



Office of Inspector General

Appalachian Regional Commission

Semiannual Report to Congress

October 1, 2022 – March 31, 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

May 25, 2023

This letter transmits the Appalachian Regional Commission's Inspector General's Semiannual Report to Congress for the period October 1, 2022, through March 31, 2023. As required by section 405(c) 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

April 27, 2023

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period of October 1, 2022 to March 31, 2023. The Semiannual Report content has been modified to address the new reporting requirements specified in the *National Defense Authorization Act for Fiscal Year 2023*.

During this reporting period our office issued eleven reports and made nine 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 October 1, 2022, through March 31, 2023. The 17 reporting requirements specified in the IG Act are shown in table 1 and must be included in the report.

Inspector General Reports Issued During This Period

The Inspector General issued eleven reports during this reporting period. Nine 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 two reports included the financial statement audit opinion for fiscal year 2022 and the associated management letter.

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 two recommendations we had made in prior periods. Management decisions for these two 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 eight recommendations from five previous reports without final action. Final action was completed for three of the eight recommendations during this reporting period.

A complete list of unimplemented recommendations from prior periods, including any potential cost savings is provided in Appendix A, Table 4.

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.

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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. Additionally, the Commission had completed final action on all recommendations issued by external oversight entities prior to the beginning of this reporting period.

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.

Appalachian Regional Commission

Inspector General Semiannual Report

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. We also continued our most recent 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.

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Inspector General Semiannual Report

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. Our office is scheduled to conduct a peer review of the Federal Labor Relations Authority during the next reporting period.

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Appendix A: Inspector General's Tables

Table 1: Reporting Requirements Index

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, 9
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	8
405(b)(6)	Management Decisions Made This Reporting Period for Recommendations Issued in Prior Reports	2, 9
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	None
405(b)(11)	Statistical Table: Investigative Reports	11
405(b)(12)	Description of the Metrics Used for Developing Investigative Statistics	11
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

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
23-01	Red River Economic Development	10/13/22	1	1	\$0	\$0	\$0
23-02	Greenville Technical College	11/7/22	0	0	\$0	\$0	\$0
23-03	Fiscal Year 2022 Financial Statement Audit Opinion	11/15/22	0	0	\$0	\$0	\$0
23-04	Forsyth Technical College	11/30/22	0	0	\$0	\$0	\$0
23-05	Management Letter: Financial Statement Audit FY22	12/12/22	0	0	\$0	\$0	\$0
23-06	City of Oak Ridge	12/23/22	0	0	\$0	\$0	\$0
23-07	Advantage Valley	12/23/22	0	0	\$0	\$0	\$0
23-08	The Research Foundation for SUNY	2/28/23	4	0	\$2,314	\$2,314	\$0
23-09	Southwestern Pennsylvania Coalition	3/20/23	0	0	\$0	\$0	\$0
23-10	Shawnee State University	3/20/23	0	0	\$0	\$0	\$0
23-11	Partner Community Capital	3/23/23	4	0	\$913	\$913	\$0
Totals			9	1	\$3,227	\$3,227	\$0

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Appendix A: Inspector General's Tables

Table 3: Management Decisions Made for Recommendations from Prior Periods

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
22-14	Three Rivers Planning & Development District	2	0	2
Totals		2	0	2

Table 4: Recommendations from Prior Periods and Potential Cost Savings

Recommendations From Prior Periods and Potential Cost Savings				
Rec Number	Recommendation	Questioned Costs	Unsupported Costs	Funds Put to Better Use
22-08-03	<u>FY21 Financial Statement Audit</u> : Design and implement policies and procedures to have the reviewer of the financial statements and note disclosures review for completeness, accuracy, and compliance with financial reporting requirements.	\$0	\$0	\$0
22-08-05	<u>FY21 Financial Statement Audit</u> : Design and implement policies and procedures to ensure the account balances, line items, and all corresponding balances agree to the agency's financial system.	\$0	\$0	\$0
22-08-06	<u>FY21 Financial Statement Audit</u> : ARC management should ensure that all reviews are thoroughly documented.	\$0	\$0	\$0
22-14-01	<u>Three Rivers Planning & Development</u> : Establish controls related to reporting; and develop policies and procedures for ensuring that progress and financial reports are prepared and submitted to ARC, on a timely basis.	\$0	\$0	\$0
22-14-02	<u>Three Rivers Planning & Development</u> : Develop and implement policies and procedures to ensure that award agreements with subrecipients are complete, accurate, and contain all of the provisions required by Federal regulations.	\$0	\$0	\$0
Totals		\$0	\$0	\$0

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Appendix A: Inspector General's Tables

Table 5: 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	Greenville Technical College, 23-02	0	0	0	0
2	Fiscal Year 2022 Financial Statement Audit Opinion, 23-03	0	0	0	0
3	Forsyth Technical College, 23-04	0	0	0	0
4	Management Letter: Financial Statement Audit FY21, 23-05	0	0	0	0
5	City of Oak Ridge, 23-06	0	0	0	0
6	Advantage Valley, 23-07	0	0	0	0
7	Southwestern Pennsylvania Coalition, 23-09	0	0	0	0
8	Shawnee State University, 23-10	0	0	0	0
Totals		0	0	0	0
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period
1	Wise County Industrial Development Authority, 20-20	6	6	5	1
2	Bluefield State College, 22-06	1	1	0	1
3	Tusculum College, 22-09	6	6	5	1
Totals		13	13	10	3

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Appendix A: Inspector General's Tables

Table 6: 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	Red River Economic Development, 23-01	1	1	0	0	1
2	The Research Foundation for SUNY, 23-08	4	0	0	0	4
3	Partner Community Capital, 23-11	4	0	0	0	4
Totals		9	1	0	0	9
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
1	FY21 Financial Statement Audit Opinion, 22-08	6	6	3	0	3
2	Three Rivers Planning & Development District, 22-14	2	2	0	0	2
Totals		8	8	3	0	5

Table 7: 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
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 in a prior reporting period in which management decisions were received during this reporting period.

Management Decisions Made for Recommendations from Prior Periods						
	Report Number	Prior Period Recommendations without Management Decisions	Management Decisions Made in This Period	Disallowed Costs	Funds Put to Better Use	
	1	22-14	2	2	\$0	\$0
Total	1	2	2	\$0	\$0	

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

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

Recommendations with Final Action Completed During this Reporting Period		
Description	Total	Dollar Value
Recommendations with Final Action Completed	3	\$1,242,741
• Dollar value of allowed costs (ARC)		\$9,016
• Dollar value of disallowed costs, recovered by management.		\$67,248
• Dollar value of disallowed costs written off by management.		\$966,477
• Dollar value of disallowed costs 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 table below provides statistical information on the number of reports with questioned costs, along with the total dollar value of 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.

Status of Reports with Questioned Costs			
Description	Number of Reports	Disallowed Costs	Funds Put to Better Use
Prior period reports with questioned costs	2	\$1,242,741	\$0
Reports issued this period with questioned costs	2	\$3,227	\$0
Total Reports with Questioned Costs	4	\$1,245,968	\$0
Reports with final action completed during this reporting period.	2	\$1,233,725	\$0
Reports without final action	2	\$3,227	\$0

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
FY21 Financial Statement Audit Opinion	3/8/22	\$0.00	\$0.00	ARC has been actively working on implementing the management decisions and expects final action to be completed in the next reporting period.