



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**

JFK Federal Bldg, Room 2000, Boston MA 02203 [www.acf.hhs.gov](http://www.acf.hhs.gov)

September 5, 2013

Mr. William Westcott, Esq  
Board Chairperson  
Norwalk Economic Opportunity Now, Inc.  
98 South Main Street  
Norwalk, CT 06854

Re: Designation of High Risk Status/Grant # 1026

Dear Mr. Westcott:

Please be advised that the Administration for Children and Families (“ACF”) has determined to designate Norwalk Economic Opportunity Now, Inc. (“NEON”) as a “high risk/special award conditions” Head Start grantee, pursuant to 45 C.F.R. § 74.14, effective as of the date of this letter.<sup>1</sup> A high risk organization is an organization whose management practices raise serious questions about its ability to assure proper programmatic use and financial stewardship of Federal grant funds.

This designation is based upon ACF’s concerns about NEON’s financial stability, including NEON’s ability to meet financial management expectations and accountability requirements. The United States Department of Health and Human Services (“HHS”), Office of Inspector General, Regional Inspector General for Audit Services’ review of NEON’s January 1, 2011–December 31, 2011 A-133 audit submitted to the National External Audit Review indicated numerous issues with NEON’s financial management systems. In its letter to NEON dated July 19, 2013, the Regional Inspector General for Audit Services identified twelve (12) findings and recommendations requiring resolution. The letter also stated that “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 NEON.” Further, NEON’s selected auditor, Cohn/Resnick LLP, issued an adverse opinion with the A-133 audit related to NEON’s Major Programs, and identified one (1) material weakness and six (6) significant deficiencies in the area of financial stability.

Cohn/Resnick, LLP’s adverse opinion results from, as the auditor found, NEON’s inability to comply with the requirements regarding allowable costs and allowable activities that are applicable to each of its Federal programs. The material weakness is directly related to NEON’s inability to develop an effective internal control system. The audit identified six deficiencies related to lack of internal control over regulatory requirements that led to the material weakness determination. Among the six significant deficiencies, the auditor noted that: NEON’s 2011 financial statements were not presented to the auditor prepared in accordance with generally accepted accounting principles; NEON lacked segregation of duties in critical areas including

<sup>1</sup> For additional information on this designation, please refer to:  
[http://eclkc.ohs.acf.hhs.gov/hslc/ttssystem/operations/fiscal/appeals/enforcement/fiscal\\_pub\\_00196\\_091605.html](http://eclkc.ohs.acf.hhs.gov/hslc/ttssystem/operations/fiscal/appeals/enforcement/fiscal_pub_00196_091605.html).

cash receipts, online banking, accounts payable and payroll; the agency has no formal cost allocation plan; and NEON lacks substantive documentation to support the personnel time allocated to each grant.

We are also aware that NEON's A-133 audit for the period January 1, 2012–December 31, 2012, due to the Federal Audit Clearing House (FAC) by no later than September 3, 2013, has not yet begun. Please be advised that the Office of Management and Budget Circular A-133 provides the granting agency (ACF) 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 award until the audit is performed and submitted to the FAC; or 4) terminating the Federal award. *See* 29 C.F.R. § 99.225.

To comply with Federal grant requirements, Head Start grantees must maintain financial management systems in accordance with 45 C.F.R. § 74.21. These systems must provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program (45 C.F.R. § 74.21(b)(1)), and ensure records identify adequately the source and application of funds (45 C.F.R. §74.21(b)(2)), and maintain effective control over and accountability for all funds, property and other assets 45 C.F.R. §74.21(b)(3)). Additionally, grantees will be paid in advance, provided they maintain or demonstrate the willingness to maintain (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability identified in 45 C.F.R. §74.21. *See* C.F.R. §74.22(b)(1)(i)-(ii).

The concerns noted above regarding NEON's financial management systems call into question NEON's ability to comply with Federal grant requirements, and to continue operating within the terms and conditions of its Head Start grant. Consequently, we are designating NEON as a high-risk grantee and imposing special conditions on its Head Start grant to further protect the Federal interest. Upon receipt of this letter, NEON must begin complying with the following requirements:

1. A restriction on NEON's ability to withdraw advance payments through the Payment Management System (PMS) will be put into effect. ACF's prior approval will be required for you to draw down grant funds. NEON must submit a request for Advance Payment (SF-270) to Jeffrey Arciero, Financial Operations Specialist at least five (5) business days prior to the transfer of funds to permit authorization by the Grants Officer. A detailed listing of payments and accruals representing each PMS request must be attached to the SF-270.
2. NEON must submit a monthly schedule of all expenses paid for the month just ended identifying each payee and purpose. The schedule must be certified by the Head Start Director, Chief Financial Officer, Executive Director, and the President of the Board of Directors and attest that all payments are for obligations incurred in the current budget period. The schedule must be received in our office within (10) business days of the end of the applicable month. The first schedule will be expected by October 15, 2013.

3. NEON must submit a Board-certified progress report that details and up-dates the corrective actions taken to resolve the material weakness related to NEON's internal controls and the associated significant deficiencies, within (10) business days of the end of each month. The first monthly report is due October 15, 2013.
4. By September 16, 2013, NEON must submit to the ACF Regional Office its formal response to the audit findings identified in the National External Audit Review Center letter dated July 19, 2013 concerning audit report number A-01-13-21544.
5. By October 1, 2013 NEON will submit its most current comprehensive cost allocation plan, clearly identifying the methodology used to allocate all payroll costs, along with a status of any planned revisions to the plan.

As a result of your high-risk designation, we will closely monitor your grant activities. NEON's failure to comply with the required special conditions and to take immediate and effective steps to correct its program and fiscal problems will place continued funding of your Head Start grant in jeopardy. The high-risk status and the heightened reporting requirements will remain in effect until ACF determines that appropriate internal controls have been established to safeguard federal funds, and that systems have been implemented to prevent a recurrence of this situation.

Enclosed is a Notice of Award placing special award conditions on your grant. If your organization accepts the award by requesting funds from the payment management system or incurs costs for which it later seeks reimbursement, your organization also accepts the special award conditions. **If your organization chooses not to accept these special award conditions, you must notify this office within fifteen (15) business days of the date of this letter whether you wish to relinquish the grant.**

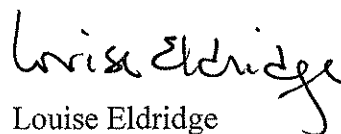
Our determination to designate NEON as a high-risk grantee is final. However, within (30) calendar days after the date of receipt of this letter you may submit, by certified mail, a written request for reconsideration. Should you request reconsideration, your request must state why your organization should not be designated high-risk and include sufficient documentation to support your request. A decision on any reconsideration request will be made within (15) calendar days following receipt of the request.

Please contact your Fiscal Specialist, Jeffrey Arciero, at 617.565.2446, or your Program Specialist, Marina Winkler, at 617.565.3797 if you have any questions regarding this matter.

Sincerely,



Richard Borseti  
Grants Officer  
Region I Office of Grants Management



Louise Eldridge  
Regional Program Manager  
Region I Office of Head Start

Enclosure: Notice of Award

cc: Chiquita Stephenson

1.RECIPIENT

**Department of Health and Human Services  
Administration for Children and Families  
Notice of Award (NOA)**


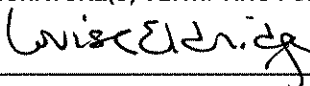
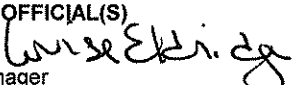
SAI NUMBER:  
  
PMS DOCUMENT NUMBER:  
01CH102646

<b>1. AWARDING OFFICE:</b> OA/OGM/Region I		<b>2. ASSISTANCE TYPE:</b> Discretionary Grant		<b>3. AWARD NO.:</b> 01CH1026/46		<b>4. AMEND. NO.:</b> 4						
<b>5. TYPE OF AWARD:</b> SERVICE			<b>6. TYPE OF ACTION:</b> Revision (*)			<b>7. AWARD AUTHORITY:</b> 42 USC 9801 ET SEQ.						
<b>8. BUDGET PERIOD:</b> 01/01/2012 THRU 12/31/2013				<b>9. PROJECT PERIOD:</b> INDEFINITE				<b>10. CAT NO./CFDA:</b> 93.600 ...				
<b>11. RECIPIENT ORGANIZATION:</b> Norwalk Economic Opportunity NOW, Inc. 98 SOUTH MAIN STREET NORWALK CT 06854 William Westcott, Board Chairperson							<b>12. PROJECT / PROGRAM TITLE:</b> HEAD START: FULL YEAR/PART DAY					
<b>13. COUNTY:</b> FAIRFIELD			<b>14. CONGR. DIST.:</b> 04			<b>15. PRINCIPAL INVESTIGATOR OR PROGRAM DIRECTOR:</b> Janice Joyner						
<b>16. APPROVED BUDGET:</b>							<b>17. AWARD COMPUTATION:</b>					
Personnel..... \$ 2,026,922							A. NON-FEDERAL SHARE..... \$ 748,604 20.00 %					
Fringe Benefits..... \$ 707,523							B. FEDERAL SHARE..... \$ 2,994,416 80.00 %					
Travel..... \$ 2,000							<b>18. FEDERAL SHARE COMPUTATION:</b>					
Equipment..... \$ 0												
Supplies..... \$ 22,810							A. TOTAL FEDERAL SHARE..... \$ 2,994,416					
Contractual..... \$ 15,400							B. UNOBLIGATED BALANCE FEDERAL SHARE.....\$					
Facilities/Construction..... \$ 0							C. FED. SHARE AWARDED THIS BUDGET PERIOD.\$ 2,994,416					
Other..... \$ 219,761							<b>19. AMOUNT AWARDED THIS ACTION:</b>			\$ 0		
Direct Costs..... \$ 2,994,416							<b>20. FEDERAL \$ AWARDED THIS PROJECT PERIOD:</b>			\$		
Indirect Costs..... \$ 0							<b>21. AUTHORIZED TREATMENT OF PROGRAM INCOME:</b>					
At % of \$							ADDITIONAL COSTS					
In Kind Contributions..... \$ 0							<b>22. APPLICANT EIN:</b>		<b>23. PAYEE EIN:</b>		<b>24. OBJECT CLASS:</b>	
Total Approved Budget(**).. \$ 2,994,416							1-060834804-A1		1-060834804-A1		41.51	

**25. FINANCIAL INFORMATION:** DUNS: 075413492

**26. REMARKS:** (Continued on separate sheets)

Client Population: 235.  
Number of Delegates: 0.  
Paid by DHHS Payment Management System (PMS), see attached for payment information.  
This award is subject to the requirements of Section 106 (g) of the Trafficking Victims Protection Act of 2000, as amended (22 U.S.C. 7104).  
For the full text of the award term, go to <https://www.acf.hhs.gov/grants/discretionary-competitive-grants>.  
This grant is subject to the requirements as set forth in 45 CFR Part 87.  
(\*\*) Reflects only federal share of approved budget.  
There are special conditions attached to this award.  
All previous terms and conditions remain in effect.(\*) Other (see following remarks):

<b>27. SIGNATURE - ACF GRANTS OFFICER</b>  Richard S. Borseti		<b>DATE:</b> 9/5/13	<b>28. SIGNATURE(S) CERTIFYING FUND AVAILABILITY</b> 	
<b>29. SIGNATURE AND TITLE - PROGRAM OFFICIAL(S)</b>  Louise Eldridge, Regional Program Manager			<b>DATE:</b> 9/4/13	

**Department of Health and Human Services  
Administration for Children and Families  
Notice of Award (NOA)**

PMS DOCUMENT NUMBER:  
01CH102646

<b>1. AWARDING OFFICE:</b> OA/OGM/Region I		<b>2. ASSISTANCE TYPE:</b> Discretionary Grant		<b>3. AWARD NO.:</b> 01CH1026/46		<b>4. AMEND. NO.</b> 4		
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<b>8. BUDGET PERIOD:</b> 01/01/2012 THRU 12/31/2013			<b>9. PROJECT PERIOD:</b> 01/01/1990 THRU 12/31/2013			<b>10. CAT NO./CFDA:</b> 93.600		
<b>11. RECIPIENT ORGANIZATION:</b> Norwalk Economic Opportunity NOW, Inc.								

**26. REMARKS:** (Continued from previous page)

This grant action places special award conditions on this grant. Pursuant to 45 CFR 74.14 Norwalk Economic Opportunity Now, Inc. has been designated as a high risk/special condition grantee and is required to meet the following conditions to continue to receive funding from the Office of Head Start. 1. A restriction on NEON's ability to withdraw advance payments through the Payment Management System (PMS) will be put into effect. ACF's prior approval will be required for you to draw down grant funds. 2. NEON must submit a monthly schedule of all expenses paid for the month just ended identifying each payee and purpose. 3. NEON must submit a Board-certified progress report that details and up-dates the corrective actions taken to resolve the material weakness related to NEON's internal controls and the associated significant deficiencies, within (10) business days of the end of each month. 4. By September 16, 2013, NEON must submit to the ACF Regional Office its formal response to the audit findings identified in the National External Audit Review Center letter dated July 19, 2013 concerning audit report number A-01-13-21544. 5. By October 1, 2013 NEON will submit its most current comprehensive cost allocation plan, clearly identifying the methodology used to allocate all payroll costs, along with a status of any planned revisions to the plan. These special award conditions, detailed further in the letter sent to William Westcott, Esq. on September 05, 2013, will remain in effect until notification of the removal of these requirements is given through a new Notice of Award. Until that time the Regional Office will monitor your progress based on a review of the documentation submitted to address these conditions.