



**PART IV:
OTHER ACCOMPANYING INFORMATION**

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 additional miles (net increase) 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.



**APPALACHIAN
REGIONAL
COMMISSION** *A Proud Past,
A New Vision*

Office of Inspector General

October 2007

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.

Challenge 1- Compliance with OMB Circular A-136

The major ongoing challenge for ARC is to comply with OMB Circular A-136. ARC and OMB have been working closely in an attempt to get audited data that the circular requires. As you know, ARC is currently attempting to satisfy Section 3 Financial Section; II.4.2 Q&As; Question 5 of OMB Circular A-136, Financial Reporting Requirements, under which a parent agency (transferor of the appropriation) must report all budgetary and proprietary activity in its financial statements, whether that activity is material to its child agencies or not. ARC has parent relationships with seven departments and agencies to each of whom it transfers its appropriated funds for purposes of accomplishing economic development activities in the Appalachian Region, largely through Federal grants. These activities are authorized by the Appalachian Regional Development Act of 1965, as amended, 40 U.S.C. 14101-14704. ARC parent/child relationships are with the following departments/agencies:

- Housing and Urban Development
- Health and Human Services
- Department of Transportation
- Economic Development Agency of the Department of Commerce
- US Army Corps of Engineers
- Rural Development of the Department of Agriculture
- Department of Education

ARC transfers a large portion of its appropriation annually to these agencies to carry out its mission and the transfers are definitely material to the Commission; however, the transfers in each instance are relatively minor for the child agency receiving them and are not material to their financial reporting.

1666 CONNECTICUT AVENUE, NW

WASHINGTON, DC 20009-1068

(202) 884-7675

FAX (202) 884-7696

Alabama
Georgia

Kentucky
Maryland

Mississippi
New York

North Carolina
Ohio

Pennsylvania
South Carolina

Tennessee
Virginia

West Virginia

Challenge 2 – Upgrading Agency IT support infrastructure, agency accounting and grant management system.

The Agency is undergoing a transformation in its IT support as it transfers some of the in-house operation to outsourced support. The agency also plans to transfer from its GLOWS system to a newer accounting system later in this fiscal year. The challenge is to effectuate a smooth transition while maintaining the integrity of the accounting data.

Coupled with these efforts are the ongoing efforts to update the grants management system which should, in time, interface with the accounting system. Our office will be issuing audit reports on various aspects of the grants system shortly which will address the needed changes.

The major challenge will be to maximize the operational efficiency of each system in its own right while interacting smoothly with the other systems while sharing data. Additionally, the usual security, internet access and user requests must be taken into account.