



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES
NATIONAL EXTERNAL AUDIT REVIEW CENTER
1100 WALNUT STREET, SUITE 850
KANSAS CITY, MO 64106

Date: JUL 19 2013

To: See Attached Distribution

From: Patrick J. Cogley 
Regional Inspector General for Audit Services

Subject: National External Audit Review Center Alert –Norwalk Economic Opportunity Now, Inc., for the period January 1, 2011 through December 31, 2011 (Report Number A-01-13-21544) **Adverse Opinion on Major Program Compliance**

Our review of the Norwalk Economic Opportunity Now, Inc. (Organization) audit for the period ending December 31, 2011, identified the following conditions we believe should be brought to your attention:

The auditors issued an adverse opinion for the Major Programs of Norwalk Economic Opportunity Now, Inc. for December 31, 2011. This action was due to the Organization not complying with requirements regarding allowable costs and allowable activities. The following was also noted:

- An audit in 2011 by OIG determined that due to inadequate documentation, \$406,434 in costs claimed by the Organization were not allowable. Also, an audit by the State for the period July 1, 2009 through March 31, 2011 determined that \$227,981 in costs claimed by the Organization were also not allowable due to a lack of documentation. The auditor addressed these issues in findings 2011-7 and 2011-9.
- The Organization's expenses exceeded total revenue and support by \$1,144,255 at December 31, 2011.

These findings, unless otherwise noted, have been identified for resolution in the departmental stewardship system. We recommend departmental management consider closer monitoring and increased attention by grants management staff to protect the Federal interest.

We are also bringing this information to the attention of the OIG management for consideration in the work planning process.

Should you have questions regarding this report, please contact the National External Audit Review Center at (816) 426-7720.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



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NATIONAL EXTERNAL AUDIT REVIEW CENTER
1100 WALNUT STREET, SUITE 850
KANSAS CITY, MO 64106

JUL 19 2013

Report Number: A-01-13-21544

BOARD OF DIRECTORS
NORWALK ECONOMIC
OPPORTUNITY NOW, INC.
98 SOUTH MAIN STREET
NORWALK, CONNECTICUT 06854-3126

Dear Board Members:

We have completed our initial review of the audit report on the Organization for the period January 1, 2011, through December 31, 2011. The report was received by the Federal Audit Clearinghouse on January 28, 2013, (identification number 7103). Based on our initial review, we believe the audit, performed by COHNRESNICK LLP, Certified Public Accountants, met Federal audit requirements.

Please refer to Attachment A, where we have summarized the findings and recommendations and identified the Federal department responsible for resolution. Other Federal departments will notify you with respect to resolution of their findings. Final determinations with respect to actions to be taken on Department of Health and Human Services (HHS) recommendations will be made by the HHS resolution agency identified on Attachment A. Please respond to the following HHS resolution official at the address below within 30 days from the date of this letter:

HHS RESOLUTION OFFICIAL

Regional Grants Officer
Office of Grants Management
Administration for Children and Families, HHS
JFK Federal Building, Room 2000
Boston, MA 02203-0001

Your written response may consist of: (1) any comments or additional information that you believe may have a bearing on the final determination of actions to be taken with respect to the HHS recommendations, (2) an update of comments submitted with the report or (3) confirmation that your previous comments and corrective action plan, for the recommendations summarized in

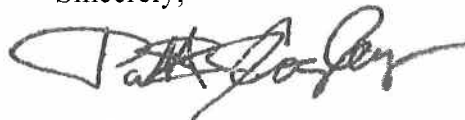
Attachment A, remain unchanged. The above report number should be referenced in all correspondence relating to this report. All correspondence, including requests for additional time to prepare your response, should be submitted to the HHS resolution official address. Please do not send your comments or requests to the National External Audit Review Center.

The serious nature of weaknesses identified as findings leads us to conclude there is more than a relatively low level of risk associated with the Organization. We are recommending closer monitoring and increased attention by grants management staff to protect the Federal interest. We are recommending that the Office of Grants and Acquisition Management highlight this condition for all HHS awarding agencies.

In accordance with the principles of the Freedom of Information Act (Public Law No. 90-23), reports issued on the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent that information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5 Section 5.21 of the Department's Public Information Regulations.)

If you have any questions, please contact our office at (800) 732-0679.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley". The signature is fluid and cursive, with a large initial "P" and "C".

Patrick J. Cogley
Regional Inspector General for Audit Services

Enclosure

<i>Recommendation Codes</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendations</i>
004935100	N/A	N/A	HHS/ACF	<p>Audit Submitted Untimely. An acceptable audit reporting package for the fiscal year ended December 31, 2011 was received by the Federal Audit Clearinghouse on January 28, 2013.</p> <p>Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Nonprofit Organizations (1997 revision) (Circular A-133) requires recipients of Federal funding to submit copies of the audit report within nine months after the end of the audit period.</p> <p>We recommend procedures be established to ensure audits are performed and submitted in a timely manner. Circular A-133 provides the granting agency the following possibilities for sanctions when acceptable audits are not submitted in a timely manner: 1) withholding a percentage of awards until the audit is completed satisfactorily; 2) withholding or disallowing overhead costs; and 3) suspending the Federal assistance agreement until the audit is performed and submitted to the Federal Audit Clearinghouse.</p>
299926100	5	N/A	HHS/ACF	<p>Expenses Exceed Revenues. We recommend procedures be strengthened to ensure expenses do not exceed total revenue.</p>
Federal Awards in Accordance with Circular A-133				
209901100	2, 5, 11, 24-25	N/A	HHS/ACF	<p>2011-1, 2010-7, 2010-8 Financial Statement Preparation. This is a material weakness and a repeat finding. We recommend procedures be strengthened to ensure financial statements are properly prepared.</p>
209918100	12	N/A	HHS/ACF	<p>2011-2 Adjusting Journal Entries Review. We recommend procedures be strengthened to ensure journal entries are properly reviewed and approved by an individual other than the one who prepared them.</p>

<i>Recommendation Codes</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendations</i>
209928100	13	N/A	HHS/ACF	2011-3 Lack of Segregation of Duties. We recommend procedures be strengthened to ensure adequate segregation of duties and management oversight exists over the cash receipts, online banking, accounts payable and payroll functions.
299919100	14	N/A	HHS/ACF	2011-4 Lack of Management Oversight. We recommend a formal wire transfer authorization and approval process be developed and implemented.
220922100	15, 24	N/A	HHS/ACF	2011-5, 2010-6 Fixed Asset Schedule Not Accurate. This is a repeat finding. We recommend procedures be strengthened to ensure 1) the fixed asset schedule is updated and current and 2) fixed assets purchased with Federal funds are properly tagged and identified.
220900100	15, 24	N/A	HHS/ACF	
213905100	16	N/A	HHS/ACF	2011-6 Payroll Process. We recommend procedures be strengthened to ensure all payroll expenses charged to Federal programs are supported with adequate documentation and the documentation is properly approved.
299918100	4, 17, 19-20	N/A	HHS/ACF	2011-7, 2011-9 No Formal Cost Allocation Plan. This is an instance of material noncompliance. We recommend procedures be developed and implemented to ensure 1) a cost allocation plan is properly developed and documented, 2) payroll expenses charged to Federal programs are adequately supported and 3) any unallowable costs be determined and returned.
213905101	4, 17, 19-20	N/A	HHS/ACF	
*399908100	4, 17, 19-20	\$406,434	HHS/ACF	
	4, 17, 19-20	\$227,981	Pass-Through Entity	2011-7, 2011-9 No Formal Cost Allocation Plan.
	4, 18	N/A	Pass-Through Entity	2011-8 Earmarking.
	4, 18, 19-20	N/A	AG	2011-8 and 2011-9.
	20-21	\$561	Pass-Through Entity	2011-10 Support for Expenditures.

<i>Recommendation Codes</i>	<i>Page</i>	<i>Amount</i>	<i>Resolution Agency</i>	<i>Recommendations</i>
Management Letter (ml)				
	4	N/A	Footnote A	Policies and Procedures-Employee Carryover of Unused Vacation/Sicktime.
	4, 5	N/A	Footnote A	Policies and Procedures-Dual Signatures for Check Approval.
	4	N/A	Footnote A	Cash.
#	#	#	#	Footnote A: These findings and related recommendations have not been identified for formal Federal resolution by HHS. Appropriate corrective action should be taken by Norwalk Economic Opportunity Now, Inc., as recommended by the auditors. This action could involve necessary financial adjustments to Federal program accounts and reports.

REPORT DISTRIBUTION SCHEDULE

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Regional Grants Officer
Office of Grants Management
Administration for Children and Families, HHS
JFK Federal Building, Room 2000
Boston, MA 02203-0001

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ACF Office of Administration
Office of Financial Services
Division of Financial Integrity
Attention: Oscar Tanner, Director
Aerospace Building, 6th Floor East
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

1*

Assistant Inspector General
for Investigations
Criminal Investigations Division
Cohen Building - Room 5409
330 Independence Avenue, S.W.
Washington, D.C. 20201

1*

Michael J. Armstrong
Regional Inspector General for Audit
HHS/OIG/Office of Audit Services
John F. Kennedy Federal Bldg., Room 2425
Boston, MA 02203

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Assistant Inspector General
Grants and Internal Activities Division
Cohen Building, Room 5759
330 Independence Avenue, S.W.
Washington, D.C. 20201

1*

Lluana McCann
Office of Grants Policy, Oversight and Evaluation
Room 511D.3, HHH Bldg.
200 Independence Ave. SW.
Washington, DC 20201

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1* = This report package contains 1 piece(s) in addition to the transmittal letter, distribution and attachments.

* = Copy of transmittal letter/memo, distribution and attachments provided.

NEAR Report Summary Sheet

Printed: 7/19/2013

Region : 01 CIN Number : 21544 Report ID : 97491 Received : 2/15/2013

Auditee : NORWALK ECONOMIC OPPORTUNITY NOW, INC.
98 SOUTH MAIN STREET
NORWALK, CT 06854-3126

Auditee ID : 4069 EIN : 1060834804
Type : NP Cognizant : UNA
Primary Contact : BOARD OF DIRECTORS
Title :
Phone : (203) 663-7328
Fax : (203) 899-2430

Message :

Auditor : COHNRESNICK LLP
76 BATTERSON PARK ROAD
FARMINGTON, CT 06032

Auditor ID : 9074
Type : O
Report Contact :
Title :
Phone : (860) 678-6007
Fax : (860) 678-6207

Message :

Audit Period	1/1/2011 through 12/31/2011	Action	Finding Code	Amount
Coverage Code :	F - NONPROFIT - HHS NOT COGNIZANT	03	004935100	\$0
Total Audited :	\$16,117,967 Source : C M/L Findings : 3	03	209901100	\$0
Federal Amount :	\$5,288,092 M/L Code : F W/P Review : None	03	209918100	\$0
HHS Amount :	\$1,531,717 NEAR Alert : Yes FAC Download : Yes	03	209928100	\$0
	Fraud Memo : No FAC dbkey : 7103	03	213905100	\$0
	FAC File Version : 1	03	213905101	\$0
<u>HHS Questioned / Avoided</u>		03	220900100	\$0
By Auditors : \$0	By Reviewers : \$0	03	220922100	\$0
		03	299918100	\$0
<u>Program ID Codes:</u>		03	299919100	\$0
0303		03	299926100	\$0
		03	399908100	\$0

Desk Review Codes:

14, 17

Audit Lead Codes:

Report Message:

Reviewer : RT Issue Code : NM Issue Date : 7/19/2013

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