Office of Inspector General

Semiannual Report to Congress

October 1, 2020 - March 31, 2021



Office of Inspector General



Office of the Federal Co-Chair

May 25, 2021

This letter transmits the Appalachian Regional Commission's Inspector General's Semiannual Report to Congress for the period October 1, 2020, through March 31, 2021. As required by section 5(b) of the Inspector General Act of 1978, as amended, we are also submitting statistical tables as an attachment to this letter. We do not have any information to report under IG Act section 5(b)(4) and (5).

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,

Gayle C. Manchin Federal Co-Chair

Layle G. Manchin



Office of Inspector General

April 30, 2021

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period October 1, 2020 to March 31, 2021.

During this reporting period our office issued six reports.

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 program 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

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Inspector General Semiannual Report

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Table 1: Reporting Requirements Index

Reporting Requirements Index				
IG Act Section	Description	Page		
4(a)(2)	Review of Legislation	None		
5(a)(1)	Description of Significant Problems, Abuses, and Deficiencies	2-3		
5(a)(2)	Description of Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	2-3		
5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	4-5		
5(a)(4)	Summary of Matters Referred to Prosecuting Authorities	None		
5(a)(5)	Summary of Instances Where Information or Assistance Was Unreasonably Refused	None		
5(a)(6)	Listing by Subject Matter of Each Report Issued During This Reporting Period	2		
5(a)(7)	Summary of Significant Reports	2-3		
5(a)(8)	Statistical Table: Questioned and Unsupported Costs	8		
5(a)(9)	Statistical Table: Recommendations Where Funds Could Be Put to Better Use	8		
5(a)(10)	Summary of Prior Reports	4		
5(a)(11)	Description of Any Significant Revised Management Decisions	None		
5(a)(12)	Information Concerning Any Significant Management Decision With Which the Inspector General Is in Disagreement	None		
5(a)(13)	Information Described Under Section 5(b) of FFMIA	7		
5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	7		
5(a)(15)	List of Outstanding Recommendations From Peer Review	None		
5(a)(16)	List of Peer Reviews Conducted of Another Office of Inspector General During This Period	7		
5(a)(17)	Statistical Table: Investigative Reports	10		
5(a)(18)	Description of the Metrics Used for Developing Investigative Statistics	10		
5(a)(19)	Investigations With Substantiated Allegations Involving Senior Government Employees	5		
5(a)(20)	Description of Any Whistleblower Retaliation	None		
5(a)(21)	Description of Attempts To Interfere With Inspector General Independence	None		
5(a)(22)	Summary of Reports Not Disclosed to the Public	6		

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 Requirements

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 October 1, 2020, through March 31, 2021. The 23 requirements shown in table 1 are specified in the IG Act and must be included in the report.

This Semiannual Report starts by summarizing the results of the reports issued during this period with a summary of the identified questioned and unsupported costs. This is followed by a summary of prior period reports with unimplemented recommendations; a description of significant recommendations from prior period reports where final action is not complete; details of hotline and investigative activities; and information on reports that we did not publicly disclose.

The next section summarizes other reviews of the Commission conducted by external parties, along with the status of recommendations from those reports. The last sections provide information on other reportable items and include congressional activity, participation in the Council of the Inspectors General on Integrity and Efficiency, other compliance activities, and the outcome of our peer review. Additional tables at the end of the report summarize information about our reports and provide the status of recommendations.

Inspector General Reports Issued During This Period

The Inspector General issued six reports during this reporting period. Four of the reports were audits of grant awards. The primary objectives of grant award audits were to determine whether: (1) Program funds were managed in accordance with Commission and Federal grant requirements; (2) Grant funds were expended as provided for in the approved grant budget; (3) Internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (4) Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles; (5) The performance measures were met or likely to be met; and (6) Matching requirements of the grant were satisfied. One report was an audit of the Commission's financial statements. The other report was Management Challenges. The reports are identified in the table below.

Inspector General Semiannual Report

Table 2: Reports by Subject Matter

Reports by Subject Matter					
Subject Matter	Report Number	Report Title	Date Issued	Number of Recommendations	
Grant Award	21-01	Audit of Marshall County Board of Supervisors	10/02/20	2	
Grant Award	21-02	Audit of Maysville Community & Technical College	10/02/20	1	
Management	21-03	Management and Performance Challenges	10/15/20	0	
Grant Award	21-04	Audit of Washington Green County Job Training Agency, Inc.	11/04/20	0	
Financial	21-05	Fiscal Year 2020 Financial Statement Audit	01/28/21	0	
Grant Award	21-06	Clay County PSD Pack Fork and Independence Road Waterline Extension	03/17/21	0	
Total recommen	dations issued dur	ing this reporting period		3	

The summary information for the reports is provided below.

Grant Award - Marshall County Board of Supervisors (MS-18554) Report 21-01

The grant was awarded for the construction of a 30,000 square feet Workforce Training Center. ARC provided funding of \$3,163,440 to the County and required a matching contribution of \$790,860 for an estimated project cost of \$3,954,300. The County was following and adhering to the guidance for financial management and internal controls presented in the Mississippi County Financial Accounting Manual developed by the Mississippi State Auditor's Office. However, the Manual needs to be revised and updated to address the financial management and internal control requirements specified in 2 CFR 200. The performance outputs and outcomes reported in the final Basic Agency Monitoring Report (BAMR) were inaccurate and the county had not fully met the planned performance outputs and outcomes as of July 2020. Consequently, the County, must continue monitoring, tracking and reporting actual performance outputs and outcomes. The report contained two recommendations.

Grant Award - Maysville Community & Technical College (PW-18770) Report 21-02

The object of this grant to Maysville Community & Technical College (MCTC), located in Maysville, Kentucky was to provide drone training to students. ARC awarded \$1,290,000 to MCTC and required a matching contribution of \$609,692 for an estimated project cost of \$1,899,692. Overall, MCTC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. The ARC and recipient-matched costs tested were supported and reasonable. There were no questioned costs from tests of costs incurred and costs claimed under the grant. The project and financial reports submitted to ARC were sometimes not received by ARC and sometimes not received in a timely manner.

Inspector General Semiannual Report

Top Management and Performance Challenges Report 21-03

Each year, our office must identify and discuss the most significant management and performance challenges facing the Commission in the coming year. We provided this report (21-03) to the Commission on October 15, 2020. We identified three challenges using information gained from our audit, evaluation, and inspection work; a general knowledge of the Commission's programs and activities; and input from management. The three challengers are (1) the COVID-19 pandemic, (2) information systems, and (3) risks associated with the rapid growth of ARC funding.

Grant Award – Washington Greene County Job Training Agency, Inc. (PW-18926) Report 21-04

The ARC awarded a grant to provide information technology training to students. The grant provided \$1,489,945 and required \$1,135,440 in non-ARC recipient matching. Overall, WGCJTA managed program funds in accordance with the ARC and Federal grant requirements; expended grant funds as provided for in the approved grant budget; maintained a system of program (internal) controls and internal grant guidelines that were adequate and operating effectively; implemented accounting and reporting requirements in accordance with generally accepted accounting principles and applicable ARC accounting and reporting requirements; and met the matching requirements of this Grant.

Financial – Fiscal year 2020 Financial Statement Audit, Report 21-05

We engaged the services of an independent certified public accounting firm to audit the Appalachian Regional Commission's balance sheet and related statements of net cost, changes in net position, and budgetary resources for fiscal year 2019. The auditors concluded that the Commission's financial statements for the fiscal year ended September 30, 2020, present fairly in all material respects the financial position of the Commission. The audit did not identify any material weaknesses or significant deficiencies. The report did not identify any instances of noncompliance with certain laws and regulations. The auditors did not make any recommendations.

Grant Award – Clay County PSD Pack Fork and Independence Road Waterline Extension (WV-18271) Report 21-06

The purpose of the grant for the Clay County Public Service District's Pack Fork and Independence Road Waterline Extension project was to provide safe, reliable water service to 134 households and two organizations in an isolated part of the county by constructing approximately 35,000 linear feet of waterline. The grant provided total funding of \$2,960,000 including \$760,000 in ARC funds and \$2,200,000 in non-ARC funds. The grantee was able to meet the projected outputs by adding a total of 44,000 linear feet of water line. The project provided add water service to 90 households falling short of the projected outcome of 134 households served.

Inspector General Semiannual Report

Reports with Questioned and Unsupported Costs

A listing of reports issued during this reporting period with questioned costs and unsupported costs is provided in table 3.

Table 3: Reports with Questioned and Unsupported Costs this Period

Reports With Questioned and Unsupported Costs Issued This Period					
Report Number	Title	Questioned Costs	Unsupported Costs		
	N/A				
Total	Total				

Summary of Prior Period Reports

Reports Without Management Decisions

The Commission has provided management decisions for all recommendations in reports issued prior to the commencement of this reporting period.

Prior Year Unimplemented Recommendations and Cost Savings

There is one prior year report with unimplemented recommendations and cost savings.

Table 4: Reports with Questioned and Unsupported Costs Prior Periods

Reports With Questioned and Unsupported Costs Unimplemented From Prior Periods				
Report Number Title Questioned Costs Unsupported Costs				
20-20	Audit of Wise County Industrial Development Authority	\$1,216,477	\$1,216,477	
Total \$1,216,477		\$1,216,477		

Inspector General Semiannual Report

Significant Recommendations From Prior Periods

The Commission has not completed final action on the recommendations described above.

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.

Summary of Matters Referred to Prosecuting Authorities

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

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.

Inspector General Semiannual Report

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 Reviews Completed During This Period

There were no External Reviews completed during this period.

External Reviews Completed During Prior Periods

Government Accountability Office

The United States Government Accountability Office (GAO) reviewed programs administered by the Appalachian Regional Commission and the Department of Labor that deliver services such as job training and counseling through state and local grantees. Selected grantees in all three states GAO visited described common challenges faced by workers from enrollment in assistance programs through re-entry into the job market. In its final report, the GAO made seven recommendations, two recommendations were addressed to the Federal Co-Chair of the Appalachian Regional Commission. Management decisions have been made on the two recommendations and work has begun on implementing the decisions.

Assistance To or From Other Offices of Inspector General

Section 6(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 have a Memorandum of Understanding with the Office of Inspector General of the International Trade Commission for technical assistance.

Inspector General Semiannual Report

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 has 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

The last peer review report of our audit function was issued on March 6, 2017, and we received a "pass" rating. The one recommendation made in the peer review has been implemented. We received an extension on our peer review from the Audit Committee and the Government Publishing Office OIG has begun a peer review of the audit function.

We conducted a peer review of the Securities and Exchange Commission's OIG inspection and evaluation program and issued a final report on October 20, 2020.

Table 5: Summary of Reports Including Questioned and Unsupported Costs

Summary of Reports Including Questioned and Unsupported Costs				
Description	Number of Reports	Questioned Costs	Unsupported Costs	
Reports for which no management decision had been made by the commencement of the reporting period.	2	\$1,216,477	\$1,216,477	
Reports issued during the reporting period.	6	\$0	\$0	
Totals	8	\$1,216,477	\$1,216,477	
Reports for which a management decision was made during the reporting period.	6	\$1,216,477	\$1,216,477	
Dollar value of disallowed costs.		\$0	\$0	
Dollar value of allowed costs.		\$0	\$0	
Reports for which no management decision had been made by the end of the reporting period.	2	\$0	\$0	
Totals	8	\$1,216,477	\$1,216,477	

Table 6: Summary of Reports Including Recommendations That Funds Be Put to Better Use

Summary of Reports Including Recommendations That Funds Be Put to Better Use				
Description	Number of Reports	Funds Put to Better Use		
Reports for which no management decision had been made by the commencement of the reporting period.	2	\$0		
Reports issued during the reporting period.	6	\$0		
Totals	8	\$0		
Reports for which a management decision was made during the reporting period.	6			
Dollar value of recommendations agreed to by management.		\$0		
 Dollar value of recommendations not agreed to by management. 		\$0		
Reports for which no management decision had been made by the end of the reporting period.	2	\$0		
Totals	8	\$0		

Table 7: Status of Reports Issued With Final Action Completed

	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	Top Management and Performance Challenges, 21-03	0	0	0	0		
2	Audit of Washington Green County Job Training Agency, 21-04	0	0	0	0		
3	Fiscal Year 2020 Financial Statement Audit, 21-05	0	0	0	0		
4	Audit of Clay County PSD Pack Fork and Independence Road Waterline Extension, 21-06	0	0	0	0		
	Totals	0	0	0	0		
		Prior Re	porting Periods				
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period		
N/A							
	Totals	0	0	0	0		

Table 8: Status of Reports Issued Without Final Action

	Status of Reports Issued Without Final Action					
	This Reporting Period					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete	Action Not Complete
1	Audit of Marshall County Board of Supervisors, 21-01	2	0	0	0	2
2	Audit of Maysville Community and Technical College, 21-02	1	0	0	0	1
	Totals	3	0	0	0	3
		Prior R	eporting Periods	5		
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
4	Audit of Wise County Industrial	6	6	0	0	6
1	Development Authority, 20-20	0	О	0	U	U
2	Development Authority, 20-20 Audit of Northern Tier Prep Program, 20-12	1	1	0	0	1

Table 9: Statistical Table of Investigative Reports

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	
The information in this table is derived from the Office of Inspector General's investigation repo	orts.	

Appendix A: Chairman's Statistical Tables

Table A: Reports with Disallowed Costs

Total Number of Reports and the Dollar Value of Disallowed Costs				
Description	Number of Reports	Dollar Value of Disallowed Costs		
Reports issued during the period.	6	\$0		
Reports for which final action had not been taken by the commencement of the reporting period.	2	\$1,216,477		
Reports on which management decisions were made during the reporting period.	6	\$0		
Reports for which final action was taken during the reporting period.	4	\$0		
 Dollar value of disallowed costs, recovered by management. 		\$0		
 Dollar value of disallowed costs written off by management. 		\$0		
Reports for which no final action has been taken by the end of the reporting period.	4	\$1,216,477		

Table B: Reports with Recommendations that Funds be Put to Better Use

Reports with Recommendations that Funds be Put to Better Use					
Description	Number of Reports	Funds Put to Better Use			
Reports for which final action had not been taken by the commencement of the reporting period.	2	\$0			
Reports on which management decisions were made during the reporting period.	6	\$0			
Reports for which final action was taken during the reporting period including:	4	\$0			
 Dollar value of recommendations that were actually completed. 		\$0			
 Dollar value of recommendations that management has subsequently concluded should not or could not be completed. 		\$0			
Reports for which no final action has been taken by the end of the reporting period.	4	\$0			

Appendix A: Chairman's Statistical Tables

Table C: Prior Year Management Decisions Without Final Action

Prior Year Audit Reports On Which Management Decisions Have Been Made but Final Action has Not Been Taken				
Audit Report	Date Issued	Disallowed Costs	Funds Put to Better Use	Reason Final Action has Not Been Taken
N/A				