



Office of Inspector General

Appalachian Regional Commission

Semiannual Report to Congress

April 1, 2023 – September 30, 2023

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009



Appalachian
Regional
Commission

Office of the Federal Co-Chair

November 9, 2023

This letter transmits the Appalachian Regional Commission's Inspector General's Semiannual Report to Congress for the period April 1, 2023, through September 30, 2023. As required by section 405(c) of the Inspector General Act of 1978, as amended, we are also submitting statistical tables as an appendix to this report.

The Commission appreciates the Inspector General's efforts to ensure the effectiveness, efficiency, and integrity of our operations.

If you or your staffs have any questions about this report, please contact me at (202) 884-7760 or Inspector General Philip Heneghan at (202) 884-7678.

Sincerely,

A handwritten signature in black ink that reads "Gayle C. Manchin".

Gayle C. Manchin
Federal Co-Chair

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Office of Inspector General

Appalachian Regional Commission

October 30, 2023

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period of April 1, 2023 to September 30, 2023.

During this reporting period our office issued seventeen reports and made eleven recommendations.

I want to assure you that my staff and I are committed to a Commission that operates with efficiency, effectiveness, and integrity. We look forward to continuing to work with you, the Commission staff, and Congress to provide independent and effective oversight of the Appalachian Regional Commission's programs and operations.

I would like to thank you for your commitment to strengthening the integrity of the Commission's operations and for your support of the Office of Inspector General.

Philip M. Heneghan
Inspector General

Appalachian Regional Commission

Inspector General Semiannual Report

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Inspector General Semiannual Report

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Appalachian Regional Commission

Inspector General Semiannual Report

Office of Inspector General

The Appalachian Regional Commission (Commission) established the Office of Inspector General when the *Inspector General Act* (IG Act) was amended in 1988. Our office provides audit, evaluation, inspection, and investigative services covering all Commission programs and operations. Our mission is to promote and preserve the effectiveness, efficiency, and integrity of the Commission. We plan and conduct our activities based on several factors: requirements of laws and regulations, requests from management officials, allegations received from Commission personnel and other sources, and the Inspector General's initiative.

Semiannual Report

The IG Act requires each Inspector General to prepare a report twice a year that summarizes the activities of the office. This Semiannual Report covers the period from April 1, 2023, through September 30, 2023. The 17 reporting requirements specified in the IG Act are shown in Appendix A, Table 1 and must be included in the report.

Inspector General Reports Issued During This Period

The Inspector General issued seventeen reports during this reporting period. Sixteen of the reports were audits of grant awards. The grant audits were designed to determine whether the grantee had sound management practices in place to administer the financial and performance aspects of the award. The other report issued was on the top management and performance challenges facing the Commission.

A complete list of reports issued during this reporting period is provided in Appendix A, Table 2.

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Inspector General Semiannual Report

Summary of Prior Period Reports

Management Decisions Made for Recommendations Issued in Prior Periods

At the beginning of this reporting period, the Commission had provided management decisions for all but eight recommendations from two final reports we issued in prior periods. Management decisions for these eight recommendations were made during the current reporting period. Summary information related to the management decisions received is provided in Appendix A, Table 3.

Unimplemented Recommendations From Prior Periods and Potential Cost Savings

At the beginning of this reporting period, the Commission had five recommendations from two previous reports without final action. These five recommendations are still awaiting final action.

A complete list of unimplemented recommendations from prior periods, including any potential cost savings is provided in Appendix A, Table 6.

Description of Significant Problems, Abuses, or Deficiencies

The Inspector General has the discretion to determine if the results of an audit, inspection, evaluation, or other report are significant to the administration and operations of the Commission. In making this determination, the Inspector General considers quantitative and qualitative factors, such as the nature of the problem or deficiency, potential monetary impacts, and materiality as it relates to the integrity of the Commission's programs and operations.

The Inspector General did not identify any problems, abuses, or deficiencies that rose to this level of significance during this reporting period.

Appalachian Regional Commission

Inspector General Semiannual Report

Hotline and Investigations

Investigations and Inquiries: Overview

One of our functions is to conduct investigations and inquiries of criminal, civil, and administrative wrongdoing involving Commission programs, operations, and personnel. We may investigate possible violations of criminal law, of regulations on employee responsibilities and conduct, and of other statutes and regulations covering Commission activities.

Our office reviews and analyzes each complaint received to decide the appropriate course of action and, if appropriate, conducts a preliminary inquiry. If the information we find during the preliminary inquiry indicates that a full investigation is appropriate, we will launch an investigation.

OIG Hotline Contacts

Our office maintains a hotline for reporting information about suspected waste, fraud, abuse, or mismanagement involving Commission programs or operations. The information may come to us in person; by telephone, fax, email, or mail; or through a web-based form. When requested, we will endeavor to keep a provider's identity confidential. Complaints may also be made anonymously.

We receive complaints from employees, contractors, grantees, and the public that involve the Commission's areas of responsibility. We examine these complaints to determine whether there is any indication of wrongdoing or misconduct by grantees or the Commission. If the complaint does not relate to the Commission or its grantees, we refer the complaint to the appropriate entity for action. If the complaint does not have merit, we close the matter.

Investigations Closed During the Reporting Period

The Office of Inspector General did not close any significant investigations during this reporting period.

Summary of Matters Referred to Prosecuting Authorities

The Office of Inspector General did not refer any matters to prosecuting authorities during this reporting period.

Appalachian Regional Commission

Inspector General Semiannual Report

Investigations with Substantiated Allegations Involving Senior Government Employees

The Office of Inspector General did not issue any investigative reports that substantiated allegations involving senior government employees.

Summary of Reports Not Disclosed to the Public

Audits and Other Reports to Management

The Office of Inspector General did not issue any inspections, evaluations, or audits that were not disclosed to the public during this reporting period.

Investigations

The Office of Inspector General did not issue any investigative reports that were not disclosed to the public during this reporting period.

External Oversight Reviews

The Commission's administrative operations and programs are from time-to-time reviewed by Federal oversight entities external to the Commission; such as the Government Accountability Office and Office of Government Ethics.

The Commission did not receive any reports from an external oversight entity during this reporting period and had no outstanding recommendations from prior periods.

Assistance to or From Other Offices of Inspector General

Section 406(a)(3) of the Inspector General Act of 1978, as amended, gives the Inspector General the authority to obtain assistance from any other Federal agency to carry out the duties and responsibilities assigned by the Act. We currently have three Memorandums of Understanding with other Inspectors General.

We have two long-standing Memorandums of Understanding with the Office of Inspector General of the International Trade Commission for technical assistance and audit support.

Appalachian Regional Commission

Inspector General Semiannual Report

We also continued our Memorandum of Understanding with the Inspector General of the Federal Maritime Commission to provide investigative support services.

Congressional Activities

The Inspector General did not receive any Congressional requests during this reporting period.

Council of the Inspectors General on Integrity and Efficiency

The Inspector General and staff actively participated in meetings and supported the efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and its committees.

Federal Financial Management Improvement Act Reporting

The IG Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) require the inspectors general of certain agencies to report “instances and reasons” when the agency has not met intermediate target dates established in a remediation plan to bring the agency’s financial management system into substantial compliance with the FFMIA. The Commission is not subject to the FFMIA; however, it voluntarily seeks to comply with most of its requirements. During this reporting period, there were no events that gave rise to a duty to report under FFMIA.

Peer Reviews

Our office had a modified peer review report completed of our audit function by the Government Publishing Office’s Office of Inspector General. The report was issued on September 14, 2021, and determined the established policies and procedures for the audit function were current and consistent with applicable professional standards. The report did not contain any recommendations.

The next peer review of our audit function will be conducted in accordance with the schedule set by the Council of Inspectors General on Integrity and Efficiency.

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Our office conducted a modified peer review of the Federal Labor Relations Authority during this reporting period. We did not issue any recommendations as a result of that peer review.

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Appendix A: Inspector General's Tables

Table 1: Reporting Requirements Index

The table below identifies the 17 reporting requirements from the IG Act that must be included in the semiannual report along with the corresponding page number of where the information can be found in this report.

Reporting Requirements Index		
IG Act Section	Description	Page
404(a)(2)	Review of Legislation	None
405(b)(1)	Description of Significant Problems, Abuses, and Deficiencies	2
405(b)(2)	Recommendations from Prior Periods and Potential Cost Savings	2, A-6
405(b)(3)	Summary of Significant Investigations Closed this Period	None
405(b)(4)	Total Number of Convictions from Investigations this Period	None
405(b)(5)	Each Report Issued During This Reporting Period	A-2
405(b)(6)	Management Decisions Made This Reporting Period for Recommendations Issued in Prior Reports	2, A-3
405(b)(7)	Information Described Under Section 804(b) of FFMIA	5
405(b)(8)	Results of Peer Review Completed During This Period or Date of Last Peer Review	5
405(b)(9)	Outstanding Recommendations from Peer Review	None
405(b)(10)	Peer Reviews Conducted of Another Office of Inspector General During This Period	6
405(b)(11)	Statistical Table: Investigative Reports	A-9
405(b)(12)	Description of the Metrics Used for Developing Investigative Statistics	A-9
405(b)(13)	Investigations With Substantiated Misconduct Allegations Involving Senior Government Employees	None
405(b)(14)	Description of Any Whistleblower Retaliation	None
405(b)(15)	Description of Attempts to Interfere with Inspector General Independence	None
405(b)(16)	Summary of Reports Not Disclosed to the Public	None

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Appendix A: Inspector General's Tables

Table 2: Inspector General Reports Issued During this Reporting Period

The table below provides a list of each report issued by the Inspector General during this reporting period. For each report, we provide the number of recommendations issued and the number of management decisions received. The table also includes the amount of questioned costs, unsupported costs, and funds that could be put to better use. Each report can be viewed in its entirety on <https://www.oversight.gov/reports>.

Reports Issued During this Reporting Period							
Report Number	Report Title	Date Issued	# of Recs.	Mgt. Decisions	Questioned Costs	Unsupported Costs	Funds Put to Better Use
23-12	Spartanburg Community College	4/12/23	0	0	\$0	\$0	\$0
23-13	Pike County Fiscal Court	4/17/23	1	1	\$0	\$0	\$0
23-14	Woodlands Community Lenders	4/25/23	0	0	\$0	\$0	\$0
23-15	Calhoun Community College	4/26/23	0	0	\$0	\$0	\$0
23-16	West Virginia Food and Farm Coalition, Inc.	5/1/23	0	0	\$0	\$0	\$0
23-17	Sprouting Farms, Corp.	6/1/23	2	2	\$13,346	\$13,346	\$0
23-18	Opportunity Alabama	6/13/23	1	1	\$0	\$0	\$0
23-19	North Carolina Department of Information Technology	6/22/23	0	0	\$0	\$0	\$0
23-20	The Consortium for Entrepreneurship Education	7/17/23	7	7	\$155,287	\$155,287	\$0
23-21	City of Dallas	8/3/23	0	0	\$0	\$0	\$0
23-22	Jefferson State Community College	8/17/23	0	0	\$0	\$0	\$0
23-23	Isothermal Community College	8/18/23	0	0	\$0	\$0	\$0
23-24	Northwest Georgia Regional Commission	8/30/23	0	0	\$0	\$0	\$0
23-25	SC Appalachian Council of Governments	8/30/23	0	0	\$0	\$0	\$0
23-26	Dickenson County	9/26/23	0	0	\$0	\$0	\$0
23-27	City of Beattyville	9/26/23	0	0	\$0	\$0	\$0
23-28	Management and Performance Challenges	9/29/23	0	0	\$0	\$0	\$0
Totals			11	11	\$168,633	\$168,633	\$0

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Appendix A: Inspector General's Tables

Table 3: Management Decisions Made for Recommendations from Prior Periods

This table identifies the reports with recommendations issued in previous reporting periods, where the management decision was received during this reporting period.

Management Decisions Made for Recommendations from Prior Periods					
Report Number	Title	# of Recs.	Mgt. Decisions Made During Prior Periods	Mgt. Decisions Made During This Period	Potential Cost Savings
23-08	The Research Foundation for the State University of New York on behalf of Alfred State College	4	0	4	\$2,314
23-11	Partner Community Capital (formerly Natural Capital Investment Fund)	4	0	4	\$913
Totals		8	0	8	\$3,227

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Appendix A: Inspector General's Tables

Table 4: Recommendations with Questioned Costs and Final Action Completed

The table below identifies recommendations with questioned costs where final action was completed during this reporting period. The information in the table is subdivided to distinguish between recommendations issued during this reporting period and recommendations issued in prior reporting periods. The table includes the amount of questioned costs identified in the audit report.

Recommendations with Questioned Costs with Final Action Completed			
Reports Issued During this Reporting Period			
Report Number	Rec. Number	Title	Questioned Costs
23-17	23-17-01	Sprouting Farms, Corp.	\$13,346
Subtotal			\$13,346
Reports Issued In Prior Reporting Periods			
Report Number	Rec. Number	Title	Questioned Costs
23-11	23-11-01	Partner Community Capital (formerly Natural Capital Investment Fund)	\$337
23-11	23-11-03	Partner Community Capital (formerly Natural Capital Investment Fund)	\$576
Subtotal			\$913
Total			\$14,259

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Appendix A: Inspector General's Tables

Table 5: Recommendations Without Final Action – Reports Issued This Period

The table below identifies recommendations from reports issued during this reporting period where final action had not been completed. The table includes the recommendation number and any potential cost savings.

Recommendations Without Final Action Completed				
Reports Issued During this Reporting Period				
	Report Number	Rec. Number	Recommendation	Potential Cost Savings
1	23-13	23-13-01	We recommend the Grantee develop and implement policies and procedures to ensure past performance reports are submitted to ARC no later than 30 days after the close of a reporting period.	\$0
2	23-18	23-18-01	We recommend that the Grantee develop policies and procedures over the financial management of Federal grants, which should include reconciliation of the general ledger expenses to the Form SF-270 prior to submission, and segregation of duties to the extent possible.	\$0
3	23-20	23-20-01	The Grantee revise its current policies and procedures to include the tracking of grant expenditures incurred and properly reconciling costs for accurate reporting to ARC.	\$40,522
4	23-20	23-20-02	The Grantee revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude duplicate costs in the amount of \$40,522 from the total non-Federal match funds.	\$0
5	23-20	23-20-03	The Grantee revise its current policies and procedures to ensure that costs claimed are adequately supported in accordance with the regulations.	\$0
6	23-20	23-20-04	The Grantee revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude total questioned costs in the amount of \$6,690 from the total ARC funded amount and \$108,075 from the total non-Federal match funds.	\$114,765
7	23-20	23-20-05	We recommend the Grantee revise its current policies and procedures to ensure PPRs including coversheets and narratives are submitted to ARC no later than 30 days after the close of a reporting period.	\$0
8	23-20	23-20-06	We recommend the Grantee develop policies and procedures for procurement and determining the reasonableness, allocability and allowability of costs incurred as required by the Federal regulations.	\$0
9	23-20	23-20-07	EntreEd develop written timekeeping policies and procedures and implement a process for ensuring personnel time charged to the ARC grant is tracked, reviewed, and approved prior to requesting reimbursements from ARC.	\$0
Subtotal				\$155,287

Appalachian Regional Commission

Appendix A: Inspector General's Tables

Table 6: Recommendations Without Final Action – Reports Issued in Prior Periods

The table below identifies recommendations from reports issued in prior reporting periods where final action had not been completed. The table includes the recommendation number and any potential cost savings.

Recommendations Without Final Action Completed				
Reports Issued In Prior Reporting Periods				
	Report Number	Rec. Number	Recommendation	Potential Cost Savings
1	23-01	23-01-01	We recommend that RRED establish and maintain written policies and procedures as an independent non-profit entity of the Kentucky Chamber Foundation and the Kentucky Chamber of Commerce to conform to Federal regulations and provide for a system of internal control.	\$0
2	23-08	23-08-01	We recommend the Grantee revise the final ARC Form SF 570 Request for Advance or Reimbursement to exclude total questioned costs in the amount of \$2,314 from the total non-Federal match funds.	\$2,314
3	23-08	23-08-02	We recommend the Grantee develop policies and procedures to ensure that costs claimed are allowable and adequately supported in accordance with regulations.	\$0
4	23-08	23-08-03	We recommend the Research Foundation for SUNY/ASC ensure non-ARC matching costs are properly reconciled for accuracy and maintained in accordance with the 2CFR Title 2 Subtitle A Chapter II Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).	\$0
5	23-08	23-08-04	We recommend the Grantee develop policies and procedures to ensure performance progress reports are submitted to ARC no later than 30 days after the close of a reporting period.	\$0
Subtotal				\$2,314
Total				\$157,601

Appalachian Regional Commission

Appendix A: Inspector General's Tables

Table 7: Status of Reports Issued with Final Action Completed

The table below provides a list of each report with final action completed during this reporting period. The information is subdivided by final action completed for reports issued during this period and reports issued in prior reporting periods.

Status of Reports Issued with Final Action Completed					
This Reporting Period					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete
1	Spartanburg Community College, 23-12	0	0	0	0
2	Woodlands Community Lenders, 23-14	0	0	0	0
3	Calhoun Community College, 23-15	0	0	0	0
4	West Virginia Food and Farm Coalition, Inc., 23-16	0	0	0	0
5	Sprouting Farms, Corp., 23-17	2	2	0	2
6	North Carolina Department of Information Technology, 23-19	0	0	0	0
7	City of Dallas, 23-21	0	0	0	0
8	Jefferson State Community College, 23-22	0	0	0	0
9	Isothermal Community College, 23-23	0	0	0	0
10	Northwest Georgia Regional Commission, 23-24	0	0	0	0
11	SC Appalachian Council of Governments, 23-25	0	0	0	0
12	Dickenson County, 23-26	0	0	0	0
13	City of Beattyville, 23-27	0	0	0	0
14	Management and Performance Challenges Report, 23-28	0	0	0	0
Totals		2	2	0	2
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Period	Final Action Complete This Period
1	FY21 Financial Statement Audit Opinion, 22-08	6	6	3	3
2	Three Rivers Planning & Development District, 22-14	2	2	0	2
3	Partner Community Capital (formerly Natural Capital Investment Fund), 23-11	4	4	0	4
Totals		12	12	3	9

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Appendix A: Inspector General's Tables

Table 8: Status of Reports Issued Without Final Action

This table provides the status of reports with recommendations where final action has not been completed. The information is subdivided by reports issued during this reporting period and reports issued in prior reporting periods.

Status of Reports Issued Without Final Action						
This Reporting Period						
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete	Final Action Not Complete
1	Pike County Fiscal Court, 23-13	1	1	0	0	1
2	Opportunity Alabama, 23-18	1	1	0	0	1
3	The Consortium for Entrepreneurship Education, 23-20	7	7	0	0	7
Totals		9	9	0	0	9
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Final Action Not Complete
1	Red River Economic Development, 23-01	1	1	0	0	1
2	The Research Foundation for the State University of New York on behalf of Alfred State College, 23-08	4	4	0	0	4
Totals		5	5	0	0	5

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Appendix A: Inspector General's Tables

Table 9: Statistical Table of Investigative Reports

The table below provides statistical information related to investigative reports issued during the reporting period.

Statistical Table of Investigative Reports	
Description	Count
Number of investigative reports issued	0
Number of persons referred to DOJ for criminal prosecution	0
Number of persons referred to state and local authorities for criminal prosecution	0
Number of indictments and criminal information resulting from any prior referrals to prosecuting authorities.	0
Number of convictions during the reporting period resulting from investigations	0
The information in this table is derived from the Office of Inspector General's investigation reports.	

Appalachian Regional Commission

Appendix B: Commissioner's Statistical Tables

Table A: Management Decisions Made for Recommendations from Prior Periods

The table below identifies each report issued during prior reporting periods in which management decisions were made during this reporting period, along with the amount of questioned costs and funds put to better use. The allowability of questioned costs is determined through the management decision process and is not reported until final action has been completed.

Management Decisions Made for Recommendations from Prior Periods						
	Report Number	Prior Period Recommendations without Management Decisions	Management Decisions Made in This Period	Questioned Costs	Funds Put to Better Use	
	1	23-08	4	4	\$2,314	\$0
	2	23-11	4	4	\$913	\$0
Total	2	8	8	\$3,227	\$0	

Table B: Recommendations with Final Action Completed During this Reporting Period

The table below provides statistical information on the recommendations with questioned costs where final action was completed during this reporting period. The table provides the total dollar value of the allowed costs and disallowed costs for the reporting period.

Recommendations with Final Action Completed During this Reporting Period		
Description	Total	Dollar Value
Recommendations with Final Action Completed	3	\$14,259
<ul style="list-style-type: none"> • Dollar value of allowed costs (ARC) 		\$14,259
<ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs written off by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs from this reporting period, not yet recovered. 		\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs from prior reporting periods, not yet recovered. 		\$200,000
Recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0

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Appendix B: Commissioner's Statistical Tables

Table C: Status of Reports with Questioned Costs

The tables below provide statistical information related to reports with questioned costs. The first table identifies the number of reports with questioned costs for both prior periods and the current period. The second table describes the status of those reports with questioned costs and funds to be put to better use. The table details the total dollar value of allowed costs, disallowed costs, and funds to be put to better use as identified in the management decision. In cases where a management decision has not been received, the dollar value shown is the amount identified in the report.

Reports with Questioned Costs			
Description	Number of Reports	Questioned Costs	Funds Put to Better Use
Prior period reports with questioned costs at the beginning of the reporting period	2	\$3,227	\$0
Reports issued this period with questioned costs	2	\$168,633	\$0
Total Reports with Questioned Costs	4	\$171,860	\$0

Status of Reports with Questioned Costs					
Description	Number of Reports	Questioned Costs	Allowed Costs ¹	Disallowed Costs	Funds Put to Better Use
Prior period reports with final action completed during this reporting period	1	\$913	\$913	\$0	\$0
Reports issued during this reporting period with final action completed	1	\$13,346	\$13,346	\$0	\$0
Reports without final action completed	2	\$157,601			\$0
Totals	4	\$171,860	\$14,259	\$0	\$0

¹ Allowed costs include questioned costs identified at the time of audit that were resolved by correcting errors on financial reports submitted to ARC. These costs are typically related to matching requirements and in-kind contributions and do not require a recovery by ARC.

Appalachian Regional Commission

Appendix B: Commissioner's Statistical Tables

Table D: Prior Year Management Decisions Without Final Action

The table below identifies each report from prior periods, where management decisions were made in the preceding year, but final action has not been taken.

Prior Year Management Decisions Without Final Action				
Report	Date Issued	Disallowed Costs	Funds Put to Better Use	Reason Final Action has Not Been Taken
N/A	-	-	-	-