance with provisions of the J-1 waiver program and with audit resolution.

The Inspector General had continuing responsibilities as the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE), which was established by Executive Order in May 1992 to provide for coordination and cooperation between the 32 designated Offices of Inspectors General (OIGs). This responsibility included participating as a member of the President's Council on Integrity and Efficiency and required extensive coordination and liaison between OIGs, OMB, and Congressional sources with respect to OIG activities. The Inspector General appreciates the support, cooperation, and assistance provided by ARC management to facilitate performance of ECIE Vice Chair responsibilities.

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

  
Hubert N. Sparks  
Inspector General

Enclosure

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## EXECUTIVE SUMMARY

During this reporting period, 20 reports were issued, including 17 individual reviews and 3 program surveys. Primary recommendations were directed at improved accounting, financial systems, internal controls, and deobligations of funds. At the end of the reporting period, 8 reviews were in process, i.e., 5 grant reviews, 2 headquarters surveys dealing with grants management, and a major review of the J-1 physician waiver program.

We continued to emphasize improved grantee financial management systems, accomplishment of grant objectives, eligibility of claimed costs, and timely actions to identify potential fund deobligations. Recommendations were made for improvements in these areas. Three complaints with respect to the J-1 waiver program, which provides for extension of resident provisions for physicians who agree to work in the Appalachian Region, were reviewed; and entity audit resolution actions include significant progress toward settlement of open issues and questionable costs. Grant reviews during this period identified approximately \$83,602 in questioned and unallowable costs, which we attributed primarily to insufficient grantee accounting systems or controls and limited understandings about allowable costs and provisions of applicable OMB Circulars. Also, we identified the potential for better use of funds; and about \$333,000 was deobligated in connection with one report.

The Inspector General continued as the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE), which was established by Executive Order in May 1992 to provide for coordination and cooperation between the 32 designated Offices of Inspector General (OIGs). This responsibility included participating as a member of the President's Council on Integrity and Efficiency (PCIE) and required extensive coordination and liaison between OIGs, OMB, and Congressional sources with respect to OIG activities. The Inspector General appreciates the support, cooperation, and assistance provided by ARC management to facilitate performance of ECIE Vice Chair responsibilities.

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

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

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

**Reporting Requirements**

Section 4(a)(2)	Review of legislation and regulations	Page 7
Section 5(a)(1)	Problems, abuses, and deficiencies	Page 3
Section 5(a)(2)	Recommendations with respect to problems, abuses, and deficiencies	Page 3
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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

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\* None.

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

## **I. INTRODUCTION**

The Inspector General Act Amendments of 1988 (P.L. 100-504) provided for the establishment of an Office of Inspector General at 32 designated Federal entities, including the ARC. The Appalachian Regional Commission (ARC) Office of Inspector General became operational on October 1, 1989, with the appointment of an Inspector General and provision of budgetary authority for contracted audit and/or investigation activities.

## **II. BACKGROUND**

### **A. APPALACHIAN REGIONAL COMMISSION**

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

- o Through joint planning and development of regional priorities, ARC funds are used to assist and encourage other public and private resources to address Appalachia's unique needs. Program direction and policy is established by the Commission (ARC Code) by the vote of a majority of the State members and the affirmative vote of the Federal Co-Chairman. Emphasis has been placed on highways, infrastructure development, business enterprise, and human resources programs.
- o Administratively, the Office of the Federal Co-Chairman, with a staff of 11, and the Commission, with a staff of 50, are responsible for ARC operations. The States maintain an Office of States' Representative (3 persons) that has primarily liaison responsibilities. All personnel are located in Washington, DC. The Commission staff's administrative expenses, including salaries, are funded jointly by Federal and State funds; the States' Representative staff is funded entirely by the States; and the Federal Office staff is funded entirely from Federal funds.
- o The Commission's appropriation for FY 1994 was \$249 million, which is divided approximately \$160 million for highway projects, \$85.6 million for non-highway projects, and \$3.4 million for administrative expenses. The FY 1995 appropriation is for \$282 million. ARC is authorized through its current appropriation.
- o Program funds are distributed to State and local entities in line with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff have responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and oversight.

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

## **B. OFFICE OF INSPECTOR GENERAL**

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

### **Role and Authority**

The Inspector General Act of 1978 (P.L. 95-452), as amended in 1988, states that the Inspector General is responsible for (1) audits and investigations; (2) review of legislation; and (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, the program and operations of the establishment. In this regard, the Inspector General is responsible for keeping the Federal Co-Chairman and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The Inspector General has authority to inquire into all ARC programs and activities that are Federally funded. The inquiries may be in the form of audits, surveys, investigations, personnel security checks, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all levels of ARC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and employee conduct and (2) to recommend appropriate corrective actions.

### **Relationship to Other Principal ARC Offices**

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

## **Funding and Staffing**

The OIG Funding level for FY 1994 was \$380,000. For FY 1994, approximately 34 percent was expended for contract audit services; 51 percent, for salaries and benefits; 4 percent, for travel; and 8 percent, for all other activities (training, equipment, space, supplies, etc.). The OIG funding level represents about 35 percent of the total funds available to the Office of the Federal Co-Chairman. FY 1995 funding for OIG is \$400,000, with the division of expenditures continuing at the approximate percentages as noted for FY 1994.

Initial OIG operations included authorization for an Inspector General and a Confidential Assistant. A senior auditor was employed in the latter half of FY 1991; no additional staff have been employed. Grant review activities will continue to emphasize use of contracted services (e.g., independent public accounting firms or other OIG offices) supplemented by programmatic and performance reviews directed by OIG staff. Investigative assistance is provided by other OIG offices on an as-needed basis. This approach has been deemed the most appropriate to date in view of the nature of ARC operations and limited resources. However, we are participating with other OIG offices to facilitate sharing of investigative resources in order to strengthen this aspect of OIG operations. The OIG will continue to monitor this situation as well as the efficiency and effectiveness of the use of contracted services.

### **III. OIG ACTIVITY**

#### **A. AUDITS**

During the reporting period, 20 reports were issued, including 17 individual reviews and 3 program survey report. At the end of the reporting period, 5 grant reviews, 2 surveys and a J-1 physician program review 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 reporting period, the Inspector General continued as Vice Chair of the Executive Council on Integrity and Efficiency (ECIE), which is comprised of 32 statutorily designated Office of Inspectors General and nonstatutory Inspectors General. The Inspector General was heavily involved with efforts to ensure implementation of ECIE responsibilities for effective and efficient OIG operations.

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

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, as noted in report 94-19(H), grant closing and deobligation of funds have been emphasized; and the number of funded projects, including business development and housing revolving loan funds with large unobligated balances, has been substantially reduced. Also, substantial resources have been devoted to assessing the J-1 visa waiver program and determining the extent of compliance with

program provisions. Coordination has been maintained with other OIGs, especially on the issue of lease and purchase arrangements by local development districts (LDDs).

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

- o Continued emphasis has been placed on testing first-time program participants in order to determine and evaluate the extent of knowledge and understanding of program procedures and requirements. Our tests disclosed that these grantees often did not have adequate financial systems or accounting controls and, thus, were unable to fully support claims for reimbursement and/or submitted ineligible costs for reimbursement. Of particular significance was limited understandings with respect to information necessary to support required matching contributions and allocation of costs between different funding sources and allowable costs as noted in the applicable OMB Circulars (A-87 and A-122). For example, we questioned most of the costs associated with a \$50,000 grant because of the absence of supporting documentation for expenses, in-kind contributions, or matching funds. Also, the grantee did not maintain a separate account identifying ARC funds; and total expenditures applicable to the grant could not be determined. In 5 other instances, we questioned approximately \$39,000. Also, in several other cases, we worked with the grantee to identify eligible costs prior to the issuance of our final report and, thus, reduced or eliminated questioned costs necessitating additional audit resolution. Recommendations to improve financial and accounting systems and controls were directed at grantees and discussions were held with ARC about providing increased guidance to new or smaller grantees, including provision of applicable OMB Circulars and ARC regulations at the time of grant approval.
- o Tests at four grantees disclosed a need for action to close the grant, adjust payments, deobligate or recover funds, and/or protect the Government's interest. In one instance, \$64,242 could be deobligated since the project had been completed; in another instance, \$7,000 in unused funds could be deobligated; in 2 cases, excess cash approximating \$98,000 could be returned; in one instance, equipment valued at about \$3,800 could be returned or used for other purposes and the Government's interest in a \$58,000 van needed to be better protected.
- o A program survey of controls over grants with expired performance periods disclosed continuing management action to review and close, where appropriate, expired grants. We noted the potential for additional action, including deobligation of unused or unnecessary funds. Our review included 111 grants valued at \$10,641,980 and unused balances of \$3,036,534, with emphasis on 61 grants for which the performance period had been expired for at least 6 months. Test results disclosed 19 instances where the performance period had expired without any fund drawdowns, 36 instances where the performance period had been expired for more than 1 year, and 25 instances where the performance period had been expired for more than 6 months. We identified \$2,002,684 as having potential for deobligation. Management action on these cases to date has included

closing of 25 grants and deobligation of \$333,441. We recommended additional actions with respect to the grants noted and improved controls to ensure timely actions on grants with expiring performance periods including designation of a control unit, improved use of management information systems, and increased followup by project coordinators to determine grant status.

- o A review of ARC's internal control procedures relating to grants, accounts payable, payroll, budget oversight, and Federal regulatory reporting disclosed that controls were generally effective and that ARC financial management personnel were actively assessing accounting operations to further improve efficiency and effectiveness, including a review of ARC's use of other agencies as service bureaus to perform accounting and payroll functions. The review noted a need for improved policies and procedures with respect to accounting functions and a need for a better understanding of a service bureau's procedures in order to better utilize information provided by the service bureau. ARC has recently converted its accounting coding system to be compatible with the service bureau, which will permit more effective use of reports and information.
  
- o ARC acts as a Federal sponsor for the J-1 visa waiver program, which permits foreign physicians to remain in the US for a 2-year period upon completion of training provided they provide primary care medical services in an Appalachian Health Professional Shortage Area (HPSA). Substantial OIG resources have been committed to assessing compliance with program requirements and addressing concerns raised by employers and physicians. These concerns deal primarily with the failure of physicians to complete 2 years of service in Appalachia; reassignment of physicians by employer to non-HPSAs; physician practice of subspecialties, e.g. cardiology, rather than primary care; and justifications of the need for J-1 waiver physicians.

OIG activity during the reporting period included reviews of justifications for J-1 visa waivers, field testing and followup with respect to location and use of J-1 physicians, coordination with another Federal agency participating in the program to ensure consistent actions and reduce duplicative efforts, coordination with applicable state health agencies responsible for local administration of this program, and interim recommendations to ARC with respect to approvals, reporting, and noncompete clauses impacting on accomplishments of program objectives. Ongoing reviews will provide a basis for additional Federal and state actions necessary to better ensure the program accomplishes its intended purposes.

- o Action is continuing with respect to resolution of grants for the Economic Development Training Center, Pennsylvania State University. Audit followup has included additional on-site discussion, review of additional information provided by grantee, and preparation of a status report for use by ARC management. As of the end of the reporting period, approximately \$125,000 remained unresolved with the primary issue being the applicable indirect cost rate.

## B. INVESTIGATIONS

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

During the reporting period, a Memorandum of Understanding was signed with another Office of Inspector General in order to obtain investigative assistance with respect to the J-1 visa waiver program. Our inquiry relative to this program is ongoing as of the end of the reporting period.

## IV. AUDIT PLANNING

During FY 1995, audit work will include individual grant audits in about ten states; headquarters surveys with respect to grants management, including followup testing in areas such as staff monitoring; and additional followup on open grants with completed budget periods, grant extensions, revolving loan funds, and J-1 waiver program. Additional 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.

Also, emphasis will continue to be placed on programmatic and performance reviews. Limited resources generally preclude substantive testing of a specific subject or function, but audit planning includes identification of program subjects that can be tested in conjunction with audits of individual grants. For example, programmatic reviews of subjects such as revolving loan funds and J-1 waiver program activities should provide expanded and overall information with respect to the particular subject areas; and the benefits to management are deemed sufficient to continue this type of work despite a resource induced reduction in the number of individual grant audits and/or the testing of financial and compliance issues.

Also, increased efforts will be made to incorporate Government emphasis on accountability and performance measures in review. Financial and compliance testing will continue, but it is anticipated that testing and evaluation of performance in terms of individual grants achieving intended objectives and overall benefits derived from ARC activities will be the subject of increased audit attention.

In order to maximize use of available resources directed at reviewing ARC activities, increased emphasis continues 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.

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

areas in order to assist management fulfill responsibilities for efficient and effective 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 develop an entity-wide strategic plan are considered an important element of FY 1995 planning and discussions with new ARC management has identified several areas for review. Also, planning will include emphasis on incorporating elements noted in the Inspectors General Vision Statement issued during the prior reporting period.

The OIG is also developing a strategic plan in line with recommendations made by the General Accounting Office based on a review of the 32 designated IG offices. This effort also includes cooperation with PCIE and ECIE members to identify methodologies for implementing recommendations dealing with performance measures for OIGs.

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

During the reporting period, numerous complaints were received with respect to the J-1 waiver program. The ARC OIG initiated various reviews in response to these complaints, and the results of these reviews will be detailed in future semiannual reports.

## **VI. LEGISLATIVE AND REGULATORY REVIEW**

Primary efforts in this area continued to be related to requests for input about 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. Also, the ARC OIG supports extension of the Program Civil Fraud Penalties Act to include designated entities, improved protection of designated IG budgets, comparable pay for designated IGs, and criteria consistent with current qualification requirements for Presidentially appointed IGs.

## **VII. OTHER**

The Inspector General continued as the Vice Chair of the Executive Council on Integrity and Efficiency, which was established by Executive Order in May 1992. The ECIE, which is chaired by OMB, is comprised of the 34 statutorily designated IGs and other administratively established IGs and is intended to promote the efficiency and effectiveness of the IG community. As such,

the Vice Chair serves as a coordinator and liaison for ECIE members in dealings with OMB, Congress, and the PCIE.

Specific activities, which required considerable resource use during the reporting period, included coordinating monthly ECIE meetings; conducting committee meetings; transmitting IG related information to all members; correlating and summarizing ECIE positions on various issues; representing ECIE members' interests; briefing OMB and Congressional staff; coordinating project activity, annual reports, and training conferences; and representing ECIE at PCIE meetings.

The ECIE Vice Chair responsibilities and workload, although considered of the highest importance by the ARC OIG, required a substantial expenditure of time and resources in order to address member issues and ensure ECIE actions in line with the Executive Order. The normal workload attributable to coordinating and addressing interests and concerns of member entities was increased by the inherent activity and concerns resulting from a change in Administration. Consequently, ARC OIG time was diffused between ECIE and ARC activities during this reporting period; and the OIG appreciates the support of ARC management with respect to the IG's involvement as the ECIE Vice Chair.

The Inspector General continues to advocate use of Interservice Agreements by smaller designated IG offices in order to substantially reduce the costs of independently contracting for external auditors. This process, which was initiated by the ARC OIG in 1989, is now used by approximately ten designated IG offices and results in a substantial reduction in costs with respect to advertising and bid evaluation, without any reduction in competition or quality of work.

**SCHEDULE OF REPORTS ISSUED APRIL 1, 1993, TO SEPTEMBER 30, 1994**

Report No.	Title	Program Dollars or Contract/Grant Amount	Questioned Costs*	Funds to Better Use**
94-12(H)	Aliquippa Alliance for Unity and Development	\$ 186,248	\$ 15,291	
94-18(H)	United Way of Southwestern Virginia	50,000	44,852	
94-19(H)	Contracts/Grants with Expired Performance Periods	10,641,980		\$2,002,684
94-22(H)	Alabama State Health Planning Agency	80,000		3,800
94-23(H)	Citizens Baptist Medical Center	114,400	13,000	
94-24(H)	Water Resources Planning Program--ADECA	500,000		64,242
94-25(H)	West Virginia School-Based Enterprises/Adult Literacy	220,000		
94-26(H)	Science at Sunrise Equipment Project	150,000	1,250	
94-27(H)	West Virginia Regional Tourism Initiative	111,000	5,000	
94-28(H)	West Virginia Labor Management Council	70,000		11,128
94-29(H)	West Virginia Customized New and Expanded Industry Training Program	750,000		94,265
94-30(H)	ARC Internal Control Systems			
94-31(H)	Enterprise Development Program, SW PA LDD			
94-32(H)	Enterprise Development Program, NCPRP&DC	530,000		
94-33(H)	Enterprise Development Program, Southern Alleghenies P&DC	780,000		
94-34(H)	Alabama J-1 Waiver Applications			
94-35(H)	Enterprise Development Program, Economic Development Council of NE PA	780,000		
94-36(H)	Kentucky Technical Assistance Program	200,000	1,500	
94-38(H)	Kentucky Tourism Technical Assistance	75,000		
94-39(H)	North Carolina Mountain Area Planning	640,000		
<b>TOTALS</b>		<b>\$15,878,628</b>	<b>\$ 98,893</b>	<b>\$2,176,119</b>

\* A cost the Office of Inspector General has questioned because of an alleged violation of law, regulation, contract, or other agreements governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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

**SCHEDULE OF AUDIT REPORTS WITH  
QUESTIONED OR UNSUPPORTED COSTS**  
(\$ in thousands)

	<u>No. of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision was made by the commencement of the reporting period	5	\$ 126	-
B. Which were issued during the reporting period	7	<u>\$ 100</u>	-
Subtotals (A + B)	12	\$ 226	-
C. For which a management decision was made during the reporting period	5	\$ 55	-
(i) dollar value of disallowed costs	2	\$ 23	-
(ii) dollar value of costs not disallowed	4	\$ 32	1/
D. For which no management decision has been made by the end of the reporting period	7	\$ 171	-
E. Reports for which no management decision was made within 6 months of issuance	2	\$ 85	2/

1/ Partial disallowance in one case.

2/ Delays attributable to changes in a grantee organization and need for additional information from another grantee.

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

	No. of Reports	Dollar Value (\$ in thousands)
A. For which no management decision was made by the commencement of the reporting period	-	-
B. Which were issued during the reporting period	5	\$2,176
Subtotals (A + B)	5	\$2,176
C. For which a management decision was made during the reporting period	2	\$2,014
(i) dollar value of recommendations that were agreed to by management	2	\$ 339 <sup>1/2/</sup>
--based on proposed management action	2	\$ 339
--based on proposed legislative action	-	-
(ii) dollar value of recommendations that were not agreed to by management	1	\$ 6
D. For which no management decision has been made by the end of the reporting period	3	\$ 162
E. Reports for which no management decision was made within 6 months of issuance	-	-

1/ Management agreed to pursue all potential deobligations; and \$333,000 represents the amount deobligated during the reporting period.

2/ Additionally, approximately \$191,000 in RLF housing fund balances noted in a prior report was deobligated during this reporting period.

**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.