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| State of New Jersey | KPMG - Middlesex County Utilities Authority | |
| Department of Treasury | | |
| Integrity Monitor Report | | |
| Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3 | | |
| For Quarter Ending: 12/31/2016 | | |

The reporting period for this report is October 1, 2016 through December 31, 2016

Under Section A-60, this report must be submitted by Integrity Monitors on the first business day of each calendar quarter to the State Treasurer and will contain detailed information on the projects/contracts/programs funded by the Disaster Relief Appropriations Act.

| No. | Recipient Data Elements | Response | Comments |
|------------------------|---|---|----------|
| A. General Info | | | |
| 1. | Recipient of funding | Middlesex County Utility Authority (MCUA) | |
| 2. | Federal Funding Agency? (e.g. HUD, FEMA) | FEMA | |
| 3. | State Funding (if applicable) | Not Applicable | |
| 4. | Award Type | Grant | |
| 5. | Award Amount | Awarded Contractors and Award Amounts for Permanent Restoration and Mitigation work on Sayreville and Edison Pumping Stations are as follows: Sayreville Pump Station (SPS) award: \$67,398,000 to Northeast Remsco Construction Inc. Edison Pump Station (EPS) award: \$26,871,000 to Walsh Construction Co. II | |
| 6. | Contract/Program Person/Title | Permanent Restoration and Mitigation work on Sayreville and Edison Pumping Stations - TBD Program Person: Richard Fitamant, Executive Director | |
| 7. | Brief Description, Purpose and Rationale of Project/Program | <p>During the ongoing incident period of Post Superstorm Sandy, beginning on October 26, 2012, the Middlesex County Utilities Authority (MCUA) suffered substantial damage to its Sayreville Pump Station and Edison Pump Station. These damages prompted the sub-grantee to immediately secure emergency contracts to prevent further damage to the existing infrastructure and prevent raw sewage from being discharged into the waterways. In addition, future contracts were to be awarded for permanent restoration and flood mitigation work at the two pump stations.</p> <p>On March 27, 2013, the Integrity Oversight Monitor Act ("the Act") was enacted for the purpose of authorizing the deployment of Integrity Oversight Monitors for recovery and rebuilding contracts resulting from Superstorm Sandy and subsequent major storms in New Jersey. The Act authorizes the State Treasurer to require integrity oversight monitor services on any State or non-State, federally funded, recovery and rebuilding contract of \$5 million or more.</p> <p>KPMG LLP ("KPMG") was engaged by the Department of Treasury ("DOT") to serve as the Integrity Oversight Monitor ("IM") for MCUA, given that contracts for both the Sayreville Pump Station and Edison Pump Station projects exceed the \$5 million threshold required by the Act.</p> <p>On June 24, 2016, MCUA received authorization to award Contract 14-3-2(EPS) titled Flood Mitigation, Restoration and Upgrade of the Edison Pump Station in the amount of \$26,871,000 to Walsh Construction Company II, LLC.</p> <p>On September 1, 2016 MCUA received authorization to award Contract 14-1-4 (SPS) (REBID) titled Flood Mitigation and Permanent Restoration of Sayreville Pump Station in the amount of \$67,398,000 to Northeast Remsco Construction Inc. This contract was re-bid due to bid protests concerning completeness of apparent low-bidder PKF-Mark III's original bid. At that time the bid submitted by PKF-Mark III was \$66,410,010.</p> | |

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| 8. | Contract/Program Location | Middlesex County Utility Authority 2571 Main Street Sayreville, NJ 08872 | |
| 9. | Amount Expended to Date | Permanent Restoration and Mitigation work on Sayreville Pump Station: \$0.00 Permanent Restoration and Mitigation work on Edison Pump Station: \$0.00 | |
| 10. | Amount Provided to other State or Local Entities | Not Applicable | |
| 11. | Completion Status of Contract or Program | Emergency Work for Sayreville Pumping Station- 100% Complete. Sayreville and Edison Pumping Stations Permanent Restoration and Mitigation - NTP in November 2016 | |
| 12. | Expected Contract End Date/Time Period | Sayreville and Edison Pumping Stations Permanent Restoration and Mitigation - November 2016 - November 2019 | |
| B. Monitoring Activities | | | |
| 13. | If FEMA funded, brief description of the status of the project worksheet and its support. | Funding for the approved Hazard Mitigation Proposals (HMP) was obligated under the respective FEMA PWs for Sayreville and Edison Pump Station. <ul style="list-style-type: none"> • For Sayreville Pump Station PW 5061, the HMP represents \$61,659,218.32 of the project worksheet's total value of \$73,877,840.25. • For Edison Pump Station PW 5075, the HMP represents \$11,799,830.00 of the project worksheet's total value of \$15,760,971.59. Pursuant to the approved project worksheet, this HMP includes the construction of a floodwall surrounding the Edison Pump Station, the construction of an isolation vault with a bypass pumping system, and the construction of a riser ring to elevate the Northwest Access Shaft & Tunnel top slab above the design 500-year flood elevation. | |

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| 14. | <p>Quarterly Activities/Project Description (include number of visits to meet with recipient and sub recipient, including who you met with, and any site visits warranted to where work was completed)</p> | <p>October -November, 2016: KPMG continued its preliminary review of the following documentation related to the recent bid and award of the MCUA permanent restoration work for the SPS and EPS:</p> <ul style="list-style-type: none"> • Contract drawings and specifications; • Bid packages from all five bidders; • Proof of Advertisement; • Bid tabulations; and • Recommendation to Award letter. <p>November 28, 2016: Meeting with R3M Engineering to discuss agenda for meeting on December 2, 2016. Topics of discussion included:</p> <ul style="list-style-type: none"> • Review of contract advertisement and awards; • Review status of schedule of values for each contract; and • KPMG activities and involvement. <p>December 2, 2016: KPMG attended Integrity Monitorship Coordination Meeting at MCUA office in Sayreville, NJ.</p> <p>Attendees included representatives from:</p> <ul style="list-style-type: none"> • MCUA; • R3M Engineering (R3M); • Mott MacDonald (MM); • New Jersey Environmental Infrastructure Trust; • New Jersey Department of the Treasury; and • KPMG. <p>Topics of discussion:</p> <ul style="list-style-type: none"> • Review of Contract Advertisements and Awards; • Sayreville Pump Station (SPS) award: \$67,398,000; • Edison Pump Station (EPS) award: \$26,871,000; • Review of Contract Status – Each Contract; • Current Contract Status (Both Awarded); • Pre-Construction Conference Date (tentative January 24, 2017); • Contract Duration (1,110 calendar days, approx. three years); • KPMG outline of proposed activities and involvement; and • Points of Contact. <p>December 19, 2016: KPMG reviewed:</p> <ul style="list-style-type: none"> • “Schedule for Monthly Construction Progress Meetings” document containing tentative meeting dates through April 2017. <ul style="list-style-type: none"> • KPMG will attend monthly construction progress meetings for the SPS and EPS as construction activities ramp up. • KPMG plans to attend the Pre-Construction Conference on January 24, 2017 to meet key stakeholders and points of contact for the duration of the work. • “Schedule for Payment Application Submissions” document containing tentative dates that the General Contractor and their subcontractors must adhere to in their preparation of monthly invoices. | |

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| 15. | Brief Description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program. | This quarter KPMG was provided access to both the SPS and EPS project SharePoint sites, which contain all key project data and information. KPMG receives notifications when additional documentation and data is uploaded in relation to these contracts and reviews accordingly. | |
| 16. | Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements. | This quarter MUA was in the process of finalizing and issuing the construction contractor awards for both pumping stations, resulting in minimal integrity monitoring work during the pre-construction period. | |
| 17. | Have payment requisitions in connection with the contract/program been reviewed? Please describe | KPMG did not review any new payment requisitions this quarter. | |
| 18. | Description of quarterly activity to prevent and detect waste, fraud and abuse. | This quarter MUA was in the process of finalizing and issuing the construction contractor awards for both pumping stations, resulting in minimal integrity monitoring work during the pre-construction period. | |
| 19. | Provide details of any integrity issues/findings | No noted issues this quarter. | |
| 20. | Provide details of any work quality or safety/environmental/historical preservation issue(s). | No noted issues this quarter. | |

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| 21. | Provide details on any other items of note that have occurred in the past quarter | No other items to note this quarter. | |
| 22. | Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters | No actions required. | |
| C. Miscellaneous | | | |
| 23. | Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review | Attached. See October - December 2016 Time & Expense Summary Tab. | |
| 24. | Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program. | None. | |
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| | Name of Integrity Monitor: | KPMG | |
| | Name of Report Preparer: | Kevin Max | |
| | Signature: |  | |
| | Date: | 3/31/2017 | |

| Time Summary | |
|---------------------|--|
| Resource | Hours Incurred (October - December) |
| Ryan Coco | 4.00 |
| John Christensen | 17.50 |
| Grand Total | 21.50 |