CORPORATION
FOR NATIONAL
SERVICE

November 29, 2002

The Honorable Richard Cheney
President of the Senate
Washington, DC 20510

The Honorable Dennis Hastert
Speaker of the House of Representatives
The Capitol
Washington, DC 20515

Dear Mr. Vice President and Mr. Speaker:

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from April 1, 2002 through September 30, 2002. During this period, the Corporation made management decisions on two audits and completed final action on or closed 19 audits. Subsequent to this period, the Corporation completed corrective action on three additional audits and made a management decision on one.

We are pleased that the Corporation's new Inspector General, Russell George, was confirmed on July 29, 2002, and is now on board. Corporation staff is working closely with Mr. George and his staff and continuing to make progress towards resolving all audits.

We are sending copies of this semi-annual report to interested Congressional committees, the Office of Management and Budget, and the Corporation's Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact me or Russell George, the Corporation's Inspector General.

Sincerely,

Leslie Lenkowsky
Chief Executive Officer

TABLE I

ACTION TAKEN ON AUDIT REPORTS
(for the Period April 1, 2002 through September 30, 2002)

		Number of Reports	Disallowed Costs ($000)
A.	Audit reports with final action not taken by the commencement of the reporting period.	57	
B.	Audit reports issued by the OIG during the period	10	
C.	Audit reports for which final action was taken during the reporting period[1]	45	
	1. Recoveries		
	(a) Collections and offsets	4	138
	(b) Property in lieu of cash		
	(c) Other (reduction of questioned costs)		
	2. Write-offs	0	
	3. Audits with no disallowed costs	41	
D.	Audit reports for which final action was not taken by the end of the reporting period.[2]	22	
E.	Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway.[3]	15	

[1] This includes 6 audit reports closed because no corrective action was necessary.
[2] This includes 14 audits for which final action is not due.
[3] Management decisions on 13 of these audits were made in previous reporting periods or are not yet due.

TABLE II
AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
(for the period September 30, 2001 through March 31, 2002)

	Number of Audit Reports	Dollar value ($000s)
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	-
B. Audits which were issued during the period	1	62
C. Total audit reports on which management decisions were made during the period.	0	-
D. Audit reports pending action during the period	1	-
E. Audit reports for which final action was taken during the period	0	-
1. Value of recommendations that were completed	0	-
2. Value of recommendations that management concluded should not or could not be implemented or completed	0	0
3. Total of 1 and 2	0	-
F. Audit reports for which no management decisions were made during the reporting period	1	62

TABLE III

STATUS OF AUDIT REPORTS WITH MANAGEMENT DECISIONS THAT HAD NO FINAL ACTION WITHIN ONE YEAR OF THE ISSUANCE OF THE REPORT
(As of November 25, 2002)

Audit Number	Date Issued	Title	Disallowed Costs	Status of Action/Reason No Final Action Was Taken
99-09	5/6/99	Audit of Corporation Contracts with Biopherics, Inc	TBD	The Corporation must complete incurred cost audits to verify the labor hours worked and other direct and indirect costs incurred for fiscal years 1996 – 1998. The estimated completion date of this review is December 15, 2002.
99-10	8/2/99	Audit of Corporation Contracts with TvT, Inc.	$294,094	The Corporation must complete incurred cost audits to verify labor costs and then negotiate with the contractors an indirect cost rate to apply to those costs. The estimated completion of the cost audits is February 28, 2003.
00-21	1/6/00	Audit of the Corporation's Contract with Outsourced Administrative Systems	TBD	The Corporation is in the process of performing incurred costs audits for fiscal years 1994-1998. The OIG audit had a high percentage of questioned administrative and medical billing costs that is taking a significant amount of time to resolve. The estimated completion date is March 31, 2003.
00-22	9/21/00	Audit of the Corporation's Contract with Encore Management Corp.	TBD	The Corporation is completing Incurred Cost Audits for Fiscal Years 1994-1998. We are going to issue an equitable adjustment in the area of Temporary Labor Costs and modify the contract terms as required. The estimated completion date of the field work is December 6, 2002. We anticipate contractor concurrence with our findings and issuing the Notice of Final Action by December 13, 2002.
00-24	8/8/00	Pre-Audit Survey Report of the Alaska Service Commission	N/A	One finding remains open. Corrective action by the Commission related to the remaining finding is expected by January 2003.
01-04	9/27/02	Incurred Cost Audit of Grants Awarded to the Oregon Community Service Commission		The Oregon Commission must gather documentation from several subgrantees before the Corporation can complete corrective action. Anticipated completion date is January, 2002

Audit Number	Date Issued	Title	Disallowed Costs	Status of Action/Reason No Final Action Was Taken
01-05	1/11/01	Audit of Grants awarded to the Delaware Community Service Commission	$22,617	The Corporation completed corrective action on this audit in October 2002.
01-25	4/27/01	Pre-Audit Survey of the Colorado Governor's Commission on Community Service	N/A	The Corporation completed corrective action on this audit in October 2002.
01-28	8/2/01	Audit of Controls Over the Corporation for National and Community Service's Key Performance Indicators and Accomplishments Statistics	N/A	The Corporation completed corrective action on this audit in October 2002.
01-31	7/9/01	Report on the Review of the Corporation for National and Community Service National Direct Grant Application Review Process	N/A	Corrective action will be completed on this audit when the Corporation's board completes its review of grant processes and recommendations for revisions to policies and procedures. Recommendations for the board will be completed in May 2003.