

June 30, 2026

Secretary Joshua Wojcik
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106

In re: Forensic Review of New Opportunities, Inc.

Dear Secretary Wojcik:

The State of Connecticut (the “**State**”) Office of Policy and Management (“**OPM**”) retained CohnReznick Advisory (“**CohnReznick**”) to perform certain forensic procedures in connection with New Opportunities, Inc. (“**NOI**”). NOI, a non-profit entity, receives both State and federal funds to perform a host of activities for the residents of Waterbury, Connecticut and nearby towns. We performed forensic procedures outlined in the Statement of Work #RDR2 (“**SOW**”) under Contract ID: #23PSX0146 that was executed on February 19, 2026. Our analysis was focused on transactions between November 2024 and February 2026 (the “**Testing Period**”), and our findings are discussed in this report. Our procedures included the analysis and testing of income and expenditures reported by NOI. The testing procedures included the analysis and inspection of supporting documentation submitted by NOI, conducting interviews of NOI employees, and conducting onsite visits or teleconferences with NOI management. The testing procedures performed are discussed further below.

The nature and scope of this engagement did not require an audit of this information in accordance with Generally Accepted Auditing Standards, a review, or a compilation in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants.

I. Executive Summary¹

NOI operates a number of programs for the State and the Federal Government. Our findings regarding NOI's operations of these programs are summarized below:

- NOI has been operating at a net loss. During the years ending October 31, 2024, and 2025, NOI generated net losses amounting to \$350,000 and \$98,000, respectively. Importantly, the 2025 net loss of \$98,000 included non-recurring revenues of approximately \$1 million. For the period ending February 28, 2026, NOI generated a net loss of approximately \$442,000.
- Approximately \$2.9 million of Connecticut Energy Assistance Program (“**CEAP Program**”) funds were not used in accordance with the CEAP Program requirements. The funds received were used for other purposes, including general operating expenses, supporting an affiliated business and/or other misuses (the “**Misdirected CEAP Funds**”).
- As a result of the Misdirected CEAP Funds, NOI used approximately \$563,000 of CEAP funds from the 2026 program year to pay 2025 program year expenses. As a result, during program year 2026, State’s Department of Social Services (the “**DSS**”) provided NOI with additional funding of approximately \$541,000 to pay 2026 CEAP obligations.
- The authorized check signers on the bank accounts included the former Chief Executive Officer (the “**Former CEO**”), the Treasurer, and the Chief Financial Officer (the “**CFO**”). NOI had signature “stamps” for both the Former CEO and the Treasurer (the “**Signature Stamps**”). The CEAP Program requires NOI to annually disburse *thousands* of checks to various payees (utilities, energy providers, and individuals). To process those checks, as well as others, NOI regularly used the Signature Stamps, rather than having those individuals sign the checks by hand. Neither the Treasurer nor the Former CEO reviewed and approved the checks that were “signed” with their respective stamps. The CFO also had a signature stamp, although it was not used.
- NOI operated an affiliated entity, Connecticut Food 4 Thought (“**CTF4T**”), a hydroponic food producer and a wholly owned entity, through February 2026. During the period from November 1, 2024, through February 28, 2025, CTF4T generated net losses of \$1.45 million. NOI funded those losses with various funds, including the **Misdirected CEAP Funds**.
- As a result of NOI’s operating losses and funding CTF4T’s operations, NOI was continually under significant liquidity pressure. Due to the lack of liquidity, NOI

¹ This report is based, in part, on NOI’s financial information for the NOI fiscal year ending October 31, 2025, and the year-to-date period ending February 28, 2026. As of the date of this report that financial information is unaudited.

regularly prepared checks for payment (but did not mail them), and, on regular basis, NOI transferred CEAP funds between and among a host of different non-CEAP related accounts. In addition, hundreds of NOI checks were rejected by the bank due to insufficient funds.

- The CTF4T financial statements were not included in the monthly reporting packages provided to the NOI Board of Directors (“**BODs**”).
- NOI’s general ledger cash accounts reflected massive **negative** cash balances. NOI’s management team, specifically, the Former CEO and the CFO, did not report those negative balances to the BODs. In fact, the CFO recharacterized those negative balances as an accrued liability on the NOI balance sheet for reporting to the board.
- Accordingly, the BODs were unaware of (a) the massive negative cash balance and (b) the Misdirected CEAP Funds.
- Under the Former CEO’s direction, NOI and CTF4T periodically borrowed funds from the Former CEO’s friend/colleague (the “**Third-Party Lender**”). During the Testing Period, NOI and CTF4T borrowed \$355,000 from the Third-Party Lender. The funds were short term in nature and NOI paid back the loans, with the exception of an alleged \$150,000 loan made on January 2, 2026. While the other loans were documented in writing, the \$150,000 unpaid “loan” was not. In addition, these loans were not approved by the BODs.
- NOI generally reports program results to the State and/or federal government at the end of individual program years, which generally do not coincide with NOI’s fiscal year. NOI, at times, under reported the actual expenses incurred.
- NOI’s child-care program (“**Child Care**”), one of NOI’s larger programs, had historically generated a net profit on its operations, and NOI used those net profits to offset the losses it generated on its other programs. Pursuant to the State’s contract with NOI for the period July 1, 2025, through June 30, 2027, NOI can only use the Child Care net profits on Child Care related activities. NOI advised that it was planning on reallocating (effectively shifting) expenses from other programs to the Child Care program. To date, we have not been provided with the new allocation model.
- NOI has no meaningful budgeting or contract renewal process. As noted above, while the new Child Care contract with the State (effective July 1, 2025) restricted the use of Child Care net profits, NOI’s financial staff did not become aware of this change until early 2026. The updated Child Care contract was signed by the Former CEO.

- The CFO asserts that the Former CEO controlled NOI’s cash management system, including the movement of the Misdirected CEAP Funds, and that the Former CEO effectively directed him to shield the large negative cash balances from the BODs. Regardless of CFO’s intent, the CFO did not fulfill his duties as a Chief Financial Officer, who has an independent responsibility to NOI, its BODs, and the State and federal agencies that provide funding to NOI.

II. Background

NOI operates various social programs and services including food security, employment training, early childcare education, elder independent living, housing, and energy-related assistance. These services are provided to individuals living mainly in the greater Waterbury, Torrington, and Meriden areas of Connecticut. For financial reporting purposes, NOI’s fiscal year ends on October 31 of each year. Importantly, many programs operate on a “program year” that are different from NOI’s fiscal year.

NOI has a number of affiliates (the “**Affiliates**”), some of which are inactive:

- a. **North Square Gateway Terrace, Inc. (“NSGT”)** is a Connecticut nonstock, nonprofit corporation organized to build and provide low-income housing for persons with disabilities. NSGT is financed with a U.S. Department of Housing and Urban Development (“**HUD**”) capital advance. The building operates 14 rental units under Section 811 of the National Affordable Housing Act and is regulated by HUD with respect to operating guidelines.
- b. **New Opportunities Economic Development, Inc. (“NECD”)** is organized as a Connecticut nonstock, nonprofit corporation to develop, improve, promote, and support the economic development of communities within the State of Connecticut. The organization owns and develops real estate.
- c. **Camelot Limited Partnership and Camelot Center, Inc. (“Camelot”)** is organized to develop low-income housing qualifying for housing tax credits. This organization owns real estate for development.
- d. **North Square Gateway Development, Inc.** is a for-profit entity organized to pursue development activities in furtherance of the mission of NOI and is currently inactive.
- e. **New Opportunities Behavioral Health, Inc.** is a for-profit entity organized to provide behavioral health services, programs and support within the State of Connecticut, and is currently inactive.

- f. **Community-Wide Investment Corporation** is a for-profit company organized to pursue investment activities in furtherance of the mission of NOI and is currently inactive.

In addition to its Affiliates, NOI operated its CTF4T program, a for-profit entity that is a hydroponic food producer. CTF4T is a Connecticut limited liability company with NOI as the sole member. CTF4T is currently inactive.

In early January 2026, the Former CEO resigned and was replaced by NOI's Chief Administrative Officer (the "**New Acting CEO**").

III. **NOI's Overarching Fiscal Issues and Challenges**

NOI's fiscal issues are addressed further below, and many, but not all² of them arose during its fiscal year ended October 31, 2025. During that fiscal year:

- NOI, including its Affiliates and CTF4T, generated a net loss of approximately \$98,000.
- That \$98,000 net loss, however, included revenue from one-time non-recurring transactions totaling approximately \$992,000. Approximately \$868,000 of the non-recurring revenue was from a Federal Employee Retention Credit, and approximately \$124,000 was from the sale of equipment (collectively, the "**Non-Recurring Revenue**").
- In the absence of the Non-Recurring Revenue, the net loss for fiscal year ending October 31, 2025, would have amounted to \$1.09 million (\$98,000 net loss minus \$992,000 of one-time non-recurring items). Further, that \$1.09 million net loss includes an approximately \$1.318 million surplus in Child Care operations. Accordingly, in the absence of that Child Care surplus, NOI's loss (as a consolidated entity) would have amounted to approximately \$2.408 million. Stated differently, in the absence of the Child Care program surplus and the Non-Recurring Revenue, NOI generated an operating loss of \$2.408 million for fiscal year ending October 31, 2025.
- As discussed above, as of July 1, 2025, the Child Care net profit surplus can only be used to bolster the Child Care program. That surplus cannot be used to offset operating deficits in other programs.

² The NOI audited financial statements for the period ending October 31, 2024, reflected that "substantial doubt exists about [NOI's] ability to continue as a going concern."

- NOI did not have any available lines of credit to help satisfy the deficit and cash transfers noted above, as its line of credit was fully used.

The above activity created an insurmountable liquidity hurdle that NOI was unable to overcome. Instead, NOI tried to resolve its liquidity problems by frequently processing checks but holding them and not mailing them. NOI also used the Misdirected CEAP Funds, hoping that it could stem NOI and CTF4T's operational deficit, and ultimately – at some point in time – refund those misdirected funds. However, NOI was unable to do so.

For the period November 1, 2025, through February 28, 2026, NOI's income statement reflects net surplus of only \$2,700, and, separately, CTF4T's operating loss of approximately \$445,000.

IV. NOI Programs

NOI operates several dozen social programs, and, with few exceptions, the State and the federal government provide the funds to operate those programs. Certain NOI programs are grouped by functional services. The functional services that receive annual funding in excess of \$1 million are **Energy Services, Child Care Services, Community Service Block Grants**, and the **Bishop House** (the "**Four Functional Services**"). Collectively, the Four Functional Services account for approximately 70% of NOI's annual operations.

NOI maintains a very detailed general ledger reporting structure and program level income statements. NOI operates out of several different locations, and, generally, each program at each location has its own unique subledger and some have more than one. Thus, a program can be comprised of several subledgers, and several programs can comprise one Functional Service. With the exception of the Bishop House, the Four Functional Services are each comprised of several individual programs and by many more individual unique subledgers.

a. NOI's Operating Results for the Fiscal Year Ended October 31, 2025

The Four Functional Services are discussed in more detail further below. Immediately below are the NOI *unaudited* operating results for the Four Functional Services and NOI's

other operations for the fiscal year ended October 31, 2025. For clarity, the results below *exclude* the Affiliates and CTF4T operations:

	Energy	Child Care	CSBG	Bishop House	All Other Programs	Total
Revenue	\$ 18,202,633	\$ 5,808,812	\$ 1,342,056	\$ 1,382,784	\$ 12,458,949	\$ 39,195,233
Expenses	(18,250,249)	(4,490,406)	(1,342,655)	(1,541,549)	(12,542,610)	(38,167,469)
Net Surplus/(Deficit)	\$ (47,615)	\$ 1,318,406	\$ (599)	\$ (158,765)	\$ (83,661)	\$ 1,027,765

As noted above, even though NOI generated an approximately \$1.027 million net surplus, that surplus arose due to an approximately \$1.3 million net surplus from the Child Care operations, and approximately \$992,000 in Non-Recurring Revenue. Historically the Child Care surplus was comingled with other NOI cash, which was effectively used to offset net losses in its other programs. However, NOI's current Child Care contract with the State prohibits NOI from using Child Care surplus to offset deficits in other NOI operated programs.

In addition to the above, during the same period, CTF4T generated approximately \$1.031 million of revenue, \$2.036 million of expenses, and had a net loss of \$1.005 million.

b. NOI's Operating Results for the Year-to-Date Period Ended February 28, 2026

The NOI unaudited interim income statements for the period November 1, 2025, through February 28, 2026, are provided below.

	Energy	Child Care	CSBG	Bishop House	All Other Programs	Total
Revenue	\$ 7,098,850	\$ 1,809,765	\$ 475,518	\$ 440,141	\$ 2,932,452	\$ 12,756,725
Expenses	(7,200,212)	(1,660,090)	(449,325)	(512,990)	(2,931,412)	(12,754,029)
Net Surplus/(Deficit)	\$ (101,363)	\$ 149,674	\$ 26,193	\$ (72,848)	\$ 1,039	\$ 2,696

It is important to note that most of the Energy Services' deficit arises from an accrual timing difference. Accordingly, without that deficit, NOI would have generated approximately \$100,000 surplus. However, that surplus includes approximately \$150,000 from the Child Care program, and in the absence of that profit, NOI would have generated a \$50,000 loss during the period ending February 28, 2026.

In addition to the above, during the same period, CTF4T generated revenue of \$226,430, and \$672,200 of expenses, resulting in a net loss of \$445,770. This loss further exacerbated NOI tenuous financial position.

Below we discuss each of the Four Functional Services and CTF4T.

V. The Four Functional Services

a. Energy Services

NOI's Energy Services arises from the CEAP program, which helps residents pay for their home heating expenses. DSS operates the CEAP program. The CEAP program and contract year begins on October 1 and ends on September 30 of the following year. The State retains NOI, among a host of other entities, to provide CEAP services. NOI's Energy Services is performed through three individual programs described below.

i. Early Intake

This program enables NOI to identify State residents, who may be eligible for energy assistance. During the program year ended September 30, 2025, NOI received approximately \$105,000 from DSS to fund this program.

ii. Assurance

This program provides funds to NOI to verify the eligibility of State residents who are identified by the Early Intake operation. During the program year ended September 30, 2025, NOI received approximately \$254,000 from DSS to fund these procedures.

iii. Administration

This program has two parts. NOI receives funds from the State (specifically DSS) and disburses those funds to energy providers, utilities, or directly to residents for heating related expenses (collectively, "**Energy Payees**") ("**Part I**"). In connection with this aspect of the program, NOI simply acts like a conduit. That is, every dollar it receives is earmarked for a specific Energy Payee. As discussed in more detail below, certain funds received by the State that were earmarked for Energy Payees were directed towards other uses, i.e. the Misdirected CEAP Funds.

NOI also receives funds from the State to administer, manage, and process checks for Energy Payees (“**Part II**”). These are effectively the expenses NOI incurs to operate Part I. During the program year ended September 30, 2025, NOI received approximately \$16.2 million for Part I, and approximately \$1.5 million for Part II.

1. The Part I Payment Process

NOI receives and reviews energy invoices and then processes them through the DSS information technology system (“**Captain**”). NOI is only permitted to use CEAP funds received in connection with Part I to pay Energy Payees. That is the process wherein NOI acts like a conduit. Throughout the program year, NOI processes energy invoices, and periodically “bundles” the proposed payments to Energy Payees, which are then approved by DSS. Subsequently, the Energy Payees are either paid by check or by ACH. NOI processes dozens of bundles throughout the program year.

In connection with Part I, DSS requires NOI to maintain those funds in a **segregated** account. To be clear, that segregated account is solely to be used to (a) receive funds to pay Energy Payees and to (b) pay those funds to Energy Payees. During the program year ended September 30, 2025, NOI maintained separate Energy bank accounts (the “**Energy Accounts**”) at both Ives Bank and at Thomaston Savings Bank³.

b. Child Care Services

NOI provides services to (a) infants and toddlers (newborns through children up to the age of three), and to (b) children four and five years old. The Child Care program begins on July 1 of each year and ends on June 30 of the following year. During the program year ending June 30, 2025, NOI Child Care revenues totaled approximately \$5.7 million.

c. Community Service Block Grants

The Federal Department of Health and Human Services provides Community Services Block Grant (“**CSBG**”) to states, including Connecticut, to support a variety of

³ During the period up to March 2025, NOI maintained an active Energy Account at Ives Bank, and in mid-February 2025 it transitioned its Energy related banking relationship to Thomaston Bank. Our reference to the “Energy Accounts” reflects the combined activity of both accounts.

antipoverty activities. Local agencies that received these funds are generally known as Community Action Agencies (“**CAAs**”). NOI is a CAA.

The block grants enable NOI to provide a number of different services to the greater Waterbury community, including: a food pantry, housing assistance, nutrition programs, employment and education services, crisis and emergency services, and general assistance. During the program year ended September 30, 2025, NOI received \$1.34 million in CSBG funds.

d. The Bishop House

The Bishop House provides community-based residential services to individuals referred by the Waterbury Community Enforcement Division/Department of Correction. Residents must meet the eligibility criteria for community release clients, as established by the Department of Correction (“**DOC**”). The DOC residential program emphasizes work release. During the program year ending June 30, 2025, NOI received approximately \$1.38 million to operate the Bishop House.

VI. CT Food 4 Thought (CTF4T)

As noted above, NOI is the sole member of CTF4T, a limited liability company. As explained in NOI’s Audit Report for the years ended October 31, 2023 and 2024:

CTF4T operates a three-bay hydroponic positive press greenhouse and packing house food production facility. An additional three-bay hydroponic positive press greenhouse became operational in January 2024. The mission of CTF4T is to increase both economic development and employment/training opportunities in the field of agriculture. The driving force behind the operation is to increase the quantity of high nutritional content produce available in both Connecticut and the New England Region. Additionally, CTF4T also offers workplace training opportunities to those with developmental disabilities, those who have been previously incarcerated, and those who are unemployed as a way to provide a path to higher level employment opportunities in both this industry and others, such as: the field of nutrition, food safety, sales/marketing, environmental management, and horticulture.

In February 2026, CTF4T ceased operations.

CTF4T has not generated positive cash flow or made an operating profit during NOI's 2023, 2024, and 2025 fiscal years. Rather, during those fiscal years, CTF4T's net losses amounted to \$990,947, \$1,125,926, and \$1,005,012, respectively. During the period ending February 28, 2026, CTF4T's net loss amounted to \$445,770. To fund these net losses, NOI made significant intercompany advances to or on behalf of CTF4T, making NOI a creditor of CTF4T. As of October 31, 2023, 2024, and 2025, the net amount **due to NOI from CTF4T** amounted to \$2,114,024, \$3,317,938, and \$5,961,725, respectively.

VII. **Forensic Testing**

Below we summarize the forensic procedures that we performed on the Four Functional Services, and in connection with certain other NOI financial matters. We first address the Four Functional Services and then we discuss the other NOI financial matters.

a. **Energy Services**

i. **Administration – Part I**

As mentioned above, DSS provides funds to NOI and then NOI distributes those funds to Energy Payees as Part I of the Administration program ("**Admin-Part I**"). More specifically, the existing process should work as follows: (a) DSS provides funds to NOI's operating bank account, (b) NOI transfers those funds from its operating bank account to NOI's Energy Accounts (a required segregated bank account), and (c) NOI then distributes those funds from its Energy Accounts to the Energy Payees. As noted above, NOI should simply be a conduit for the disbursement of these funds. We tested NOI's record keeping and compliance with each of the above steps.

To perform the procedures set forth below, we obtained (a) the NOI operating bank statements for the period November 1, 2024 through March 31, 2026, (b) the Energy bank statements for the same period, (c) the NOI detailed listing of Energy Payee disbursements (the "**PY2025 Disbursements**"), and (d) the DSS's records of NOI approved payments to Energy Payees (the "**DSS PY2025 Disbursements**").

1. DSS Funds To NOI

DSS's records reflect that it provided NOI with Energy funds totaling (a) \$18,184,612 for the program year ending September 30, 2025 ("PY2025") and (b) \$7,107,500 for the period ending February 28, 2026. Attached as Exhibit 1 are the DSS's records reflecting the funding it provided to NOI during each of the above periods. We confirmed that:

- NOI's operating bank statements reflected the receipt of the above amounts, and
- NOI's general ledger also reflected the receipt of the above amounts in the operating cash bank account.

We further analyzed the receipt and disbursement of the above funds for PY2025 and PY2026.

a. PY2025

As noted above, during PY2025, DSS forwarded \$18,184,612 to NOI's operating account. Those funds were provided for:

- the Early Intake Program - \$105,091
- the Assurance Program - \$254,066
- the Administration Program Part I - \$16,260,088
- the Administration Program Part II - \$1,565,367

Collectively, these amounts total \$18,184,612; the total amount forwarded by DSS for PY2025. Immediately below we discuss the analysis we performed on the \$16,260,088 of Administration Part I proceeds.

i. Administration Part I Funding (\$16,260,088)

The \$16,260,088 funding should have been forwarded, in full, from the NOI operating bank account to the Energy Accounts and then forwarded directly to Energy Payees. Based upon our analyses, and, as explained below, some of these funds (a) were distributed to Energy Payees directly from the NOI operating account, completely bypassing the Energy Accounts, and (b) were transferred to the Energy Accounts and

then transferred to and from a host of various different NOI related bank accounts, seemingly in an unorganized manner.

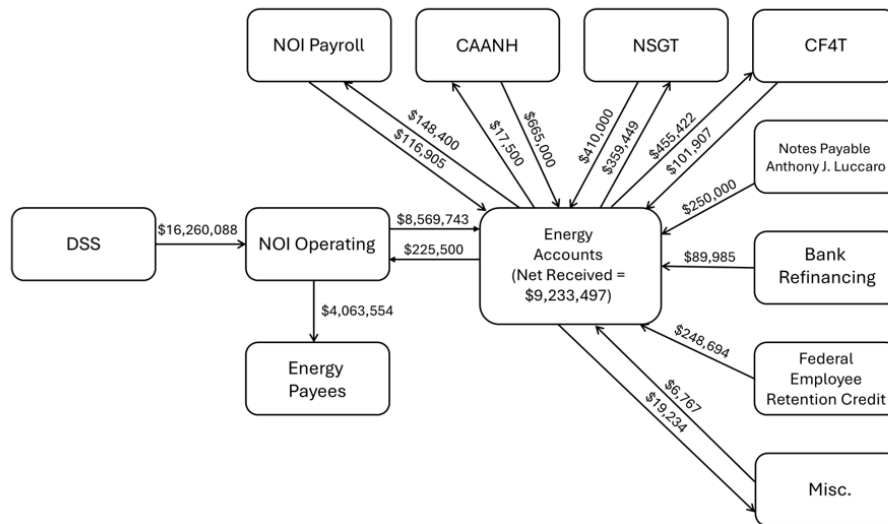
ii. Payments to Energy Payees From the NOI Operating Account

Notwithstanding that NOI was required to use its Energy Accounts to disburse funds to Energy Payees, NOI disbursed funds directly from its operating bank account to Energy Payees. During PY2025, NOI disbursed \$3,422,142 of checks and issued \$641,413 of ACH's to Energy Payees, a total aggregate payment of \$4,063,555 from NOI's operating account. Accordingly, after disbursing the \$4,063,555, NOI's operating account had \$12,196,533 available funds remaining for Energy Payees ($\$16,260,088$ *minus* $\$4,063,555 = \$12,196,533$).

iii. Energy Account Activity Excluding Payments to Energy Payees

During PY2025, NOI sent (a) \$8,569,743 from the operating account to the Energy Accounts and (b) \$225,500 from the Energy Accounts to the operating account, which resulted in a net deposit of \$8,344,243 into the Energy Accounts from the operating account. In addition, the Energy Accounts received a net deposit of \$889,254 from a host of other NOI-related bank accounts, which are described below. As a result, the Energy Accounts received a net deposit of \$9,233,497 during PY2025 ($\$8,344,243 + 889,254 = \$9,233,497$).

Below is a chart that depicts the unorganized Energy Accounts' bank activity *excluding* payments to Energy Payees from the Energy Account during PY2025.



As reflected above, aside from receiving funds from the operating account, the Energy Accounts received a net deposit of \$889,254 from several NOI related account bank accounts. For example, the Energy Accounts had cash transactions with:

- NOI payroll account;
- CAANH – The CCA for New Haven (discussed further below);
- CTF4T;
- the Third-Party Lender (discussed further below); and,
- NGST, an Affiliate

In addition, NOI deposited into the Energy Accounts (a) a portion of the Federal Employee Retention Credit discussed above, and (b) funds arising from NOI refinancing certain debt instruments. The above chart establishes that NOI clearly did not segregate funds earmarked for Energy Payees. NOI, seemingly on a haphazard basis, moved funds across a host of bank accounts.

NOI and CAANH entered into a Fiscal Sponsorship Agreement (“the **Agreement**”), wherein, among other things, NOI maintain the books and records of CAANH, including control of its bank accounts. NOI transferred (a) \$665,000 from the CAANH bank account to the Energy Accounts, and (b) \$17,500 from the Energy Accounts to the CAANH bank account. According to the CFO, the Agreement provided NOI with the right to use CAANH

funds, at its discretion, as long as NOI maintained sufficient cash flow for CAANH. Based upon our analysis of the Agreement, that is not the case. CAANH cash should not have been comingled with the CEAP funds in the segregated Energy Accounts. NOI subsequently refunded the balance of the borrowed amounts to CAANH.

To summarize, NOI received \$16,260,088 from DSS for Energy Payees and disbursed \$4,063,555 to Energy Payees from its operating account, leaving a remaining balance of \$12,196,533. As depicted above, \$9,233,497 (on net basis) found its way into the Energy Accounts. Accordingly, \$2,963,036 was not transferred to the Energy Accounts (\$12,196,533 minus \$9,233,497 = \$2,963,036) and were used for non-CEAP purposes. Those funds were defined above as the Misdirected CEAP Funds.

Because the Misdirected CEAP Funds were not transferred to the Energy Accounts in PY2025, NOI lacked sufficient funds to pay:

- two Energy Payee checks (both to Eversource, a utility) – which bounced – totaling \$2,411,500, and
- \$563,013 of PY2025 funds to other Energy Payees.

These two amounts total \$2,974,513. To date, we have not reconciled the \$11,477 difference between the (a) \$2,974,513 and (b) \$2,963,036 that was not transferred to the Energy Accounts.

iv. Energy Accounts Disbursement

1. Overview

During PY2025, DSS and NOI's records reflect that DSS forwarded \$16,260,088 to the NOI operating account. NOI provided an Energy annual report to DSS for program year 2025 (the "**NOI PY2025 Energy Report**"), which DSS approved. That report also reflected that DSS forwarded to NOI \$16,270,389 to disburse to Energy Payees. As of the date of this report, we did not investigate the approximately \$10,000 difference.

2. CR Disbursement Analysis

To analyze NOI Energy disbursements to Energy Payees during PY2025, we performed the following procedures.

- We obtained the (a) NOI operating bank statement activity for November 2024 through March 2026, (b) the NOI Energy bank statement activity for the same period, and (c) NOI PY2025 disbursements to Energy Payees.
- We identified the NOI PY2025 disbursements to Energy Payees (totaling \$4,063,555) that were paid through the NOI operating account (as noted above) and compared them to the NOI PY2025 disbursement list without exception.
- We compared (a) the NOI Energy bank statement disbursement activity to Energy Payees to (b) the NOI Energy disbursements, and we noted the following:
 - During PY2025, 681 checks were rejected by the Energy Accounts due to insufficient funds. These checks were ultimately resubmitted for payment or reissued, with the exception of the two Eversource checks noted above.
 - The two checks to Eversource totaling \$2,411,500 were submitted for payment four times to Thomaston Bank, but they never cleared due to insufficient funds. These checks were voided and were not reflected as outstanding on the March 2026 bank reconciliation. At that time, the BODs were not apprised that these checks had bounced repeatedly.
 - 42 checks totaling approximately \$5,000 from PY2025 did not clear the Energy Accounts as of March 31, 2026, and were reflected as outstanding checks in the March bank reconciliation.
 - 10 checks totaling \$1,250 cleared the Energy Accounts in PY2025, but they related to PY2024 disbursements.

b. October 1, 2025, Through February 28, 2026 **("PY2026")**

As noted above, during PY2026, DSS forwarded \$7,107,500 to NOI's Operating account. Those funds were used as follows:

- To fund the Administration Program Part I - \$6,063,342

- To fund Administration Program Part II - \$866,898, of which \$774,766 was recorded as income and \$92,132 was recorded as deferred income.
- To fund the Assurance Program - \$177,263, of which \$110,315 was recorded as income and \$66,947 was recorded as deferred income.

Note that the Early Intake program was not yet funded for PY2026, as that program does not become operational until later in the calendar year. Collectively, these amounts total \$7,107,500; the total amount forwarded by DSS. The Early Intake, Assurance, and Administration Part II programs and the amounts associated with them are discussed further below. Immediately below we discuss the analysis we performed on the \$6,063,342 Admin-Part I proceeds for PY2026.

c. The \$6,063,342 Administration Part I Funding

As noted above, the \$6,063,342 Admin-Part I funding was received in the NOI operating bank account. During PY2026, DSS recognized that NOI had used PY2026 funding to pay PY2025 Energy Payees. To help make NOI “whole,” in PY2026, DSS provided NOI with an additional funding amounting to \$541,110 (the “**PY2026 Extra Funds**”). That amount is included in the \$6,063,342 received funds noted above.

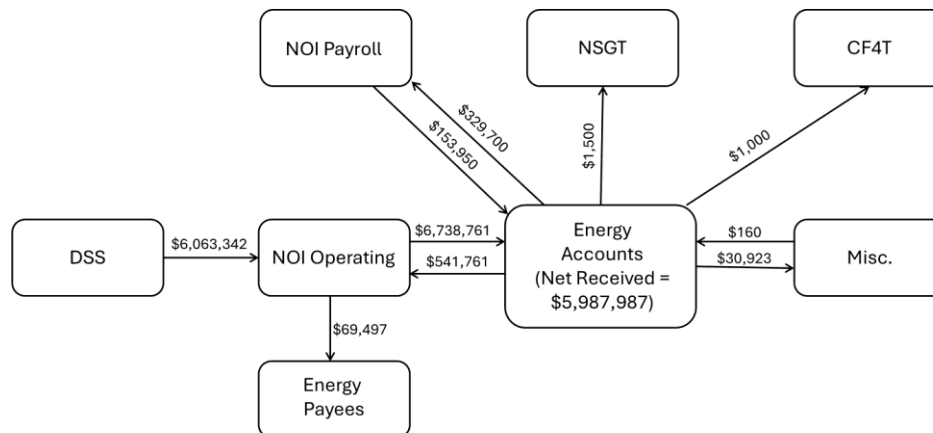
i. Payments to Energy Payees From the NOI Operating Account

Similar to PY2025, in PY2026, NOI made disbursements to Energy Payees directly from its operating account, which totaled \$69,497 to 16 Energy Payees. We confirmed that those disbursements were approved by DSS. Accordingly, after disbursing the \$69,497 to Energy Payees, the NOI operating account had \$5,993,845 remaining available funds for Energy Payees (\$6,063,342 *minus* 69,497 = \$5,993,845).

ii. Energy Account Activity Excluding Payments to Energy Payees

During PY2026, NOI sent (a) \$6,738,761 from the operating account to the Energy Accounts and (b) \$541,761 from the Energy Accounts to operating account, which resulted in a net deposit of \$6,197,000 into the Energy Accounts from the operating account. In addition, the Energy Accounts on a net basis disbursed \$209,013 to a host of other NOI-related bank accounts. As a result, the Energy Accounts received a net

deposit of \$5,987,987 during PY2026 (\$6,197,000 - \$209,013 = \$5,987,987). Below is a chart that depicts the Energy Accounts bank activity excluding payments to Energy Payees from the Energy Accounts during PY2026.



Based on the above chart, in PY2026 (like PY2025), NOI did not appropriately segregate the funds that were earmarked for Energy Payees.

To summarize, NOI received \$6,063,342 from DSS for Energy Payees and disbursed \$69,497 to Energy Payees from its operating account, leaving a remaining balance of \$5,993,845. The above chart reflects that a net total of \$5,987,987 was received by the Energy Accounts. As of the date of this report, we did not investigate the \$5,858 difference between those amounts.

iii. Energy Account Disbursements
1. Overview

As noted above, During PY2026, (a) NOI’s Energy Accounts received (on a net basis) \$5,987,987 and (b) NOI’s records indicate that it **paid** \$5,401,418 to Energy Payees during PY2026, resulting in a difference of approximately \$586,569. As noted above, during PY2026, NOI used PY2026 funds to pay PY2025 expenses, which resulted in insufficient funds to pay PY2026 expenses. To address the resulting shortfall in

PY2026, DSS provided NOI with PY2026 Extra Funds of \$541,110. Accordingly, in PY2026, the Energy Account received additional funds to pay PY2026 expenses.

2. CR Disbursement Analysis

To analyze NOI Energy disbursements to Energy Payees from the Energy Account, during PY2026, we performed the following procedures.

- We obtained the (a) NOI operating bank statement activity for PY2026, (b) the NOI Energy bank statement activity for PY2026 and March 2026, (c) NOI PY2026 Energy Payee disbursement records (the “**NOI PY2026 Disbursements**”) and (d) DSS Energy Payee disbursement records (“**DSS PY2026 Disbursements**”).
- We compared NOI PY2026 Disbursements and DSS PY2026 Disbursements, without exception.
- We inspected the NOI Energy bank statements for PY2026 and noted that all Energy Payee disbursements were reflected on both NOI and DSS records, except for three checks totaling approximately \$1,500, which cleared the bank for an amount different from NOI/DSS’s records.
- We compared the NOI PY2026 Disbursements and the DSS PY2026 Disbursements to the Energy bank statements and noted that certain checks had not yet cleared the bank. With the exception of 5 checks totaling \$22,446, those uncleared checks were reflected as outstanding on the NOI bank reconciliations.

In addition to the above, during the period October 2025 through January 2026, approximately 23 checks to Energy Payees were rejected by the bank due to insufficient funds and had to be either re-submitted to the bank or reissued at a later date.

b. NOI Energy Issue Summary

Clearly, NOI (a) did not appropriately segregate funds for Energy Payees, and (b) misused those funds, e.g. the Misdirected CEAP Funds. During PY2025 and part of PY2026, DSS provided bulk funding to NOI that was not tied to NOI payments required to Energy Payees at a given time. For example, in February 2025, DSS provided NOI

with a lump sum deposit of approximately \$7.5 million⁴, which was significantly larger than the amount NOI needed to fund Energy Payees at that time. Receiving those excess funds, coupled with NOI's lack of financial controls, allowed NOI to misuse those funds.

In connection with our retention by OPM, we revised the NOI Energy funding process to limit funding to only the amount of cash NOI needs to pay for a specific bundle of payments that were executed at a given time. Accordingly, NOI is no longer provided with any excess funds. Rather, NOI only has sufficient funds to pay for specific approved Energy Payees. Had this system been implemented earlier, NOI would not have had the wherewithal to misdirect CEAP funds earmarked for Energy Payees.

ii. **Administration – Part II Program (“Admin-Part II”)**

As noted above, the Energy program begins on October 1 of each year and ends on September 30 of the following year. At the beginning of each program year, DSS provides and NOI agrees to a budget for operating the Admin-Part II program, in addition to the Early Intake and Assurance programs. Below, we analyze NOI's income statements for the Admin-Part II program for PY2025 and the PY2026 operating results through February 2026. Further below, we analyze the same periods for Early Intake and Assurance.

1. **Admin-Part II PY2025**

The Admin-Part II operations are performed in three NOI offices: the Waterbury Office (“**Waterbury**”), the Torrington Office (“**Torrington**”), and the Meridian Office (“**Meridian**”). NOI tracks the income provided by DSS and the expenses it incurs on this program by office. Immediately below is a summary of the NOI income statements for Admin-Part II by office:

⁴ Funds were provided to NOI pursuant to the contract with DSS which required the funds to be segregated and used to make payments to the **Energy Payees**.

Admin-Part II PY2025 Income Statements				
	Waterbury	Torrington	Meridian	Total
Federal & State Grant Funding	\$ 1,025,176	\$ 280,505	\$ 259,685	\$ 1,565,367
Direct Salaries	\$ 571,429	\$ 93,567	\$ 130,471	\$ 795,467
Indirect Salaries	19,570	52,299	28,104	99,973
Total Salary Expense	<u>\$ 590,999</u>	<u>\$ 145,865</u>	<u>\$ 158,575</u>	<u>\$ 895,440</u>
Fringe Benefit Expense	\$ 135,089	\$ 29,364	\$ 31,785	\$ 196,237
Occupancy Expense (Allocated)	113,091	60,891	24,775	198,757
Administrative Expense (Allocated)	137,725	36,136	33,812	207,673
Other Occupancy Expense	215	4,742	6,186	11,142
Other Expenses	97,412	4,637	10,215	112,265
Total Expenses	<u>\$ 1,074,531</u>	<u>\$ 281,635</u>	<u>\$ 265,348</u>	<u>\$ 1,621,514</u>
Net Income (Loss)	<u>\$ (49,354)</u>	<u>\$ (1,130)</u>	<u>\$ (5,663)</u>	<u>\$ (56,147)</u>

We performed several procedures to test the veracity of the above income statements, and NOI's reporting results to DSS. Below we address the procedures performed and further below, we discuss the comparison of the income statements to NOI's reporting to DSS.

a. Admin-Part II Income Statement Analysis

We performed several procedures to test the income statements. First, we compared the income statements to the program's corresponding subledgers, without exception. Second, we noted that the income reflected on the income statements was consistent with the Annual Report NOI provided to DSS, which DSS approved. Third, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records. Below we address the expense categories we analyzed.

i. Salaries

As reflected on the income statements, NOI has Admin-Part II employees in each of the three offices discussed above. NOI pays its employees bi-weekly, and the bi-weekly payroll report summarizes payroll by employee by program and by office (the "**Payroll Reports**"). During PY2025, we inspected eight Payroll Reports, totaling \$427,738 of salary expense, and compared the Payroll Reports to the salary expense recorded in the general ledger, without exception. The employees on the Payroll Reports

are effectively the employees who work full time on the respective program (the “**Direct Employees**”).

We compared the employees listed on the Payroll Reports to the NOI Organization Chart. We noted that 19 employees were not included in the organization chart. The CFO explained that the chart only included current employees and that employees not included had been terminated. We analyzed a sample of 10 employee files to confirm that those employees had been terminated.

In addition to the Direct Employees, NOI has certain employees, such as managers, who work on a variety of different programs (“**Indirect Employees**”). The Indirect Employees’ salary is allocated to different programs. We discussed the allocation methodology with the CFO and walked through selected schedules with him. The Indirect Employees’ salaries are reflected on different Payroll Reports and NOI allocates them to various programs based on the number of employees that the manager supervises. For example, if a manager supervises 10 employees and 4 of those are Direct Employees for as specific program (i.e. Admin-Part II), then 40% of the manager’s salary is allocated to that program.

ii. Fringe Benefits

NOI incurs certain employee expenses aside from salaries, which are categorized as “**Fringe Benefits**.” NOI’s Fringe Benefits include (a) employer portion of FICA, (b) health insurance, (c) unemployment taxes, (d) workers compensation insurance, (e) pension expense, and (f) other expenses. On a monthly accrual basis, NOI calculates the individual Fringe Benefit expenses, and then allocates those expenses to the different programs that NOI operates.

NOI allocates each of the Fringe Benefit expenses (e.g. employer FICA, health insurance, etc.) based on the total monthly salaries on a program-by-program basis. And, for clarity, the program salaries used as the allocation metric include both Direct Employee salaries and Indirect Employee salaries. For example, if the monthly Waterbury Admin-Part II total salaries were 10% of all total monthly salaries, then the

Waterbury Admin-Part II program would be allocated 10% of each of the Fringe Benefit expenses.

For PY2025, we inspected three-monthly allocation schedules and tested approximately \$41,585 of Fringe Benefit expenses. We performed the following procedures (the “**Fringe Benefits Procedures**”):

- We confirmed that the total salaries used as the allocation metric for the Admin-Part II program matched the monthly salaries that were recorded in the general ledger.
- We tested the mathematical accuracy of the schedules, without exception.
- We compared the month Fringe Benefits allocated to the Admin Part-II program to the amount recorded in the general ledger, without exception.

iii. Occupancy

Most of NOI’s programs operate in shared office spaces. Accordingly, NOI allocates the shared occupancy expenses to the various programs based on the number of program employees that work at each office. For example, if four Admin-Part II employees work out of a location that has 10 employees, then Admin-Part II is allocated 40% of the occupancy expenses for that respective location.

For PY2025, we inspected three-monthly allocation schedules and tested \$36,975 in occupancy expenses. We performed the following procedures (the “**Occupancy Procedures**”):

- We inspected the (a) occupancy expenses by location, (b) the schedule allocating the employees by location, and (c) the schedule reflecting the allocated occupancy expenses.
- We confirmed the mathematical accuracy of the above schedules.
- We confirmed that the occupancy expenses allocated to Admin-Part II were reflected in the general ledger.

iv. Administration Expenses

NOI charges its programs an administrative expense, but that charge is not based on an allocation of its NOI's actual expenses. Rather, NOI charges the State programs a flat rate equal to 15% of its total program expenses.⁵ We confirmed the calculation of the administrative expenses NOI charged to the Admin-Part II program.

For reference purposes, during the fiscal year ended October 31, 2025, NOI incurred approximately \$2.5 million of total Administrative expenses but only charged the various programs approximately \$2.4 million. Accordingly, NOI incurred approximately \$100,000 of expenses that it could not charge to any program, which was not funded by any program.

b. Admin-Part II Annual Report

At the end of the program year, NOI reports its financial results to DSS. NOI's PY2025 Admin-Part II income statement reflected income of \$1,565,367 (consistent with DSS records) and expenses of \$1,673,905, resulting in a net loss of \$108,538. According to the CFO, NOI cannot report any Admin-Part II expenses in excess of its program funding of \$1,565,367. To address that net loss, NOI reclassified \$52,391 of Admin-Part II expenses to the CSBG program, which reduced the net loss to \$56,147. The CFO explained that the reclass was required because one manager's salary was not properly allocated. The manager's salary was improperly applied to the Energy Admin-Part II program, when a portion of it should have been applied to the CSBG program. The post allocation net loss of \$56,147 was unfunded and unreimbursed by any other program.

2. Admin-Part II PY2026

The Admin-Part II PY2026 income statements, by location, are summarized below:

⁵ The Administration expense is calculated as 15% of a specific program's expenses excluding, administration, rental and allocated rental expenses.

Admin-Part II PY2026 Income Statements				
	Waterbury	Torrington	Meridian	Total
Federal & State Grant Funding	\$ 555,260	\$ 123,778	\$ 95,728	\$ 774,766
Direct Salaries	\$ 304,081	\$ 52,866	\$ 47,885	\$ 404,831
Indirect Salaries	5,396	10,904	5,809	22,109
Total Salary Expense	<u>\$ 309,477</u>	<u>\$ 63,770</u>	<u>\$ 53,694</u>	<u>\$ 426,940</u>
Fringe Benefit Expense	\$ 60,801	\$ 12,347	\$ 10,571	\$ 83,718
Occupancy Expense (Allocated)	62,567	23,147	5,824	91,538
Administrative Expense (Allocated)	72,142	15,019	11,164	98,325
Other Occupancy Expense	-	7,910	9,412	17,322
Other Expenses	50,273	1,587	5,063	56,922
Total Expenses	<u>\$ 555,260</u>	<u>\$ 123,778</u>	<u>\$ 95,728</u>	<u>\$ 774,766</u>
Net Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

We performed several procedures to test the veracity of the above income statements, and below we address the procedures that we performed.

First, we compared the income statements to the general ledger, without exception. Second, we confirmed that reported income agrees to actual funds NOI received from DSS.⁶ Third, as we did for PY2025, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records.

For salaries, during PY2026, we analyzed four Payroll Reports and compared the Payroll Reports to the salary expense recorded in the general ledger, without exception. For Fringe Benefits and Occupancy, we analyzed three months activity and performed the Fringe Benefits Procedures and the Occupancy Procedures discussed above. Finally, with regard to the Administrative expenses, we confirmed NOI's calculation of the amount. Finally, as this program year has not ended, NOI did not yet report its results to DSS.

ii. Early Intake and Assurance (PY2025 and PY2026)

The Early Intake and Assurance programs are significantly smaller than the Admin-Part II. For instance, during PY2025, the Early Intake and Assurance programs income

⁶ In addition to the amount recorded as income, \$92,132 was recorded as deferred income.

amounted to approximately \$105,000 and \$254,000, respectively. Below is a summary of the Early Intake and Assurance income statements for PY2025 and PY2026⁷.

	PY2025		PY2026	
	Assurance	Early Intake	Assurance	Early Intake
Federal & State Grant Funding	\$ 254,066	\$ 105,091	\$ 110,315	\$ -
Direct Salaries	\$ 226,977	\$ 68,772	\$ 89,419	\$ -
Indirect Salaries	-	-	-	-
Total Salary Expense	\$ 226,977	\$ 68,772	\$ 89,419	\$ -
Fringe Benefit Expense	\$ 45,345	\$ 13,354	\$ 17,553	\$ -
Occupancy Expense (Allocated)	-	13,968	-	-
Administrative Expense (Allocated)	40,848	14,414	16,046	-
Other Occupancy Expense	-	-	-	-
Other Expenses	-	-	-	-
Total Expenses	\$ 313,171	\$ 110,508	\$ 123,018	\$ -
Net Income (Loss)	\$ (59,104)	\$ (5,417)	\$ (12,703)	\$ -

Below we address the procedures that we performed on these income statements, and, further below, we discuss the comparison of the income statements to NOI's reporting to DSS reporting for PY2025.

We performed several procedures to test the income statements. First, we compared the income statements to the general ledger, without exception. Second, we confirmed that the income was consistent with the cash NOI received from DSS. Third, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records.

For salaries, during PY2025 and PY2026, we analyzed a total of 12 Payroll Reports (for Direct Payroll), totaling \$124,540, and compared the Payroll Reports to the salary expense recorded in the general ledger, without exception. For Fringe Benefits, for PY2025 and PY2026, we analyzed a total of six-months activity, totaling \$45,526, and performed the Fringe Benefits Procedures, without exception. For Occupancy, for PY2025 and PY2026, we analyzed three-months activity and performed the Occupancy Procedures, without exception. We conducted our Occupancy Procedures, testing

⁷ The Early Intake and Assurance income statements consolidate activity for all offices. Note that the Early Intake program was not yet funded for PY2026, as that program does not become operational until later in the calendar year

\$7,207 of total occupancy expenses, without exception. Finally, with regard to the Administrative expenses, we confirmed NOI's calculation of the expense amount.

In connection with the 2025 annual report, for Early Intake, NOI reported income of and expense of \$105,091. While the reported income is consistent with the income statement, the actual expense amounted to \$110,508, or \$5,417 more than the amount it reported to the State.

In connection with the 2025 annual report, for Assurance, NOI reported income of and expense of \$254,066. While the reported income is consistent with the income statement, the actual expense amounted to \$313,171, or \$59,105 more than the amount it reported to the State.

As program year 2026 has not ended, NOI did not yet report its results to DSS for PY2026.

b. Child Care Services

As noted above, NOI provides Child Care services to two age groups of children (a) new infants and toddlers (ages newborn to 3 years old) and (b) preschool (aged 4-5). The Child Care program runs from July 1 to June 30 of the following year. During program year June 30, 2025 (PY2025), the Child Care revenue amounted to approximately \$5.7 million, and its expenses totaled approximately \$4.6 million, which generated a net surplus of approximately \$1.2 million. During PY2025, NOI's Preschool program was funded by both the State and the City of Waterbury ("**City**"), and during PY2026, the City Preschool program was consolidated into the State program.

NOI maintains seven subledgers to record its Child Care activity, which are described below:

- Preschool (State) – this subledger tracks State revenues and expenses arising from the State funded portion of the Preschool program;
- Infant and Toddlers – this subledger tracks revenues and expenses arising from the State portion of the Infant and Toddler program;
- Preschool (City) – this subledger tracks revenues and expenses arising from the City funded portion of the Preschool program;

- Food – this subledger tracks revenues and expenses associated with providing food to the children in the various programs.
- Miscellaneous – this subledger tracks the revenue and expenses for other childcare related services.

Occupancy – the Child Care program operates at a single facility, and that facility only provides Child Care Services. This subledger tracks the occupancy expenses for that facility. Those expenses are then allocated to the Preschool (State), Preschool (City), and Infant and Toddler programs.

Attached as Exhibit 2 the income statement for each of the above categories. As reflected on that exhibit, the funding for Preschool (State) and Infant and Toddlers (State) total approximately \$3.7 million for PY2025 (the “**Two Child Care Programs**”). Given that the Two Child Care Programs accounted for approximately 65% of the total funding, we focused our forensic procedures on those two programs. Below are the summarized income statements for the Two Child Care Programs for PY2025 and PY2026⁸:

	PY2025			PY2026		
	Preschool (State)	Infant/Toddler (State)	Total	Preschool (State)	Infant/Toddler (State)	Total
Federal Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grant Funding	1,536,923	1,055,323	2,592,245	1,401,234	566,730	1,967,964
Care 4 Kids Funding	338,533	303,132	641,665	360,373	121,517	481,890
Other Revenue & Funding	375,295	86,068	461,364	337,687	38,640	376,328
Total Program Funding	\$ 2,250,752	\$ 1,444,523	\$ 3,695,274	\$ 2,099,294	\$ 726,887	\$ 2,826,181
Direct Salaries	\$ 682,042	\$ 480,759	\$ 1,162,801	\$ 752,850	\$ 273,778	\$ 1,026,628
Indirect Salaries	137,314	65,374	202,688	169,097	57,054	226,151
Other Salaries	-	-	-	-	-	-
Total Salary Expense	\$ 819,356	\$ 546,133	\$ 1,365,489	\$ 921,947	\$ 330,832	\$ 1,252,778
Fringe Benefit Expense	\$ 167,658	\$ 112,789	\$ 280,446	\$ 185,684	\$ 66,113	\$ 251,797
Occupancy Expense	230,313	122,624	352,937	182,039	99,327	281,366
Administrative Expense	181,714	142,726	324,440	199,587	76,877	276,464
Depreciation Expense	241,019	-	241,019	140,594	-	140,594
Other Expenses	78,949	243,340	322,289	53,837	16,507	70,343
Total Expenses	\$ 1,719,010	\$ 1,167,611	\$ 2,886,621	\$ 1,683,687	\$ 589,656	\$ 2,273,343
Net Income (Loss)	\$ 531,742	\$ 276,912	\$ 808,654	\$ 415,607	\$ 137,231	\$ 552,838

⁸ For the period ending February 28, 2026.

i. Revenue Analysis

The Two Child Care Programs have four general sources of revenue: (a) direct state (DSS) grants to operate the program (the “**Direct Funding**”), (b) State payments made on behalf of parents who cannot pay (Care 4 Kids), (c) parent program payments, and (d) state grants to pay debt service on the building used to operate the Child Care facility⁹. During PY2025, the Direct Funding revenue portion accounted for \$2,592,245, and on the annual report for the Two Child Care Programs, NOI reported revenue of \$2,512,139, \$80,114 less than the amount on its income statements. That difference is discussed in the annual report section below.

ii. Expense Analysis

We performed several procedures to test the income statements of the Two Child Care Programs. First, we compared the income statements to the general ledger, without exception. Second, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records.

For salaries, during PY2025 and PY2026, we analyzed a total of 12 Payroll Reports, totaling \$691,205, and compared the Payroll Reports to the salary expense recorded in the general ledger, without exception. We noted that 14 employees were not included in the organization chart. The CFO explained that the chart only included current employees and that employees not on the current chart had been terminated. We analyzed a sample of 7 employee files to confirm that those employees had been terminated.

For Fringe Benefits, for PY2025 and PY2026, we analyzed a total of six-months of activity, totaling \$198,003 of expenses, and performed the Fringe Benefits Procedures, without exception. For Occupancy, for PY2025 and PY2026, we analyzed six months of activity and performed the Occupancy Procedures, without exception. We tested \$244,067 in occupancy expenses.

⁹ The revenue for (c) and (d) are reflected in other revenue and funding.

Finally, with regard to the Administrative expenses, NOI's expenses for the Two Child Care Programs only amounted to 12%.

iii. Annual Report

At the beginning of PY2025, NOI provided DSS with a budget to operate the Direct Funding portion of the Two Child Care Programs, which totaled \$2,512,131. That was the amount of expected grant funding at the beginning of the year and the amount of the expected expenses. As noted above, the Two Child Care Programs are funded by other sources in addition to the Direct Funding. As a result, to prepare the "budget" presented to DSS, NOI allocated the expected grant funding from DSS (\$2,512,131) among the various expense categories, even though the program expenses were expected to exceed that amount. Accordingly, the budget simply reflects that the program will operate on a break-even basis.

At the end of PY2025, NOI reported to the State that it received \$2,512,131 and that it incurred expenses of exactly that amount. However, NOI's income statement reflects that it received \$2,592,245 from the State, approximately \$80,114 more than the amount reflected on the year-end report. The CFO explained that some of the \$80,114 excess funds were received after the program year ended, and after the year-end report was submitted.

As noted above, the total income for the Two Child Care Programs amounted to approximately \$3.7 million, as a result of the programs receiving funds in addition to the \$2.6 million of Direct Funding from the State. The Two Child Care Program expenses amounted to approximately \$2.9 million.

NOI is required to report to the State its expenses arising from the Two Child Care Programs for which it received \$2.6 million of Direct Funding. However, NOI's general ledger does **not** allocate expenses by revenue source. Accordingly, NOI cannot directly correlate: (i) the expenses it incurred to operate the Two Child Care Programs to (ii) the revenue it received. Accordingly, to report the expenses for the Two Child Care Programs related to the \$2.6 million of Direct Funding, NOI simply reports expenses equal to the

Direct Funding amount, even though the expenses to operate those two programs were well in excess of that amount.

c. CSBG

As noted above, the Federal Department of Health and Human Services provides CSBG funds to states, including Connecticut, to support a variety of antipoverty activities. Only CAAs, like NOI, can receive CSBG funds. These “block grants” enable NOI to provide a number of different services to the greater Waterbury community.

The CSBG program year begins on October 1 and ends on September 30 of the following year. For PY2025, NOI’s CSBG revenue and expenses both amounted to approximately \$1.34 million and generated a small net deficit of \$599. NOI maintains 12 separate subledgers to record CSBG activity, which we analyzed as follows:

- Manager Group (3 Subledgers)- these CSBG funds enable NOI to employ individuals to help manage certain CSBG-related programs. Managers are located at Waterbury, Torrington and Meridian, and NOI has a separate subledger to record the revenues and expenses related to the managers at each office. For FY2025, the total revenues for this group totaled approximately \$415,000,
- Compliance Group (1 Subledger) – these CSBG funds enable NOI to employ individuals to ascertain that NOI’s programs, where necessary, are compliant with CSBG rules. For FY2025, the total revenues for this group totaled approximately \$540,000.
- Other Group (8 Subledger) – CSBG funds a host of other services, including, a food pantry, a foster grand-parent program, and funds to assist NOI to operate other programs. Collectively, NOI has eight subledgers that track this group. For FY2025, the total revenues for these programs totaled approximately \$387,000.

Attached as Exhibit 3 is a summary income statement for each of the above three groups for FY2025 and FY2026. As reflected in Exhibit 3, the Manager Group and the Compliance Group account for the vast majority of the CSBG program. Accordingly, we focused our analysis on those two programs. Below are the Manager Group and the Compliance Group income statements for PY2025 and PY2026¹⁰.

¹⁰ For the period ending February 28, 2026.

	PY2025			PY2026		
	Manager Group	Compliance Group	Total	Manager Group	Compliance Group	Total
Federal & State Grant Funding	\$ 414,866	\$ 540,064	\$ 954,929	\$ 118,076	\$ 230,948	\$ 349,025
Direct Salaries	\$ 12,614	\$ 295,571	\$ 308,185	\$ -	\$ 126,907	\$ 126,907
Indirect Salaries	243,345	5,283	248,627	76,488	2,081	78,569
Total Salary Expense	\$ 255,958	\$ 300,854	\$ 556,812	\$ 76,488	\$ 128,988	\$ 205,476
Fringe Benefit Expense	\$ 49,895	\$ 57,626	\$ 107,521	\$ 17,211	\$ 28,911	\$ 46,121
Occupancy Expense (Allocated)	41,519	43,248	84,767	7,317	16,514	23,831
Administrative Expense (Allocated)	52,280	70,449	122,729	15,152	28,345	43,497
Other Occupancy Expense	14,083	-	14,083	2,043	-	2,043
Other Expenses	1,160	67,931	69,091	-	14,552	14,552
Total Expenses	\$ 414,894	\$ 540,108	\$ 955,002	\$ 118,211	\$ 217,310	\$ 335,521
Net Income (Loss)	\$ (29)	\$ (44)	\$ (73)	\$ (135)	\$ 13,639	\$ 13,504

We performed several procedures to test the veracity of the revenue and expenses recorded on the Manager Group and the Compliance Group income statements. First, we compared the income statements to the general ledger, without exception. Second, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records.

For salaries, for PY2025 and PY2026, we analyzed a total of 12 Payroll Reports, totaling \$126,877, and compared the Payroll reports to the salary expense recorded in the general ledger, without exception. We noted that 11 employees were not included in the organization chart. The CFO explained that the chart only included current employees and that employees not included had been terminated. We analyzed a sample of 7 employee files to confirm that those employees had been terminated.

For Fringe Benefits, we analyzed a total of six-months activity, totaling \$59,475 and performed the Fringe Benefits Procedures, without exception. For Occupancy, we analyzed three months activity, totaling \$35,453 and performed the Fringe Benefits Procedures, without exception. Finally, with regard to the Administrative expenses, we confirmed that NOI charged the programs a 15% administration fees, without exception.

We reviewed the PY2025 year-end report to the State for the Manager Group. The report reflected income of \$415,549 and expenses of \$415,578, which were consistent with the amounts reflected on the income statement. As noted in the Energy section above, \$52,391 of expenses from the Energy Admin-Part II were transferred to CSBG programs. We confirmed that those expenses are included in the CSBG expenses.

d. Bishop House

The Bishop House provides community-based residential services to individuals referred by the DOC. The Bishop House program year starts on July 1 of each year and ends on June 30 of the following year. During PY2025, NOI Bishop House revenue amounted to approximately \$1.4 million. Unlike the other Functional Services, the Bishop House’s operations are recorded on a single subledger. Below is a summary income statement for Bishop House for PY2025 and PY2026.

	PY2025	PY2026
State Grant Funding	\$ 1,370,574	\$ 913,716
Other Income	30,139	30,687
Total Revenue	\$ 1,400,713	\$ 944,402
Direct Salaries	\$ 676,881	\$ 438,307
Indirect Salaries	9,500	8,056
Total Salary Expense	\$ 686,381	\$ 446,363
Fringe Benefit Expense	\$ 140,345	\$ 88,181
Occupancy Expense (Allocated)	(841)	-
Administrative Expense (Allocated)	188,755	131,169
Other Occupancy Expense	-	-
Other Expenses	544,838	351,538
Total Expenses	\$ 1,559,478	\$ 1,017,251
Net Income (Loss)	\$ (158,765)	\$ (72,848)

We performed several procedures to test the veracity of the income and expenses recorded on these income statements. First, we compared the income statements to the general ledger, without exception. Second, we analyzed the larger expenses that NOI incurred to determine if those expenses were supported by the underlying books and records.

For salary expense, for PY2025 and PY2026, we analyzed a total of 12 Payroll Reports, totaling \$302,130 and compared the Payroll reports to the salary expense recorded in the general ledger, without exception. We noted that 2 employees were not included in the organization chart. The CFO explained that the chart only included current employees and that employees not included had been terminated. We analyzed the 2 employee files to confirm that those employees had been terminated.

For Fringe Benefits, we analyzed a total of six-months activity, totaling \$67,706, and performed the Fringe Benefits Procedures, without exception.

With regard to the Administrative expenses, we recalculated the PY2025 expenses, which amount to 14% of the allowable expense, rather than 15%. NOI charged less than 15% in PY2025 for the same reason explained the Child Care Program section for PY2025.

Lastly, the PY2025 annual report reflects income of approximately \$1.400 million of income, \$1.449 million of expenses, and a net deficit of approximately \$49,000. As noted above, the Bishop House income statement reflects income of approximately \$1.400 million, but expenses of \$1.559. Accordingly, NOI understated its expenses on the annual report by approximately \$110,000.

e. The Third-Party Lender

As noted above, NOI and CTF4T periodically borrowed funds, on a short-term basis, from the Third-Party Lender. The BODs were not asked to approve any of these loans. A listing of the Third-Party Lender loan agreements is set forth below.

Loan Agreements				
Date	Borrower	Loan Amount	Monthly Interest Rate	Payment Date
9/29/2023	NOI	\$ 150,000	1.5%	11/1/2023
5/28/2024	NOI	300,000	1.5%	7/31/2024
9/19/2024	CF4T	150,000	1.0%	10/19/2024
9/12/2024	CF4T	300,000	1.0%	11/30/2024
11/13/2024	NOI	105,000	1.0%	12/2/2024
4/28/2025	NOI	175,000	1.0%	6/30/2025
5/21/2025	NOI	75,000	1.5%	6/30/2025

The loans reflected in the above table were all repaid.

In addition to the above loans, on January 2, 2026, the Third-Party Lender provided \$150,000 to NOI. NOI recorded the receipt of those funds as a loan, but there was no executed loan agreement in connection with the transaction. This amount has not been

repaid and the Third-Party Lender has filed a complaint against NOI seeking the return of the funds.

f. The Reversal of Negative Cash Balances

During 2025, NOI’s general ledger cash accounts reflected massive **negative** cash balances. The NOI finance team, led by the CFO, reported NOI’s monthly financial results to the BODs, including NOI’s balance sheet. Rather than reflecting those negative cash amounts on the NOI balance sheet, the CFO recharacterized the negative cash as an accrued liability. Below is a chart that reflects the amount of negative cash that was recharacterized as an accrued expense, during the period November 2024 through December 2025:

Reversal of Negative Cash	
Nov-24	\$ 1,081,855
Dec-24	512,801
Jan-25	1,996,679
Feb-25	2,141,520
Mar-25	1,770,415
Apr-25	1,121,240
May-25	1,270,029
Jun-25	452,091
Jul-25	1,357,807
Aug-25	3,394,350
Sep-25	3,146,640
Oct-25	3,371,287
Nov-25	2,609,795
Dec-25	3,321,468

On the last day of each month, the CFO recorded an entry in the NOI general ledger to increase cash and accrued expenses, which removed the above NOI negative cash balances from the cash balance on the balance sheet. These entries were made with the notation “*adjust Cash and equivalents for [monthly] BOD [report].*” As a result of these transactions, the BODs were unaware (a) that NOI actually had negative cash balances amounting to millions of dollars, and (b) that NOI had misused the Misdirected CEAP Funds. On the first day of the following month, the CFO reversed the entry, which reinstated the negative cash balances.

VI. Conclusion

Based upon the procedures performed, we determined the following:

- a. Approximately \$2.9 million of CEAP Program funds were not used in accordance with the CEAP Program requirements.
- b. Amounts reported to the State in program year end reporting do not agree to NOI internal reporting.
- c. NOI management withheld critical financial information from the BODs.
- d. NOI did not adhere to financial internal controls or best practices.

The nature and scope of this engagement did not require an audit of this information in accordance with Generally Accepted Auditing Standards, a review, or a compilation in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants ("AICPA").

This report is intended solely for the information and use of OPM and is not intended to be and should not be used by any other parties without our written consent. Any person who is not an addressee of this report or who has not executed and delivered to CohnReznick a release letter acceptable to CohnReznick, accepts and agrees that the procedures were performed for OPM's benefit, and not for the benefit and use by any other party, and shall not rely upon this report for any purpose.

Very truly yours,



Vincenzo Toppi
Partner, Dispute Resolution Services

NOI

DSS Funding Provided to NOI Traced to Bank Statement and General Ledger

Novemeber 2024 - March 2026

Exhibit 1

Per DSS			Per NOI Operating Bank Statement		Per NOI Operating Cash General Ledger	
Supplier Name	Accounting Date	Amount	Date	Amount	Date	Amount
NEW OPPORTUNITIES INC	10/30/24	\$ 932,490	11/01/24	\$ 932,490	11/07/24	\$ 932,490.0
NEW OPPORTUNITIES INC	11/14/24	391,342			11/18/24	391,342
NEW OPPORTUNITIES INC	11/14/24	459,350	11/18/24	914,209	11/18/24	459,350
NEW OPPORTUNITIES INC	11/14/24	63,517			11/18/24	63,517
NEW OPPORTUNITIES INC	11/21/24	342,140	11/26/24	342,140	11/29/24	342,140
NEW OPPORTUNITIES INC	12/13/24	1,610,080	12/17/24	1,610,080	12/31/24	1,610,080
NEW OPPORTUNITIES INC	01/03/25	260,894			01/10/25	260,894
NEW OPPORTUNITIES INC	01/03/25	727,920	01/07/25	1,031,158	01/10/25	727,920
NEW OPPORTUNITIES INC	01/03/25	42,344			01/10/25	42,344
NEW OPPORTUNITIES INC	01/23/25	1,357,980	01/27/25	1,357,980	01/31/25	1,357,980
NEW OPPORTUNITIES INC	02/04/25	130,448			02/12/25	130,448
NEW OPPORTUNITIES INC	02/04/25	7,570,192	02/07/25	7,807,162	02/12/25	7,570,192
NEW OPPORTUNITIES INC	02/04/25	21,172			02/12/25	21,172
NEW OPPORTUNITIES INC	03/18/25	199,853			03/20/25	342,809
NEW OPPORTUNITIES INC	03/18/25	142,956	03/20/25	468,282		
NEW OPPORTUNITIES INC	03/18/25	125,473			03/20/25	125,473
NEW OPPORTUNITIES INC	06/23/25	310,000			06/25/25	310,000
NEW OPPORTUNITIES INC	06/23/25	182,900	06/25/25	493,680	06/25/25	182,900
NEW OPPORTUNITIES INC	06/23/25	780			06/25/25	780
NEW OPPORTUNITIES INC	07/23/25	140,578	07/25/25	140,578	07/31/25	140,578
NEW OPPORTUNITIES INC	08/07/25	52,546	08/11/25	52,546	08/29/25	52,546
NEW OPPORTUNITIES INC	08/11/25	2,511,600			08/29/25	2,927,600
NEW OPPORTUNITIES INC	08/11/25	416,000	08/14/25	2,927,600		
NEW OPPORTUNITIES INC	09/01/25	129,874			09/01/25	129,874
NEW OPPORTUNITIES INC	09/01/25	780	09/03/25	183,199	09/03/25	780
NEW OPPORTUNITIES INC	09/01/25	52,545			09/30/25	52,545
Cash on hand from prior year		8,858		8,858		8,858
Total PY 2025 Funding		\$ 18,184,612		\$ 18,184,612		\$ 18,184,612
NEW OPPORTUNITIES INC	11/04/25	196,800	11/05/25	502,992	11/28/25	196,800
NEW OPPORTUNITIES INC	11/04/25	306,192			11/28/25	1,134,097
NEW OPPORTUNITIES INC	11/13/25	827,905	11/17/25	827,905		
NEW OPPORTUNITIES INC	11/26/25	321,400			12/19/25	321,400
NEW OPPORTUNITIES INC	11/26/25	567,094	12/01/25	960,694		899,914
NEW OPPORTUNITIES INC	11/26/25	72,200			12/19/25	72,200
						included in \$899,914
NEW OPPORTUNITIES INC	12/11/25	332,820		361,573		
NEW OPPORTUNITIES INC	01/21/26	41,110				
NEW OPPORTUNITIES INC	01/21/26	500,000	01/23/26	1,840,188	01/30/26	1,840,188
NEW OPPORTUNITIES INC	01/21/26	1,299,078				
NEW OPPORTUNITIES INC	01/22/26	390,723	01/23/26	453,761	01/26/26	453,761
NEW OPPORTUNITIES INC	01/22/26	63,038				
NEW OPPORTUNITIES INC	02/01/26	(196,800)				
NEW OPPORTUNITIES INC	02/01/26	160,700		-		-
NEW OPPORTUNITIES INC	02/01/26	36,100				
NEW OPPORTUNITIES INC	02/04/26	27,977	02/06/26	27,977	02/06/26	27,977
NEW OPPORTUNITIES INC	02/10/26	657,221	02/12/26	657,221	02/12/26	657,221
NEW OPPORTUNITIES INC	02/18/26	546,325				
NEW OPPORTUNITIES INC	02/18/26	425,360		Direct Utility Payment		Direct Utility Payment
NEW OPPORTUNITIES INC	02/18/26	17,795				
NEW OPPORTUNITIES INC	02/18/26	9,610				
NEW OPPORTUNITIES INC	02/18/26	21,775	02/20/26	21,775	02/20/26	21,775
NEW OPPORTUNITIES INC	02/18/26	789,589	02/20/26	789,589	02/20/26	789,589
NEW OPPORTUNITIES INC	02/26/26	692,577	03/02/26	692,577	02/27/26	692,577
Total PY 2026Funding without Utility		\$ 7,107,500		\$ 7,107,500		\$ 7,107,500
Total PY 2026 Funding		\$ 8,106,590				

NOI**Child Care Program Consolidated Income Statement - All Programs**

July 31, 2024 through June 30, 2025 (unaudited)

Exhibit 2

	Preschool (State)	Infant/Toddler (State)	Pre-School (City)	Food	Misc.	Occupancy	Unfunded	Total
Federal Funding	\$ -	\$ -	\$ -	\$ -	\$ 233,000	\$ -	\$ -	\$ 233,000
State Grant Funding	1,536,923	1,055,323	-	307,674	85,262	-	-	2,985,181
Care 4 Kids Funding	338,533	303,132	246,958	-	-	-	-	888,623
Other Revenue & Funding	375,295	86,068	1,081,827	-	-	-	78,349	1,621,539
Total Program Funding	\$ 2,250,752	\$ 1,444,523	\$ 1,328,785	\$ 307,674	\$ 318,262	\$ -	\$ 78,349	\$ 5,728,344
Direct Salaries	\$ 682,042	\$ 480,759	\$ 578,258	\$ -	\$ 64,520	\$ -	\$ -	\$ 1,805,579
Indirect Salaries	137,314	65,374	90,468	-	-	-	-	293,156
Other Salaries	-	-	-	-	-	-	4,779	4,779
Total Salary Expense	\$ 819,356	\$ 546,133	\$ 668,726	\$ -	\$ 64,520	\$ -	\$ 4,779	\$ 2,103,515
Fringe Benefit Expense	\$ 167,658	\$ 112,789	\$ 137,467	\$ -	\$ 12,991	\$ -	\$ -	\$ 430,904
Occupancy Expense	230,313	122,624	150,346	-	190,768	(20,496)	(183,000)	490,555
Administrative Expense	181,714	142,726	137,910	48,009	-	-	-	510,359
Depreciation Expense	241,019	-	-	-	-	19,186	62,316	322,521
Other Expenses	78,949	243,340	28,791	362,979	50,744	(24)	(50,143)	714,635
Total Expenses	\$ 1,719,010	\$ 1,167,611	\$ 1,123,240	\$ 410,988	\$ 319,023	\$ (1,334)	\$ (166,048)	\$ 4,572,489
Net Income (Loss)	\$ 531,742	\$ 276,912	\$ 205,545	\$ (103,314)	\$ (761)	\$ 1,334	\$ 244,397	\$ 1,155,854

Exhibit 2

NOI**CSBG Program Consolidated Income Statement - All Programs**

July 31, 2024 through June 30, 2025 (unaudited)

Exhibit 3

	PY2025				PY2026			
	Manager Group	Compliance Group	All Other Programs	Total	Manager Group	Compliance Group	All Other Programs	Total
Federal & State Grant Funding	\$ 414,866	\$ 540,064	\$ 387,127	\$ 1,342,056	\$ 118,076	\$ 230,948	\$ 126,493	\$ 475,518
Direct Salaries	\$ 12,614	\$ 295,571	\$ 184,499	\$ 492,684	\$ -	\$ 126,907	\$ 52,258	\$ 179,165
Indirect Salaries	243,345	5,283	12,280	260,907	76,488	2,081	7,189	85,758
Total Salary Expense	\$ 255,958	\$ 300,854	\$ 196,779	\$ 753,591	\$ 76,488	\$ 128,988	\$ 59,447	\$ 264,923
Fringe Benefit Expense	\$ 49,895	\$ 57,626	\$ 37,535	\$ 145,056	\$ 17,211	\$ 28,911	\$ 12,827	\$ 58,948
Occupancy Expense (Allocated)	41,519	43,248	31,130	115,897	7,317	16,514	9,840	33,671
Administrative Expense (Allocated)	52,280	70,449	48,638	171,366	15,152	28,345	14,390	57,887
Other Occupancy Expense	14,083	-	14,764	28,847	2,043	-	3,482	5,525
Other Expenses	1,160	67,931	58,807	127,898	-	14,552	13,818	28,371
Total Expenses	\$ 414,894	\$ 540,108	\$ 387,653	\$ 1,342,655	\$ 118,211	\$ 217,310	\$ 113,804	\$ 449,325
Net Income (Loss)	\$ (29)	\$ (44)	\$ (526)	\$ (599)	\$ (135)	\$ 13,639	\$ 12,689	\$ 26,193

Exhibit 3