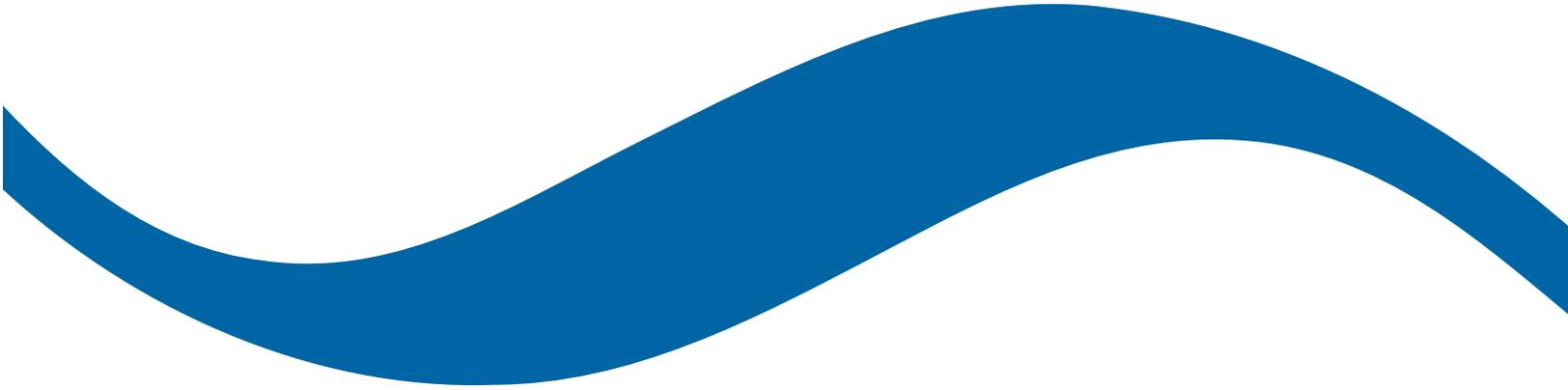




**PART IV:**  
**Other Accompanying Information**



# Performance Measures

## ARC PERFORMANCE MEASURES

As an investor in grassroots economic development, ARC's performance is in large measure dependent on the achievements of its local, state, and regional partners. To measure its effectiveness, ARC will look at the following four areas of performance:

- *Leverage.* ARC will measure additional public and private financial and technical support attracted by Commission investments.
- *Jobs.* ARC will gauge its involvement in job-generating programs by both the quantity and the quality of jobs created.
- *Employability.* ARC will measure improvements in high school graduation rates, increases in college attendance and graduation rates, the number of participants completing workforce training programs, and the number of children served in early childhood education programs.
- *Infrastructure Development and Connectivity.* ARC will look at the number of citizens served; connections made between modes of transportation, particularly between railways and highways; and highway miles opened to traffic.

## PERFORMANCE GOALS

Assuming ARC's annual funding remains at the current level, the Commission is committed to the following six-year and ten-year performance goals:

### Six-Year Performance Goals

- 120,000 jobs will be created or retained.
- 120,000 households will be served with new or improved water and sewer infrastructure.
- 120,000 citizens of the Region will benefit from enhanced education and job-related skills.
- 150 miles of the Appalachian Development Highway System will be opened to traffic (based on the current level of transportation funding from the U.S. Congress).

### Ten-Year Performance Goals

- 200,000 jobs will be created or retained.
- 200,000 households will be served with new or improved water and sewer infrastructure.
- 200,000 citizens of the Region will benefit from enhanced education and job-related skills.
- 250 miles of the Appalachian Development Highway System will be opened to traffic (based on the current level of transportation funding from the U.S. Congress).

The Appalachian Regional Commission tracks the programs it supports and reports its findings regarding performance on a yearly basis. ARC's current performance and accountability report can be found on the ARC Web site at [www.arc.gov](http://www.arc.gov).

# Inspector General's Summary of Management Challenges



*Office of Inspector General*

November 1, 2006

## MEMORANDUM FOR FEDERAL CO-CHAIR POPE

**FROM:** Clifford H. Jennings  
Inspector General

**SUBJECT:** Management and Performance Challenges Facing the  
Appalachian Regional Commission

The Reports Consolidation Act of 2000 requires we provide you with our perspective on the most serious management and performance challenges facing the Commission for inclusion in the Commission's annual performance and accountability report. The challenges remain consistent with the challenges noted from past years.

### **Challenge 1—Grantee and Grant Oversight**

While the Commission generally does a good job managing grants, it needs to continue to improve its oversight of ongoing grants to ensure all grantees meet grant requirements for reporting and documentation of results. In recent Semiannual reports to Congress, I have noted this as an area needing continued vigilance to ensure that grantees were not given additional funding until they fully comply with Commission reporting requirements. The Commission has made great strides over the past year, especially in the area of Revolving Loan Funds.

Proper oversight will reduce the potential exposures to fraud and will assist grantees in learning the requirements of proper business practices. Further, vigilance over grant processes will reduce the incidence of inactive funds remaining allocated to expired grants.

### **Challenge 2—Financial Management/Unobligated Balances**

This ongoing challenge is one of working with federal agencies receiving ARC allocation accounts through interagency agreements that transfer ARC grant funds to be administered by others. The primary agencies are the U.S. Department of Transportation, the U.S. Department of Commerce, and the U.S. Department of Housing and Urban Development.

# Inspector General's Summary of Management Challenges

There are documented cases where funds have been transferred to the other agency and the grant money distributed to the grantee, the grant performed and closed. However, even after these events, these funds still are shown on federal reports as unobligated, giving a false impression as to funds available. A further complication arises as ARC funds are "no-year" funds while many of the other agencies are dealing with funds that expire at the end of each fiscal year. In most cases, the amounts involved are immaterial to the other agencies. However, given the size of ARC, these funds are quite material when taken as a whole and need to be recovered so the funds can be put to their intended use.

The Commission will need to work during the upcoming year to rectify issues that may be identified during the conduct of the current financial statement audit. While none of the issues identified in previous years were severe, they still require diligent follow-up and correction, as needed.

### **Challenge 3—Compliance with multiplicity of federal reporting requirements**

While the Commission is technically not a federal agency, it attempts to comply with federal reporting requirements. The challenge is to report meaningful information to those requesting the information while not expending excessive resources in doing so. Increasing external demands for detailed planning and compliance reporting at times appear to require more staff time than the time taken on the item itself.



Clifford H. Jennings  
Inspector General