



Office of Inspector General

Appalachian Regional Commission

Semiannual Report to Congress

April 1, 2022 - September 30, 2022

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



Appalachian
Regional
Commission

November 15, 2022

This letter transmits the Appalachian Regional Commission's Inspector General's Semiannual Report to Congress for the period April 1, 2022, through September 30, 2022. 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.

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 28, 2022

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period of April 1, 2022 to September 30, 2022.

During this reporting period our office issued seven 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 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

TABLE OF CONTENTS

Office of Inspector General.....	1
Semiannual Report Content.....	1
Inspector General Reports Issued During This Period	2
Reports with Questioned and Unsupported Costs	5
Resolved and Recovered Costs	5
Summary of Prior Period Reports	6
Reports Without Management Decisions	6
Prior Year Unimplemented Recommendations and Cost Savings	6
Significant Recommendations From Prior Periods	6
Hotline and Investigations.....	6
Investigations and Inquiries: Overview	6
OIG Hotline Contacts	7
Summary of Matters Referred to Prosecuting Authorities	7
Investigations with Substantiated Allegations Involving Senior Government Employees.....	7
Summary of Reports Not Disclosed to the Public	7
Audits and Other Reports to Management.....	7
Investigations	8
External Reviews Completed During This Period.....	8
External Reviews Completed During Prior Periods.....	8
Office of Government Ethics	8
Government Accountability Office.....	8
Assistance To or From Other Offices of Inspector General	9
Congressional Activities	9
Council of the Inspectors General on Integrity and Efficiency	9
Federal Financial Management Improvement Act Reporting	9
Peer Reviews.....	10

Appalachian Regional Commission

Inspector General Semiannual Report

Tables

Table 1: Reporting Requirements Index	iii
Table 2: Reports by Subject Matter	2
Table 3: Reports With Questioned and Unsupported Costs Issued This Period.....	5
Table 4: Resolved and Recovered Costs.....	5
Table 5: Reports With Questioned and Unsupported Costs Prior Periods	6
Table 6: Summary of Reports Including Questioned and Unsupported Costs	11
Table 7: Summary of Reports Including Recommendations That Funds Be Put to Better Use.....	11
Table 8: Status of Reports Issued With Final Action Completed.....	12
Table 9: Status of Reports Issued Without Final Action	13
Table 10: Statistical Table of Investigative Reports	13

Appendix

Appendix A: Commissioner’s Statistical Tables	A-1
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Appalachian Regional Commission

Inspector General Semiannual Report

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	3-5
5(a)(2)	Description of Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	3-5
5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	6
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	3-5
5(a)(8)	Statistical Table: Questioned and Unsupported Costs	11
5(a)(9)	Statistical Table: Recommendations Where Funds Could Be Put to Better Use	11
5(a)(10)	Summary of Prior Reports	6
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	9
5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	10
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	None
5(a)(17)	Statistical Table: Investigative Reports	13
5(a)(18)	Description of the Metrics Used for Developing Investigative Statistics	13
5(a)(19)	Investigations With Substantiated Allegations Involving Senior Government Employees	None
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	None

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 Content

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, 2022, through September 30, 2022. 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 and funds that have been resolved or recovered during this period. 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; and details of hotline and investigative activities.

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.

Appalachian Regional Commission

Inspector General Semiannual Report

Inspector General Reports Issued During This Period

The Inspector General issued seven reports during this reporting period. Four of the reports were audits of grant awards. The primary objective of the grant audits was to determine if the grantee had sound management practices in place to administer the financial and performance aspects of the award.

The other three reports included management letters to the Federal Office and the Commission concerning potential conflict of interest reporting processes, and a report on the top management and performance challenges facing the Commission. The reports are identified in the table below.

Table 2: Reports by Subject Matter

Reports by Subject Matter						
Subject Matter	Report Number	Report Title	Date Issued	Number of Recs	Questioned Costs	Funds Put to Better Use
Management	22-10	<i>Management Letter: Conflict of Interest – Federal Office</i>	05/03/22	2	\$0	\$0
Management	22-11	<i>Management Letter: Conflict of Interest, ARC</i>	05/03/22	2	\$0	\$0
Grant Award	22-12	<i>Foundation for Appalachian Kentucky</i>	07/25/22	0	\$0	\$0
Grant Award	22-13	<i>Appalachia Service Project</i>	07/26/22	0	\$0	\$0
Grant Award	22-14	<i>Three Rivers Planning & Development District</i>	08/24/22	2	\$0	\$0
Grant Award	22-15	<i>Jamestown Community College</i>	09/22/22	0	\$0	\$0
Management	22-16	<i>Management and Performance Challenges</i>	09/30/22	0	\$0	\$0
Total recommendations, questioned costs, and funds put to better use this reporting period				6	\$0	\$0

The summary information for the reports is provided on the next page.

Appalachian Regional Commission

Inspector General Semiannual Report

Management Letter: Conflict of Interest – Federal Office 22-10

The Office of Inspector General issued a management letter to the ARC Federal Office regarding the procedures for documenting self-identified potential conflicts of interest and bringing them to the attention of the Designated Agency Ethics Official. We made two recommendations in the report. The Federal Office completed final action on both recommendations during this reporting period.

Management Letter: Conflict of Interest, ARC 22-11

The Office of Inspector General issued a management letter to the Appalachian Regional Commission regarding the procedures for documenting self-identifying potential conflicts of interest and bringing them to the attention of the Designated Agency Ethics Official. We made two recommendations in the report. The Commission completed final action on both recommendations during this reporting period.

Grant Award – Foundation for Appalachian Kentucky 22-12

The Appalachian Regional Commission awarded a grant to the Foundation for Appalachian Kentucky to help finance a revolving loan fund and technical assistance program to support downtown revitalization efforts and entrepreneurial ecosystems across 10 counties in Southeastern Kentucky. The grant budget provided \$1,500,000 of ARC funding and required \$3,276,088 in non-ARC matching funds. The program provides short-term, low-interest loans and equity investment to assist property owners, business owners, and developers with downtown real estate development projects. These projects were to reactivate vacant buildings/lots, create new jobs, and support new and growing businesses that had been negatively impacted by the coal economy.

The auditors found that the grantee managed and expended grant funds as provided in the approved budget, maintained a system of internal controls that was adequate and operating effectively, and implemented accounting and reporting requirements in accordance with generally acceptable principles. The auditors did not make any recommendations in the report.

Grant Award – Appalachia Service Project 22-13

The Appalachian Regional Commission awarded a grant to Appalachia Service Project, Inc. to aid in a project titled, “New Build Appalachia.” The grant budget provided \$300,000 of ARC funding and required \$128,571 in non-ARC matching funds. The project was for the construction of seventeen homes that will be provided, free of mortgages, to low-income individuals in multiple distressed areas of East Tennessee. The recipients of these homes will also receive financial and home ownership counseling.

Appalachian Regional Commission

Inspector General Semiannual Report

The auditors found that the grantee managed and expended grant funds as provided in the approved budget, maintained a system of internal controls that was adequate and operating effectively, and implemented accounting and reporting requirements in accordance with generally acceptable principles. The auditors did not make any recommendations in the report.

Grant Award – Three Rivers Planning & Development District 22-14

The Appalachian Regional Commission awarded a grant to Three Rivers Planning & Development District to aid in a program project titled, “Mississippi Partnership SkillPath Apprenticeship and In School Program.” The grant budget provided \$1,900,000 of ARC funding and required \$2,714,286 in non-ARC matching funds. The project was for the training of high school and community college students entering the workforce, in areas of strategic and high demand sectors that already exist in the region. The aim of the program was to train and provide employment opportunities to participants, upon completion of the program.

The auditors determined that the grantee had expended funds in accordance with the approved budget and fulfilled their responsibilities related to the matching requirements of the grant. The auditors did not identify any questioned costs in the report. The auditors identified weaknesses related to the grantee’s subrecipient monitoring process and the timely submission of financial and performance reports. The auditors made two recommendations in the report to address these weaknesses.

Grant Award – Jamestown Community College 22-15

The Appalachian Regional Commission awarded a grant to Jamestown Community College to provide funding for the purchase of equipment and enhancement of the curriculum in the Mechanical, Industrial Equipment, and Welding Technology programs. The grant budget provided \$149,677 in ARC funding and required \$154,759 in non-ARC matching funds. The project was for incorporating the latest automation and robotics used by area employers and help fill job vacancies that currently exist in the region.

The auditors found that the grantee managed and expended grant funds as provided in the approved budget, maintained a system of internal controls that was adequate and operating effectively, and implemented accounting and reporting requirements in accordance with generally acceptable principles. The auditors did not make any recommendations in the report.

Appalachian Regional Commission

Inspector General Semiannual Report

Top Management and Performance Challenges Report 22-16

Each year, our office must identify and discuss the most significant management and performance challenges facing the Commission in the coming year. We identified two 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 two challenges are (1) upgrading management information systems, and (2) addressing risks associated with the rapid growth of ARC funding.

Reports with Questioned and Unsupported Costs

During this reporting period, we did not issue any reports with questioned costs.

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			

Resolved and Recovered Costs

The table below identifies the questioned or unsupported costs that Appalachian Regional Commission management has reported to the Inspector General as being resolved and allowable costs or disallowed costs recovered after the report was issued.

Table 4: Resolved and Recovered Costs

Reports With Questioned and Unsupported Costs Resolved and Recovered			
Report Number	Title	Resolved	Recovered
21-15	The West Alabama Chamber Foundation, Inc., dba West Alabama Works	\$0	\$59,524
Total		\$0	\$59,524

Appalachian Regional Commission

Inspector General Semiannual Report

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

The table below provides a list of prior year reports with unimplemented recommendations and potential cost savings.

Table 5: 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		\$1,242,741	\$1,242,741

Significant Recommendations From Prior Periods

The Commission has not completed final action on the recommendations related to questioned and unsupported costs from prior periods as described above. The Commission has been working with officials in Wise County to address the questioned costs identified in the 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

Appalachian Regional Commission

Inspector General Semiannual Report

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.

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.

Appalachian Regional Commission

Inspector General Semiannual Report

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 reporting period.

External Reviews Completed During Prior Periods

Office of Government Ethics

The Office of Government Ethics completed an inspection of the Commission's ethics program. The primary objective of the inspection was to assess whether the Commission's ethics program complied with applicable requirements. The report was issued on December 20, 2021 and included one recommendation to the Commission. During this reporting period, the Commission completed final action on the recommendation.

Government Accountability Office

The Government Accountability Office (GAO) conducted an audit of the economic adjustment assistance programs administered by the Appalachian Regional Commission and the Department of Labor. The programs are designed to provide assistance to workers displaced by policy and economic changes. The objective of the audit was to determine how well these programs were meeting the needs of workers that had been impacted by economic disruption. The results of the audit identified common challenges faced by grantees administering the program and problems experienced by workers enrolled in the program.

In its final report, issued on July 29, 2020, the GAO made two recommendations to the Federal Co-Chair of the Appalachian Regional Commission. The Commission completed final action on one recommendation in a prior reporting period. The Commission completed final action on the remaining recommendation during this reporting period.

Appalachian Regional Commission

Inspector General Semiannual Report

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 currently have three Memorandums of Understanding with other Federal Office of 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. During this reporting period, we entered our third 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 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.

Appalachian Regional Commission

Inspector General Semiannual Report

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

Appalachian Regional Commission

Inspector General Semiannual Report

Table 6: 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.	1	\$26,264	\$26,264
Reports issued during the reporting period.	7	\$0	\$0
Totals	8	\$26,264	\$26,264
Reports for which a management decision was made during the reporting period.	7	\$26,264	\$26,264
• 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.	1	\$0	\$0
Totals	8	\$26,264	\$26,264

Table 7: 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.	1	\$0
Reports issued during the reporting period.	7	\$0
Totals	8	\$0
Reports for which a management decision was made during the reporting period.	7	
• 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.	1	\$0
Totals	8	\$0

Appalachian Regional Commission

Inspector General Semiannual Report

Table 8: 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	Management Letter: Conflict of Interest, ARC, 22-10	2	2	0	2
2	Management Letter: Conflict of Interest, Federal Office, 22-11	2	2	0	2
3	Foundation for Appalachian Kentucky, 22-12	0	0	0	0
4	Appalachia Services Project, 22-13	0	0	0	0
5	Jamestown Community College, 22-15	0	0	0	0
6	Management and Performance Challenges Report, 22-16	0	0	0	0
Totals		4	4	0	4
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period
3	The West Alabama Chamber Foundation, Inc. dba West Alabama Works, 21-15	1	1	0	1
Totals		1	1	0	1

Appalachian Regional Commission

Inspector General Semiannual Report

Table 9: 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	Three Rivers Planning & Development District, 22-14	2	0	0	0	2
Totals		2	0	0	0	2
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
1	Tusculum College, 22-09	6	6	0	5	1
2	FY21 Financial Statement Audit Opinion, 22-08	6	6	0	3	3
3	Bluefield State College, 22-06	1	1	0	0	1
4	Wise County Industrial Development Authority, 20-20	6	6	0	5	1
Totals		19	19	0	13	6

Table 10: 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 reports.	

Appalachian Regional Commission

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.	7	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	5	\$1,302,265
Reports on which management decisions were made during the reporting period.	8	\$0
Reports for which final action was taken during the reporting period.	8	\$59,524
<ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. 		\$59,524
<ul style="list-style-type: none"> • 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.	5	\$1,242,741

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.	5	\$0
Reports on which management decisions were made during the reporting period.	8	\$0
Reports for which final action was taken during the reporting period including:	8	\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that were actually completed. 		\$0
<ul style="list-style-type: none"> • 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.	5	\$0

Appalachian Regional Commission

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
20-20	8/28/2020	\$1,216,477	\$0	ARC was engaged in settlement negotiations with the grantee.