

Office of Inspector General

Semiannual Report to Congress

April 1, 2021 – September 30, 2021



**Appalachian
Regional
Commission**

Office of Inspector General



Appalachian
Regional
Commission

Office of the Federal Co-Chairman

November 24, 2021

This letter transmits the Appalachian Regional Commission's Inspector General's Semiannual Report to Congress for the period April 1, 2021, through September 30, 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).

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



Appalachian
Regional
Commission

Office of Inspector General

October 28, 2021

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period April 1, 2021 to September 30, 2021.

During this reporting period our office issued ten 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.

A handwritten signature in blue ink that reads "Philip M. Heneghan".

Philip M. Heneghan
Inspector General

Appalachian Regional Commission

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 | 2-5 |
| 5(a)(2) | Description of Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies | 2-5 |
| 5(a)(3) | Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed | 7 |
| 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 | 2-5 |
| 5(a)(8) | Statistical Table: Questioned and Unsupported Costs | 10 |
| 5(a)(9) | Statistical Table: Recommendations Where Funds Could Be Put to Better Use | 10 |
| 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 | Appendix A |
| 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 | 12 |
| 5(a)(18) | Description of the Metrics Used for Developing Investigative Statistics | 12 |
| 5(a)(19) | Investigations With Substantiated Allegations Involving Senior Government Employees | 7 |
| 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 | 8 |

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, 2021, through September 30, 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 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; 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 ten reports during this reporting period. All of the reports were audits of grant awards. The primary objectives of the 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.

Appalachian Regional Commission

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 | 21-07 | <i>University of Kentucky Research Foundation</i> | 04/22/21 | 0 |
| Grant Award | 21-08 | <i>Hatfield McCoy Regional Recreation Authority</i> | 05/27/21 | 0 |
| Grant Award | 21-09 | <i>Town of Dobson Water Treatment Plant Upgrade</i> | 05/27/21 | 0 |
| Grant Award | 21-10 | <i>Mayland Community College</i> | 05/27/21 | 0 |
| Grant Award | 21-11 | <i>Alabama Community College System</i> | 05/27/21 | 0 |
| Grant Award | 21-12 | <i>The Southern Alleghenies Planning and Development Commission</i> | 06/28/21 | 3 |
| Grant Award | 21-13 | <i>Fletcher Group, Incorporated</i> | 8/12/21 | 0 |
| Grant Award | 21-14 | <i>The West Alabama Chamber Foundation, Inc</i> | 8/12/21 | 1 |
| Grant Award | 21-15 | <i>The West Alabama Chamber Foundation, Inc., dba West Alabama Works</i> | 8/12/21 | 1 |
| Grant Award | 21-16 | <i>The City of Cumberland, Maryland</i> | 8/19/21 | 3 |
| Total recommendations issued during this reporting period | | | | 8 |

The summary information for the reports is provided below.

Grant Award – University of Kentucky Research Foundation (PW-18590) Report 21-07

The Appalachian Regional Commission awarded a grant to the University of Kentucky Research Foundation to launch the Downtown Revitalization in the Promise Zone project. The total estimated project cost was \$1,947,586, which included \$1,464,251 of ARC funding and required a match of \$483,335 in non-ARC funds. The grant funding would be used to address the physical and economic landscape of downtowns in the eight-county Kentucky Promise Zone region, an area significantly affected by the downturn of the coal industry.

The results of the grant award audit determined the grantee’s administrative procedures were adequate to manage the grant funds received. The auditors found that the expenses tested were supported and considered reasonable; administrative procedures were adequate to manage the grant funds received and reporting data related to the goals of the grant. The auditors did not issue any recommendations in the report.

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Grant Award – Hatfield McCoy Regional Recreation Authority (PW-18606) Report 21-08

The Appalachian Regional Commission awarded a grant to the Hatfield McCoy Regional Recreation Authority to create an area in southern West Virginia where entrepreneurs can develop tourism-related business to expand tourism-related employment. The grant provided \$1,372,275 of ARC funding and required \$661,408 in non-ARC matching funds. The grant funding would be used to develop comprehensive plans for marketing and sustainability of the Hatfield-McCoy Trails, Spearhead Trails in Virginia, and Pike County Kentucky feud history; as well as developing an entrepreneur training and coaching program.

The results of the grant award audit determined the grantee's financial management and administrative procedures were adequate to manage the funds provided under the grant agreement. The auditors found that the expenditures tested were properly supported and allowable, and financial and performance reports were submitted timely and accurately. The auditors did not issue any recommendations in the report.

Grant Award – Town of Dobson Water Treatment Plant Upgrade (NC-18025) Report 21-09

The Appalachian Regional Commission awarded a grant in the amount of \$300,000 to the Town of Dobson to upgrade the town's water treatment plant to address deficiencies identified during state inspections and improve water quality for residences and businesses. Additional funding for this project was provided by the U.S. Department of Agriculture (\$2,500,000), the State of North Carolina (\$500,000) and local funds (\$400,000) for a total of \$3,700,000. The project is expected to have positive, long-term environmental and health impacts for the communities downstream and improve the water quality of the Fisher River.

The auditors found that the Town of Dobson's expended grant funds as provided in the approved budget, maintained a system of program internal controls that were adequate and operating effectively; implemented accounting and reporting requirements in accordance with generally accepted accountable principles, and costs tested were supported and reasonable. The auditors did not issue any recommendations in the report.

Grant Award – Mayland Community College (PW-19705) Report 21-10

The Appalachian Regional Commission awarded a grant to the Mayland Community College to create a strategic plan for re-development of the Pinebridge Coliseum into a state-of-the-art center for education for degree seeking and personal enrichment studies. The total funding for the project was \$72,000 and included \$50,000 of ARC funds and required non-ARC matching funds of \$22,000.

The results of the audit determined the grantee had the financial and administrative procedures and related internal controls were adequate to account for and control the funds provided under the grant agreement. The auditors did not identify any questioned costs and determined the grantee met established performance goals and reporting requirements. There were no recommendations issued in the report.

Grant Award – Alabama Community College System, (PW-19343), Report 21-11

The Appalachian Regional Commission awarded a grant to the Alabama Community College System in the amount of \$1,750,000 and required \$1,750,000 in non-ARC matching funds. The project targets 10 coal-impacted counties in Alabama to provide awareness, training, and job placement of students and workers in the advanced manufacturing industry.

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At the time of the audit, the Alabama Community College System had received and expended \$637,125 of the funds provided by the Appalachian Regional Commission under the grant agreement. The auditors determined the grantee's procedures were adequate to manage the funds and financial and performance reports were submitted timely and accurately. The auditors did not identify any disallowed or questioned costs and anticipate the Alabama Community College System will meet or exceed the planned performance outputs and outcomes. The auditors did not issue any recommendations in the report.

Grant Award – The Southern Alleghenies Planning and Development Commission (PW-18777) Report 21-12

The Appalachian Regional Commission awarded two grants to the Southern Alleghenies Planning and Development Commission to build out the region's entrepreneurial ecosystem by providing local residences with access to business support services and technical assistance from coaches and mentors.

The first grant PW-18777-IM included \$1,213,868 of ARC funds and \$1,233,213 of non-ARC matching funds. The second grant PW-18777-IM-C1 was awarded while the initial grant was still in progress to allow expansion of the program to serve entrepreneurs in three additional counties. The approved budget was \$2,447,081 which included \$1,227,447 of ARC funds and \$1,257,386 of non-ARC matching funds. At the time of the audit the first grant PW-18777-IM was closed and the second grant 18777-IM-C1 was still in progress.

The auditor's report did not identify any issues related to financial and performance reporting or matching funds and the written policies and procedures were adequate for the administration of grants. The final report identified \$27,707 of questioned costs due to the lack of documentation to adequately support the cost incurred. The auditors issued three recommendations in the final report that addressed the questioned costs.

Grant Award – Fletcher Group, Incorporated (PW-19462) Report 21-13

The Appalachian Regional Commission awarded a grant to the Fletcher Group, Incorporated for the Recovery, Hope, Opportunity, and Resiliency (RHOAR) program. The grant provided \$1,677,529 of ARC funding and required \$419,383 in non-ARC matching funds. The RHOAR program enhances opportunities for education and training to individuals in recovery to expand economic opportunity through workforce development.

The auditors determined the grantee had adequate processes and procedures for managing, administering, and accounting for the direct expenditures and matching funds charged to the grant. Although the project was still on-going, the auditors reported significant progress towards achieving the planned performance outputs and outcomes for the grant. The auditors did not issue any recommendations in the report.

Grant Award – The West Alabama Chamber Foundation, Inc. (PW- 19482) Report 21-14

The Appalachian Regional Commission awarded a grant to the West Alabama Chamber Foundation, that focuses on providing basic education and advanced training opportunities for unemployed and underemployed workers to earn a livable wage. The costs for the project included \$1,459,335 of ARC funds and required non-ARC matching funds of \$1,540,634 for a total cost of \$2,999,969

The auditors identified questioned costs in the amount of \$45,324. The questioned costs were related to inadequate documentation to support the indirect costs claimed. The auditors issued one recommendation in the final report that addressed the questioned costs.

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Grant Award – The West Alabama Chamber Foundation, Inc., dba West Alabama Works (PW-18755) Report 21-15

The Appalachian Regional Commission awarded a grant to the West Alabama Chamber Foundation to help renovate a 36,000 square foot training center to house workforce training and reemployment programs as part of a larger goal to develop a talent pipeline of skilled workers for in-demand industry sections in five counties. The total funding for the project was \$5,874,460, which included \$1,100,810 of ARC funding and required \$4,773,650 of non-ARC matching funds.

The auditors concluded that with the exception of indirect cost rates, the grantee managed program funds in accordance with ARC and Federal grant requirements. The auditors identified \$59,524 in questioned costs and issued one recommendation in the final report.

Grant Award – The City of Cumberland, Maryland (MD-17537) Report 21-16

The Appalachian Regional Commission awarded a grant to the City of Cumberland, Maryland on behalf of the sub-recipient, Allegany County Human Resources Development Commission, Inc. The estimated costs were \$560,000, which included \$110,000 of ARC funds and \$450,000 of non-ARC matching funds. The ARC funding was used to assist with renovating an abandoned building to serve as the Head Start/Early Head Start Center for families with low incomes.

The results of the audit found the grantee had adequate financial management policies and procedures in place and the transactions tested were allowable and adequately supported. The auditors identified weaknesses in the grant reporting process and noted the absence of a plaque, as required in the grant agreement, and acknowledging the project was completed with ARC funding. The final report contained three recommendations to address the findings.

Reports with Questioned and Unsupported Costs

A list 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 |
| 21-12 | The Southern Alleghenies Planning and Development Commission | \$27,707 | \$27,707 |
| 21-14 | The West Alabama Chamber Foundation, Inc. | \$45,324 | \$45,324 |
| 21-15 | The West Alabama Chamber Foundation, Inc., dba West Alabama Works | \$59,524 | \$59,524 |
| Total | | \$132,555 | \$132,555 |

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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 or recovered after the report was issued.

Table 4: Resolved and Recovered Costs

| Reports With Questioned and Unsupported Costs Issued This Period | | | |
|--|--|-----------------|-----------|
| Report Number | Title | Resolved | Recovered |
| 21-12 | The Southern Alleghenies Planning and Development Commission | \$27,707 | 0 |
| Total | | \$27,707 | 0 |

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 | | \$1,216,477 | \$1,216,477 |

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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.

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.

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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 two Memorandums of Understanding with the Office of Inspector General of the International Trade Commission for technical assistance and audit support.

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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 Office of Inspector General had a modified peer review performed by the Government Printing Office’s Office of Inspector General. The final 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 final report is provided in Appendix A. 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. | 0 | \$0 | \$0 |
| Reports issued during the reporting period. | 10 | \$132,555 | \$132,555 |
| Totals | 10 | \$132,555 | \$132,555 |
| Reports for which a management decision was made during the reporting period. | 8 | \$27,707 | \$27,707 |
| <ul style="list-style-type: none"> • Dollar value of disallowed costs. | | \$0 | \$0 |
| <ul style="list-style-type: none"> • Dollar value of allowed costs. | | \$0 | \$0 |
| Reports for which no management decision had been made by the end of the reporting period. | 2 | \$104,848 | \$104,848 |
| Totals | 10 | \$132,555 | \$132,555 |

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. | 0 | \$0 |
| Reports issued during the reporting period. | 10 | \$0 |
| Totals | 10 | \$0 |
| Reports for which a management decision was made during the reporting period. | 8 | |
| <ul style="list-style-type: none"> • Dollar value of recommendations agreed to by management. | | \$0 |
| <ul style="list-style-type: none"> • 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 | 10 | \$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 | University of Kentucky Research Foundation, 21-07 | 0 | 0 | 0 | 0 |
| 2 | Hatfield McCoy Regional Recreation Authority, 21-08 | 0 | 0 | 0 | 0 |
| 3 | Town of Dobson Water Treatment Plant Upgrade, 21-09 | 0 | 0 | 0 | 0 |
| 4 | Mayland Community College, 21-10 | 0 | 0 | 0 | 0 |
| 5 | Alabama Community College System, 21-11 | 0 | 0 | 0 | 0 |
| 6 | Southern Alleghenies Planning and Development Commission, 21-12 | 3 | 3 | 0 | 3 |
| 7 | Fletcher Group, Incorporated, 21-13 | 0 | 0 | 0 | 0 |
| Totals | | 3 | 3 | 0 | 3 |
| Prior Reporting Periods | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Final Action Complete Prior Periods | Final Action Complete This Period |
| 1 | Northern Tier Prep Program, 20-12 | 1 | 1 | 0 | 1 |
| 2 | Maysville Community and Technical College, 21-02 | 1 | 1 | 0 | 1 |
| Totals | | 2 | 2 | 0 | 2 |

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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 | West Alabama Chamber Foundation, Inc. 21-14 | 1 | 0 | 0 | 0 | 1 |
| 2 | West Alabama Chamber Foundation, Inc., dba West Alabama Works, 21-15 | 1 | 0 | 0 | 0 | 1 |
| 3 | City of Cumberland, Maryland, 21-16 | 3 | 3 | 0 | 2 | 1 |
| Totals | | 5 | 3 | 0 | 2 | 3 |
| Prior Reporting Periods | | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Final Action Complete Prior Periods | Final Action Complete This Period | Action Not Complete |
| 1 | Marshall County Board of Supervisors, 21-01 | 2 | 2 | 0 | 0 | 2 |
| 2 | Wise County Industrial Development Authority, 20-20 | 6 | 6 | 0 | 0 | 6 |
| Totals | | 8 | 8 | 0 | 0 | 8 |

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. | |

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Appendix A: Peer Review Report



Modified Peer Review Report

September 14, 2021

Philip M. Heneghan
Inspector General
Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, NW
Suite 700
Washington, DC 20009

Dear Mr. Heneghan:

We reviewed established policies and procedures for the audit function of the Appalachian Regional Commission (ARC) Office of Inspector General (OIG) in effect on March 31, 2021. Established policies and procedures are one of the components of a system of quality control to provide ARC OIG with reasonable assurance of conforming with applicable professional standards. The components of a system of quality control are described in the Government Auditing Standards.¹

Based on our review, the established policies and procedures for the audit function on March 31, 2021 were current and consistent with applicable professional standards as stated.

In addition to reviewing established policies and procedures for the audit function of ARC OIG, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General related to ARC OIG's monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor.

The act of monitoring a GAGAS engagement, conducted by an IPA, is not considered an audit and is therefore not subject to the requirements of Government Auditing Standards. The purpose of our limited procedures was to determine whether ARC OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on ARC.

¹ *Government Auditing Standards*, GAO-18-568G, issued July 2018.

Appalachian Regional Commission

Inspector General Semiannual Report

Appendix A: Peer Review Report

Our review was conducted in accordance with the CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General for assessing established audit policies and procedures. During our review, we (1) obtained an understanding of the nature of the ARC OIG's audit function and (2) assessed established audit policies and procedures as well as ARC OIG's IPA monitoring process.

ARC OIG agreed with our conclusion. ARC OIG's management response to a draft of this report is included in this report as Enclosure 1.

We appreciate the cooperation provided by your staff. If you have any questions or need additional information, please do not hesitate to contact Lori Lau Dillard, Assistant Inspector General for Audit at (202) 288-4458 or me at (202) 512-0039.



Digitally signed by Michael P.
Leary
Date: 2021.09.14 14:14:13 -04'00'

MICHAEL P. LEARY
Inspector General

Enclosure

Appalachian Regional Commission

Inspector General Semiannual Report

Appendix A: Peer Review Report

Enclosure 1



Office of
Inspector General

September 10, 2021

Michael P. Leary
Inspector General
U.S. Government Publishing Office
732 North Capital St., NW
Washington, DC 20401

Inspector General Leary:

Thank you for providing the opportunity to respond to the Draft Modified Peer Review Report for the Appalachian Regional Commission, Office of Inspector General. Your report concluded that the established policies and procedures for the audit function of our office were current and consistent with applicable standards. We concur with your conclusion.

We appreciate the professionalism of your staff in their conduct of this review.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Philip M. Heneghan', is written over a light blue horizontal line.

Philip M. Heneghan
Inspector General

Appalachian Regional Commission

Inspector General Semiannual Report

Appendix B: 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. | 10 | \$132,555 |
| Reports for which final action had not been taken by the commencement of the reporting period. | 4 | \$1,216,477 |
| Reports on which management decisions were made during the reporting period. | 8 | \$27,707 |
| Reports for which final action was taken during the reporting period. | 9 | \$27,707 |
| <ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. | | \$0 |
| <ul style="list-style-type: none"> • Dollar value of disallowed costs written off by management. | | \$0 |
| <ul style="list-style-type: none"> • Dollar value of unsupported costs that were subsequently supported. | | \$27,707 |
| Reports for which no final action has been taken by the end of the reporting period. | 5 | \$1,321,325 |

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. | 4 | \$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: | 9 | \$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

Inspector General Semiannual Report

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 | 8/28/20 | \$1,216,477 | 0 | The underlying matters related to the management decision are under review to ensure the appropriate course of action is taken. |