

State of New Jersey
Department of Treasury
Integrity Monitor Report
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3
For Quarter Ending: 12/31/2017

The reporting period for this report is October 1, 2017 through December 31, 2017

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 Program Person: Richard Fitamant, Executive Director MCUA | |
| 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> | |
| 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: \$8,687,767.61 Permanent Restoration and Mitigation work on Edison Pump Station: \$6,067,053.80 | |
| 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 Pumping Station Permanent Restoration and Mitigation - 13% Edison Pumping Stations Permanent Restoration and Mitigation - 23% | |
| 12. | Expected Contract End Date/Time Period | Sayreville and Edison Pumping Stations Permanent Restoration and Mitigation - November 2016 - May 2020 | |

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| B. Monitoring Activities | | | |
| 13. | If FEMA funded, brief description of the status of the project worksheet and its support. | <p>Funding for the approved Hazard Mitigation Proposals (HMP) was obligated under the respective FEMA PWs for Sayreville and Edison Pump Station.</p> <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. | |
| 14. | 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>October 20, 2017: Reviewed application for payment for Sayreville Pump Station in the amount of \$251,254.44.</p> <p>October 30, 2017: Reviewed forecasted milestone dates included in the Sayreville Pump Station project schedule. Reviewed the initial change order and available supporting documentation.</p> <p>October 30, 2017: Reviewed application for payment for Edison Pump Station in the amount of \$367,618.36.</p> <p>November 14, 2017: Reviewed applications for payment for Sayreville Pump Station in the amount of \$506,267.21 and Edison Pump Station in the amount of \$485,726.61.</p> <p>November 16, 2017: Tested a judgmental sample of ten prevailing rates included in certified payroll reports for Sayreville Pump Station and Edison Pump Station.</p> <p>November 21, 2017: Reviewed usage of allowances included in the most recent application for payment for Sayreville Pump Station to verify documentation was provided and costs were calculated in compliance with contract terms.</p> <p>November 28, 2017: Reviewed usage of allowances included in the most recent application for payment for Edison Pump Station to verify documentation was provided and costs were calculated in compliance with contract terms.</p> <p>December 5, 2017: Tested a judgmental sample of site access logs against certified payroll reports.</p> <p>December 6, 2017: Conducted a site visit of the SPS Project to review progress since previous site visit and attend project meeting. Attendees included:</p> <ul style="list-style-type: none"> -James Major (MCUA) -Feza Cirulis (R3M Engineering) -Mike Samuel (R3M Engineering) -William McCarthy (R3M Engineering) -Daniel Gigantino (Northeast Remsco) -John Purwin (Northeast Remsco) -Andrew LaPierre (KPMG) -Vincent Shaw (KPMG) | |

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| | | <p>December 7, 2017: Conducted a site visit of the EPS Project to review progress since previous site visit and attend project meeting. Attendees included:</p> <ul style="list-style-type: none"> -James Major (MCUA) -Angelo Bufaino (Mott Macdonald) -Bryan Oakes (Mott Macdonald) -Matthew Paquet (Walsh) -Tara Wilk (Walsh) -Ryan Heacox (Walsh) -John Orecchio (Arcadis) -Andrew LaPierre (KPMG) <p>December 19, 2017: Reviewed applications for payment for Sayreville Pump Station in the amount of \$648,492.44 and Edison Pump Station in the amount of \$504,822.13.</p> <p>December 20, 2017: Reviewed the craft wage rates used in the pricing of change orders and drawdown of allowances.</p> | |
| 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 we frequently accessed both the SPS and EPS project SharePoint sites, which contain all key project data and information. KPMG receives notifications when additional documentation and data are 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. | <p>This quarter we performed the following audit activities:</p> <ul style="list-style-type: none"> -Reviewed certified payroll reports for the SPS and EPS projects and compared paid wages to prevailing wage rates -Reviewed site access logs and compared access logs to certified payroll reports -Reviewed pricing of a change order and allowances to verify compliance with contract documents | |
| 17. | Have payment requisitions in connection with the contract/program been reviewed? Please describe | <p>KPMG reviewed the following payment requisitions this quarter.</p> <p>Sayreville Pump Station Pay Apps -</p> <ul style="list-style-type: none"> - Northeast Remsco Construction Pay Req #8 (12/7/2017) - \$648,492.44 - Northeast Remsco Construction Pay Req #7 (11/7/2017) - \$506,267.21 - Northeast Remsco Construction Pay Req #6 (10/12/2017) - \$251,254.44 <p>Edison Pump Station -</p> <ul style="list-style-type: none"> - Walsh Construction Company II Pay Req #15 (12/7/17) - \$504,822.13 - Walsh Construction Company II Pay Req #14 (11/7/17) - \$485,726.61 - Walsh Construction Company II Pay Req #13 (10/12/17) - \$367,618.36 | |

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| 18. | Description of quarterly activity to prevent and detect waste, fraud and abuse. | This quarter we performed the following: - Attended monthly project meetings. - Visited project sites to assess status of work in field, resources on site, project oversight and safety. - Reviewed project documentation including meeting minutes to gain understanding of project status. - Reviewed payment applications. - Reviewed uses of allowances - Reviewed certified payroll reports - Reviewed site access logs | |
| 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. | |
| 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 | - KPMG identified overbilling for concrete costs included in a drawdown of a contract allowance. Northeast Remsco corrected this overbilling Invoice No. 8 which resulted in a credit to the contract in the amount of \$1,183.80 | |
| C. Miscellaneous | | | |
| 23. | Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review | Attached. See October - December 2017 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: | 4/2/2018 |

| Time Summary | |
|---------------------|--|
| Title | Hours Incurred (October - December) |
| DIRECTOR | 2.50 |
| PROJECT MANAGER | 92.50 |
| CONSULTANT | 11.00 |
| | 106.00 |

| Expense Summary | |
|------------------------|---|
| Title | Expenses Incurred (October - December) |
| DIRECTOR | 223.17 |
| PROJECT MANAGER | 350.69 |
| | 573.86 |