

APPALACHIAN REGIONAL COMMISSION

INSPECTOR GENERAL'S

SEMIANNUAL REPORT

TO CONGRESS

APRIL 1 - SEPTEMBER 30, 1998

8646941



November 20, 1998

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 (OIG) for the period April 1 through September 30, 1998.

During this reporting period, 32 reports were issued, including 27 individual grant reviews, a followup report dealing with expired grants, and 4 J-1 Visa Waiver compliance reviews. At the end of the reporting period, 5 grant reviews were in process. Recommendations in grant reviews were directed at improved accounting and financial systems and controls, including eligibility of expenditures and identification and support for matching contributions. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to deobligate about \$2 million during the reporting period, which included about \$205,000 applicable to cases noted in prior OIG reports.

Significant reviews included a periodic followup of controls over grants with expired performance periods. This review disclosed that ARC has continued aggressive efforts to ensure timely action on expired grants. This review identified an additional 34 grants with expired performance periods that were subject to further followup and action with respect to balances approximating \$1.5 million.

Grant reviews identified a need for increased controls to ensure employee training projects were conducted in accordance with grant agreement requirements. We noted one instance where substantial funds were provided to employers whose eligibility was questionable based on company size, which conflicted with project requirements for funds to be concentrated on small manufacturing firms that do not have the financial capability to provide the required training themselves. In this case, the grantee agreed to deobligate \$387,000 in unused funds.

A review of a revolving loan fund identified excess available funds in relation to program activity and an opportunity to deobligate about \$300,000 for use on other projects. In several instances, limited grantee supporting documentation to establish grantee compliance with matching requirements resulted in substantial questioned costs.

The continued support of the OIG 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, 32 reports were issued, including 27 individual grant reviews, a followup report dealing with expired grants, and 4 J-1 visa waiver compliance reviews. At the end of the reporting period, 5 grant reviews were in process. Recommendations in grant reviews were directed at improved accounting and financial systems and controls, including eligibility of expenditures and identification and support for matching contributions. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to close out 294 projects and deobligate about \$2 million during the reporting period.

Significant reviews included a periodic followup of controls over grants with expired performance periods. This review disclosed that ARC's continued aggressive actions had resulted in deobligations approximating \$205,000 on grants noted in prior reports. This review identified an additional 34 grants with expired performance periods that were subject to further followup and action with respect to balances approximating \$1.5 million.

Grant reviews identified a need for increased controls to ensure employee training projects were conducted in accordance with grant agreement requirements. We noted one instance where substantial funds were provided to employers whose eligibility was questionable based on company size, which conflicted with project requirements for funds to be concentrated on small manufacturing firms that do not have the financial capability to provide the required training themselves. In this case, the grantee agreed to deobligate \$387,000 in unused funds.

A review of a revolving loan fund identified excess available funds in relation to program activity and an opportunity to deobligate about \$300,000 for use on other projects. In several instances, limited grantee supporting documentation to establish grantee compliance with matching requirements resulted in substantial questioned costs.

We continued to work with first-time and smaller grantees with respect to the implementation of practical accounting and financial systems and controls sufficient to ensure compliance with grant agreements, identification of eligible costs, maintenance of records, and preparation of reports. Primary areas in need of improvement with respect to grantee financial operations included identification and support of matching contributions and program expenditures.

During this reporting period, our field surveys of the J-1 Visa Waiver program did not disclose any serious problems related to noncompliance with program provisions; and we attributed this primarily to ARC and State agency actions to educate and monitor health care providers and participating physicians.

ARC management also initiated actions during the reporting period to improve the project application, review, and approval process and to increase contract administration efficiency by reducing the number of payments and reports and by finalization of a new Memorandum of Agreement with the US Department of Agriculture.

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-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 Co-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
Section 5(a)(3)	Prior significant recommendations not yet implemented	*
Section 5(a)(4)	Matters referred to prosecutive authorities	*
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	*

* 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 (OIG) at 30 designated Federal entities, including the ARC. The ARC OIG became operational on October 1, 1989, with the appointment of an IG and provision of budgetary authority for contracted audit and/or investigation activities.

II. BACKGROUND

A. APPALACHIAN REGIONAL COMMISSION

The 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.

- 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) 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.
- Administratively, the Office of the Federal Co-Chairman, with a staff of 10, and the Commission, with a staff of 51, 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.
- The Commission's appropriation for FY 1999 is \$66.4 million, which is divided approximately \$62.4 million for non-highway projects and \$4 million for administrative expenses. ARC was fully reauthorized by Congress for the first time since 1982. Also, the Department of Transportation and Related Agencies Appropriation Act for Fiscal Year 1998 (Public Law 105-66) appropriated \$300 million in FY 1999 for carrying out the provisions of section 1069(y) of Public Law 102-240 relating to the construction of, and improvements to, corridors of the Appalachian Development Highway System (ADHS). The funding will be distributed among the states with unfinished ADHS segments as determined by ARC.
- 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.

- 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 OIG 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 IG is responsible for (1) audits and investigations; (2) review of legislation; and (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, the program and operations of the establishment. In this regard, the IG is responsible for keeping the Federal Co-Chairman 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 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 IG.

Funding and Staffing

The OIG funding level for FY 1999 is \$438,000. For FY 1999, approximately 27 percent will be expended for contract audit services; 57 percent, for salaries and benefits; 8 percent, for travel; and 8 percent, for all other activities (training, equipment, space, supplies, etc.). The OIG funding level represents about .65 percent of the total funds available to the Commission for non-highway projects.

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 would welcome initiatives that would facilitate sharing of investigative resources in order to strengthen this aspect of OIG operations.

III. OIG ACTIVITY

A. AUDITS

During the reporting period, 32 reports were issued, including 27 individual reviews, 1 program followup survey, and 4 J-1 Visa Waiver compliance reviews. At the end of the reporting period, 5 grant reviews 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 term of the OIG operations at ARC, various recommendations, based on audit testing, have been made to ARC management with respect to improving operations in such areas as accountability, financial management, fund obligations and deobligations based on project activity, implementation of cost principles, and audit followup. Programmatic issues, with respect to grant administration, project results, and internal control systems, have been addressed.

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, timely use of funds and project closings continue to be emphasized; and the number of funded projects with large unobligated balances has been substantially reduced. ARC conferences, training, and seminars continue to emphasize accountability, financial management systems, and allowable costs. Additionally, ongoing ARC actions, such as revisions of accounting systems and service agreements; strategic planning, including assessment of appropriate internal and external performance measures; and issuance of revised policies and procedures and guidance to grantees, are in line with OIG recommendations and executive and legislative initiatives to improve Government operations.

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.

- A periodic followup review of controls over contracts/grants with expired performance periods identified a rapidly declining universe of grants in this category. Actions included grant closings and deobligations of funds for use on other projects and extensions of performance periods. For example, during this reporting period, deobligations of \$114,000 were initiated on grants included in our prior report and \$91,000 in deobligations were attributable to actions initiated on grants in our updated sample. Our review identified 34 additional grants with balances of approximately \$1.5 million for which performance periods had expired prior to December 31, 1997, and for which additional followup action

was appropriate. We also recommended controls be improved to ensure that grant extensions be supported by documentation of the need for such extensions.

- A grant review disclosed that controls had not been established to determine the eligibility of companies to receive training funds. Consequently, we noted ARC and matching funds had been provided to large corporations that did not appear to meet the grantee-established criteria, which precluded the use of ARC funding for training to large corporations that have or logically could be expected to have training programs supported with company funds and provided that ARC assistance would be concentrated on small manufacturing firms that did not have the financial capability to provide the required training themselves. Based on our limited research that identified the size of parent and subsidiary companies in terms of sales and employees, we questioned the eligibility of about \$429,000 in ARC and matching funds provided to 10 of the 30 companies receiving ARC funds during the initial grant year.

The grantee had not instituted controls to assess whether applicants for training funds met the criteria noted in the project application and proposal submitted to ARC, the terms of which are expected to be implemented as part of a grant agreement. The grantee believed it was complying with State policy and noted that additional State funds had been utilized for the training program but not reported because the required match had been met.

The grantee agreed to deobligate \$387,000 that remained available for this project; and actions are in process to resolve open issues with respect to the remaining questioned costs, including the extent of offset based on other eligible training activities.

ARC internal controls also identified an instance where a grantee had approved training funds for several employers substantially in excess of the amounts permitted for an individual company. Our review confirmed that actions had been initiated to resolve this condition, including refunds of approximately \$163,000 with respect to questionable expenditures and \$40,000 for an unused advance.

- A review of an ARC capitalized revolving loan fund disclosed a potential for deobligation of approximately \$300,000 for use on other projects based on available funds and prior and anticipated loan activity. At the time of our review, loan activity had not been sufficient to permit compliance with ARC guidelines allowing revocation of a project if an initial advance payment for loans is not made within 18 months of grant approval or deobligation of funds not initially disbursed within 36 months from the date of grant approval. The grantee requested an additional extension based on anticipated loan activity and cited some specific loan applications for which positive action was contemplated. Actions are in process to determine the extent of current activity and the propriety of initiating deobligations.
- In several cases, substantial costs were questioned because there was insufficient evidence or documentation available to support required matching contributions or use of program income. We attributed these occurrences primarily to limited grantee knowledge about program requirements and related supporting evidence. In one instance, the grantee collected over \$200,000 in program income, which was generated from the use of equipment and services purchased under the grant. This income was not used to reduce the grant amount nor was approval received to use the income to expand project services. In another case, matching expenditures exceeding \$200,000 were questioned because of the absence of documentation to reflect that the reported contributions were connected with the ARC

project. The grantee believed that the matching contributions were related to all operations of the grantee and did not have to be identified with the ARC project. We disagreed with this assertion; and actions are in process to resolve this matter, including identification to the extent possible of eligible matching contributions.

- Other matters noted in individual grant reviews related to the need to improve financial management systems in order to better track and account for ARC funds, prepare and submit progress and final reports on a timely basis, utilize interest bearing accounts for fund advances, and improve controls to preclude the claiming of ineligible costs.
- During this period, we performed compliance visits in connection with the J-1 Visa Waiver program in four states. ARC participates as a Federal entity sponsor to assist Appalachian Region communities in providing health care services to medically underserved areas. The program provides a waiver of the requirement for a foreign physician to return to his/her home country after completion of medical training in the United States. Our tests disclosed that participating physicians were generally complying with program requirements to provide 40 hours of primary care per week in medical professional shortage or underserved areas. Followup actions were initiated with respect to instances where transfers had not been reported to ARC, duties included ineligible activities, and employment had been terminated by a physician. One of our reviews was conducted jointly with the Alabama Department of Public Health.
- Continued emphasis was 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, as noted above, 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). 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. Emphasis was placed on recommendations to improve financial and accounting systems and controls.
- Management also initiated actions during the reporting period to speed up the project application, review, and approval process. This included establishing targets for project turn around, more timely contract finalization, and improved application formats. Contract administration was improved by reducing the number of payments and reports and by finalization of a new Memorandum of Agreement with the US Department of Agriculture Rural Development that permits obligation of funds as soon as a project is approved.

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. Should the need arise, the matter would be referred to the Federal Bureau of Investigation or assistance would be contracted with another Federal OIG. Also,

the results of investigations may be referred to the appropriate Federal, State, or local prosecutive authorities for action. During the reporting period, the Inspector General conducted followup administrative inquiries with respect to several hotline concerns.

IV. AUDIT PLANNING

The OIG will be alert for new or revised areas of ARC operations based on the priorities and emphasis of ARC management, including results of strategic planning initiatives. 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 to fulfill their responsibilities for effective and efficient 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 implement an entity-wide strategic plan is considered an important element of planning, and discussions with ARC management have identified several areas for review.

The OIG's strategies and objectives for the next 5 years are defined in a strategic plan. The FY 1999 Annual Plan provides the operational details for OIG activities planned during FY 1999 to implement this strategic plan. We expect to revise this strategic plan periodically until our experiences validate our planning assumptions and we have achieved a comfort level with how we have programmed activities over this extended time period.

Additional emphasis will be placed on coordinating OIG reviews with ARC implementation of the Government Performance and Results Act (GPRA) and revised operational procedures resulting from reauthorization legislation requirements. In order to provide some coverage of ARC funds that are administered by other agencies, e.g., construction and technical projects, we are coordinating with the OIGs at the applicable agencies and reaching concurrence for ARC OIG review of some of these projects.

FY 1999 audit work includes about 30 individual grant audits in the Appalachian States; additional followup on grants with completed budget periods, grant extensions, and project results; and tests of the J-1 visa waiver program. Continued 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.

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

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.

Also, numerous hotline calls were received with respect to matters for which other agencies have jurisdiction. This resulted primarily from the ARC OIG hotline apparently being the first such OIG listing in some telephone directories, resulting in ARC OIG being contacted by citizens who did not know the appropriate agency for handling their concerns. The ARC OIG facilitated the complaint process by identifying the applicable agency based on complainant information and providing the correct OIG hotline number.

VI. LEGISLATIVE AND REGULATORY REVIEW

Primary efforts in this area continued to be related to 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 continues to support extension of the Program Civil Fraud Penalties Act to include designated entities and has noted support for Congressional initiatives dealing with semiannual reporting and reviews of OIG operations.

VII. OTHER

The Inspector General continues to serve as the representative of the Executive Council on Integrity and Efficiency on the Audit Committee of the President's Council on Integrity and Efficiency.

The Development District Association of Appalachia, which conducted a successful financial management teleconference throughout Appalachian in 1996, will be conducting a followup conference in December 1998. This teleconference affords grantees and public accounting staff throughout Appalachia a low cost opportunity to expand and maintain financial management skills. The December teleconference will highlight changes to the Single Audit Act and key cost principles.

SCHEDULE OF REPORTS ISSUED APRIL 1 TO SEPTEMBER 30, 1998

Report No.	Entity and Title	Program Dollars or Contract/Grant Amount	Questioned/Unsupported Costs*	Funds to Better Use**
98-11(H)	West Virginia Development Office International Development Project	\$ 133,300	\$ 634	
98-13(H)	Fayette County, West Virginia Tourism	214,106		
98-14(H)	Virginia Department of Housing and Community Development Microenterprise Projects	421,089		
98-19(H)	Tennessee Department of Economic and Community Development Customized Industrial Training	750,000	429,000	\$ 396,187
98-23(H)	North Georgia Waste Management Authority Recycling Project	198,338		44,839
98-24(H)	Georgia Revolving Loan Fund	1,941,149		300,000
98-25(H)	Morehead State University Historic Resource Development Project	140,000		
98-26(H)	Morehead State University Child Care Center	300,000		
98-27(H)	Pikeville College School of Osteopathic Medicine	500,000	22,000	
98-29(H)	Appalachian School of Law Investment in Tomorrow	280,800		
98-30(H)	Southwestern Virginia Advanced Manufacturing Technology Center Telecommunications Project	100,000		
98-31(H)	Fay-Penn Economic Development Council Demonstration Project	195,000		
98-32(H)	Pennsylvania State University Demonstration Project Evaluation	180,000		
98-33(H)	Economic Planning and Development Council of Pennsylvania	644,500		
98-34(H)	Clay County, West Virginia Health Department Youth Wellness Project	240,000	7,122	
98-36(H)	Sawmill Center for the Arts Expansion Program	330,398	243,777	
98-37(H)	University of Pittsburgh Manufacturing Assistance Center	139,426	1,127	
98-38(H)	West Alabama Planning and Development Council Strategic Planning	211,000		
98-39(H)	University of Alabama Export Assistance	207,895	651	
98-40(H)	Kentucky International Trade Office	250,000	2,470	
98-41(H)	Big Sandy Telecommunications Center	300,000	228,989	
98-42(H)	Northwest Pennsylvania Regional Planning and Development Commission Business Incubator	190,601		
98-43(H)	Delaware-Chanango-Madison-Otsego BOCES	115,000		
98-44(H)	J-1 Visa Waiver Program--Kentucky			
98-45(H)	J-1 Visa Waiver Program--Alabama			
98-46(H)	J-1 Visa Waiver Program--Virginia			
98-48(H)	Ohio Office of Appalachia Technical Assistance	100,000		
98-49(H)	Ohio Department of Development Industrial Retraining	250,000		
98-50(H)	Rural Action, Inc. Leadership and Civic Development	75,000	2,879	
98-51(H)	Interagency Employees Corporation Day Care Center	158,500		
98-52(H)	J-1 Visa Waiver Program--Ohio			
98-53(H)	Expired Grants Followup	1,726,000		205,000
TOTALS		\$10,292,102	\$938,649	\$946,026

* 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. Includes required matching contributions.

** 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.

APPENDIX B

**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	6		\$151
B.	Which were issued during the reporting period	<u>10</u>	<u>\$505</u>	<u>434</u>
	Subtotals (A + B)	16	\$505	\$585
C.	For which a management decision was made during the reporting period	9	\$ 13	68
	(i) dollar value of disallowed costs	5	\$ 13	-
	(ii) dollar value of costs not disallowed	4	-	68
D.	For which no management decision has been made by the end of the reporting period	7	492	\$517
E.	Reports for which no management decision was made within 6 months of issuance	2	-	\$ 83 ^{1/}

1/ Final decision delayed on one construction project pending completion of project. Action in process to resolve issues in second report.

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

		<u>No. of Reports</u>	<u>Dollar Value (\$ in thousands)</u>
A.	For which no management decision was made by the commencement of the reporting period	2	\$ 48
B.	Which were issued during the reporting period	<u>4</u>	<u>\$ 2,467</u>
	Subtotals (A + B)	6	\$ 2,515
C.	For which a management decision was made during the reporting period	4	\$ 655
	(i) dollar value of recommendations that were agreed to by management	3	\$ 646 ^{1/}
	--based on proposed management action	3	\$ 646 ^{1/}
	--based on proposed legislative action	-	-
	(ii) dollar value of recommendations that were not agreed to by management	1	\$ 9
D.	For which no management decision has been made by the end of the reporting period	3	\$ 1,860 ^{2/}
E.	Reports for which no management decision was made within 6 months of issuance	1	\$ 39

1/ Includes management actions to deobligate \$205,340 during this reporting period with decisions in process on grants with balances approximating \$1.5 million.

2/ Includes one report on which management decisions were made but action is continuing.

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.