



Proposal for RFP No. 14-033

New Jersey Transit Superstorm Sandy Recovery and Resiliency Program

Integrity Oversight Monitoring Services

Volume A – Technical Proposal

Table of Contents
NJ Transit RFP #14-033
Volume A – Technical Proposal

<u>Section</u>		<u>Page</u>
1	Cover Letter	1
2	Consultant and Project Organization Chart	3
3	Management Approach	6
4	Consultant's Affiliates	27
5	Full-Time Office	28
6	Qualification of Individuals and Resumes	29
7	Qualification of Consultant and Related Experience	38
8	Quality Assurance Program	43
9	Certifications	47
10	Conflict of Interest	48
11	Key Contacts	49
12	References	50
13	Cost Proposal	52
<u>Exhibit</u>		
A	Fraud Risk/Scenario/Schemes Identification and Assessment	
B	Detailed Quarterly Work Plan (Audit) – Example	
C	Detailed Integrity Monitoring Work Plan (Audit) – Example	
D	Detailed Work Plan (Engineer) – Example	
E	T&M Procedures Review Work Plan (Audit) – Example	
F	Subcontractor Memo – Lump Sum Review (Audit) – Example	
G	Subcontractor Memo – Change Order Review (Audit) – Example	
H	Engineering Audit Memo – Example	
I	Hurricane Sandy Change Order Integrity Monitoring Review Work Plan	
J	Hurricane Sandy Process for Documenting Dewatering, Clean-up and Restoration	
K	Staff Certifications	

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April 3, 2014

New Jersey Transit
Procurement Department, 6th Floor
One Penn Plaza East
Newark, New Jersey 07105-2246
Attn: Bid Room
Re: RFP NO. 14-033
via Hand Delivery

Re: New Jersey Transit Request for Proposals
Integrity Oversight Monitoring Services – RFP NO. 14-033

To Whom It May Concern:

Thacher Associates, LLC (“Thacher” or “TA”) appreciates very much having been invited to submit a proposal to serve as Integrity Oversight Monitor for the New Jersey Transit Corporation’s (“NJ Transit”) Superstorm Sandy Recovery and Resiliency Program (“Program”).

The Program, currently funded in part by the Federal Transit Administration (“FTA”), has three main objectives – recover from damages sustained throughout the NJ Transit system as a result of Superstorm Sandy, reconstruct damaged elements in a more resilient manner, and construct new resiliency projects designed to allow the NJ Transit system to better withstand future weather events. The anticipated scope of services subject to integrity oversight monitoring is \$440 million over the next three years.

The selected consultant will be required to monitor contractor compliance with applicable laws and contract requirements, as well as, serve to satisfy the FTA and New Jersey Department of Treasury oversight monitoring requirements. As an initial step, the selected consultant will prepare, and then maintain, a fraud risk assessment. They will be required to utilize their considerable expertise in developing and implementing integrity programs designed to detect, deter and remediate fraud, waste and abuse on these important projects. The selected consultant will be required to conduct background checks and vendor screens, verify the veracity of information submitted by vendors and conduct a variety of investigation and inquiries on active construction sites. They will be required to conduct forensic audits and provide recommendations for correcting areas of risk.

In short, the selected consultant will be asked to do what Thacher has been doing everyday for the last seventeen years. Thacher was founded in 1996 by Thomas D. “Toby” Thacher II and Joseph A. DeLuca as a firm focusing on investigations, forensic audits and corporate integrity monitoring protocols. With its inception, Thacher pioneered an industry devoted to the design, implementation and management of large-scale, pro-active integrity monitoring protocols for major construction projects – it is our core competency – and there are

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few, if any, integrity risk management firms with our advanced level of experience and expertise in the field. Today, Thacher continues to lead the integrity monitoring industry, monitoring billions of dollars of private and public construction and disaster recovery projects in the region.


Our proposed team and approach is designed to provide New Jersey Transit the ability to select from the widest array of services you may deem necessary to successfully monitor this important Program. On any proposed Work Authorization, Thacher can provide engineering, forensic auditing, investigative, and legal resources, or any combination thereof, to successfully perform the task at hand. As part of our team, Withum, Smith & Brown, one of the region's most respected public accounting firms, will provide New Jersey Transit with services in accordance with a variety of different accounting standards. In addition to our varied expertise and experience, with over 30,000 annual hours of available professional services, our team has the capacity to respond to any and all New Jersey Transit Work Authorizations.

The following key points, which will be discussed in greater detail in our proposal, demonstrate why we are uniquely qualified to perform Integrity Oversight Monitoring Services for New Jersey Transit's Superstorm Sandy Recovery and Resiliency Program:

- We have already successfully delivered Integrity Monitoring services on a wide array of projects, including FTA-funded projects, Sandy-recovery projects, and two separate New Jersey projects covered by A-60.
- We have substantial institutional knowledge and expertise of transit projects, players, and practices, gained through our work on such notable projects as Moynihan Station, World Trade Center Transportation Hub, and South Ferry Subway Terminal Station/Fulton Street Transit Center.
- We have experience leading enterprise-wide Integrity Monitoring programs which include providing overall oversight of all projects, oversight to a variety of construction or other types of contracts, and the coordination of multiple monitors.
- We have experience working with oversight and audit compliance programs comprised of multiple members and know how avoid duplicating efforts and creating a work product that can be leveraged by the other members.
- We are a leader in the use of technology that enhances the effectiveness and efficiency of our integrity monitoring services while at the same time making our services less costly.

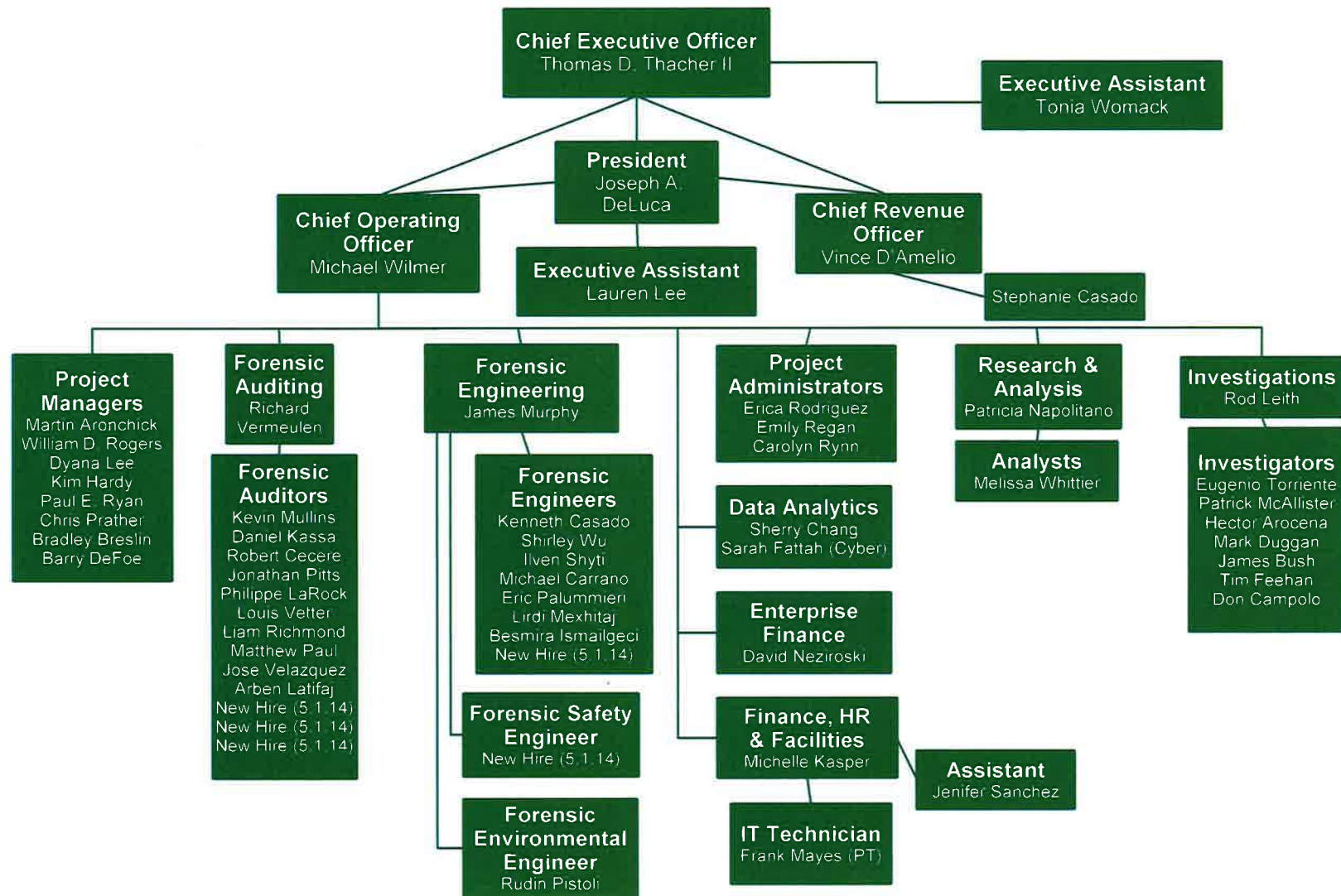
Thank you for considering Thacher Associates' proposal. Please contact me at any time with questions.

Sincerely,

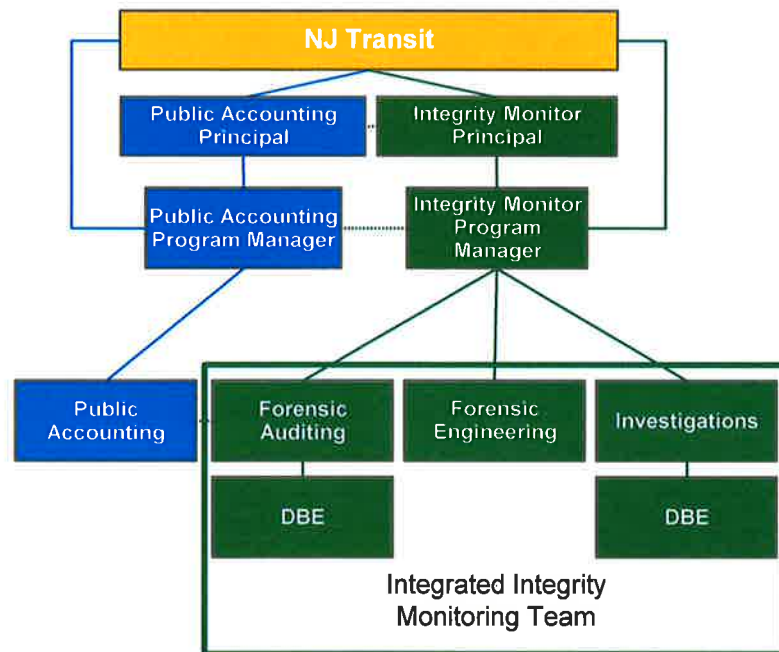

Joseph A. DeLuca
President

TAThacher Associates

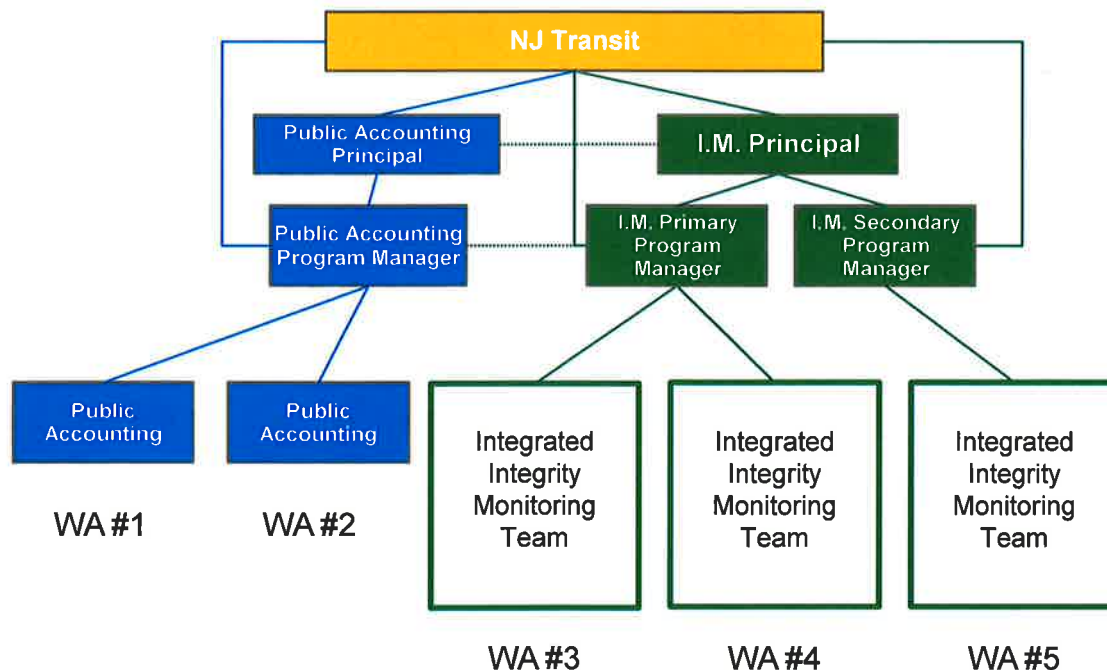
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New Jersey Transit Program General Program Structure



Multiple Work Authorization Structure



YOUR TEAM OF SPECIALISTS

WithumSmith+Brown has been providing audit and consulting services to numerous branches of government and its recipients of Government funds for over 30 years. Richard Cohen has been designated to be the Project Leader on assignments received from Thacher Associates and NJ Transit; his resume is attached. WithumSmith+Brown has several hundred professionals it may draw upon to perform a specific assignment for New Jersey Transit Corporation.

The following organization chart presents the Partners which may be used on this engagement, each with a unique skill set which may be required by NJ Transit.



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NJ TRANSIT PROJECT LEADER
 PRACTICE LEADER:
 GOVERNMENT SERVICES GROUP
 PARTNER, CPA, CFE, CGFM

RAYMOND J. BROEK
 INTERNAL AUDITING
 PARTNER, CPA, MBA

CATHERINE BENDALL
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BE IN A POSITION OF STRENGTH

Management Approach

Thacher Associates, LLC (“Thacher”) was founded in 1996 by Thomas D. “Toby” Thacher II and Joseph A. DeLuca as a firm focusing on investigations, forensic audits and corporate integrity monitoring protocols. With its inception, Thacher pioneered an industry devoted to specializing in providing integrity monitoring services to the owners or founders of large capital construction programs. Today, Thacher continues to lead the integrity monitoring industry, monitoring billions of dollars of private and public construction and disaster recovery projects in the region and beyond and is a recognized leader in developing fraud risk assessments and implementing Integrity Monitoring programs.

Thacher has been selected by the region’s largest public and private-sector capital construction clients (owners, government agencies and construction managers and contractors) for their most complex and sophisticated integrity monitoring engagements. Our track record of protecting our clients’ reputations and bottom lines on capital construction programs has made Thacher Associates the “go-to” firm for integrity monitoring. As demonstrated below, the Thacher Approach is designed to devise practicable and effective opportunity-blocking strategies while addressing the full range of corruption, racketeering, fraud and abusive practices that too often derail projects and tarnish reputations. While all of the Risk Management Services below may not be applicable to this Program, it is illustrative of the breadth of experience Thacher brings to any engagement.

The Thacher Approach



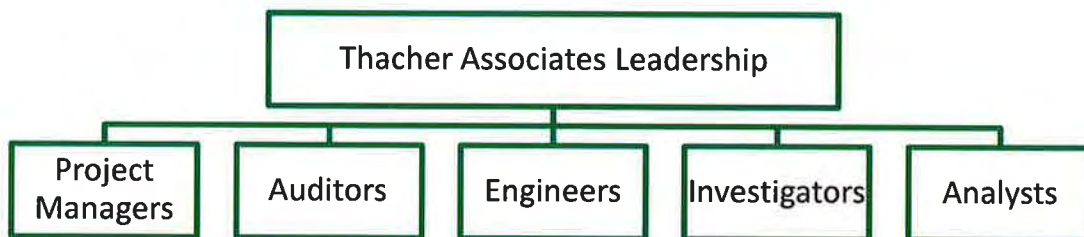
No other integrity monitoring firm has close to the experience on construction projects as has Thacher. Indeed, the combined experience of all the other integrity monitoring firms may

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not equal our experience on such engagements. Why? Because this is what Thacher was created, staffed and designed to do. We have on staff lawyers, five of whom are former prosecutors, but all with experience leading investigations into corruption and fraud; forensic engineers, trained and experienced in the detection and prevention of construction fraud; forensic auditors, including Certified Public Accountants (“CPA”), again, all trained and experienced in the detection and prevention of construction fraud (one staff CPA, while formerly at KPMG, directed a staff of 90 engineer auditors scrutinizing every invoice produced on the 9/11 Ground Zero clean-up); and investigators with multiple decades of law enforcement experience, some focused directly on construction industry fraud and racketeering. No other integrity monitoring firm has all of these needed disciplines on staff, in the numbers and with all the experience as Thacher.

Our deep bench of experienced people allows us to meet New Jersey Transit’s needs regardless of project size, level of complexity, or degree of sensitivity. As demonstrated by the following graphic, our Firm’s structure enables us to select from this deep bench those who are most well-qualified for the assignment:



Our staff is comprised of over 50 individuals, each of whom devote all of their time to our professional engagements, including our Principals. In addition, we continue to increase our capacity to perform additional assignments by adding carefully-selected members to our staff. We augment their credentials through additional training and manage them so that we are assured that they have the benefit of Thacher’s institutional knowledge and perform in accordance with our high standards. Finally, due to the sudden nature of many projects, Thacher has a number of trusted and experienced individuals who join our team on a limited-time basis to provide us with even more capacity. These individuals were used most recently on the New York City Rapid Repair Program and all have the requisite experience and familiarity with our proven methodologies.

There simply is no other firm in New Jersey that has the institutional knowledge, all the required disciplines and staff in-house and in numbers sufficient to succeed as an Integrity Monitor for New Jersey Transit. In addition to our own industry-leading expertise, we are bringing to this engagement the expertise of several partners, including Withum, Smith & Brown (“WS+B”), Crescent Consulting and Talson Solutions, LLC. Each of our partners bring with them specialized skills and experience and our selection of team members is driven by our commitment to providing New Jersey Transit with the very best the private sector has to offer.

Thacher's team was built based on our understanding of what NJ Transit needs to perform successfully the Tasks required for the Program. WS+B will provide audit services in accordance with Generally Accepted Government Standards. Thacher will leverage Crescent Consulting's experience in document review, performing background checks, and conducting investigations to perform activities under Task C. Our partnership with Talson Solutions, LLC will strengthen the auditing capacity. Details regarding our partners' experience and qualifications are further described in the Qualifications of Firm Section.

Thacher understands the challenges that NJ Transit faces ensuring that over \$440 million to be spent in connection with the myriad of Work Authorizations that relate to the Program are spent efficiently, effectively, fairly, and is free of fraud, waste and abuse. We understand that this Program and the recovery and rebuilding process in New Jersey, in general, will be subject to scrutiny by many. We understand that NJ Transit will be accountable to federal and state government officials and agencies, the media, and perhaps most importantly, the taxpayers. We understand the reputational risk faced by NJ Transit should the Program not be transparent and auditable. Creating a process by which this Program can withstand this heightened level of scrutiny and maintain its credibility is our expertise, and will be the lasting measure of our success, but more importantly, the success of NJ Transit.

In this proposal, we describe in detail the key points that demonstrate why Thacher is uniquely qualified to meet the integrity challenges certain to be confronted in New Jersey Transit's Program. Our proposal also provides and explains our proven methodologies for deterring, detecting, and remediating fraud, waste and abuse, a preliminary Fraud Risk/Scenario/Schemes Identification and Assessment, and examples of several other deliverables, including detailed work plans designed to mitigate the risks identified in the aforementioned Assessment.

As a result of our successes in integrity monitoring engagements, we have earned a reputation as one of the foremost integrity monitoring firms, particularly in engagements that relate to large-scale transit projects and companies that regularly conduct business in the transit industry. ***Thacher has provided Integrity Monitoring for both Federal Transit Administration-funded and New Jersey Integrity Monitor Act (A-60) Projects.*** Our nearly *two decades of work on a multitude of transit projects, including three of the region's largest FTA-funded transit projects – Moynihan Station, World Trade Center Transportation Hub, and South Ferry Subway Terminal Station/Fulton Street Transit Center* – has given us a unique understanding of the mission, philosophy, and work practices of the regional transit authorities and provides us a deep knowledge of the companies and stakeholders that will be involved in any future project. This expertise and experience will allow us to perform the monitoring sought for this Program more effectively and more efficiently than anyone else possibly could.

We also have substantial experience in monitoring the integrity of Sandy-related construction. We have performed Sandy-related monitoring for the Port Authority of New York and New Jersey (“PANYNJ”), the City of New York, and the State of New Jersey. This experience is directly applicable to monitoring the work contemplated by the Work Authorizations, and will make us a successful and cost-effective integrity monitor on such projects.

The breadth of our experience has provided us with extraordinary knowledge of the transit and construction industry and the participants in it – knowledge that distinguishes us from most other firms that seek to provide integrity monitoring services. *We have considerable experience working with large segments of the regional transit and construction industries* – construction managers, general contractors, design firms, trade contractors, specialty contractors, consultants, and with the many regulatory and law enforcement agencies that operate in these industries. One of the most difficult and potentially derailing challenges faced by any integrity monitor is how to establish effective working relationships and the requisite trust with all parties involved in the project. It can be difficult and time consuming to convince project participants on the operational side that the integrity monitor is there to help - not to play cop - and that it is indeed capable of helping. Thacher Associates has already gone far down the road in establishing these independent but extremely supportive relationships.

As Vice President and Inspector General of the New York City School Construction Authority (“SCA”), Thacher’s founders sat in the same place New Jersey Transit now sits – confronted with the challenge of *managing and supervising an enterprise-wide integrity monitoring program* designed to protect several hundred-million dollar programs. During their tenure at the SCA, Thacher’s founders were *responsible for the coordination and reporting of many integrity monitors assigned* to troubled firms (who were required to take on a monitor as a prerequisite for continued SCA work). Because of this prior experience, we understand the fine line and delicate balance between the operational needs of a government agency and an integrity monitor’s mandate. Immediately following Superstorm Sandy, Thacher was selected as one of several integrity monitors for the New York City Department of Investigation (“DOI”) to monitor the City’s Rapid Repair Program. The program was a *major FEMA-funded disaster relief program* put into place by the City of New York to provide aid to qualifying homeowners affected by Superstorm Sandy. It was a free program to help residential property owners affected by Superstorm Sandy make emergency repairs. Thacher was assigned to three of the seven prime contractors working on the project, as well as put in charge of monitoring the Program Manager and Quality Assurance firm overseeing the entire program. This was by far the largest scope of work for any integrity monitor in the program and our position monitoring the overall Program Manager *required us to coordinate some of the activities of the other assigned monitors and to serve as a central point of information collected from the monitors* as it related to the operation of the Rapid Repair Program.

An integral part of successful Integrity Monitoring is *knowing how and where to leverage (and therefore not duplicate) the work being performed by other members* of the

oversight and audit matrix. We know how, for instance, to plumb the work being performed by Hill International. We know what findings of Hill International will shed light on whether a vendor or contractor is meeting its responsibilities. In performing our assessment of controls, processes and procedures, and our evaluations of whether those controls adequately address fraud, waste and abuse risks, we know how to perform this work and provide deliverables that can be ***leveraged by New Jersey Transit's internal audit department.***

All the above ***forms of leveraging and avoidance of duplication of efforts should allow us to perform fewer detailed audits and fewer designs of control enhancements, and maximize field presence,*** while still gaining comprehensive insight into the activities of all project participants. This will translate into a more targeted use of New Jersey Transit's integrity monitoring dollars, while achieving a high level of integrity monitoring oversight. Our experience with the Port Authority Office of Inspector General and its Internal Audit Department exemplify this ability.

Our pioneering use and development of technology is another example of the resources and efficiencies Thacher would bring if selected to provide management of overall oversight to New Jersey Transit's entire Program.

Our ***state of the art technology offerings, including webcams, tablet technology and our advanced data analytics platform*** will enable us to collect, memorialize, secure, retrieve, and manage the information that we gather on a Work Authorization engagement with unique efficiencies, enhancing our operational and cost effectiveness. Our selection as an enterprise-wide Integrity Monitor would provide a platform to integrate the use of these technologies across the entire New Jersey Transit Program, not just individual and specific Work Authorizations for which Thacher is selected.

The recent acquisition of Thacher by K2 Intelligence has given us access to important analytic tools that will significantly advance the management of Work Authorization engagement data. These tools enable us to collect information in a manner that stores it securely and makes it immediately accessible and searchable not only by us, but also by the New Jersey Transit. Moreover, our management of the engagement could, as appropriate, utilize sophisticated analytic tools that K2 has developed. These tools will revolutionize the speed of searches of the project's data as well as provide seamless sharing of intelligence across all monitors assigned to the New Jersey Transit Program.

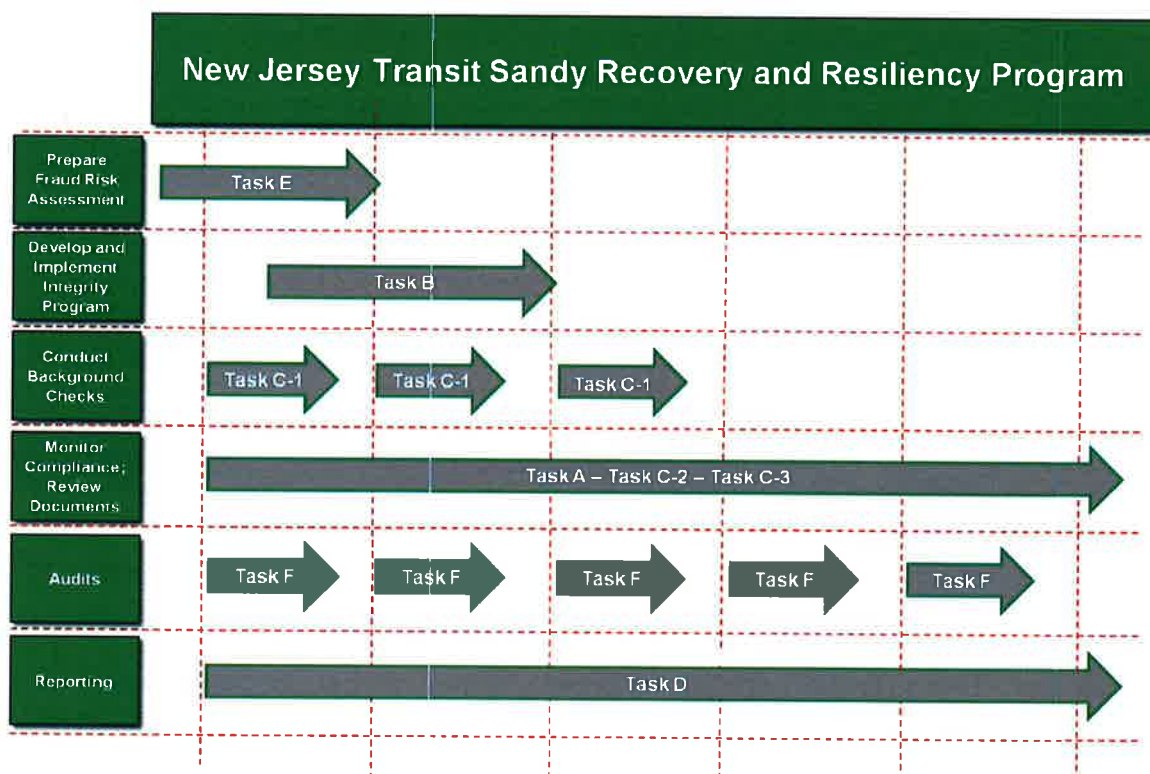
Thacher's Approach to Scope of Work

Our proposed approach to the detailed scope of work focuses on practicality and real-world solutions, emphasizing site presence, to determine what is actually happening on the project. Our years of experience in integrity monitoring enable us to target project-specific risks, not wasting resources in areas that do not require scrutiny. We know how to distinguish integrity issues from operational ones and focus our time on the former. Where we identify problems, our

solutions get to the heart of the matter without nitpicking. Those solutions are designed to address and prevent integrity issues without burdening the project's progress. We follow through to see if the solutions actually work and have created no adverse schedule impact.

Thacher's approach has already proven incredibly successful on large-scale projects with very similar scopes of work. We have been providing virtually the same services for several years on our major transit engagements. Our proven methodologies have produced many successes on many projects.

We propose beginning this Program with Task E, the preparation of a full fraud risk assessment (which will be updated and maintained, as required, through the life of the NJ Transit Program) and from that assessment we would begin Task B, develop and implement an Integrity Program. Through the life of the Program, we would monitor contractor/vendor compliance with applicable laws and contract requirements, conduct background checks, review documents, conduct investigations, regularly report, and conduct internal, IT, and construction auditing, performing each of these tasks, as necessary.



Task E – Preparing and Maintaining a Fraud Risk Assessment

Our preparation of a fraud risk assessment would be the first task undertaken during any monitorship to which we are selected, because it serves as the foundation for a successful integrity program, which is designed to identify and monitor those areas of greatest risk. We

would build on our previous experience developing Fraud Risk Assessments to minimize the time and expense required to design them for this Program.

Our approach to reviewing procedures and processes is designed to identify and implement best practices to provide reasonable assurance that controls placed over monitored activities are adequate, are being complied with, and are operating effectively. Our primary focus is identifying useful control enhancements in any area with high potential integrity risk, and performing testing of those areas that appear to be acceptable.

Thacher Associates' ***organizational experience providing integrity monitoring services in the transit industry enables us to provide well-informed services that are more knowledgeable than what other monitors*** could possibly provide. Our knowledge arises from several sources that will be found in combination in no other proposer, including:

- our substantial experience in providing construction monitoring and conducting forensic investigations of construction activities and supporting related litigation keeps us current with means and methods, trends, and new schemes;
- our proprietary database of construction industry information, which has been formed over the course of three decades, and which is updated daily;
- our substantial in-house technical expertise, based in part on our unique focus in joining together experienced investigators with qualified and forensically-trained technical experts; and
- the unique informants and sources of information - throughout the industry, media, academia, regulatory authorities, and law enforcement agencies - that we have developed in the course of our many years spent conducting investigations, managing integrity monitoring engagements, and solving integrity problems in the construction industry.

We have performed many dozens of integrity monitoring engagements. This has provided us with valuable knowledge of “lessons learned” and informed our understanding of current problems and regulatory focuses and enabled us to focus our services in a manner that “gets ahead of the curve” and avoids problems. Our understanding of the latest kinds of fraudulent schemes and artifices used to victimize project owners and developers enables us to focus our services in a manner that assists the owner in preventing fraud, and in detecting fraud when it occurs.

In preparing and maintaining a Fraud Risk Assessment, we follow a three-step methodology. First, we identify existing internal controls that provide corruption and racketeering opportunity-blocking mechanisms, including a review of any formal written policies and procedures. Then we interview executive management, operational supervisors and line staff to learn how they say or believe the system works to protect itself. We identify any variations in the understanding of business procedures and internal controls among managerial and staff personnel and variations between these understandings and written rules. Lastly, we

perform spot audits of specific transactions to test how the system actually works. These also determine whether additional systems “disconnects” or red flags may exist.

We conduct the controls review process as a team-building exercise employing our experience and insights and the wisdom and knowledge of operational personnel to accomplish the shared goal of limiting opportunities for waste, fraud, corruption and abuse. The process would create a risk assessment that identifies key integrity risks, evaluates the internal controls over these risks, and, where appropriate, makes recommendations for enhancing those controls. Our risk assessment develops the Integrity Monitoring Program, which identifies and implements compliance and crime control by strategies, using monitoring processes that address the greatest integrity risks. We would create Integrity Monitoring Program-based work plans for ongoing monitoring through the regular presence of a multi-disciplinary field team and field visits by forensic specialists.

We understand that this process will involve close consultation with the New Jersey Transit Internal Audit Department (“NJTIAD”) in reviewing applicable procedures, identifying potential enhancements, and designing and implementing a corruption prevention program to block identified integrity risks. We have successfully performed the identical set of tasks for other major clients on their most important projects, identifying internal controls weaknesses and recommending improvements that have been implemented. Our team will perform these tasks in a manner designed to be leveraged by the NJTIAD to achieve their process review Integrity Monitoring Program design/implementation goals.

Potential Sandy Recovery and Resiliency Program Fraud Risks

While each project is unique, there are nevertheless similarities in the types of fraud and schemes that can arise, and so, as requested in the RFP, we are providing the attached preliminary Fraud Risk Assessment, which highlights the potential Sandy Recovery and Resiliency Program fraud risks, scenarios and schemes. Of course, the complete development of a risk assessment must be done in the context of a specific project, so that it can take into account the nature of that project, the major contractors on the project, the internal controls in place at New Jersey Transit and how those controls are being implemented on the project being monitored, and New Jersey Transit’s operational and enforcement priorities for the project. While these factors can be incorporated into our risk assessment only after we were to receive a particular Work Authorization, we can, nevertheless anticipate that all projects within the RFP will face certain risks. We detail those risks in the attached risk assessment (Exhibit A). Below, we group and summarize some of the most significant risks.

Procurement

The procurement-related risks may include bid-rigging, conflicts of interests, and related party transactions. These transportation infrastructure projects will require the participation of specialty contractors with appropriate capacity to undertake these complex and time-sensitive

projects. Past experience demonstrates that in these circumstances there is a risk that major functions will be controlled by a limited pool of potential bidders.

Limiting competition always carries with it a risk of bid-rigging and other anti-competitive practices. We would use our experience on the WTC Transportation Hub project and in the Big Dig engagement to attack this problem. On the Hub engagement, we devised significant controls and procedural enhancements to ensure a level playing field in order to maximize competition. On the Big Dig project, we evaluated a bid-rigging conspiracy in the award of the contract for the cable-stayed bridge over the Charles River, and identified the cost to the project from the conspiracy. On the New Jersey Transit Program, as set forth in our risk assessment, we would employ audit strategies and technical analysis to control procurement risks; we would also employ measures to shift damages and defined penalties to culpable project participants in the event of a bid-rigging determination.

Transaction

Transaction-related fraud includes fraudulent billings and misappropriation of assets. We have found that unscrupulous contractors submit low bids to receive contract awards, intending to make up for “lost profits” through change order fraud. In order to address the risk of change order fraud and other kinds of cheating sometimes found in a “low-ball” bid situation, our risk assessment provides for scrutiny of lump sum contracts where there is significant difference between the low bidder and the next lowest bid and/or the project estimate.

Specifically, to control these risks, our forensic auditors and engineers would scrutinize:

- possible front loading (including a comparison of billings to supporting job cost documentation and/or budgets) and real-time verification of construction progress against schedule of values;
- compare base scope to change order scope, and inspections of extra work to verify additional work scope;
- review billings for general conditions, allowances and contingencies to confirm whether they are utilized as anticipated in the contract and that amounts are properly approved and supported;
- such review to include an examination of GC provisions in the CM and general contractor agreements and real time spot-checking to ensure amounts are not being billed more than once;
- confirm vendors’ and suppliers’ billings to ensure they are not fictitious entities or billings and ascertain whether they are being paid in a timely manner by the contractor;
- review extra work tickets for completeness, accuracy, compliance with procedure and red flags – including using records of project access and payroll records to verify actual site presence; and

- verify that lien waivers are being obtained from subcontractors throughout the project and that final lien waivers are received.

Criminal Influences

The risks of bribery, corruption, and fraud are exacerbated by the continuing presence of organized crime in the construction industry in the metropolitan area. At least some of the projects within the RFP may have extensive trucking requirements; this adds to the risk of organized crime infiltration, given the heavy involvement that organized crime has had in the metropolitan area trucking industry. The organized crime infiltration problem has also extended to trade labor unions. Given the extensive labor that will be required for the project and the high cost of delay, there is a risk of labor racketeering schemes such as extorting improper payments and/or establishing no-show jobs. As a consequence of these risks, legitimate firms may stay out of the market.

To combat these problems, our risk assessment provides for the employment of measures that have successfully worked on our other projects: creating minimum integrity standards for all contractors, vendors and workers in order to participate in the project; conducting background reviews to ensure that those standards are met; controlling access to the project so that criminal influences are kept out; and maintaining substantial project video surveillance. By maintaining a ubiquitous presence on the site, at contractors' offices, and other relevant locations, we would establish a proactive deterrent measure.

Change Order / Time and Material Fraud

It is always a possibility on large projects such as those within the RFP that contractors will include fictitious labor, material and equipment costs in time and material ("T&M") charges. We helped devise powerful tools for controlling T&M abuse in response to a large spike in T&M work after Hurricane Sandy caused by the need to dewater and clean up flooded work sites and repair or replace damaged work. These techniques assisted the PANYNJ and the City of New York to help prevent fraud, waste and abuse in the millions of dollars of Sandy T&M work. For both clients, we undertook extensive monitoring efforts to make sure that procedures were being implemented, we monitored compliance, and corrected all deviations. As a result, T&M work was documented in a transparent manner and the possibility of widespread abuse was averted.

Based on this experience, our risk assessment provides for the adoption of the same solutions that we developed for Hurricane Sandy: "real time" monitoring of field activities and verification of source documentation for labor, equipment and materials that are being used on T&M work to ensure that the T&M tickets and daily rosters are accurate; and that all work is being approved and inspected in a timely manner. We also recommend sign-in/sign-out sheets be signed at the beginning and end of a shift by each T&M worker and be monitored in twice-per-shift inspections. This will enhance the reliability of T&M field records, which NJTIAD auditors will have to rely on later to perform their audits.

Another potential risk occurs when contractors seek change orders for work that is actually within the existing scope of their contracts. Accordingly, our risk assessment provides for a forensic review of change orders as early as practicable in the process, to “set a tone” demonstrating that integrity counts on the project. On WTC engagements, the findings that we have brought to the PANYNJ’s staff have helped prevent improper shifting of existing work scope to change orders.

Given the age of the facilities that will be renovated and the large size of the projects within the RFP, unanticipated costs are foreseeable. This becomes an integrity issue if a contractor seeks to exploit them for inappropriate financial gain. Unanticipated dangers may be presented, which an unscrupulous contractor might try to ignore for the sake of expediency. Our SCA experience overseeing the integrity of many massive school renovation projects, and our recent experience as integrity monitor for MTA subway station renovation projects are extremely useful in helping us to address the unique problems and hidden cost issues that arise on large-scale renovation projects, and appreciate how such projects differ from new construction projects.

Once these risks are identified, we would work with New Jersey Transit to prioritize our approach to these risks, based upon the probability of the risk and the potential impact of the risk.

Task B – Developing and Implementing Integrity Programs

The development and implementation of an integrity program follows the preparation of a full fraud risk assessment. Our integrity programs are designed to address known areas of fraud and risk and contain detailed work and audit plans.

The work plans are designed to implement the specific methods employed as part of our Integrity Monitoring Program to mitigate and minimize the identified risks and contain level of efforts (in hours) by each discipline to implement the plan.

Our work plan methodology addresses a key problem in monitorships – how to stretch limited resources in a manner that responsibly discharges what is often a formidably large monitorship scope of work. A rote response will not generate the needed focus, nor produce a satisfactory approach to integrity monitoring. It certainly will not be responsive to unforeseen problems, even though those unforeseen problems will assuredly crop up, demanding time and attention. Examples of a detailed audit work plan and a detailed engineer work plan are attached as Exhibits B, C, D and E.

We expect to get ahead of the curve early in the engagement to prevent improper conduct by contractors. Drawing on our ample experience in other mega-project engagements, we would provide contractor “kick-off meeting” presentations and integrity awareness training, defining the applicable standards and expectations. Our integrity awareness training would be provided to

the contractor's executive and project management, administrative and accounting staff, field supervisors, and subcontractors at all tiers, to deliver the strongest possible message that integrity counts on the project. We recommend doing this at the procurement stage, if possible, otherwise promptly after a contract award. We would make contractors and vendors aware of the integrity standards and oversight mechanisms, including the Integrity Monitor's role. The integrity awareness presentations would foster proactive deterrence in discussing "dos and don'ts" along with "lessons learned." We also recommend the use of a Program Code of Conduct applicable to all contractors and subcontractors, as well as, right to audit clauses required of all subcontractors.

In addition to the presentations and trainings described above, we have considerable experience in setting up and responding to fraud hotlines, including the facilitating of reporting to hotlines through flyers, posters, leaflets and dissemination of these materials through our on-site presence. At the Ground Zero cleanup project, New York City undertook one of the most daunting search and rescue, recovery, and clean-up operations ever faced by a municipality immediately following the 9/11 terrorist attacks on the World Trade Center. In order to move forward at emergency speed, with thousands of workers and hundreds of contractors and multiple government agencies, all involved in a construction procurement and management program that was to spend hundreds of millions of dollars in a matter of months, ***the City turned to Thacher as one of its principal integrity monitors.*** Thacher was responsible for the site-wide hotline, responding to hotline complaints, and publicizing the hotline and overall fraud awareness program. We have found, in addition to these materials, our on-site presence speaking with workers is often the most effective method these workers employ for reporting fraud, waste or abuse.

Task C – Conducting Background Checks

One of the first steps in implementing an effective Integrity Monitoring Program is a thorough understanding of the parties performing work on your projects.

We have ample experience obtaining information on all entities performing work on the Program. Thacher's senior management invented this process when they led the SCA and implemented it in the review of thousands of SCA contractors. Those reviews had concrete results, serving as the first step in the debarment of more than 250 contractors from SCA projects.

We adapted these same techniques to deliver expert vetting services to our clients. In many engagements, we have designed the Background Qualifications Questionnaire ("BQQ"), the standards for evaluating responses, and performed the research necessary to vet the completed BQQ. Government and private clients have credited us with perfecting the Background Prequalification Questionnaire, having vetted it with the U.S. Attorney's Office for the Southern District of New York, the Manhattan District Attorney's Office, and other law enforcement agencies. Likewise, our proprietary Background Investigation Protocol has been

developed (and continues to be updated as new sources of information “come on line”) by Thacher’s Research and Analysis Department.

***Task A – Monitoring Contractor Compliance with Applicable Laws and Requirements
&
Task C - Review of Documents and Investigations***

The focus of Tasks A and C(2)-(3) are at the heart of any effective integrity monitoring program. Together, these activities represent many of our major strengths.

Spot testing and monitoring of controls will be the majority of our work on this engagement and will involve ***strategically placed forensic engineers, auditors and investigators designed to maximize our field presence***. Our engineers and investigators, many already with the requisite safety and track training (as highlighted in our staff certifications in Exhibit K), will be on active sites conducting spot checks and fieldwork at locations that involve construction activity.

Monitoring Contractor Compliance

Monitoring contractor and vendor compliance with applicable laws and contract requirements begins with a thorough understanding of the weak points most susceptible to exploitation. This monitoring is conducted through an on-site field presence of multiple disciplines, including, engineering, investigative and audit, including reviews of documents, payment requests, change orders, invoices, other forms submitted by vendors. Joining this review of documentation is intelligence gathered from our field presence, which includes site visits, surveillances, investigations, head counts, quality assurance and quality control reviews and product substitution inquiries, to name just a few.

We understand the complex federal, State and local laws and regulations that govern large-scale transit related construction in the regional area. The federal funding of the Sandy-related resiliency projects creates additional demands, because the Program must comply with federal requirements applicable to procurement and other key aspects of the projects, as outlined in FTA’s Federal Register notice of funding, to avoid the potential of clawbacks of federal funding. ***We have substantial experience in monitoring construction projects that have received federal funding from the FTA or FEMA, including the Moynihan Station, WTC Transportation Hub, and MTA’s Fulton Street Transit Center, South Ferry Subway Terminal and East Side Access Projects and will be able to discharge this function seamlessly. As the first Integrity monitor assigned by the State of New Jersey under the New Jersey Integrity Monitor Act (“A-60”), we are familiar with and understand the requirements imposed by that legislation.*** Moreover, we have substantial experience in monitoring Sandy-related construction costs. We have performed Sandy monitoring for the PANYNJ, including their Sandy clean-up efforts on-site, and for the City of New York. The State of New Jersey awarded us the first two New Jersey Superstorm Sandy construction monitoring projects. These engagements involved

satisfying the applicable FTA Federal Procurement Guidelines and other FTA requirements, as well as, the State of New Jersey Treasury requirements. We know these requirements, we know how to satisfy these requirements, and we can accomplish this absent a learning curve.

Our field component is supported by *our pioneering use of technology*, including our information management system – the Thacher Tablet. The Thacher Tablet allows our on-site personnel to capture more information, in less time, while simultaneously archiving the information for future project use. The Thacher Tablet allows staff to upload information contained in sign-in sheets, on worker credentials and in responses to interview questionnaires in a fraction of the time these tasks used to take. In addition, the Thacher Tablet contains *advanced photography documentation software* which generates a visual record of site conditions throughout the duration of the project. The software creates a searchable library of images which can be overlaid as virtual x-rays, allowing the ability to compare the same location over different stages of the construction. The photos can be assigned a specific marker geographically located on the site plans allowing for a “virtual” project tour. The software also creates auto-generated PDF reports containing the site images and floor plans to more efficiently share information among the Thacher team, other Integrity Monitor teams and New Jersey Transit staff.

In addition to the Thacher Tablet, we will, where appropriate to a specific Work Authorization, offer *advanced network camera technology*. With a wide variety of camera technology to select from (live streaming video to time-lapse construction cameras), we can, in coordination with New Jersey Transit, devise an approach to tackle the most pressing concerns on this Program. Our capabilities range from providing superior quality image clarity to document detailed construction progress, to live streaming site-security focused cameras or a combination of both. Our camera technology has the ability to incorporate wireless technology and solar power, as appropriate and necessary, and can provide web based access to New Jersey Transit. Further, our camera images are archived and layered with significant and detailed information, such as weather data, and are accessible via mobile applications permitting smartphone access.

Document Review and Investigations

As highlighted in our Qualifications of Individuals section, our team possesses substantial legal talent to review and understand the contracts and union and trade agreements at issue on the Program. Our team also includes forensic engineers, accountants, procurement, environmental and safety specialists, and field investigators. We efficiently coordinate this multidisciplinary team’s activities so that our work product reflects a synthesized approach and our clients have the right expertise reviewing the appropriate documentation. Our forensic auditors, engineers and investigators review areas of concern and our methodologies for reviewing individual documents are described below. The types of documents provided as examples are those most likely to be confronted by the monitor assigned to these projects.

Requisitions: Risks include theft (for overbilling), default (after positive cash flow from overbilling or frontloading is exhausted), and delays (via deliberate obfuscation of the work in place to give the impression of greater construction progress than actually achieved). We determine if the amounts billed accurately reflect construction progress, and check the schedule of values to verify that the distribution of the budget is reasonable and does not overload early action items. Our forensic auditors verify the clerical accuracy of the requisitions and supporting schedules to ensure that they roll forward properly; that retainage is being withheld in accordance with the contract; that the schedule of values is not altered from the original proposal; and that general conditions costs and other cost reimbursable items are properly supported and allowable under the contract, and are not being double billed. All of these reviews are supported by our field presence and the on-site observations made by our forensic engineers and investigators. This on the ground protection/prevention will also act as an effective extension of the NJTIAD as they perform their required reviews.

Change Orders: Our forensic engineers review the original contract's scope, the proposed scope change, the justification for the change, the independent estimates, the adequacy of supporting documentation, adherence to policies and procedures, cost reasonableness, and applicability of cost allocation agreements. These reviews aim to ensure that base scope work is not charged again in the change order and that the costs are not inflated. We review RFI processes for the presence of red flags or suspicious patterns. We create a checklist of required documents and procedures, using the Program's policies and procedures. Where appropriate, our team prepares an independent estimate for comparison, to verify the accuracy of material quantities, the use of established unit pricing and the overall cost reasonableness. Site visits are performed to verify that the actual work is in place and is representative of the change order scope. Interviews of contractor staff and New Jersey Transit personnel are performed as needed.

All change order documents are reviewed for compliance with procedural requirements. Our forensic auditors review the contractor's proposed costs for the change order and compare them to the CM/GC estimate and the New Jersey Transit estimate. We track change order payments against the budget established for the change order to protect against potential overbilling issues. Through the entire change order review process, our forensic engineers and auditors leverage the work performed by the other.

General Conditions: Similar requirements for general conditions ("GC") work may be covered in the CM's, general contractors, and lower-tier subcontractors' agreements. CM general conditions labor, material and equipment could be used to remediate design and construction errors without properly documenting costs and appropriately back-charging them to the responsible party. Our forensic auditors examine GC provisions in CM and contractor agreements and utilizing information gathered by our investigators and forensic engineers through spot checks can verify whether the work is appropriately billed. This same multi-disciplinary process is used to check if lower-tier contractors are performing GC work.

T&M Work: Many lump sum change orders that start as time and materials (“T&M”) work are settled as lump sums using work tickets as a negotiation starting point. It is nearly impossible to detect work ticket padding in an after-the-fact review. Our forensic engineers identify T&M work in real time and review processes as written and actually performed to see if accurate, complete documentation of labor, materials and equipment is created in a timely manner. On a spot basis, our investigators do head counts, and quantify materials and equipment used to verify subsequent ticket submittals, thus identifying potential overcharges and recoveries or confirming T&M charges don’t include base contract work. On recent engagements our work has been instrumental in getting CMs and contractors to track costs in accordance with meaningful standards.

On all of our large capital construction integrity monitoring and Hurricane Sandy related recovery engagements, real-time monitoring of T&M work in the field has resulted in much more complete, accurate and efficient audits of job costs after the fact.

Allowances, Contingencies, Acceleration and Holds: Our legal experts review the contract, defining conditions in which such funds may be spent, our forensic auditors examine supporting documentation for associated category costs, and our forensic engineers field-verify work has been performed, all resulting in our team confirming budget items are not being used as an additional funds source for work outside specified purposes.

Our audits have shown that many times, contractors will use contingencies and allowances to cover up contractor mistakes or fund budget deficits in other unrelated areas.

Quality Assurance and Control (“QA/QC”) Reviews: Our forensic engineers seek to prevent/identify materials substitutions, and use of “knock-offs.” For selected work items with potential integrity risk, we review technical QA/QC specifications and spot check compliance through field observations (covert or escorted) to see if required inspections and other processes, materials and equipment, were followed, installed, and/or used. We follow-up review document submittals (i.e., inspection reports) that correspond to the forensic engineer’s field observations to ensure compliance and confirm field observations. We also interview engineers and other technical staff of the CM, general contractor, subcontractor, supplier, and New Jersey Transit.

Credit Change Orders and Charge-Backs: Our technical specialists identify safety, environmental and other compliance requirements in lump sum contracts and evaluate contractors’ compliance efforts. We have successfully pursued charge-back strategies where the requirements were not satisfied, and obtained recoveries for our clients. More importantly, these strategies have spurred enhanced compliance with the contract requirements.

Prevailing Wage: We know from our other engagements that proactive initiatives, such as limiting site access to authorized personnel through manned gates, implementation of an access card identification system for all authorized personnel, and vendor screening for all contractors and subcontractors, have gone a long way to manage the risks of labor law violations

and labor racketeering. Similarly, the fact that the labor force is heavily unionized enhances (though does not assure) the likelihood that compliance with prevailing wage and benefit requirements will be maintained. If these measures are conducive to matters to which we are assigned, they will reduce, but not eliminate, the need for labor law monitoring on the project. Prevailing wage compliance must still be monitored since it is the most significant red flag of a labor racketeering scheme.

Our labor law monitoring approach consists of job site visits by investigators for the purposes of: conducting prevailing wage interviews of the trade workers and supervisors; performing headcounts; identifying overtime work; obtaining supporting field documentation from workers such as pay stubs; observing worker activity and behaviors on site; observing distribution of paychecks on site from contractor to workers; examining actual paychecks where appropriate; and otherwise obtaining information about site activities relevant to monitoring of labor law compliance.

Our forensic auditors observe the ratio of apprentices to journeymen to see if it complies with the prevailing wage requirements and comports with the billing for the work. On one large project, this aspect of our monitoring detected a significant instance of overbilling, in that we found apprentices being charged at journeymen rates for acceleration work. Our forensic auditors also make office visits to contractors and subcontractors for the purpose of accessing the firms' internal records (such as payroll registers, union remittance reports and checks to the trade unions) to verify payment of proper wages and supplemental benefits. We compare the information on certified payroll reports to the information in these internal records and that obtained during field interviews. Our forensic audit methodology utilizes information obtained during job site visits to develop an audit plan designed to address the specific risks of each specific contractor; which enables us to focus on those risks during our interviews of company personnel and review of corporate records. Our experience has shown that this approach results in a much more intelligent and effective way of conducting prevailing wage audits.

On a spot basis, we compare records of site access and/or other sources of information (such as shop steward logs) to certified payrolls to determine accuracy and completeness of certified payrolls – and possibly to detect the existence of no-show workers and/or improper cash payments. As prevailing wage interviews are performed and checked against certified payroll reports, workers will be selected to receive a prevailing wage information letter. This letter solicits the same information – details as to wages and benefits received ("trade"), nature of work performed ("classification") and days and hours worked – that is asked during a prevailing wage interview on site. The letter provides a mechanism for the worker to answer questions regarding wages and benefits in the privacy of their own home, as opposed to answering the same questions in front of co-workers, foremen and supervisors.

Our forensic auditors also contact trade unions for verification of benefit payments. We seek the cooperation of the trade unions in order to independently verify benefit payments; especially those unions that are subject to some form of government intervention, trusteeship,

monitorship or international control. We make benefit payments a focus because our findings of prevailing wage violations on certain projects have primarily been related to benefit shortages.

We have found that detailed analysis of contractor and vendor records, and “drilling down” to underlying supporting documentation has been necessary for identifying possibly organized-crime connected contractors and trade workers. It has also supported our efforts to find benefit violations involving out-of-state trade union workers. We have also found that developing sources of intelligence and varying our site visits have enabled us to identify integrity breaches – for example, a midnight shift no-show union shop steward, who we identified early in an engagement (and who was subsequently removed from his position).

We have also found that a focused approach to prevailing wage enforcement has proved effective and efficient. Our investigators focus our prevailing wage field work – interviews and headcounts – on particular contractors, on a rotating basis, in order to achieve proactive deterrence and transparency. We put the greatest emphasis on those trades and contractors that have had integrity issues in the past. We also seek to perform such activities on contractors performing cost plus work – employing the technical staff necessary to distinguish workers performing cost plus work from those workers performing lump sum work – to support cost plus auditing. Through astute use of project information available in daily look-aheads, from Principals’ and project coordination meetings, and from other sources, we are able to most effectively and efficiently target our resources.

Trucking Manifests: The trucking manifest is the key control identifying the material to be removed from the site and its proper handling. Monitoring this control depends on maintaining an extensive field presence, so we can determine in real time whether the manifests are being used properly. On both prior and existing engagements, our forensic engineers and investigators have established violations such as non-use of manifests, incomplete manifests, and pre-signing manifests, which undermine the value of manifests as controls that reliably identify the nature of the material and its proper disposal.

We also visit disposal facilities to confirm materials were taken to a correct facility for the materials to be disposed and that disposal was appropriately memorialized in receipts or other documentation. We also review manifests and disposal tickets for truckload weight analysis, to identify instances and patterns of overweight trucking to prevent additional dangers to the public and its roadways.

Bond and Insurance Payments: To ensure that required insurance policies and bonding are in place, Thacher will review contracts and bonding requirements, then request and review original policies from underwriters. Insurance “certificates” will not be accepted as proof of coverage. Instead, we will spot check actual policies and riders to ensure that all appropriate legal entities (i.e., subsidiaries) and projects are covered. To ensure policies have been paid, we review original invoices from brokers and spot-review cancelled checks or bank wire confirmations. If policies are paid via installment we will spot check monthly payments against

cancelled checks or bank wires. To ensure proper coverage over the life of the project, we will monitor policy expiration dates. Additionally, Thacher will periodically spot check policies against adjusted contract values to ensure that additional insurance and/or bonding requirements resulting from new awards, scope changes, or change orders are sufficiently maintained.

M/W/DBE Reviews: Our approach tests the bona fides and independence of M/W/DBE subcontractors by observing their activities at the construction site, noting the identity of their labor force and supervisors, and determining ownership or financial responsibilities for equipment in use. Investigators interview the workers and supervisors of the subcontractor and employees of the general contractor about the M/W/DBE firm and its relationship with the general contractor. We visit the headquarters location of the M/W/DBE firm and interview its management. We monitor how the general contractor's senior management assures that the subcontractors are performing actual and necessary services and are complying with all applicable opportunity program rules. We combine these tasks to the extent possible with our labor law compliance monitoring and other activities.

Task F – Internal, IT and Construction Auditing

In addition to on-going audits conducted in conjunction with our integrated integrity monitoring approach outlined in response to Tasks A, B, C and E, above, our team has significant experience providing internal, IT and construction auditing through WS+B.

When Work Authorizations require tasks to be performed in accordance with Government Auditing Standards, the use of a Certified Public Accounting Firm is required. WS+B has many highly specialized and skilled professionals who understand construction, contract, grant and internal auditing, forensic assignments, and the governmental environment in particular. WS+B is organized into industry and service niches which enables them to provide specialized knowledge and services in order to meet New Jersey Transit's unique needs. The WS+B Government Services Group was formed to meet the requirements of their federal, state, and local clients and the challenges they face in an environment of budget constraints and reductions in resources. In addition, WS+B's Governance Risk and Compliance ("GRC") Services Group focuses on assisting clients with the design, documentation and assessment of internal controls and processes and procedures. Their Internal Control Consulting and Forensic Accounting Investigation Teams are deeply skilled in a wide array of industry specialties.

Internal Auditing

WS+B's State Government specialists have immense experience in auditing grants and contracts that have been awarded to third party entities. These engagements include auditing in accordance with Government Auditing Standards, overarching Federal Guidelines and State audit guidelines and regulations. Their specialists also understand the complexity of Federal regulations that State governments are required to adhere to and the effect of those regulations

(along with State requirements) on third party entities. Finally, WS+B specialists have worked with many State officials in formulating audit policies and guidance.

IT Auditing

WS+B provides an expert suite of IT controls services to assess critical vulnerabilities currently present within your IT infrastructure to safeguard your valuable information assets and infrastructure. Their highly experienced and certified professionals will provide New Jersey Transit with comprehensive yet pragmatic solutions. WS+B utilizes modern techniques and procedures to determine New Jersey Transit's risk tolerance and how it relates to your IT infrastructure. Their procedures have been designed to minimize disruption to your day-to-day operations.

WS+B's IT Audit Services can be classified as follows:

- IT General Controls Assessment
- IT Applications Controls Assessment
- Assist with IT Policies, Procedures and Controls Documentation
- Regulatory Compliance Assessment (including SOX, PCI-DSS, HIPAA, etc.)
- Information Security Assessment
- Business Continuity Management
- Data Analytics (utilizing ACL whenever practical)

Construction Auditing

Within their traditional accounting, auditing and tax services, WS+B has a Construction Services Team that has extensive experience serving the needs of the construction industry, its suppliers and service providers. For this engagement, Lou Sandor, CPA, CCIFP®, a partner with their Construction Services Team, will serve as the Construction Expert for this engagement. WS+B's Construction Services Team not only includes CPAs but also hold credentials as Certified Construction Industry Financial Professionals (CCIFP). This designation promotes the highest standards of construction financial management.

Their knowledge and expertise is a valuable resource as well as their extensive experience serving the needs of the construction industry, its suppliers and service providers.

The WS+B Construction Services Team is a member of the following organizations:

- Utility & Transportation Contractors Association (UTCA)
- National Association of Home Builders (NAHB)
- New Jersey Builders Association (NJBA)
- Shore Builders Association of Central New Jersey (SBACNJ)
- Construction Financial Management Association (CFMA)
- New Jersey Subcontractors Association (NJSA)
- Building Contractors Association of New Jersey (BCANJ)

- NJ Alliance for Action and the Monmouth-Ocean Development Council (MODC)
- U.S. Green Building Counsel (USGBC)

WS+B's Construction Services Team provides in depth audit, tax and consulting services to several large heavy highway and specialty trade contractors which operate in the tri-state area, one of which is NJ's premier NJDOT, NJTPA and NJ/NY Port Authority contractor. As part of their audit approach they are required to review construction contracts, change orders, claims, subcontractor & vendor invoices, payroll and billings allotted to contracts, job cost postings and overhead and equipment burden allocations. Internal control walkthroughs and testing are required as a means of assessing risk associated with incorrect job postings, related party transactions, and abuse of general conditions or overhead allocations along with the reconciliation of construction activity to the financial statements. Often they utilize data extraction software in order to better assess activity hidden within computerized transactions. Their audit approach also requires a solid understanding of a company's operations, business risks and cash flow/financing needs.

Task D – Reporting

Having already been selected as the first Integrity Monitor under the program administered by the New Jersey Department of the Treasury, we are familiar with that Department's reporting protocols, including monthly and quarterly reports, and with our duty to go directly to the Attorney General and/or Comptroller in the appropriate instance, with specific types of findings and have already successfully complied with these reporting mandates.

Keeping New Jersey Transit informed of any developments during the course of our monitorship is, of course, a priority. Therefore, in addition to providing the same or similar reports to New Jersey Transit as are required by the Department of the Treasury, we would advocate for regular meetings with New Jersey Transit staff, where we could provide briefings on our activities, concerns, and findings. We would also advocate, if selected as an overall program manager for all Integrity Monitors, for regular meetings among the monitors and New Jersey Transit to share information, thereby decreasing duplicative work and increasing the efficiency of the entire program. Attached as Exhibits F, G, H, I and J are a few examples of the types of reporting we regularly provide our clients.



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A Subsidiary of K2 Intelligence, Inc.

Full Time Office Certification

Thacher Associates, LLC certifies that a full time office will be maintained during the Program period, and the Thacher Associates' Project Manager can be reached through this office during regular working hours.

Thacher Associates, LLC

(Company)

A handwritten signature in black ink, appearing to read "Joseph P. Holmes", written over a horizontal line.

(Signature)

President

(Title)

04/03/2014

(Date)

Qualification of Individuals and Resumes

Our selection of personnel to lead our integrity monitoring team is based on our knowledge of the key integrity risks that will be encountered on New Jersey Transit's Program. Our proposed key personnel are the most seasoned and experienced individuals we employ on staff. Combined, *our key personnel have over seven decades of experience in developing fraud risk assessments, designing integrity monitoring programs, and implementing these programs.* They possess *significant experience on transit projects, FTA-funded projects, and A-60 New Jersey Integrity Monitoring Act projects* and can successfully perform this monitorship absent any learning curve.

Our key personnel are the following persons:

- Principal Joseph A. DeLuca
- Primary Program Manager Dyana Lee
- Program Managers Christopher Prather and William Rogers
- Director of Forensic Audit Rich Vermeulen
- Principal Richard Cohen

A detailed description of the background, qualifications and relevant experience of these key personnel is set forth in their attached resumes.

- **Joseph A. DeLuca** is the Firm's President. Mr. DeLuca is a co-Founder of the Firm and has over thirty-five years experience in preventing and detecting fraud, racketeering and corruption. He has had executive management responsibility for integrity monitoring engagements since the Firm was founded in 1997. Prior to forming Thacher, Mr. DeLuca co-founded the New York City School Construction Authority ("SCA") Office of the Inspector General and served for seven years as its Chief of Operations, where Mr. DeLuca was *responsible for leading SCA's enterprise-wide Integrity Monitoring program which required coordinating the activities of multiple integrity monitors.* From 1981 to 1990, Mr. DeLuca was a principal of the Construction Industry Strike Force in the NY State Organized Crime Task Force, supervising investigations regarding construction crimes and organized crime influences in the construction industry.
- **Dyana Lee** has been managing integrity monitoring teams since joining the Firm in 2009. Most recently, *she has headed the firm's activities as the Integrity Monitor for the FTA-funded Moynihan Station Project.* She also has conducted a number of sensitive investigations for corporate and government clients. In each of these assignments she has *designed and implemented integrity risk management programs, and directed audit investigative and engineering team members* in investigations of fraud, waste and abuse. She has particular subject matter expertise in areas that will be pertinent to this assignment such as prevailing wage, M/WBE and Buy America compliance. Prior to joining Thacher Associates, Ms. Lee had more than twenty years of legal, prosecutorial

and investigative experience, having served as Vice President for Investigations at the Lower Manhattan Development Corporation, an Assistant Commissioner for the NYC Department of Investigation, and an Assistant United States Attorney for the District of New Jersey, and as a commercial litigator.

- **Christopher Prather** is a recognized expert in conducting construction fraud and construction dispute investigations, from procurement through close-out. Since joining the Firm in 2012, he has served as the integrity monitor for New York State on a multi-billion dollar design/build procurement, served as the integrity monitor for hundreds of millions of dollars expended in New York City's Rapid Repairs program in response to SuperStorm Sandy, and currently serves as *Thacher's lead on two New Jersey State Integrity Monitoring engagements under A-60*. Mr. Prather has more than 30 years experience as both a prosecutor handling complex investigations and prosecutions and with the *Office of the Inspector General for the New York Metropolitan Transportation Authority, where he was in charge of all investigations conducted by that office*, and at the SCAOIG, where he was First Assistant Inspector General and Counsel. Prior to his work at the MTA, he was the Director of Organized Crime Task Force for six years, and for nearly 15 years he served as an Assistant District Attorney in the Manhattan District Attorney's Office, rising from trial attorney to become Deputy Chief of the Frauds Bureau and Senior Investigative Counsel in the Rackets Bureau.
- **William Rogers** is one of the original employees of Thacher Associates. Since joining Thacher Associates more than 17 years ago, Mr. Rogers has served as project manager for many of the firm's monitorships of large, capital construction projects for public and private sector clients including the Ground Zero Recovery and Clean Up Project following the terrorist attacks on the World Trade Center in 2001, *the \$1.4 billion Fulton Street Transit Center and \$540 million South Ferry Terminal Station Projects*, and the ongoing renovation of the United Nations Headquarters in New York City. Prior to joining Thacher, Mr. Rogers was Deputy Inspector General for the SCA in charge of the Prequalification and Audit and Analysis Units. Prior to the SCA, he also participated in investigations and audits of construction projects undertaken by the NYC Department of Environmental Protection and the Fire Department of New York. He possesses subject matter expertise in areas that will be relevant to this engagement *including the development of integrity risk assessments and corruption prevention program* to guard against fraud waste and abuse, the screening of construction contractors and their principals, investigating compliance with prevailing wage laws and, assessing compliance with M/W/DBE goals.
- **Richard F. Vermeulen** is the Director of Forensic Auditing at the Firm. Mr. Vermeulen supervises a well qualified and experienced team of forensic auditors with a diverse set of skills in all areas of forensic accounting and auditing, and directs forensic audit activities for all Thacher Associates engagements. *Mr. Vermeulen has been responsible for successfully designing and implementing audit programs* for a diverse list of clients.

Mr. Vermeulen is a Certified Public Accountant with twenty years of accounting and auditing experience, primarily within the construction industry. He is a Certified Fraud Examiner as well as a Certified Forensic Accountant and has provided services including forensic accounting, litigation support, investigative auditing, fiscal and integrity monitoring, surety and insurance claims consulting, and internal controls reviews for a wide range of public and private clients. Mr. Vermeulen will supervise forensic audit activities on all Work Authorizations.

- **Richard Cohen** is the partner in charge of Withum, Smith & Brown's Greater Philadelphia Area offices. He has over 30 years of public accounting experience and is a licensed certified public accountant in the states of New Jersey, New York, Florida, Michigan and the Commonwealth of Pennsylvania. Mr. Cohen is also a public school accountant, certified fraud examiner and certified government financial manager. He specializes in providing auditing and accounting services to not-for-profit organizations and to commercial entities that are recipients of government funds. In addition, Richard also has extensive experience auditing grants and contracts for federal, state and local governments awarded to both for-profit and not-for-profit agencies.

JOSEPH A. DELUCA

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Joe@ThacherAssociates.com

THACHER ASSOCIATES, LLC, New York, NY

1996 - Present

Co-Founder, Executive Vice President and Chief Operating Officer

- Created a full service organization that provides corruption prevention/detection services including investigations and research, electronic due diligence, database services, forensic audits, risk assessments, business intelligence, compliance programs and civil prosecutions to public and private sector clients.
- Provide monitoring and oversight programs directly to government agencies or private sector contractors and assist government agencies in the management of Independent Private Sector Inspector General (“IPSIG”) programs.

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY, Bronx, NY

1990 - 1996

Assistant Inspector General (Office of the Inspector General)

- Co-founded office along with the Inspector General.
- Conceptualized mission, structure and methods.
- Developed, implemented and staffed the Office of the Inspector General where none had previously existed: from site selection, office design, computer/telephone/security systems purchase, to hiring of attorneys, analysts, investigative engineers and support staff.
- Managed three units central to the agency: research and analysis, intelligence and MIS.
- Supported the Inspector General through problem identification; crime pattern assessments; the collection, storage and retrieval of intelligence; conducting policy and procedure analysis; and developing policy recommendations to protect and improve the integrity of the SCA’s construction process.
- Developed sophisticated structural and systems analysis programs aimed at prevention and detection; an intelligence capability complemented by proactive undercover operations; and a state of the art computer system designed to facilitate the exchange and analysis of information within the agency and with other law enforcement entities.

NEW YORK STATE ORGANIZED CRIME TASK FORCE, White Plains, NY

1980 - 1990

Chief Analyst, Construction Industry Task Force

- Supervised research and analysis component of OCTF’s construction industry project which culminated in two published reports to Governor Cuomo, Corruption and Racketeering in the New York City Construction Industry.

Senior Analyst

NEW JERSEY STATE POLICE, West Trenton, NJ

1978 - 1980

Intelligence Analyst

EDUCATION

West Virginia University, Morgantown, WV
Salem College, Salem, WV

M.P.A., Public Administration, 1976
B.A., Criminal Justice/Sociology, 1975

PROFESSIONAL MEMBERSHIPS/CERTIFICATIONS

Licensed Private Investigator (NY and NJ)

DYANA LEE

330 West 42nd Street, New York, New York 10036 (212) 845-7511 LeeD@ThacherAssociates.com

Admitted: New York; United States District Courts, Southern and Eastern Districts of New York

THACHER ASSOCIATES, LLC, New York, NY

2007 - Present

Managing Director

- Manage integrity monitoring team consisting of forensic auditors, engineers, investigators, environmental and safety professionals on two World Trade Center Site rebuilding projects, the National September 11 Memorial and Museum and the Central Chiller Plant, representing more than \$1 billion in construction costs. Design and implement strategies to protect these projects from corruption, influence of organized crime, fraud, waste, and abuse; supervise investigations; provide integrity training to construction company employees and coordinate with other integrity monitoring firms site wide.
- Spearhead a sensitive investigation reviewing the management practices of a unionized force labor union. Conducted interviews of senior union officials, supervised a detailed financial record review, and presently am drafting a comprehensive report to management outlining our findings and recommendations for the implementation of significantly enhanced operations and financial controls.
- Initiated and managed the firm's engagement by a board of directors of a large luxury condominium complex to conduct an investigation of allegations of possible wrongdoing in its management and operations.

LOWER MANHATTAN DEVELOPMENT CORPORATION, New York, NY

2002 - 2005

Vice President for Investigations

- Designed, implemented, and monitored corruption and fraud prevention programs in connection with this joint state-city corporation's grant programs, including its \$281 million Residential Grant Program ("RGP")
- Supervised more than 450 investigations of suspected theft by RGP recipients, resulting in numerous grant denials, at least 5 criminal convictions and significant program cost savings.
- Designed and implemented an amnesty program which resulted in the return of more than \$60,000 in otherwise un-recovered RGP funds.
- Assisted management in the creation and implementation of controls to insure the integrity of the National September 11 Memorial Competition, and developed a vendor integrity program utilized in the deconstruction of a 130 Liberty Street, 40 story, 1.5 million square foot building.
- Created the Lower Manhattan Construction Integrity Team (LMCIT), an organization comprised of federal, state, and city law enforcement officials with investigative authority and interest in Lower Manhattan.

NEW YORK CITY DEPARTMENT OF INVESTIGATION, New York, NY

1996 - 2001

Assistant Commissioner, Capital Construction Unit

UNITED STATES ATTORNEY'S OFFICE, DISTRICT OF NEW JERSEY, Newark, NJ

1991 - 1996

Assistant U.S. Attorney, Criminal and Fraud & Public Protection Divisions

Anderson Kill & Olick, PC, New York, NY

1986-1991

Attorney

EDUCATION

Fordham University School of Law, New York, NY

J.D. (top 20%), 1986

Marymount Manhattan College, New York, NY

B.A., Theatre Arts, 1979

JOHN CHRISTOPHER PRATHER

330 West 42nd Street, New York, New York 10036 (212) 845-7534 Cprather@ThacherAssociates.com

THACHER ASSOCIATES, LLC, New York, NY

2012 - Present

Managing Director

- Oversee Integrity Monitoring engagements.
- Direct the activities of investigators, forensic accountants and engineers to design and implement internal control and monitor compliance therewith, particularly for large construction contractors and project owners (public and private).
- Ensure best practices and transparency in all phases of construction projects, from procurement, through mobilization and construction, to project close-out.

MTA OFFICE OF THE INSPECTOR GENERAL, New York, NY

2008 - 2012

Deputy Inspector General, Investigation and Legal

- Oversaw 10 attorneys and 30 investigators working to safeguard the MTA's multi-billion dollar capital program and ensure the ethical practices of more than 65,000 MTA employees.
- During tenure, cases developed by the Investigations Division returned tens of millions of dollars to the MTA, other state, local and federal agencies and to defrauded workers.
- Worked closely with firms hired to monitor and rehabilitate contractors doing business with the MTA, in designing and implementing corporate ethics and compliance programs, particularly in the areas of Disadvantaged Business Enterprise requirements and Davis-Bacon/prevaling wage compliance.

NYS ORGANIZED CRIME TASK FORCE (OCTF)

2002 - 2008

Deputy Attorney General in Charge

- Jointly appointed by New York's Governor and Attorney General
- Supervised 14 attorneys and more than 60 investigators conducting organized crime investigations across the state.
- Empowered to apply for eavesdropping warrants and search warrants and issued subpoenas.
- During my tenure, OCTF was the lead agency in several major investigations and successful prosecutions of corrupt labor officials and organized crime figures involving labor racketeering and the Mafia's control of labor unions, including the Operating Engineers, the International Longshoremen's Association, the Carpenter's Union, and Plumbers' Union Local 1.
- Worked jointly with the FBI, Federal Department of Labor, NYPD, DEA and numerous other law enforcement agencies, and the Federal and local prosecutors' offices to build successful cases against the Italian mafia, Russian organized crime and other criminal gangs.

NYS ATTORNEY GENERALS OFFICE

1999 - 2002

Deputy Chief, Criminal Division

NYC SCHOOL CONSTRUCTION AUTHORITY

1996 - 1999

Assistant Inspector General and Counsel

NEW YORK COUNTY DISTRICT ATTORNEYS OFFICE, New York

1982 – 1996

NORTH CAROLINA ATTORNEY GENERALS OFFICE, North Carolina

1977 – 1982

EDUCATION

North Carolina School of Law, Chapel Hill, NC
University of North Carolina, Chapel Hill, NC

Juris Doctor, 1977
BA, Biology, 1974

WILLIAM ROGERS

330 West 42nd Street, New York, New York 10036 (212) 845-7540 Bill@ThacherAssociates.com

THACHER ASSOCIATES, LLC, New York, NY

1997 - Present

Managing Director

- Design strategies to provide intelligence, investigative, and audit services in connection with client engagements including integrity monitorships and project integrity compliance programs. Direct research and investigative functions that provide analytical resources and information for business intelligence. Direct internal investigations of corporate fraud. Meet with clients to assist in structuring products and services that meet client needs for litigation support, due diligence, and business solutions.

NYC SCHOOL CONSTRUCTION AUTHORITY

1990 - 1997

Office of the Inspector General, Bronx, NY

Deputy Counsel to the Inspector General

- Under immediate supervision of the counsel, responsible for the management and prosecution of administrative and civil matters. Participate in contractor qualification review from initial intake to due process meeting. Provide legal guidance during criminal investigations. Initiate and monitor civil suits and forfeiture actions arising from SCA/OIG investigations. Supervise corporate monitors and investigative audit initiatives.

NYC DEPARTMENT OF INVESTIGATION

1984 - 1990

Office of the Inspector General for The Department of Environmental Protection

Deputy Inspector General

- Oversaw investigations conducted by the Environmental and Upstate Investigative Units. Responsible for managing staff caseloads, making case assignments and coordinating investigative actions. Provided supervision, planning and training in all stages of investigations. Served as liaison with other City, State and Federal investigative agencies during joint operations.

Office of The Inspector General for The Fire Department

Deputy Inspector General/Director, Disciplinary Unit

- Managed a staff of three investigating attorneys responsible for the preparation and prosecution of administrative disciplinary actions against uniformed and civilian employees of the Department. Supervised staff of ten confidential investigators conducting corruption and misconduct investigations. Provided guidance and counseling to the Fire Commissioner on matters pertaining to misconduct. Monitored the administration of the Department's drug screening program.

Senior Investigating Attorney

- Carried a case load of approximately forty disciplinary cases. Responsible for all phases of case development from receipt of initial complaint to ultimate resolution. Immediate supervisor to two attorneys with similar responsibilities. Also responsible for administering Department's drug screening program.

United States Department of Justice, Organized Crime Strike Force

1982 - 1983

Research Assistant

EDUCATION

New York Law School, New York, NY

Juris Doctor, 1983

John Jay College of Criminal Justice, New York, NY

BS, Criminal Justice, 1979

RICHARD F. VERMEULEN, CPA, CFE, Cr.FA

330 West 42nd Street, New York, New York 10036 (212) 845-7535 RVermeulen@ThacherAssociates.com

THACHER ASSOCIATES, LLC, New York, NY

2010 - Present

Director – Forensic Auditing

- Responsible for management and oversight of forensic audit department including: hiring and development of staff, department budgeting and forecasting, development of work plans, coordination of engagements, final approval of work product, interfacing with clients and practice development.
- Services include fiscal and integrity monitoring, litigation support, forensic accounting and investigative auditing for a wide range of public and private clients.

COHN REZNICK (FORMERLY J.H. COHN, LLP), Eatontown, NJ

2005 - 2010

Senior Manager

- Responsible for managing the accounting and auditing (A&A) department as well as the forensic accounting/audit department.
- A&A responsibilities consisted of oversight and approval of client financial statements prepared in accordance with current accounting standards; including Generally Accepted Accounting Principles (GAAP), Generally Accepted Accounting Standards (GAAS), Generally Accepted Government Auditing Standards (GAGAS), Statement on Auditing Standards (SAS), and Statements on Standards for Accounting and Review Services (SSARS).
- Forensic accounting/auditing responsibilities included corporate governance, corporate white collar investigations, SAS 99 and SOX compliance, internal control reviews, integrity monitoring and litigation support.

CALLAHAN & COMPANY, PC (MERGED WITH J.H. COHN, 2005), Red Bank, NJ

2001 - 2005

Forensic Accounting Manager

GELLER & COMPANY, PC, New York, NY

2000 - 2001

Accounting Manager – Investment Partnership Practice

MCGUIGAN & COMPANY, PC, CPA's, Wall, NJ

1996 - 2000

Accounting Supervisor

MERILL LYNCH, Princeton, NJ

1993 - 1996

Senior Mutual Fund Accountant/Pricing Specialist

SPEAKING ENGAGEMENTS

Presented on various accounting and auditing topics for the School Construction Authority of New York, the New Jersey Schools Development Authority, DASNY, the Bar Association of New Jersey, the Surety Association of New Jersey, the New Jersey Society of CPA's and various construction industry associations.

EDUCATION

Monmouth University, West Long Branch, NJ

B.S., Accounting, 1993

PROFESSIONAL MEMBERSHIPS/CERTIFICATIONS

Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Forensic Accountant (Cr.FA), Member of the American Institute of Certified Public Accountants, Past President and Chairperson of the New Jersey Society of Certified Public Accountants, Monmouth/Ocean Chapter, Past President of the Surety Association of New Jersey, Member of the Litigation Support Services Committee of the New Jersey Society of Certified Public Accountants.

RICHARD G. COHEN

CPA, CFE, CGFM, TEAM LEADER/AUDIT PARTNER

PROFESSIONAL EXPERIENCE



- Over 30 years of public accounting experience specializing in providing auditing and accounting services to commercial entities and to not-for-profit organizations that are recipients of government funds in accordance with Government Auditing Standards
- Co-Practice Leader of the Firm's Government Services Group.
- Member of the Firm's Not-for-Profit Services Group.
- Has extensive experience auditing grants and contracts for federal, state and local governments awarded to both for-profit and not-for-profit agencies.
- Authored several articles relating to accounting issues such as, "How to Start a Not-For-Profit in the City of Philadelphia," for the Greater Philadelphia Area Chamber of Commerce, and authored the City of Philadelphia Sub-recipient Audit Guide.
- Appointed as the CPA representative to the "City of Philadelphia, Office of the Mayor - Assessment Team" regarding not-for-profit intermediaries.
- Served as a member of several City of Philadelphia Mayoral and City Controller Inaugural and Transition teams.

INDUSTRIES

- Government Regulations - Grants & Contracts
- Not-For-Profit Organizations

SERVICES

- Accounting and Auditing
- Contract Compliance Auditing
- Audits of Government Funded Organizations
- Consulting

CREDENTIALS/EDUCATION

- Certified Public Accountant in the States of New Jersey , Pennsylvania, New York and Florida
- Certified Government Financial Manager
- Certified Fraud Examiner
- Bachelor's degree in Accounting, *Farleigh Dickenson University*

MEMBERSHIPS

- American Institute of Certified Public Accountants (AICPA)
- Pennsylvania Society of Certified Public Accountants (PICPA)
-Local Government Committee and Legislative Sub Committee
- New Jersey Society of Certified Public Accountants (NJSCPA)
- Philadelphia Chapter of the Certified Fraud Examiners (CFE)
- Association of Government Accountants (AGA)
- Association of Fundraising Professionals (AFP)

COMMUNITY INVOLVEMENT

- New Hope Foundation - Board Member and Audit Committee Chair

CLIENT REFERENCES

- Gerald Micciulla, Deputy City Controller, City of Philadelphia Office of the Controller
215.686.6686 gerald.micciulla@phila.gov
- Mark Talbott CPA, Assistant Director, State of New Jersey, Department of Human Services Office of Auditing
609.292.9752 mark.talbott@dhs.state.nj.us
- Norman Barnum, IV, Chief Financial Officer, Ogontz Avenue Revitalization Corporation
215.754.0063 nbarnum@ogontzave.org

Qualifications of Firm and Related Experience

Thacher has over seventeen years of experience in providing similar Integrity Monitoring and Auditing Services as clearly evidenced by the three example projects listed below. In addition to the three engagements described in more detail below, the following is a list of some of the many integrity monitoring engagements we have performed for public and private sector clients over the course of the last seventeen years include the New York City Rapid Repairs Program; the New Jersey SuperStorm Sandy Disaster Recovery Program; the Croton Water Treatment Plant Project; the Tappan Zee River Crossing Project (procurement phase only); the Ground Zero Recovery and Clean Up Project; the United Nations Headquarters Renovation Project; the new Yankee Stadium; the Manhattanville Project at Columbia University; and Time Warner Center for the Related Companies.

In addition to the key personnel provided, Thacher's professional staff members are all trained in our methodologies, have significant experience in integrity monitoring and forensic specialties, and maintain numerous licenses, credentials and certifications. Our staff certifications are attached as Exhibit K. Thacher has both an effective management approach, outlined in detail in Section Three, as well as an effective quality assurance process, outlined in detail in Section Eight. For calendar year 2013, our staff provided approximately 60,000 hours of professional services to our clients, with the capacity to provide an additional 16,000 if required. For the current calendar year, our staff is again on pace to provide approximately 60,000 hours of professional services and has the capacity to provide nearly 30,000 additional hours toward new engagements. In addition to Thacher staff, Thacher intends to partner with three firms so as to provide NJ Transit with the most qualified and comprehensive team to best perform all Tasks required by the Program.

Withum, Smith & Brown, PC, a top 50 accounting firm, is regarded as one of the finest Certified Public Accounting firms in the Mid-Atlantic region. This partnership ensures the capacity to provide audit services in accordance with Generally Accepted Government Standards and/or the International Standard for the Professional Practice of Internal Auditing. In order to achieve NJ Transit's goal of 10% DBE participation for subconsultant work for this Program, Thacher intends to partner with Crescent Consulting, a certified DBE. Understanding that the Program's anticipated work will incorporate a strong forensic audit component, Thacher also intends to partner with Talson Solutions, LLC, pending certified DBE status. Talson has broad multi-industry experience in construction auditing, including assisting agencies and Project Management Oversight ("PMO") organizations in oversight of significant transportation and infrastructure projects.

Below are descriptions of three relevant, major public projects for which Thacher served as Integrity Monitor. In the table for each, we provide the particulars requested in the RFP, following which we set forth in narrative form the additional details sought.

Project Title	Primary Consultant	Project Manager	Date Started	Comp. Date	Total Construction Project Cost	Client	Contact
Moynihan Station Civic and Land Use Improvement Project	Thacher Associates	Dyana Lee	October 2012	Ongoing	\$148 Million (planned)	The Moynihan Station Development Corporation and Port Authority of New York and New Jersey	
World Trade Center Transportation Hub Project	Thacher Associates	Martin Aronchick	October 2006	October 2015 (planned)	\$2.5 Billion (planned)	Port Authority of New York and New Jersey	
Fulton Street Transit Center/ South Ferry Subway Terminal Station	Thacher Associates	William Rogers	Dec. 2005	July 2009	\$1.4 Billion/ \$540 Million	Metropolitan Transportation Authority	

Moynihan Station Civic and Land Use Improvement Project

The Moynihan Station Development Corporation, a subsidiary of the New York State Urban Development Corporation (doing business as the Empire State Development Corporation (“ESDC”)) retained Thacher to serve as its Integrity Monitor to perform independent oversight and management reporting services in connection with Phase One of the Moynihan Station Civic and Land Use Improvement Project. Phase One of the Project has involved work in the historic James A. Farley Post Office Building which is owned by the ESDC; in the train shed of New York Pennsylvania Station, owned by the National Railroad Passenger Corporation (“Amtrak”) and located below the Farley Building; in the West End Concourse (the “WEC”) leased by Long Island Rail Road (“LIRR”) from Amtrak; and in the passageway connecting the West End Concourse to the 8th Avenue Subway and Penn Station (“the 33rd Street Connector”) operated by MTA New York City Transit (“NYCT”). Phase One includes two new street level entrances at the 31st and 33rd Street corners of the Farley Building to the WEC; the expansion of the WEC to be approximately double in width and length to service nine of Penn Station’s eleven platforms; new vertical access points (stairs, escalators and elevators) from the expanded WEC to the existing Penn Station platforms; a widened and reconfigured 33rd Street Connector to be compliant with the Americans with Disabilities Act (“ADA”); and a new emergency platform ventilation system for the area of the Train Shed below the Farley Building.

Thacher’s responsibilities, led by Project Manager Dyana Lee, have included: *the performance of an integrity risk assessment* during which we performed a review of all existing project policies, procedures and processes for vulnerability to fraud, corruption, cost abuse, safety, and/or environmental risks; the design and implementation of a corruption prevention program designed to mitigate integrity risks; the review and monitoring of budgets including amounts allocated for general conditions, holds, contingencies and allowances; review of the construction manager’s and trade contractors’ records regarding insurance coverage, environmental and safety for compliance with the terms of their contracts and with applicable

laws, rules and regulations; reviews of project costs, and backup documentation thereto, including payment requisitions and change orders, equipment invoices, site logs and trucking manifests for evidence of overbilling; forensic review and oversight; forensic auditing and investigations and oversight of the project quality management plan.

As we have done on each major capital construction projects monitored, Thacher assembled a team of engineers and investigators who perform unannounced site visits to observe and document activities, and accountants, auditors and analysts who perform research, reviews and audits to test compliance by the construction manager and trade contractors.

Some highlights of our monitoring efforts to date include (1) conducting QA/QC integrity reviews of hot work procedures, where we noted a number of deficiencies and made recommendations which were adopted by the general contractor; and of asbestos abatement and soil disposal and transportation, where we again noted deficiencies that subsequently were corrected, (2) conducting ongoing onsite monitoring of subcontractor activity, which identified an unauthorized substitution of a MBE subcontractor with another subcontractor whose PA certification had been revoked, ultimately resulting in the company's removal from the project, (3) performing a review of the Buy America procedures in place to insure contractor compliance with contractual obligations. As a result of our review and recommendations, an enhanced oversight program by the CM was put into place, and TA will continue to monitor for any integrity lapses, and (4) conducting prevailing wage reviews and worker interviews, which identified a subcontractor who was not paying benefits to a union local. As a result of TA's involvement the subcontractor eventually agreed to a payment arrangement, resulting in the restoration of worker benefits.

This engagement is ongoing. To date, there have been no problems encountered during this engagement. We have established a cooperative relationship with both the construction manager as well as the general contractor. Over the course of the approximately year and a half of this engagement, we have, through diligent management and a flexible, responsive approach to emerging client and project priorities, performed our services well below budget.

World Trade Center Transportation Hub Project

The WTC Transportation Hub involves construction of a \$4.5 Billion major mass transit hub and related infrastructure. We have provided integrity monitoring services from October 2006 to the present. Our initial mission as integrity monitor was ***to design and implement a corruption prevention program***. We reviewed and assessed the adequacy of corruption controls on all phases of the project to assure that all transactions are conducted and documented in such a way as to be both transparent and auditable. Based on our review, a corruption prevention program was designed to assure adequate oversight and monitoring of compliance with those controls. This engagement is ongoing, and we are continuing to conduct field audits of construction activities, desk audits of invoices, change orders and other project documents. We

TAThacher Associates

A Subsidiary of K2 Intelligence, Inc.

are also charged with undertaking inquiries as assigned and/or approved by the Office of Inspector General.

We evolved and adapted our management approach to address the complexities we encountered on this project. Those complexities included an extremely high-visibility project being built at an iconic site, with an aggressive project schedule despite significant unknowns, changing conditions, and the use of innovative technological solutions. The specialized campus environment created specialized integrity risks related to such issues as overlapping needs for use of common space, overlapping work rules (and resulting feather-bedding abuses), and allocation of liabilities for change orders. In conjunction with PAOIG, by using a team-building, cooperative approach with the operational personnel from the Port Authority, the construction managers, the general contractors, and the lower-tier subcontractors, we have devised solutions to myriad problems that rationalized the competing demands in this environment in a manner that has protected the integrity of the project, created financial savings and a rational work process, and avoided delay.

During the engagement, we have made numerous recommendations regarding improvements in the areas of purchasing practices, construction processes, project finances, environmental compliance, safety, physical site security, information security, prevailing wage compliance and MBE-WBE program compliance, many of which have been adopted by the Port Authority and/or its construction manager. Successes include (1) the development of techniques and strategies for implementing the PA's information security requirements and enhancing compliance by contractors; these improvements were adopted by the PA for all WTC projects, (2) the determination that CMs on the project were not fulfilling their responsibility to properly screen contractors' safety records, particularly for lower-tier subcontractors. Our procurement and safety specialists worked with the contractors to establish appropriate procedures for review of safety data, and to make sure that they were implemented, (3) the expanding the field of competition in concrete supply, and with bringing substantial savings to the project due to the increased competition, (4) developing controls to address the challenge of possible T&M abuse in the aftermath of SuperStorm Sandy; these controls were adopted site-wide, and (5) the identification of integrity breaches such as a midnight shift no-show union shop steward, whom we identified early in the engagement (and who was subsequently removed from his position).

Our work on this project has produced many tangible benefits, some of which were described above. We were responsible for a series of specific institutional reforms regarding how procurement was conducted, and how legal and regulatory requirements were satisfied in the environmental and safety areas. We estimate that there have been tens of millions of dollars in identified cost savings and preventable losses resulting from our work. Our work has contributed to the successful prosecution of a concrete testing firm for falsifying test results. Importantly, over the course of the 7+ years of this engagement, we have, through diligent management, the use of our work plan methodology and a flexible, responsive approach to emerging client and project priorities, performed our services well below budget.

Fulton Street Transit Center/ South Ferry Subway Terminal Station

Thacher was selected by the Metropolitan Transportation Authority (“MTA”) to serve as the integrity monitor in connection with the construction of the MTA’s \$1.4 billion Fulton Street Transit Center and the \$540 million renovation of the South Ferry subway terminal in lower Manhattan. The project’s duration was 2004 through December 2009. The General Contractors (“GC”) on these projects were two of the largest GCs in the New York metropolitan area, Skanska USA Civil Northeast, Inc. (“Skanska”) and Schiavone Construction Co, LLC (“Schiavone”). This project demonstrates our *leadership in the Integrity Monitoring industry* and the effectiveness of our *management approach and organizational efficiencies*.

Thacher provided a team of on-site and behind-the-scenes investigators, engineers, auditors, attorneys and analysts to screen contractors (using, among other tools and techniques, our proprietary database of information regarding New York Metropolitan area contractors); ensure compliance by contractors with legal and contractual requirements (including the obligation to pay the prevailing rate of wages); and verify the bona fides of Disadvantaged Business Enterprises (“DBE”)s employed on the Projects and monitor that the DBE firms perform the work with their own staffs, supervision, and finances. We also ensured that payments to subcontractors were made on a timely basis and that there was compliance by contractors with federal regulations regarding the composition of the workforce on the projects. No problems were encountered by Thacher during this engagement.

This project *demonstrates our leadership in the Integrity Monitoring industry because we were able to employ our sophisticated and well-informed methods of investigating M/W/DBE fraud to secure significant success for the MTA*. We worked closely with the Office of the Inspector General for the MTA (the “MTA/OIG”) in developing evidence of improper practices regarding the DBE practices of Skanska, Schiavone and numerous of their DBE subcontractors on these MTA projects. The MTA/OIG referred the Schiavone investigation to the United States Attorney for the Eastern District of New York. The result was a civil settlement whereby Schiavone agreed to pay forfeiture of \$20 million to the United States and to reimburse the MTA/OIG approximately \$2 million for the cost of its investigation. The MTA/OIG referred the Skanska investigation to the United States Attorney for the Southern District of New York. In April 2011, Skanska subcontractor Environmental Energy Associates, Inc. and its principals were indicted on federal fraud and conspiracy charges. The indictment charged that Skanska had “effectively self-performed the work...and helped create the appearance that EEA had done commercially useful work on the project.” Skanska was not charged in the matter. However, the firm agreed to pay \$19.6 million to settle the federal investigation into disadvantaged-business-enterprise subcontracting practices among contractors on New York City.

The amount of our Integrity Monitoring contract was \$2,260,425. Because Thacher monitored its costs to the MTA on a monthly basis, our total project costs came in within the original project budget.

Quality Assurance Program

The Thacher Associates Quality Assurance Program is comprised of eight hallmarks executed on every project, but scaled to the size and specifics of each engagement. Our Quality Assurance Program has enabled us to successfully perform a diverse array of integrity monitoring engagements and is designed to be responsive to New Jersey Transit's needs, keeping New Jersey Transit apprised of project status, ensuring work quality and controlling project costs.

The Thacher Associates Approach
Risk Assessment
Audit and Work Plans
Client Meetings
Internal Staff Meetings
Internal Daily Newsletter
Complete Reporting
Project Report Card
Time Charging & Billing Practices

The titles of individuals responsible for executing our Quality Assurance Plan, include Principal, Program/Project Manager and Directors of Auditing and Engineering.

Our Principals provide high-level contact with client personnel regarding strategic issues and provide oversight and executive level management to overall operations. They must possess advanced educational degrees and over twenty years experience in design and implementation of fraud and risk management programs. Our Program/Project Managers and Directors of Auditing and Engineering have responsibility in the design, implementation, and management of projects. They provide the highest level technical knowledge in their area of expertise, direct the completion of projects within estimated time frames and budget constraints, interface with the client on a day-to-day basis, and review work products for completeness and adherence to applicable regulations and customer requirements. In addition, they apply their specific expertise to the practical issues they identify or those presented by the client. They also help to formulate solutions, prepare reports, studies, and documentation, and support presentations and client meetings. These individuals generally possess at least ten years experience in their related fields and have advanced educational degrees.

Meeting expectations, requirements and standards begins with a thorough understanding of the integrity risks inherent in the project. We understand the difference between integrity risks and operational risks and we focus on the former. *We begin each engagement with a risk assessment, identifying and then prioritizing the integrity risks, their likelihood of occurrence and the impact such a risk would have on the project.*

Once the risks are identified, *our Project Managers in coordination with our Directors of Auditing and Engineering develop comprehensive audit and work plans based upon those risk areas, leveraging the work already being performed by internal audit departments and other assigned monitors.* Our plans drill down on those identified risks and direct specific tasks be performed by each assigned staff member. Staff skill sets are designed to meet the specific skill sets required to successfully execute the tasks. The work plan describes how we will monitor known integrity risks. It also acts as a guide defining tasks to be performed by us, establishes milestones, deliverables and deadlines, creates a time-per-task projection and financial budget, and identifies contingencies. The work plan is instrumental in tracking our deliverables.

Our work plans are not self-executing and require effective communication to remain responsive to our clients' changing needs in fluid circumstances. From our experience we know there is no substitute for the regular communication that is necessary to ensure client satisfaction. Therefore, at the outset of an engagement we *meet with our client* to discuss expectations and obtain information necessary for devising and revising our work plans. We discuss and resolve any issues that may arise during this process so that we have a meeting of the minds regarding the work we are to perform, *in advance of performing the work.* We maintain the dialogue initiated at our client kick-off meeting through periodic project updates meetings timed and scaled to meet the needs of the individual project.

Implementation of our work plans enable clients to manage costs effectively and contributes to our ability to "set a tone" early in the Program so we can scale back our time commitments and related costs over time. The work plans create a basis for specific management of project costs in a timely manner. Our professionals use the work plans throughout the month as a basis for measuring whether project costs are being incurred in the manner anticipated. This approach enables us to make adjustments during the month so as to keep the project on budget. Where unexpected tasks and activities arise during the month, the work plans create the basis for an informed discussion with the client regarding prioritization or deferral of tasks so as to keep the engagement on budget.

As our work progresses, regular and frequent client communications, as desired by the client, ensure that our work is responsive to New Jersey Transit's needs. We routinely keep our clients informed of pending work progress and proposed new initiatives. We hold regular meetings and additionally communicate via teleconferences, email, and written work product. Our biweekly "look-aheads" are a central facet of our management approach for all clients, and are designed to describe monitorship tasks planned for the coming two week time period. Together these communications are a mechanism for knowing whether we are meeting our clients' expectations. We are mindful of the value of our clients' time and always seek to communicate in the most efficient manner.

With the tasks defined to the client's satisfaction in the work plan, the task becomes making sure the work is proceeding as planned, and making sure that the team is acting as a

coordinated, integrated team rather than as a collection of individuals working in isolation. We maintain fidelity to the work plan and a coordinated, integrated approach through effective communications within the team and within our organization. We employ a scalable approach to project quality control. ***In an effort to maximize field presence and minimize a management heavy approach, on all engagements we rely on pushing down work to the most appropriate junior level capable of responsibly performing the task and utilizing more senior personnel only to ensure quality.***

Within the team, we have regular meetings for all personnel, where we collectively report on our activities and all developments that affect the engagement. The team meeting provides a means of ensuring that our activities are coordinated among the members of the team, and that insights and findings from each discipline are shared with and incorporated into the strategies of all other disciplines. This provides for synergy and avoids duplication of efforts. Coordination of the team's activities and integration of our services are the hallmarks of our day-to-day management of the team. The team's project manager has primary responsibility to reinforce this approach through ongoing communications with the team's staff. Thus, work product quality is ensured through redundant supervision systems that maintain personnel accountability and hands-on project management that guarantees that every staff member makes diligent progress in their assigned tasks.

Our Primary Program Manager, Ms. Lee, will ensure that our assigned professionals have the advantage of our significant institutional knowledge of transit projects performed by Thacher over the past two decades, to ensure we provide consistent and quality services on each Work Authorization. She will ensure the sharing of information across all Work Authorizations that will bring efficiencies to the Program. At the outset of an engagement, she will ensure that the engagement is staffed with professionals who possess the appropriate background, experience and capacity for the job. Throughout the life of the Work Authorization, she will provide continued oversight of the Project by working with Thacher's professionals to ensure that we meet New Jersey Transit's objectives for the assignment, that we are remaining within budget, and that our integrity monitoring approach is carefully coordinated to enhance our management while avoiding duplication.

In addition to our internal meetings, through ***internal daily newsletters*** our staff is informed of media alerts, criminal indictments and prosecutions, new and emerging trends in monitoring and construction, and current schemes. This information is provided to enable our staff to make better decisions and spot risks earlier on in a project, which gives our clients an edge over perpetrators of fraud.

We recognize that the quality of ***our work product must be complete, independent and sufficient to stand up to scrutiny years after our engagement*** has been completed, by representatives of New Jersey Transit, regulators and legislators regarding the extent to which we were able to assist New Jersey Transit in preventing fraud, waste, abuse and corruption and detecting it where it has occurred. We know that to maintain our own high reputation in the

industry, we must ensure the quality and completeness of our work. Our commitment to the concept of integrity monitoring and appreciation for the experience of working in our existing engagements motivates our dedication to providing the highest quality work that is possible. We feel that there is no more important work that we could be doing, and therefore are committed to performing it to the highest possible standard.

We anticipate we will generate many successes and track these successes on a “**project report card.**” On a regular basis our accomplishments, cost savings and other measures of success experienced on the project are documented and at least annually shared with our clients. This project report card is designed to demonstrate the value of the engagement to agency executives, project managers, and funding sources.

Project cost control begins with Thacher’s internal system for tracking the use of time by our staff and ensuring that time charges are allocated properly. All Thacher staff account for their time on a daily basis with time record entries that identify the client, matter and amount of time worked, and give detailed descriptions of the work performed. This system is managed and quality controlled, at no cost to the client, by Thacher’s COO. We use this system to ensure personnel accurately charge their time, are working efficiently and effectively, and that our bills are accurate and timely.

In addition to the lessons learned that we share with New Jersey Transit, we also share our management approach and self-evaluation tools and technologies, at no-cost, in the interest of good government and the proliferation of industry best practices.

Thacher’s proven management approach has led directly to the successes described in our Firm Qualifications section. Our approach provides for the quality of work, control of costs, and transparency that New Jersey Transit needs in these vitally important engagements. Thacher’s industry expertise and leadership, familiarity with transit construction, and depth and breadth of staff will allow us to accomplish any Work Authorization more efficiently and effectively than any other firm.



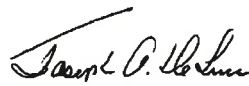
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Key Personnel Certification

Thacher Associates, LLC certifies that all personnel offered in this proposal, are or will be, bona fide employees of Thacher Associates and our proposed sub-consultants and are available for the duration of the project.

Thacher Associates, LLC further certifies that the appropriate officers and personnel of Thacher Associates and our proposed sub-consultants will be available and ready to negotiate during the negotiation period.

Thacher Associates, LLC
(Company)


(Signature)

President
(Title)

04/03/2014
(Date)

Conflict of Interest

Thacher Associates, our employees, agents, and sub-consultants, do not have, nor give the appearance of any conflict of interest.

Thacher Associates avoids and addresses potential conflicts of interest through the following mechanisms:

- 1) All matters and potential new matters are reviewed by Executive-level leadership to ascertain potential conflicts of interest.
- 2) A proposed structure/firewall is designed to keep staff and resources separate, as specific by project, which does not permit overlap between team members and resources.
- 3) Storage capabilities designed to separate and limit access to confidential and/or privileged information, documents, plans, drawings, estimates, and other financial data.
- 4) Education of employees on these mechanisms to promote awareness and the importance of these mechanisms and their role in preventing conflict of interest of the appearance of such conflicts.
- 5) Contingency plan to notify our client when a potential conflict or appearance of a conflict may arise.



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Key Contacts


Joseph A. DeLuca, President, will be responsible for managing Thacher Associates' and our proposed sub-consultant's execution of work. Mr. DeLuca may be reached at his principal place of business:

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Key Personnel References

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Port Authority of New York and New Jersey ("PANYNJ")



Lamond Kears
Compliance Department
Metropolitan Transportation Authority ("MTA")



Dyana Lee

Steven A. Pasichow, Assistant Inspector General, PANYNJ



Ronald Calvosa, Program Manager, PANYNJ




Judy Bergtraum, Deputy to the Vice Chancellor for Facilities Planning,
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Christopher Prather

William Ringwood Assistant Director, Office of Contracts Management
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Michael Carroll, Assistant Commission, Department of Investigations, City of New York



James E. Frankel, Partner, Arent Fox, LLP



William Rogers

Lamond Kearse (see above)

Clifford Brock, Special Investigative Counsel, Office of the Inspector General, MTA



Sevil Alirzayeva, Chief, Administration & Communications, United Nations Capital Master Plan



Rich Vermeulen

Steven A. Pasichow (see above)

Michael Carroll (see above)

Kennith Norman, Assistant Chief Operations Officer, New York City Transit



Richard Cohen


Gerald Micciulla

Deputy City Controller, City of Philadelphia Office of the Controller



Mark Talbott CPA

Assistant Director, State of New Jersey, Department of Human Services
Office of Auditing



Norman Barnum, IV

Chief Financial Officer, Ogontz Avenue Revitalization Corporation



THE FOLLOWING ATTACHMENT IS POSTED WITH THE
PERMISSION OF THE VENDOR

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

Risk #	TA Expertise	Risk Area	Description of Potential Risks and Risk Factors	Existing Control(s)	Recommendations	Priority Likelihood/Significance
1	Procurement	Collusion/ Bid Rigging	<ul style="list-style-type: none">On competitive bidding, the prospective bidders collude to inflate the contract price, also called "bid rigging."GC pre-bid meetings and the e-mail addresses on the invitation to these meetings, allow contractors to identify potential bidders and assess the potential for collusion.	<ul style="list-style-type: none">Detailed estimates are performed and reconciled for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates.Contractors and subcontractors must complete questionnaire which asks about affiliate relationships.Contractors must complete GC questionnaire which asks about affiliates.GC Bid Form asks for names of proposed subcontractors.Slow down in the construction industry should increase the bid pool and make collusion less likely.	<u>TA ALL:</u> <ul style="list-style-type: none">Determine if the "losers" are retained via subcontracts for potential payoff of bid rigging scheme.On a spot basis, contact firms that were solicited but did not bid to find out why they did not bid. On a select basis, check ownership and affiliations of competitors to determine if there is shared ownership, past joint ventures, etc.	H/H
2	Investigation	Labor Racketeering / Bribery	<ul style="list-style-type: none">Size and complexity of project in addition to lack of enforcement of policies and procedures reduces chances of detection of corrupt supervisory personnel and union officials who may practice preferential treatment in the use of equipment, delivery of materials, and placement of workers.	<ul style="list-style-type: none">NJT Engineers and other members of construction management are regularly present onsite; NJT post hotline numbers on website.GC Code of Ethics in General Conditions section of the contract between GC and NJT.	<ul style="list-style-type: none">TA: Frequent walkthroughs and worker interviews informed by intelligence sources in order to cultivate informants; conduct periodic headcounts and review daily timesheets, certified payrolls and swipe reports.	H/H

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3	Investigation	Labor Racketeering – O.C. Infiltration/Corruption	<ul style="list-style-type: none"> Size and complexity of project in addition to lack of enforcement of policies and procedures reduces chances of detection of no-show jobs, extortion, promotion of illegal gambling and loan sharking. (Example: extorting money from workers for job security and overtime work consideration). 	<ul style="list-style-type: none"> NJT Engineers and other members of construction management are regularly present onsite; NJT post hotline numbers on website. GC Code of Ethics. 	<ul style="list-style-type: none"> TA: Frequent walkthroughs and worker interviews in order to cultivate informants; inform workers of hotline. NJT: post signs in highly visible areas onsite (e.g., outside of contractor construction trailers, entrance/exits of stairwells). 	H/H
4	Investigation	Double Billing for Multiple Projects	<ul style="list-style-type: none"> No comparison of certified payrolls, or payroll reports, from NJT project with those of nearby projects. This could encourage double-billing and non-productive jobs by companies working on multiple projects within the site. 	<ul style="list-style-type: none"> GC Superintendents conduct/ distribute daily headcounts. Certified payrolls are reviewed by NJT and CM (but only for NJT billings). 	<ul style="list-style-type: none"> TA: Identify contractors working on multiple nearby projects; develop intelligence; conduct periodic surveillance. 	H/M
5	Environmental	Site Contamination Improper Clean-Up Fraudulent Charges Billing for Services not Rendered	<ul style="list-style-type: none"> Lack of compliance with spill prevention and clean-up procedures resulting in site contamination. Failure to clean site properly – resulting in spread of site contamination. Illegal transportation and disposal of contaminated waste. Overcharges for labor, improper clean-up, transportation and disposal of contaminated waste. 	<ul style="list-style-type: none"> GC Spill Management Plan. NJT material handling procedures, NYS DEC soil handling. regulations require that spills are reported and proper disposal is documented. GC and CM oversight and review of invoices. 	<ul style="list-style-type: none"> GC: Generate incident reports to document the spill and determine extent of contamination. CM & NJT: Examine incident reports and make sure that all spills are reported and clean-up are documented. TA: Conduct spot field inspection and verify compliance with the reporting and clean-up requirements. TA: Evaluate invoices and compare with field observations; evaluate hourly charges, transportation charges and disposal costs. 	H/L

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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6	Investigation	Contractors/ Subcontractors Violate the Apprentice to Journeyman Ratio	Documents detailing worker classification are not reviewed by GC or owners. The use of less expensive and less experienced workers violates apprentice to journeyman ratio requirements set by applicable labor laws; could lead to less productivity, poor quality of workmanship and more safety violations; would allow contractor/subcontractor an unfair advantage in bidding and could involve the commission of related criminal conduct including: falsification of records, filing false documents with government agencies, falsified certifications, tax evasion, money laundering, larceny and bribery.	<ul style="list-style-type: none">All contractors/subcontractors are required to submit and sign a Statement of Compliance with their certified payrolls confirming that wage rates for laborers contained in their payrolls are not less than applicable wage rates.	<ul style="list-style-type: none">TA: Conduct periodic worker interviews and spot reviews of daily timesheets and certified payrolls to compare contractor's/subcontractor's workforce ratio to required ratio; conduct periodic headcounts which identify workers' trade and grade.	H/L

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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7	Audit, Engineering	Cost Management Fictitious Expenses/ Misappropriation of Assets	<ul style="list-style-type: none">Contractor submits invoices that include “ghost” employees, non-working positions, featherbedding and/or inflates hours worked.	<ul style="list-style-type: none">Costs are reviewed by _____ to validate the actual presence of each employee on-site.GC requires that all time tickets be signed by a GC representative and all tickets must be submitted to GC within 10 days.	<ul style="list-style-type: none">TA: Conduct periodic prevailing wage reviews to mitigate the risk of ghost employees by checking payroll registers, paychecks including signatures, headcounts, and payments to unions for benefits if union requirement in place.Mitigate featherbedding by checking man hours on a periodic basis charged against independent estimates for the extra work.TA: Review collection bargain agreement(s).	M/H

PROPRIETARY - DO NOT DISCLOSE OR DISTRIBUTE

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8	Procurement	Conflict of Interest/Self Dealing	<ul style="list-style-type: none">Non-disclosed affiliate relationships may exist between primary and sub-contractors, or among sub-contractors. For example, conflicts of interest may result in excessive markups applied to products or services and passed through (on cost-plus contracts.)	<ul style="list-style-type: none">Detailed estimates are performed and reconciled by GC estimators for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates.All Trade Contracts and most change orders are lump-sum, although the total amount is broken down into individual milestones/components.Some Change orders are T&M and then may be combined into a lump sum after some time.Contractors are required to submit detailed cost calculations with each request for a change order.Contractors and subcontractors must complete a NJT questionnaire which asks about affiliate relationships. Contractors must complete GC questionnaire which asks about affiliates.	<ul style="list-style-type: none">NJT and CM: Review the bid tabulation sheets in conjunction with Budgets.NJT and CM: Verify that all change orders have been reviewed in detail with cost estimates.TA: On a sample basis, verify that individual T&M pieces of a changes order have been approved by site personnel.TA: On a sample basis, obtain and review NJT questionnaires for all contractors, subcontractors, vendors to gain an understanding of possible affiliate relationships.TA: Consider interviewing principals or accounting personnel as warranted to ascertain accuracy of affiliate relationships.	M/M

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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9	Procurement	Illegal Gratuities/ Misappropriation of Assets	<ul style="list-style-type: none">GC Vendors Sole, Single Source, or preferred Contractors; a procurement manager accepts payments or incentives from a contractor for the purpose of overbilling, duplicative billing, failure to process returns, not demand rebates scheduled, or be a party to billing by shell companies.	<ul style="list-style-type: none">Multiple representatives from NJT and design teams are involved in all procurements.All trade contracts at all tiers and all purchase orders include language prohibiting the offering, giving or agreeing to give anything of value to an employee of the NJT, GC or person representing them.	<ul style="list-style-type: none">TA: Review vendor procurements.NJT Internal Audit: Perform secondary review as needed.	M/M
10	Audit	Cost Management Collusion/Billing Schemes	<ul style="list-style-type: none">Contractor submits and receives approval for change orders for additional work caused by contractor errors, inefficiencies.Contractor submits disruption, delay and/or cumulative impact claims for errors and inefficiencies caused by contractor or subcontractor even though they may be negotiated at a lower rate or withdrawn.Failure to respond to contractor notice of potential delay results in unintended waiver, which can then be exploited by contractor.	<ul style="list-style-type: none">Detailed estimates are performed and reconciled by _____ estimators for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates.GC, NJT and Design Team representatives review status of work performed in the field as compared to status reported by trades.All Lump Sum contracts are divided into specific tasks and a cost line-item is assigned to each task. Percentage of Completion is then verified for each line-item.	<p>TA on a sample basis:</p> <ul style="list-style-type: none">Verify that GC does compare original and estimate to change order.Verify that proper credit has been received for duplicate and corrective work. <p>Ascertain the responsible party for payment of fines and violations issued by third party for contractor errors.</p>	M/M

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11	Audit	Cost Management Collusion/Billing Schemes	<ul style="list-style-type: none">Contractor includes unallowable, duplicate, and unpaid invoices in the payment application.Contractor includes fictitious (marked-up) invoice costs for non-priced items – potentially, with falsified supporting documentation.	<ul style="list-style-type: none">All GC Vendor invoices are obtained and reviewed for reasonableness by CM and NJT.	<ul style="list-style-type: none">NJT/CM: Periodic audits on materials to ensure compliance with procedures in place.TA: Conduct periodic confirmation procedures on select vendors and suppliers based on vendor analysis performed.	M/M
12	Engineering	General Conditions	<ul style="list-style-type: none">General conditions charges to NJT could include costs of staff performing tasks on other projects.	<ul style="list-style-type: none">CM and NJT review and approve general conditions budget requests and approves actual costs.	<ul style="list-style-type: none">General conditions charges should be reviewed by CM, NJT, and TA to ensure that charges to the project do not include costs associated with other projects.Random head counts should be performed by CM, NJT, and TA.Review requisitions for work captured as General Conditions as compared to site observations and contractual obligations.	M/M
13	Investigation	Failure of Contractors to Pay Applicable Prevailing Wage	<ul style="list-style-type: none">Contractors'/subcontractors' certified payrolls are not regularly reviewed by GC or owners for prevailing wage compliance. Non-compliance violates the Davis-Bacon Act/NJ Labor Laws would allow a contractor/sub-contractor an unfair advantage in bidding; and could involve the commission of related criminal conduct including falsification of records, filing false documents with government agencies, tax evasion, money laundering, larceny and bribery.	<ul style="list-style-type: none">All contractors/subcontractors are required to submit and sign a Statement of Compliance with their certified payrolls confirming that wage rates for laborers contained in their payrolls are not less than applicable wage rates.Posters are posted onsite that alert/request laborers to report prevailing wage law violations to NJT Fraud Hotline.	<ul style="list-style-type: none">TA: Conduct spot reviews of a selection of contractors/subcontractors certified payrolls for compliance and accuracy; Conduct prevailing wage interviews; during on-site interviews, notify workers of NJT's Fraud Hotline; send prevailing wage interview letters to workers and conduct periodic office visits to review payroll register and compare to information contained in certified payrolls.TA: Periodically follow-up with union benefit fund to insure payments are made.	M/M

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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14	Investigation	False M/W/DBE Certification Non-independent M/W/DBE	<ul style="list-style-type: none">▪ M/W/DBE Certifications may not be scrutinized and contracts may be awarded to non-certified or falsely certified M/W/DBEs.▪ Contracts may be awarded to captive M/W/DBE subcontractors who are not financially independent.▪ M/W/DBE may not be performing a commercially useful function▪ GC and/or contractors may steer work to falsely certified M/W/DBE firms in which they are familiar.▪ Suppliers and brokers may not be providing a legitimate function but acting as a pass through.▪ M/W/DBE may be subcontracting out part of its contract without notice to NJT.	M/W/DBE firms are required to be certified applicable local, State, and/or federal agencies.	<u>TA ALL:</u> <ul style="list-style-type: none">▪ Review Participation plans , monthly statements of Payments, examine invoices.▪ Conduct background research on selected M/WBE firms.▪ Review NJ and federal databases of certified contractors.▪ Conduct select office visits to review records and interview key personnel.▪ Review NJ's certification files on select firms to assess firm's financial independence.▪ Conduct periodic site walkthroughs to inspect work and interview workers, to confirm that M/W/DBE is performing a commercially useful function.	M/M

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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15	Audit, Investigation	HR Management Conflict of Interest/Illegal Gratuities	<ul style="list-style-type: none">▪ Inappropriate relationships may exist between GC employees (or contract employees) and subcontractors and employees use this relationship for a financial gain.▪ The way employees would exploit an inappropriate relationship would be to featherbed, approve work not yet done, substitute materials or equipment, etc.	<ul style="list-style-type: none">▪ GC, NJT, and Design Team representatives review status of work performed in the field as compared to status reported by trades▪ All Lump Sum contracts and COs are divided into specific tasks and a cost line-item is assigned to each task. Percentage of Completion is then verified for each line-item.▪ Code of conduct.▪ Vendor screening.	<ul style="list-style-type: none">▪ TA: Background checks may turn up inappropriate relationships in ownership or management. It is not uncommon that employees between CM/GC firms and subcontractors are related, worked together in the past etc. and this is not in itself unethical or even avoidable. Known affiliations can be gleaned from reviewing resumes of key people in position to pay invoices or approve work to see if they worked for any of the subs they are overseeing now, etc.▪ TA: Upon request, conduct further investigation of disclosed relationships identified in questionnaires supplied during the prequalification process.	L/H
16	Procurement	Contract Steering	<ul style="list-style-type: none">▪ Bundle design package into contract or work packages to favor particular contractors.	<ul style="list-style-type: none">▪ There are multiple participants in package allocations: NJT, CM, GC, Design team. Packages are assembled to achieve lowest overall cost for the project(s).	<ul style="list-style-type: none">▪ As of ____, controls have been deemed adequate by client; no additional monitoring procedures required.	L/M
17	Procurement Audit	Procurement & Contracts Collusion/ Vendor	<ul style="list-style-type: none">▪ Breaking projects into two multiple parts to keep them under approval or procedural thresholds, “splitting.”	<ul style="list-style-type: none">▪ GC submits bid packages to the owner for approval.▪ Detailed estimates are kept for each trade and for each project component.▪ Records identify all subcontractors cleared for work	<ul style="list-style-type: none">▪ As of ____, controls have been deemed adequate by client; no additional monitoring procedures required.	L/M

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18	Audit, Investigations	Collusion/ Misappropriation of Assets/Billing Schemes	<ul style="list-style-type: none">Contractor colludes with site manager to include invoices for items not delivered or subsequently misappropriated.Goods and materials invoiced are not supported by bill of lading signed upon receipt of items at site or warehouse.Concern that controls are not consistent at all site or warehouse delivery locations, potential exists for short shipments, ability to manipulate documents, no reconciliation of PO, shipping document to invoice, items are not scanned into inventory.	<ul style="list-style-type: none">GC quality assurance program requires inspection and acceptance of all materials by quality assurance inspector.	<ul style="list-style-type: none">TA: Periodic vendor confirmation to send to selected vendors to ensure accuracy of invoices, terms and unit prices.TA: Periodic review of deliveries to warehouse and on-site to ensure GC's inspector's compliance of policy and procedures.TA: Periodic off-site inspections of selected items based on dollar risk or reputation risk.TA: Periodic storage and lay down costs audits.	L/M
19	Engineering	Contingency Funds	<ul style="list-style-type: none">Contingency fund expenditures may be used for activities other than those which are contractually defined.	<ul style="list-style-type: none">The usual practice is that contingency funds are not to be used to fund changes to the scope.	<ul style="list-style-type: none">PA/CM and NJT: Review and field verification of contingency expenditures should be performed.TA: Monitor funds used for contractually defined activities.	L/L

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20	Procurement	Procurement & Contracts Contract Steering	<ul style="list-style-type: none">GC may have a financial or other incentive (e.g., the existence of a long-term business relationship) to steer work to favored contractors.GC is in a position to provide prospective contractors with information that would provide an unfair advantage in the bidding process or at the BAFO stage.GC makes initial selection of which contractors are to receive bids.Estimates are prepared and reconciled by NJT estimators and GC prior to the receipt of bids creates possible opportunity for improper disclosure.The use of BAFOs, and in some cases multiple BAFOs, increases the opportunity for information to be leaked.Estimates not reconciled in a timely manner may be influenced by bids.	<ul style="list-style-type: none">GC Project Policy and Procedures Manual contains procedures (1) for the preparation of a bidders list; (2) to ensure all bidders are given written responses to bidders' questions or other revisions to bid documents, and that records of these questions and responses are maintained; (3) to ensure bidders are given the same information at individual bid review meetings; (4) for the receipt and opening of bids and to ensure GC staff maintain the confidentiality of bid information; and (5) to ensure proper bidding files are maintained.Multiple individuals at CM review, or are in a position to review, bidders' lists.NJT estimates should identify inappropriately high estimates by GC and high bids.NJT representatives attend all bid openings.Multiple individuals at NJT CM and GC participate in the bid leveling process.	<ul style="list-style-type: none">TA: Conduct spot reviews of GC records to ensure Award Recommendation Letters provide an accurate record of the procurement history including (1) the names of the firms to which RFPs were sent; (2) the names of the firms that submitted bids; (3) the reason for contractor selection; and (4) participation of CM and NJT in estimating and bid leveling processes.TA: On a spot basis, contact contractors to verify information GC has given as to why contractors did not bid.TA: Conduct spot reviews of bidders lists to verify that CM reviewed the lists prior to solicitation and to verify that they represent a legitimate pool of contractors.TA: Attend bid openings and verify that NJT representatives are present and that proper procedures are followed.TA: On a spot basis, attend bid and BAFO review meetings with individual contractors to confirm that they receive the same information.TA: Although GC has established bid receipt and opening procedures, these procedures do not provide sufficient detail and have not been consistently followed, such as: (a) bids have been accepted after the due date/time without notifying the PA and NJT; (b) bids envelopes have not been maintained; (c) bids have been accepted in envelopes that have not been date/time stamped; (d) bids envelopes have been stamped "received" at the bid opening rather than when received; and (e) bid comparison sheets have not been prepared at bid openings and distributed to attendees.GC Award Recommendation Letters should identify bids that were received late or any other deviation from bid receipt/opening procedures.GC Should ensure that all relevant staff members understand and are properly trained in bid receipt and opening procedures.	H/H

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21	Procurement	Procurement & Contracts Non-Compliance with Policy	<ul style="list-style-type: none">Contractor selections are not made within defined qualification policies.GC staff has too much discretion if qualification policies do not provide sufficient guidelines.Use of contractors or subcontractors with poor safety practices or other deficiencies if not properly screened.GC may fail to obtain, review or have knowledgeable staff review information asked for in its prequalification questionnaire, particularly of contractors they have worked with.The tight project schedule may serve to further incentivize GC to conduct limited reviews of its contractors.Although GC may require subcontractors to complete its prequalification questionnaire, they may not be reviewed thoroughly enough by GC staff to ensure completeness, accuracy and validity and thus ultimately not used in making determinations.	<ul style="list-style-type: none">Both GC and NJT have pre-qualification processes that are extensive and require the bidders to fill out questionnaires and to submit references.	<ul style="list-style-type: none">TA: Select a sample of contractors and verify accuracy and completeness of information submitted during prequalification process and that knowledgeable GC staff reviewed information.The contract between GC and NJT should include a requirement that GC review subcontractors' safety records or require GC to require Trade Contractors to review the safety records of their subcontractors.TA: to obtain and review appropriateness of safety standards to insure that bidders' Experience Modification Rate ("EMR"), Recordable Incident Rate and Lost Time Rate and OSHA Citation History, is properly evaluated and weighted.	H/H

SAMPLE Risk and Controls Assessment –NJ TRANSIT RFP Integrity Oversight Monitoring Services for Superstorm Sandy Recovery and Resiliency Program

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22	Audit Engineering	Billing in Excess of Work in Place	<ul style="list-style-type: none">Contractor's billings and the NJT payments exceed value of Construction in Progress. On lump sum contracts, contractor assigns inflated costs to bid items that are completed earlier.Some degree of billing in advance of work completed or performed is inherent in the industry, especially in equipment and material heavy efforts. Risk exists that if the firms are unable to complete the contract they may have received a higher percentage of the money than work in place.	<ul style="list-style-type: none">GC, NJT, and Design Team representatives review status of work performed in the field as compared to status reported by trades.All Lump Sum contracts and COs are divided into specific tasks and a cost line-item is assigned to each task. Percentage of Completion is then verified for each line-item.NJT reviews required bonds which protect the owner in case of default.PA and NJT review and approve or reject requisition amounts at monthly pencil requisition meetings.	<p><u>TA All:</u></p> <ul style="list-style-type: none">Periodic attendance at monthly pencil requisition meetings to monitor control effectiveness, compliance with processes in place and identify and discuss issues arising and effecting payment based on percent completion; and cross check with field verification, and final requisition review.Verify that ownership of any materials has been transferred to the owner prior to paying subcontractor if not yet installed.Spot basis forensic review of lump sum by engineering and auditing team.	H/H
23	Engineering	Collusion/Misappropriation of Assets	<ul style="list-style-type: none">Contractor requests and receives approval for change orders that are within the original contract scope.	<ul style="list-style-type: none">Detailed estimates are performed and reconciled by GC, CM NJT estimators for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates.	<ul style="list-style-type: none">TA: Periodically review change orders for out of scope validation by the NJT. Sample CO's that could be considered In Scope against drawings and specs.Even change orders that are out of scope often contain a credit component for the original scope of work that will now not be done. Check sample CO's for proper identification, cost estimate and application of applicable credits.	H/H

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24	Engineering	Procedural Deficiencies/ Possible Collusion	<ul style="list-style-type: none"> Estimates by GC or others are not independent or are not performed. GC could relay estimate information to contractor before the contractor derives their estimate. Contractor estimates are sometimes received before estimate reconciliation meetings are held. Contractor estimates could be used for internal estimate reconciliation in order to seek quick approval of the change order. The CM and the NJT may not have the manpower required to process all change orders on a timely basis. 	<ul style="list-style-type: none"> Detailed estimates are performed and reconciled by _____ estimators for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates. 	<ul style="list-style-type: none"> TA: Review a sample of COs to ensure those over \$100K have been independently estimated. TA: Compare a sample of approved CO amounts against estimates for reasonableness. TA: On a spot basis, verify quantities independently for reasonableness. 	H/H
25	Audit, Engineering	Scope & Change Control Unauthorized Approvals for Work/Billing Schemes	<ul style="list-style-type: none"> Change order work begins before an independent estimate has been provided. (Due to schedule sensitivity, Trades may perform work “at risk” prior to CO approval. This would be done after receiving a “price and proceed” directive from NJT. Ultimate CO amount is still negotiated by the 3 estimating teams, once the Trade estimate is available.) When work is proposed on a T+M basis contractors may slow production rate to optimize compensation for work. 	<ul style="list-style-type: none"> Change order work may not proceed without NJT approval. Work may proceed prior to approval of final change order amount but only under specific conditions. 	<u>TA All:</u> <ul style="list-style-type: none"> Audit a sample of CO’s start before approval for appropriate direction. Determine method used to separately track actual costs expended for later capture into approved amounts, i.e., T&M tickets. Ascertain if conditions under which work can proceed prior to approval have been codified and review sample of such instances for compliance. 	H/H

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26	Audit, Investigation, Engineering	Scope & Change Control Improper Expenses Charged/Failure to Process Credits	<ul style="list-style-type: none">Improper field work tickets/orders are issued for work covered under lump sum contract and/or lump sum contract is not credited for additional charge incurred.(Red flags – Excessive ticket work, no back charge log or an unreconciled log.)Due to schedule demands, GC and its subcontractors may be directed to proceed with T&M work with lax oversight.Tickets may include inflated labor, material and equipment costs.	<ul style="list-style-type: none">GC superintendents sign off on T&M tickets from contractors. GC submits T&M tickets to CM for approval.	<p>TA All:</p> <ul style="list-style-type: none">Determine method used to separately track actual costs expended for later capture into approved amounts, i.e. T&M tickets.Sample process of tracking time, material and equipment tickets and segregation of CO work vs. In Scope work. Including adequate manning T&M efforts.Sample timeliness of review steps, i.e. time elapsed between work and submission of time tickets as well as elapsed time between ticket submission and CM approvals.Review sample of T&M tickets against Daily Site Reports for trades and staffing on site to see if effort on time tickets is supported by on site staffing.Select a sample population to review staffing from T&M tickets to swipe access or sign-in sheets or payrolls by name for the dates charged.On a spot check basis, review T&M work to document dedicated labor, material & equipment costs.Compare field observations to ticket submissions.	H/H

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Risk #	TA Expertise	Risk Area	Description of Potential Risks and Risk Factors	Existing Control(s)	Recommendations	Priority Likelihood/Significance
27	Engineering	Quality & Inspection Misrepresentation of Completion of Contract Requirements	<ul style="list-style-type: none">Material or work inferior to project specifications could be utilized or installed.	<ul style="list-style-type: none">GC will have one field person designated as responsible for quality control. P.O.s are reviewed for adherence to specs before issuance; subs and vendors are evaluated before placement The P&P are all inclusive that includes formal inspection program. GC will be conducting a quality assurance audit.Set NJT Construction Standards.Set of controls in place both at the manufacturer’s plant as well as in the field with the contractor.GC supervised controlled inspections.NJT supervised controlled inspections.GC QA plans.	<ul style="list-style-type: none">GC: The amount and timing of the quality assurance audits is not specified in the P&P. – Monitor compliance of formal inspection program in place.TA: Site visits by TA Engineering to spot check visible work during placement such as rebar ties, thickness of drywall, number of paint coats applied, etc.TA: Check invoiced items to owner against material and equipment in spec for conformity.TA should continue its QA/QC integrity checks in order to ensure the contractual requirements are being met.	H/H

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Risk #	TA Expertise	Risk Area	Description of Potential Risks and Risk Factors	Existing Control(s)	Recommendations	Priority Likelihood/Significance
28	Engineering	Time Management Misrepresenting Critical Scheduling Information/ Milestones for Personal Gain or to Give Appearance that Project is on Time	<ul style="list-style-type: none">Schedule submittals include artificial constraints or manipulated logic to show unobtainable milestone completion.Intentional schedule manipulation to force owner to approve extensions of time to achieve critical dates or face major cost overruns.GC could create schedule updates that work to their own financial/timing benefit and those of their subcontractors, at the expense of NJT.The demands of the desired completion date could result in GC and subcontractors manipulating schedule to support claims.	<ul style="list-style-type: none">GC, NJT PMs and Design Team representatives review status of work performed in the field as compared to status reported by trades.Critical Path Method schedule is updated every month.GC and subcontractors generate additional schedules.	<ul style="list-style-type: none">TA: Periodic review of delay claims and change orders for acceleration.TA: Frequent on-site monitoring of construction progress and comparison to reported progress to ensure accuracy of all scheduling data.	H/H
29	Engineering Investigation	Buy America Compliance	<ul style="list-style-type: none">Funds obtained through the FTA may be subject to certain statutory requirements mandating that all the “iron, steel and manufactured goods used in the Project are produced in the United States.	<ul style="list-style-type: none">GC, CM and NJT review work performed in the field.GC required to check subcontractor compliance.	<ul style="list-style-type: none">TA to perform field spot checks to identify any non US manufactured products, and if determined whether a component of a manufactured good that was assembled into final product in the US.TA: Field spot checks to manufacturers to confirm that product being delivered is manufactured in the US.	H/H

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30	Engineering	Quality & Inspection Collusion/ Illegal Gratuities/ Conflict of Interest/Product Substitution/ Deficient or Defective Work	<ul style="list-style-type: none">GC QA personnel receive kickbacks or other consideration from contractors in exchange for approval of substandard materials or poorly performed work.Contractor colludes with Site Manager or QA personnel to approve (or ignore) deficient or defective work and treat rectification as extra work.	<ul style="list-style-type: none">Work is examined and certified by architects of record.There are multiple layers of approval: GC, NJT, and Design Teams.Controls for improper rectification as extra work is covered under the change order process.Note: GC's scope is somewhat limited when it comes to <i>controlled inspections</i> on-site. Their scope involves more QA of construction as per design drawings.	<p><u>TA All:</u></p> <ul style="list-style-type: none">Spot check for affiliations between QA firm and subs being monitored.Periodic review of inspection reports for proper signoffs and that inspector was actually on site the day the work was supposedly inspected.Spot check compliance with specifications and QA/QC requirements through field observations and records review.	H/H
31	Safety	Insurance, Safety & Risk Misrepresentation of Critical Project Information	<ul style="list-style-type: none">Contractor fails to report or falsifies safety-related incidentsThere is concern that reports submitted may be falsified. The mitigating factor is the many qualified professionals from NJT, CM GC that have presence on site and may notice an incongruity in reported information as compared to the reality on site.	<ul style="list-style-type: none">NJT safety personnel perform safety checks on-site.	<ul style="list-style-type: none">TA: Spot check of the Safety contractor records and daily site reports to ensure reporting consistency between accidents and reportable incidents.TA: Periodically review reports of safety inspectors.	H/H

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32	Safety	Fraudulent Licenses or Certifications	<ul style="list-style-type: none"> Currently throughout the construction industry there is a trend for construction workers to fraudulently obtain technical certifications, licenses or training and use these to perform specific work, obtain a greater rate of pay or gain access to a specific site. In addition to the obvious integrity breach, potentially unqualified or untrained workers could be performing hazardous work. This significantly increases the potential for serious accidents and/or catastrophic loss. 	<ul style="list-style-type: none"> GC collects copies of Licenses and Certifications available for review by NJT Safety. 	<ul style="list-style-type: none"> TA: Perform periodic reviews to verify licenses and certifications. Conduct subsequent investigation of any suspicious credentials uncovered during the review. 	H/H
33	Safety	Falsification or Misrepresentation of Safety Records	<ul style="list-style-type: none"> There are a number of external pressures which contribute to the potential for falsification or misrepresentation of safety records. These include demands of schedule, cost, and performance evaluations based on certain metrics. 	<ul style="list-style-type: none"> Project Health and Safety Guidelines have a detailed description of what documents must be maintained. GC has specific procedures outlined in their Site Specific Health and Safety Program that details what records must be maintained. 	<ul style="list-style-type: none"> TA: Periodic review of selected safety records to verify authenticity and accurate recording of required information, with follow-up investigation as needed. 	H/H
34	Safety	Drug and Alcohol (Substance Abuse) Presence	<ul style="list-style-type: none"> Impaired workers can cause accidents and incidents impacting ethics as well as creating danger to themselves and other workers. 	<ul style="list-style-type: none"> Monitored in-house. No random or pre-employment testing done. 	<ul style="list-style-type: none"> GC and NJT should work collectively to establish parameters for fitness for duty and enforce same. TA: During site surveys identify signs of substance abuse (paraphernalia, containers, odors, etc.) 	H/H

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35	(If applicable) Environmental	Improper Soil Testing Fraud/Collusion	<ul style="list-style-type: none"> Improper testing resulting in soils being incorrectly classified, and then disposed of in inappropriate location. 	<ul style="list-style-type: none"> Project requirements for proper testing and classification are provided by the contractual and regulatory provisions. GC is required to test the soils and provide the test results to the NJT and the selected disposal facility. NJT reviews the test results and approves the selected facility. The disposal facility conducts periodic testing of the soils imported to the facility. 	<ul style="list-style-type: none"> TA: Obtain sampling procedures and examine resulting samples and analysis. TA: Conduct field inspections of sampling procedures. TA: Determine laboratory qualifications and QA/QC of sample handling and analysis and verification of proper classification of soils. 	H/H
36	Environmental	Illegal Disposal of Soils	<ul style="list-style-type: none"> Illegal disposal of soils at non-permitted facilities resulting in potential liabilities to NJT for clean-up costs. 	<ul style="list-style-type: none"> GC Safety and Environmental department is supposed to make sure soils are disposed of at approved facilities. NJT Environmental Engineering reviews the testing and approves the selected facility. 	<ul style="list-style-type: none"> GC should create Soil Management Plan (SMP) for the project. NJT: Review testing and soil disposal facility selections to determine if soil is disposed of properly. TA: Review supporting documentation to verify that materials are going to the appropriate facility. GC: Provide daily, weekly soils reports to NJT for all soils handled to date. TA: Conduct field inspections of soil disposal operations on site as well as field visits to disposal facilities to verify compliance with project requirements. TA: Perform audit review of all past soil disposal documentations to determine compliance. 	H/H

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37	Environmental	Overcharges for the Disposal of Soils Through Change Order	<ul style="list-style-type: none"> Overcharges for the disposal of soils through Change Orders. 	<ul style="list-style-type: none"> GC and CM Review of Change Order request and supporting documentation. Change Order policies and procedures. NJT, CM and GC audits. 	<ul style="list-style-type: none"> GC, CM, NJT: Review of the GC contract to determine if removal of contaminated soils was part of original contract TA: Obtain and review all supporting documentation submitted with CO payment requests. TA: Conduct audit of supporting documentation to determine potential overcharges. TA: Determine if other potential overcharges exist for other change orders submitted in conjunction with soil handling operations. 	H/H
38	Environmental	Corruption Among Site Inspectors, Environmental Monitors, Testing Labs and Disposal Facilities	<ul style="list-style-type: none"> Improper disposal approvals, improper oversight of process, and fraudulent testing and classification of soils, illegal disposal. Improper handling of contaminated materials results in increased costs to the PA for cross contamination of materials and the necessary remediation. Increased costs to PA for cleaning up contaminated materials from non-permitted facilities and proper disposal at permitted facilities. 	<ul style="list-style-type: none"> GC, CM oversight and auditing; NJT oversight and auditing. 	<ul style="list-style-type: none"> TA: Evaluate oversight decisions and determine if they are in compliance with contract, regulatory and EPC requirements. TA: Sample documentation provided by various entities to determine compliance with Contract, GC Policies and Procedures and regulatory requirements. TA: Conduct investigations based upon field intel developed. 	H/H

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39	Investigation	Payroll Fraud	<ul style="list-style-type: none">Daily timesheets created by contractors/ subcontractors are not reviewed for accuracy which could encourage non-productive jobs and no-show jobs.	<ul style="list-style-type: none">GC Superintendents conduct/distribute daily headcounts; NJT reviews certified payrolls and is in direct contact with members of construction management that are regularly present onsite, to helps ensure that payrolls match the people working onsite.	<ul style="list-style-type: none">TA: Conduct periodic headcounts to assess accuracy of contractors'/subcontractors' daily timesheets and GC's headcount; Conduct spot audit of certified payrolls and compare daily timesheets.	H/H
40	Audit, Engineering	Insurance, Safety & Risk Transaction Fraud/ Billing Schemes	<ul style="list-style-type: none">Contractor includes charges for safety equipment or environmental protection measures not provided on job site.	<ul style="list-style-type: none">GC, NJT PMs and Design Team representatives review status of work performed in the field as compared to status reported by tradesBonding is tracked through the payment requisition process.	TA ALL: <ul style="list-style-type: none">Review site safety inspection reports for reported infractions by workers.Identify contractor supplied safety equipment from bid and contract, site walkthroughs specifically to locate equipment on site.Attend tool box meetings to observe safety talks.Periodic reconciliation of significant equipment on site and contractor billing.	H/L
41	Audit, Engineering	Insurance, Safety & Risk Transaction Fraud/Billing Schemes	<ul style="list-style-type: none">Contractor fails to obtain contractually required bonds and/or insurance or falsifies documentation.	<ul style="list-style-type: none">GC is responsible for obtaining actual bonds from contractors prior to those contractors mobilizing on site.	<ul style="list-style-type: none">NJT/CM: A list of all required bonds and insurance as well as amounts and named beneficiaries is outlined in contract documents. Typically submittal of the certificates is required and they are maintained by the CM.TA: Periodically validate that received by NJT/CM, review insurance records during subcontractor pump sum audits. Any differences found will be further investigated.	M/H

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42	Audit Engineering	Conflict of Interest/Self Dealing	On cost-plus contracts or change orders, contractor hires a related-party at costs above the market.	<ul style="list-style-type: none">Detailed estimates are performed and reconciled by _____ internal NJT estimators, and GC estimators for all trade subcontracts and subsequent change orders. These are reconciled with bids and trade estimates.GC P&P on monthly requisitions does not allow for T&M billings.Only allowances for certain trades are compensated on a T+M basis. The rest are on the AIA schedule of values in lump sum amounts and released based upon percentage of completion and agreed upon by architect, GC, NJTF and CM.	<ul style="list-style-type: none">NJT: Review T&M billings which must include field time sheets, material invoices, superintendent approval.GC accountant should perform desk top audit, to include contractual rates, payroll reports and obtain engineering approval of quantities, overall time expended and mark ups. The current pre construction contract limits markups for all occasions, thus the risk is reduced.TA: Verify that desk top audits are being performed by reviewing a selected percentage of T&M billings.Checks should include comparison of subcontractor bids to the project's internal estimates/budget projections.TA: Review GC policies and procedures regarding process for tracking allowance usage.	M/M

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43	Procurement	Contract Steering/ Conflict of Interest/ Bribery	<ul style="list-style-type: none">Improper influence over the vendor selection process, due to kickbacks or inappropriate relationships especially in sole-sourced projects and purchases less than \$100,000.(The risk lies in relationships that GC may have with its GC vendors – which do not go through the same rigorous procurement process that trade contractors go through.)	<ul style="list-style-type: none">All GC Vendor invoices are obtained and reviewed for reasonableness by CM. Subsequently, all costs are likewise reviewed by the NJT.Vendors receiving purchase orders over \$100K must complete a NJT questionnaire which asks about affiliate relationships and present and past relationships with GC.All trade contracts at all tiers and all purchase orders include language prohibiting the offering, giving or agreeing to give anything of value to an employee of the NJT, GC or representative.	<ul style="list-style-type: none">TA: Review vendor selection procedures for control weaknesses and compliance during selection process.TA: Review ANY sole sourced contracts for award process.NJT and CM: Audit a sample of change orders on sole sourced and contracts less than \$100KNJT and CM: Review history of past contracts for any sole sourced vendors and relationship to awarding individual.TA recommends Background checks re: vendor ownership for current or past affiliations with awarding individual for greater than \$100,000.	M/M
44	Audit	Transaction Fraud	<ul style="list-style-type: none">New supplier review and setup, supplier data management; falsifying documents to obtain authorization, creating shell companies and/or fictitious invoices.	<ul style="list-style-type: none">All GC Vendor invoices are obtained and reviewed for reasonableness by CM and NJT.	<ul style="list-style-type: none">NJT: Determine if proper segregation of duties exists for new supplier set-up.TA: Vet subcontractors and suppliers.TA: On a sample basis select suppliers, vendors, etc., included in Thatcher vendor listing for additional review.	M/M

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45	Audit	Transaction Fraud/Billing Schemes	<ul style="list-style-type: none"> Contractor applies inappropriate and/or duplicate overhead & profit mark-up to change orders and receives approval. (This is an issue for the T&M Change Orders that may occur on trade contracts, where work is performed by a lower tier contract.) 	<ul style="list-style-type: none"> All requisitions for payment on T&M Change Orders are reviewed in detail by GC, and NJT. NJT Board C.O. approval process. 	<ul style="list-style-type: none"> TA: Periodic review of T&M change orders approved for payment on trade contracts for inappropriate application and/or duplicate overhead and profit mark-up. 	M/M
46	Audit, Engineering, Investigations	Misappropriation of Assets	<ul style="list-style-type: none"> Materials or equipment are diverted to another job site (removed from site or storage) and charged to the project. (Due to the fact that the site logistics are so problematic and tight, there is a greater risk related to materials belonging to the NJT projects that are stored off-site.) 	<ul style="list-style-type: none"> GC has instituted a materials control program in its quality assurance procedures. 	<ul style="list-style-type: none"> NJT: Periodic audits on materials to ensure compliance with procedures in place. TA: On a spot basis, field surveillance of storage, delivery trucking of material and deliveries. TA: Spot check in field GC compliance with procedures. 	L/L
47	Audit, Investigation	Cost Management Misappropriation of Assets	<ul style="list-style-type: none"> Contractors charge equipment to the contract when equipment is inoperable or in use on other projects. 	<ul style="list-style-type: none"> All GC Vendor invoices are obtained and reviewed for reasonableness by NJT _____. Subsequently, all costs are likewise reviewed by _____. 	<ul style="list-style-type: none"> TA: Onsite field observations to observe equipment in use, follow up audit review of billings. 	L/L

Quarterly Forensic Audit Work Plan

Integrity Risk Area	Specific Risk	Potential Risks	Objectives/ Tasks
Requisitions	Overbilling / Front Loading	On lump sum contracts amounts requisitioned by the contractor are not in line with actual job progress; on cost plus and T&M work contractor is billing for amounts which are not properly approved or supported.	For targeted contractors, coordinate with Engineers to verify actual percentages complete for lump sum contracts and agree back to requisitions and schedule of values on a sample basis. On cost plus or T&M work, review approvals and support for labor, materials and other costs to ensure amounts billed are appropriate. Review requisitions for clerical accuracy to ensure that billings are not being overstated or double billed.
	General Conditions	Targeted contractors could be billing for general conditions costs that fall under the CM's general sitewide construction, operations and maintenance agreements, potentially resulting in duplicate or fraudulent billings.	Review financial records and job cost reports for targeted contractors to determine if general conditions-like costs that fall under the provisions of the CM agreement are being inappropriately billed or double billed and coordinate with Engineers to compare financial records to site observations.
	Requisition Documentation	Requisitions are being processed and paid without all required supporting documentation and approvals.	When reviewing requisitions of targeted contractors, ensure that all required documentation and sign-offs are included to support and validate amounts billed.
Payroll	Overcharging for Labor / Ghost Workers	Amounts being billed for labor exceed or are not supported by timekeeping and payroll documentation; or personnel are being billed who are not physically present on site.	Agree amounts billed for labor back to employee listings and company payroll records. Compare site documentation such as daily scan reports, daily tickets and headcounts to supporting payroll records such as certified payroll reports and payroll registers to identify workers who are being billed for more time than actually worked, or for no-show workers .
	Lack of Required Documentation	Subcontractor and/or second tier subs are not providing certified payroll reports or daily tickets (when required) to support labor and/or such documents contain inaccurate information and/or are deficient in form.	Obtain and review subcontractor and second-tier subcontractor certified payroll reports, timesheets, daily tickets and other required documentation. Ensure that targeted contractors are complying with contractual and FTA documentation requirements.
	Payment Violations	Payroll reported on the project has not been paid to the workers, or the workers are receiving a lesser amount. Payments to workers are not being properly reported or do not agree with what is reported on the certified payroll reports or union remittance reports. Contractors are paying less than contractual or prevailing wage requirements.	For targeted contractors and second-tier subcontractors, compare certified payroll reports to cancelled paychecks / union remittance reports and cash disbursement records. Ensure that pay rates and benefit rates are in compliance with minimum contractual or prevailing wage requirements.
	Commingling	Labor budgeted and billed to the job is performing work on another project or for another stakeholder. Workers for the same contractors on different projects are working in close proximity to one another which increases the risk of double billings and commingling.	Compare headcounts, scan records, timesheets and daily tickets (if applicable) to labor reported on certified payroll reports and job payroll registers.
	Reimbursables	Additional pay in the form of stipends or reimbursable expenses are being paid to workers. Expenses are not properly supported or amounts are not properly reported as wages subject to tax and benefits. Could result in additional cost to owner if billed under cost plus work.	For targeted contractors, analyze expense disbursements for unusual payees and/or unusual or excessive amounts. Agree sample of disbursements to supporting documentation to confirm that the disbursement or expense is appropriate.
M/W/DBE	Lack of Certification / Not Performing a Commercially Useful Function	M/W/DBE firm has not been properly vetted or approved. M/W/DBE is not performing a commercially useful function, but rather is acting as a pass-through in order for contractor to obtain required credit. M/W/DBE is not physically performing the work for which credit is being sought and/or are solely dependent on the contractor for survival.	Coordinate with Investigators to identify questionable M/W/DBE firms. Perform drill down reviews of selected M/W/DBE's including a review of requisitions/invoices for business purpose and agree statements of payments to M/W/DBE firms back to proof of payment.
	Misreporting Issues	The amount of the M/W/DBE credit is being misreported. (i.e. - credit is based on subcontract award amount instead of actual work performed or suppliers are being credited at 100%). Contractors may not actually be meeting the required participation goals due to misreporting.	For selected M/W/DBE firms, compare participation plan and payment information obtained from requisitions to quarterly M/W/DBE reports, invoices and proof of payment to see whether credit is being taken for an inappropriate amount. Review participation plans to determine whether frequent changes to amounts or contractors is occurring, and if so, obtain explanation as to why. Coordinate with investigators as necessary to observe M/W/DBE activities in the field to see if they are performing intended scope of work.

Quarterly Forensic Audit Work Plan

Integrity Risk Area	Specific Risk	Potential Risks	Objectives/ Tasks
Materials & Equipment	Commingling	Materials and equipment budgeted and billed to the job is being used on another project or for another stakeholder. Contractors with various projects on site within close proximity to one another increases the risk of commingling and double billing.	For targeted contractors, review invoices, delivery tickets and daily tickets (if available) for selected costs. Coordinate with Engineers to perform physical inspections of materials and equipment and jobs being utilized on and compare physical observations to the documentation supporting the costs to ensure they are being billed to the proper job.
Insurance & Bonding	Not Enrolled in CCIP or OCIP	Contractor or lower-tier subcontractors are not covered under CCIP or OCIP.	Perform periodic comparisons of subcontractors on available lists (Master Vendor List, subcontractor confirmations, lists obtained during subcontract reviews) to CCIP/OCIP report to identify subcontractors who may be unaccounted for, and therefore, not covered by the policy.
	Outside Insurance & Bonding	Insurance requirements outside of CCIP/OCIP are not being met by contractors or records are falsified to show that insurance and/or bonding is in place when in fact it is not. Lack of appropriate insurance and bonding may expose the project owner to significant financial risk due to default or bankruptcy of a subcontractor.	For targeted contractors, review outside insurance and bonding documentation to test whether contractor appears to be falsifying documents or misreporting compliance with such requirements.
Change Orders / Cost Plus Work	Unjustified Change Orders	Change order work is not being properly approved in advance of work being performed or change order should be included in base scope work.	For targeted contractors and selected change orders, coordinate with Engineers to compare specifications between base scope work and change order work. Inspect job cost records, invoices and other supporting documentation for change order work to ensure that charges are being categorized correctly and properly reflected on the payment applications.
	T&M Work / Change Orders	T&M charges are fraudulent or inflated; or unsupported or unbillable costs are being charged. Activities related to the lump sum scope of work are being shifted and billed under cost plus work. T&M work is not being properly supervised and approved or signed off in the field in a timely manner.	For targeted contractors, coordinate with Engineers to agree selected change orders, acceleration work and clause work back to T&M tickets, invoices, job cost reports, payroll records, and other supporting documentation. Reconcile T&M tickets to ensure that labor hours agree to scan records, daily foreman reports, certified payroll reports, and ultimately to what is billed. For work that is ongoing, observe and gain an understanding of the approval and sign-off process in the field.
	Excessive Mark-Ups	Change order work includes inappropriate mark-ups not in accordance with contractual provisions. Primarily with contractors using related entities or M/W/DBE's as subcontractors.	For targeted contractors, recalculate mark-ups on selected T&M work and change orders and compare to contractual provisions to ensure that contractors are not overcharging on markups.
	Commingling	Change order work is being billed to the wrong contract or billed to more than one contract. With so many contractors having been awarded numerous projects on site within close proximity to one another, the risk of commingling or double billing is greater than ever.	For selected contractors, coordinate with Engineers to perform physical inspections of lump sum and extra work being performed. Compare TA findings based on physical observations to T&M tickets, invoices and other job cost records to ensure that costs are properly being captured under the correct contract and are not being charged to more than one contract. Meet with contractors on numerous projects to understand cost allocation procedures.
	Credit Change Orders / Charge Backs	Work scope is shifted from one contractor (and possibly one stakeholder) to another. The work is added to the one contractors scope of work, but a credit change order is not deducted from the original contractors scope of work, resulting in potential double billing. Charge backs are not being accounted for properly between contractors and/or projects.	Interview targeted contractors regarding original scopes of work and whether any scope has been shifted to or from other contractors or stakeholders. Verify that credit change orders and charge backs pass through the requisitions properly. Review CM and GC change order logs to confirm that scope changes and chargebacks are being tracked and accounted for properly.
Cash Flows	Risk of Bankruptcy or Default	More contractors than ever are experiencing serious financial difficulties. This could prevent them from being able to complete the project and/or pay subcontractors and vendors. They could also be incentivized to cut corners, inflate billings or submit additional change orders and claims.	For targeted contractors, review overall financial position of company. For companies experiencing serious difficulties, perform additional analysis to ensure that contractor is not cheating to make up for losses. Ensure that partial and final lien waivers are being obtained for for subcontractor payments made.

Quarterly Forensic Audit Work Plan

Integrity Risk Area	Specific Risk	Potential Risks	Objectives/ Tasks
Inappropriate Payments	Bribing of oversight personnel, crane picks, elevator operators, etc.	Inappropriate cash payments or approval of inappropriate charges by contractors.	Review sample of cash disbursements, petty cash and credit card records of targeted contractors for unusual or unsupported activity. Select and compare sample of disbursements to supporting documentation for appropriateness. Coordinate with field staff as deemed necessary to follow up on unusual or unexplained payments.
Ancillary Activities	Deliverables		As required by OIG, provide written and / or oral reports summarizing work performed and findings noted.
	Planning and Coordination		Meet with team members, other integrity monitors, OIG, etc., for various reasons, including but not limited to: briefing team members, attending quarterly meetings, coordination efforts with other disciplines and monitors.
STAFFING	ESTIMATED HOURS PER MONTH		
Vermeulen	50		
Mullins / Kassa	100		
Fattah / Pitts	125		
Bernard	50		
DeFoe	25		

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Integrity Risk Areas	Kind of Risk	Risk Detail	Significance of Risk (High, Med, Low)	Describe Existing Controls	Define Testing Objectives	Describe Testing Procedures	TA Coordination	Sample Size / Date Range	Reporting Format	Level of Responsibility	Budget
Fraudulent / Inaccurate Requisitions	Overbilling / Front End Loading	Contractor is billing for amounts in excess of actual costs or amounts requisitioned by the contractor are not in line with actual job progress.	High		Ensure that billings to date are in line with job progress and that contractor is not billing for goods or services in advance of the goods or services being provided.	Agree engineering estimates of percentages complete to amounts billed to date and agree amounts billed for mobilization, bonding and other up front costs back to the job cost records of the company and to proof of payment. Coordinate with Engineers to verify percentages complete and agree back to cost loaded schedules.	Engineers	Test at beginning of job and most current period	Memo	Senior Accountant / Jr. Accountant	
	Budget	The Schedule of Values does not agree with management's original budget/proposal.	Low		Ensure that Schedule of Values is in line with original budgets and estimates and has not been changed without proper approvals.	Agree initial Schedule of Values back to proposal and budget.	Engineers	Test most recent schedule of values	Memo	Junior Accountant	
		Job is not being performed in accordance with the original budget specifications.	Med		Make sure that the job is being performed in accordance with the budget and ensure that contractor is not "cutting corners". Identify areas where costs are significantly exceeding budget, which could indicate a potential change order.	Monitor variances in actual vs. budgeted costs and obtain explanations for variances +/- 10%.	Engineers	Test variances over 10%	Memo/Analysis	Senior Accountant / Jr. Accountant	
	Cash Flow	Contractor is experiencing cash flow issues which could adversely affect completion or performance on the contract.	Low		Determine whether contractor has sufficient cash flow to complete the project.	Review amounts billed, collections and outstanding balances due including extent of unapproved/unpaid change orders		Test current position	Memo	Junior Accountant	
	Requisition Flow & Clerical Accuracy	Applications for payment are not clerically accurate and do not roll forward or include fees and markups that are not in accordance with the contract. Subcontractor costs are not properly flowing upstream from the subcontractor requisitions to the GC/CM's requisition to owner.	Low		Ensure that applications for payment are clerically accurate, roll forward properly and do not include fees and markups that are not in accordance with the contract. Ensure that second-tier subcontractor costs are being passed through correctly by contractor and subsequently by GC/CM and charges are not being accounted for incorrectly or billed more than once.	Recalculate and foot schedules. Agree amounts billed in prior periods back to previous application for payment. Cross reference line item billings from the subcontractor's requisitions up through GC/CM's requisition.		Test sample TBD	Memo	Junior Accountant	
Payroll Fraud	Overcharging for Labor	Amounts billed for labor exceed actual labor costs.	High		Ensure that labor costs billed were incurred and are properly supported.	Agree amounts billed for labor back to employee listings and company payroll records.		Test sample TBD	Memo	Junior Accountant	
		Workers charged to the contract are not physically present on site ("Ghost Workers")	High		Ensure that all personnel billed to the contract are physically present on site.	Compare daily scan reports and daily tickets (if available) to headcounts and certified payrolls. Review disbursements for checks written to workers not included on site records.	Field Investigators	Test sample TBD	Memo/Analysis	Junior Accountant	
	Lack of Required Documentation	Subcontractor and/or second tier subs are not providing Certified Payroll Reports to support labor.	High		Ensure that certified payroll reports are being provided as a condition to subcontractor being paid.	Obtain and review subcontractor and second-tier subcontractor certified payroll submissions.		Test subcontractor and all second tier subs	Memo/Analysis	Junior Accountant	
	Payment Violations	Payroll billed to the contract has not been paid to the workers, or the workers are receiving a lesser amount.	Low		Ensure that workers being billed to the job are being paid the proper amount.	Compare certified payrolls to paystubs and cash disbursement records.		Test sample TBD	Memo/Analysis	Junior Accountant	
		Benefits are not being paid to the unions, or the unions are receiving a lesser amount.	Med		Ensure that benefit payments are being submitted to the unions on a timely basis.	Compare benefits reported on certified payrolls to monthly remittances and Union Benefit Trustee reports. Confirm that account is in good standing directly with the shop stewards and union officials.	Field Investigators	Test sample TBD	Memo/Analysis	Junior Accountant	

Integrity Risk Areas	Kind of Risk	Risk Detail	Significance of Risk (High, Med, Low)	Describe Existing Controls	Define Testing Objectives	Describe Testing Procedures	TA Coordination	Sample Size / Date Range	Reporting Format	Level of Responsibility	Budget
	Prevailing Wage Violations	Wage and benefit rates are not in compliance with official NYC Comptroller/DOL prevailing wages and/or CBA requirements.	High		Ensure that subcontractor and all lower-tier subcontractors are properly reporting and paying prevailing wages and benefits.	Obtain certified payrolls and agree wage and benefit rates back to current prevailing rate schedules. Verify that flat fees being charged for trucks and drivers include the proper rates. Review payroll and disbursement records to determine whether employees are receiving payments in addition to payroll for possible wage and tax violation issues or other integrity issues.	Field Investigators	Test sample TBD	Memo/Analysis	Senior Accountant / Jr. Accountant	
	Commingleing	Labor budgeted and billed to the job is performing work on another project.	High		Ensure that workers on site who were budgeted for the lump sum contract are not being used on other contracts (especially T&M contracts) being performed by the same subcontractor.	Compare headcounts, scan records and daily tickets (if available) to labor reported on certified payrolls and job cost records.	Field Investigators	Perform periodic inspections	Memo	Senior Accountant	
Fraudulent Billing for Equipment	Overcharging for Equipment	Amounts billed for equipment exceed actual costs.	Low		Ensure that equipment costs billed were incurred, are properly supported and rates appear reasonable.	Agree third party equipment charges back to vendor invoices and internal equipment charges back to daily tickets. For any cost plus equipment charges, verify that rates and markups appear reasonable and are in accordance with the contract.		Test sample of monthly equipment requisitions	Memo/Analysis	Junior Accountant	
	Commingleing	Equipment billed to the job is being used on another project.	High		Ensure that equipment on site that was budgeted for the lump sum contract is not being used on other contracts (especially T&M contracts) being performed by the same subcontractor.	Coordinate with Engineers to perform periodic physical inspections of equipment and jobs being utilized on. Compare findings based on physical observations to daily tickets, equipment invoices and job cost records.	Engineers	Perform periodic inspections	Memo	Senior Accountant / Jr. Accountant	
Fraudulent Billing for Materials	Overcharging for Materials	Amounts billed for materials exceed actual costs.	Low		Ensure that material costs billed were incurred, are properly supported and prices appear reasonable.	Agree material charges back to invoices and daily reports (if available). For any cost plus material charges, verify that unit prices and markups appear reasonable and are in accordance with the contract.		Test sample of material requisitions	Memo/Analysis	Junior Accountant	
	Commingleing	Materials billed to the job are being used on another project.	High		Ensure that materials budgeted for the lump sum contract are not being used on other contracts (especially T&M contracts) being performed by the same subcontractor.	Coordinate with Engineers to perform periodic physical inspections of materials and jobs being utilized on. Compare findings based on physical observations back to invoices, daily tickets and job cost records.	Engineers	Perform periodic inspections	Memo	Senior Accountant / Jr. Accountant	
	Improper Material Storage	Stored materials are not properly safeguarded or insured.	Low		Ensure that materials being held at offsite facilities are properly safeguarded and are insured as required under the contract.	Perform inspection of materials being held offsite (if possible) and review related bills of sale and insurance documentation.	Field Investigators	Once per sub			
	Material Substitution	Materials budgeted for the job are being substituted with materials of inferior quality.	Med		Ensure that the materials used are of suitable quality.	Coordinate with Engineers to perform periodic physical inspections of major material usage on site (cement, steel) and agree observations back to specifications (QA/QC review). Also, agree observed materials back to supporting invoices.	Engineers	Once per sub	Memo	Senior Accountant	
Insurance and Bonding Fraud	Not enrolled in CCIP/OCIP	Contractor is not covered under CCIP/OCIP	Low		Ensure that subcontractor and all second-tier subcontractors have been approved and enrolled in the CCIP/OCIP program	Review subcontractor CCIP/OCIP approval forms. Agree back to enrollments.	Field Investigators	Once per sub	Memo	Senior Accountant	

Integrity Risk Areas	Kind of Risk	Risk Detail	Significance of Risk (High, Med, Low)	Describe Existing Controls	Define Testing Objectives	Describe Testing Procedures	TA Coordination	Sample Size / Date Range	Reporting Format	Level of Responsibility	Budget
	Falsification of records	Records have been falsified to show that insurance and bonding are in place when in fact they are not	Low		Ensure that policies outside of CCIP/OCIP are in place	Trace amounts billed for insurance and bonding back to policies and signed declarations. Confirm coverages with carrier.		Once per sub	Memo	Senior Accountant	
	Coverages Expired	Insurance and bonding contracts have expired and not been renewed	Low		Ensure that policies in place have not expired	Inspect contracts in place. Trace payments for insurance outside CCIP/OCIP program and bonding back to disbursement records.		Once per sub	Memo	Junior Accountant	
Reimbursables Fraud	Unsupported Expense Reimbursements	Contractor is paying workers additional unreported payroll	Med		Ensure that the contractor is not paying its workers "stipends" or additional pay in the form of expense reimbursements and not reporting it.	Review expense reimbursements for unsupported expenses to determine whether unsupported amounts are actually unreported payroll. Review payroll and benefit reports to see if amounts are being charged to the project and whether being reported to the taxing authorities and unions		Test sample TBD	Memo	Junior Accountant	
Change Order Fraud	Unjustified Change Orders	Change order work is not being properly approved in advance	Med		Ensure that approval process is operating as intended	Coordinate with Engineers to review change order proposals, estimates and approval forms	Engineers	Test sample TBD	Memo	Senior Accountant	
	Scope Changes	Change order work should be included in base scope	High		Ensure that the scope of change order work is not already included in base scope.	Coordinate with TA Engineers to compare specifications between base scope work and change order work. Inspect job cost records, invoices and other supporting documentation for change order work to ensure that charges are being categorized correctly.	Engineers	Test Sample TBD	Memo	Senior Accountant	
	Lack of Support	Extra work (T&M) tickets are not being provided, are incomplete or are not submitted timely	Med		Make sure that all change order work is properly supported with T&M tickets	Trace extra work back to T&M tickets and other supporting documentation to ensure that the work is properly supported; review T&M tickets to ensure that they are being filled out in accordance with Agency guidelines		Test sample of T&M change orders or extra work that is to be negotiated at a later time.	Memo	Junior Accountant	
	Inflated Charges	Change order work includes inflated pricing or inappropriate markups	Med		Ensure pricing is in accordance with base scope work	Compare unit prices for labor, materials and equipment between base scope and change order work	Engineers	Test Sample TBD	Memo	Junior Accountant	
	Commingling	Change Order work is being billed to the wrong contract or billed to more than one contract	High		Ensure that there is no billing overlap between base scope work and change order work, and that contractor is not double billing for the same work.	Coordinate with TA Engineers to perform physical inspections of lump sum and extra work being performed. Compare TA findings based on physical observations to job cost records to ensure that costs are properly recorded and that costs are not being charged to more than one contract.	Engineers	Test Sample TBD	Memo	Senior Accountant / Jr. Accountant	
	Credit Change Orders	Credit change orders are not being reflected in contract value	Low		Ensure that credit change orders are being properly accounted for	Agree credit change orders between change order logs and requisitions	Engineers	Test sample TBD	Memo	Junior Accountant	
Charge Back Fraud		Charge backs are not being accounted for properly	Low		Ensure that charge backs are being properly accounted for	Verify that the subcontract value has been reduced for any change order credits or deducts.	Engineers	Test all major charge backs	Memo	Junior Accountant	
						Review sample of charge backs to the subcontractor for possible duplicate or inflated billings or other integrity issues.	Engineers	Test all major charge backs	Memo	Senior Accountant	
M/W/DBE Compliance	Participation Goals	M/W/DBE program goals are not being met.	Med		Ensure that contractual M/W/DBE program participation goals are being met.	Review contract terms and conditions regarding M/W/DBE participation goals and provisions.	Field Investigators	Test plan and compliance for all levels of subcontractors	Memo	Junior Accountant	

Integrity Risk Areas	Kind of Risk	Risk Detail	Significance of Risk (High, Med, Low)	Describe Existing Controls	Define Testing Objectives	Describe Testing Procedures	TA Coordination	Sample Size / Date Range	Reporting Format	Level of Responsibility	Budget
					Ensure that contractor is claiming proper M/W/DBE credit for suppliers.	Review M/W/DBE Participation Plan documents filed by the subcontractor and compare to status of actual contracts awarded and work performed/payments on the project.	Field Investigators		Memo	Junior Accountant	
	Unqualified or Fraudulent M/W/DBE Entities	Entities do not meet M/W/DBE criteria and/or have been fraudulently set up as a front to funnel work through.	Med		Ensure that subcontractors being reported as M/W/DBE firms have been pre-qualified by the owner, are actual entities and have a physical presence on the project.	Review participation plan documents and M/W/DBE certification forms. Perform field observations and test sample of transactions back to supporting documentation. Other procedures may include reviewing lower tier entity documentation, performing interviews with company personnel and performing physical observations of offices and places of business.	Field Investigators	Test plan and compliance for all levels of subcontractors	Memo	Junior Accountant	
Lien Releases		Proper lien release forms are not being provided by the subcontractors	High		Make sure that all lower-tier subcontractors are providing partial and final lien releases when accepting payment	Test sample of disbursements to determine whether the subcontractor and lower-tier subcontractors are providing lien releases		Test all second tier subcontractors	Memo	Junior Accountant	
		Lien release forms do not agree with disbursements to subcontractors	Low		Ensure that amounts on lien releases agree with actual payments	Test sample of disbursements and compare amounts paid to lien release forms		Test all second tier subcontractors	Memo	Junior Accountant	
Bribing of oversight personnel		Approval of inappropriate charges by CM/GC and/or its consultants	Med		Search for inappropriate charges that may have been approved and billed	Scan job cost detail reports for unusual or unsupported charges. Review disbursement records for cash transactions or unapproved vendors. Review field checking account for unusual transactions. Interview contractor regarding inappropriate activities on site.	Field Investigators	Test sample TBD	Memo	Senior Accountant	
Process Reviews	CM/GC Policies & Procedures	Internal Control Processes and Procedures in place are not being followed or are not sufficient to address financial risks.	High		Gain understanding of CM/GC and Agency internal financial and accounting controls processes related to the project.	Review policies and procedures manuals and meet with key personnel involved in the process. If necessary perform spot reviews of procedures in the field.		Understand process for each major CM/GC	Memo	Senior Accountant	
Unanticipated Projects											
TOTAL											

Sample Forensic Engineering Work Plan

Integrity Risk Area	Specific Risk	Objective	Procedure
Schedule	Owenr and CM schedule reporting	Identify inaccurate reporting in master schedule	Analysis of the master schedule using Primavera Site visits to compare observed progress with the latest schedule
	Monthly update reporting	Verify schedule narrative section of monthly update	Review monthly update reports for justification of delays or changes to schedule
	GC and Sub contractor schedules	Ensure sub contractors schedules are properly being incorporated into master schedule	Analysis of the subcontractor schedule using Primavera and comparison to master schedule Site visits to compare observed progress with the latest schedule
	Turnover Milestones	Ensure milestone dates for turnover of project areas to other stakeholders are accurate and reasonable	Analysis of the milestone dates using Primavera and comparison to agreement with other stakeholders Site visits to compare observed progress with the latest schedule
	Inaccurate reporting of percent complete	Identify inaccurate reporting to prevent frontloading	Review the latest CM and GC payment requisitions to ascertain whether completion percentages correspond to field observations
Budget	Lack of communication between Owner, CM and GCs	Ensure required meetings are being held to review requisitions	Attend payment requisition review meetings and site walkthroughs for review of pencil copy
	Substitution of sub contractors or labor force	Ensure GC uses subs that were proposed to perform work	CM and GC invoices properly supported and subcontractor invoices accurately reflected those trades that performed project work
	Package or project unit budget overruns	Ensure budget for specific work packages or project units align with estimates for work involved	Compare engineering estimates and contract awards to the budget allotted for specific work packages
	Budget reallocation	Ensure movement of money between packages and project units is explained and documented	Review monthly and quarterly budget reports and report on variances and the shifting of funds between the budget lines
	Contingency Spending	Ensure contingency funds are being used in proper manner and are supported and justified	Track project and contract contingency spending
	Cost Sharing	Ensure shared cost figures reported on cost sharing spreadsheet are accurate and supported by agreements	Track status of cost sharing spreadsheet and confirm agreements are in place with specified stakeholders
Change Orders	Unjustified change orders	Ensure change order is justified and properly supported	Review change order file and original contract scope to confirm justification
	Inflated change order cost	Check that price is reasonable	Check that the negotiated price aligns with established pricing, estimates and similar work performed on site if applicable
	T&M change orders	Ensure that change orders started as T&M do not continue past the pre determined percent complete before they are negotiated into a lump sum	Track T&M tickets for change orders and follow status of lump sum negotiation
	Schedule delays	Identify delays caused by change orders are properly incorporated into master schedule	Verify delays are shown in master schedule and check impact to project schedule
	Close Out	Verify work stated in the change order has been performed and was completed for the agreed upon budget	Perform site visit to verify work in place & verify total cost of work compared to estimate and budget
Commingling	Double billing	Ensure that companies/contractors working on several projects at the site are not billing the same labor/equipment/materials	Review requisitions and invoices from all projects a company/contractor is involved in
	T&M billing	Ensure that contractors/subcontractors with both lump sum and T&M work are not billing lump sum work as T&M	Spot review T&M tickets and compare to field observations
Quality Assurance/Quality Control	Material substitution	Ensure specified material are delivered and installed	Review contract specification and verify material in field
	Improper controlled inspection	Ensure specified controlled inspections are being performed	Review contract specification and verify inspections are being performed in field
	QA/QC procedures	Ensure proper QA/QC procedures are being followed	Review contract specific QA/QC plans and verify select procedures are being followed and properly documented
Lump Sum Contracts	Procurement	Verify proper procurement of subcontract	LS Contract procurement review
	Schedule	Verify status of schedule	Compare subcontractor baseline schedule to latest updates and to PA master schedule
	Billing	Ensure proper billing	Review of payment requisitions and compare to field observations and cost loaded schedules
	Change Orders	Review all change order for justification and determine status of current or planned change orders	Review change order file and original contract scope to confirm justification
	QA/QC	Ensure proper QA/QC procedures are being followed	Review contract specific QA/QC plans and verify all procedures are being followed and properly documented



330 West 42nd Street, 23rd Floor
New York, NY 10036

CONFIDENTIAL

TO: [AGENCY NAME] OFFICE OF INSPECTOR GENERAL
FROM: TA AUDIT
SUBJECT: T&M PROCEDURES REVIEW WORK PLAN
MATTER: [PROJECT NAME]
DATE:

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Thacher Associates ("TA") met with the Internal Audit Department of the [Agency] to coordinate work plans and discuss ways that TA can supplement the Internal Audit Department's work. During the meeting, several ideas were exchanged, but the most significant area where Internal Audit believes TA can provide value to the group would be to perform a review of procedures related to the approval and oversight of time and materials ("T&M") work, and to perform real-time monitoring of those procedures to ensure that daily reports and other documentation generated in the field are complete and accurate.

We discussed the above in a team meeting, during which the Office of Inspector General ("OIG"), requested that we provide them with a work plan summarizing our proposed procedures. The following work plan consists of two phases; an *Assessment Phase* and a *Monitoring Phase*. The Assessment Phase will consist of a review of written T&M procedures, in order to ascertain whether everyone has the same understanding of them in all material aspects and also to ascertain whether the procedures should be supplemented or augmented to address identified risks. The Monitoring Phase will consist of spot-monitoring compliance with the T&M procedures. After the initial assessment, we will provide the OIG with a memorandum summarizing our findings and recommendations. Based on the results of the assessment, TA and the OIG will then make a determination whether there is the need for a monitoring phase, or whether the procedures appear to be followed properly. This work plan outlines a complete procedural review, however, TA will leverage our understanding from work already performed in the execution of this work plan. Such leveraging has been accounted for as part of the estimated budgeted hours.

Assessment Phase

- 1.) Meet with key contractor personnel to gain a further understanding of how the formal written policies and procedures related to daily reports and T&M documentation are implemented and accounted for on a day-to-day basis;
- 2.) Select a sample of T&M files to determine if the documentation maintained is in line with what is required by the written policies and procedures, including:
 - Whether Daily Narratives are being completed by Superintendents in the field, and how often and timely they are completed (daily; same day?);
 - That the work performed relates to the [Project Name], and the pertinent information, as set forth in the policies and procedures, is included;
 - That a complete description of the work is included on the daily narrative, such as:
 - A. Work accomplished
 - B. Identification of major materials and equipment
 - C. The number of workers, trades and hours, including any subcontractors
 - D. Incidents/accidents
 - E. Delays or challenges encountered in the field
 - That the Daily Narrative is signed and dated by Superintendent and Supervisor on a daily basis;
 - That T&M tickets are signed, stamped, and dated by the Superintendent on the day the work was performed;
 - That T&M tickets include sufficient information to enable [Contractor Name] desk auditors (and [Agency] Internal Audit) to verify the workers (names, trades, rates and hours), equipment (descriptions, hours and rates) and materials used back to the contractors bills;
 - That the Superintendent is doing a comparison of the Narratives to T&M tickets on a daily basis;
- 3.) Review contractor desk audit procedures to determine whether the procedures being implemented are in line with the requirements in the contract with the [Agency], and that adequate documentation exists for T&M work;
- 4.) Prepare a report including preliminary findings and any recommendations to enhance the process.

Monitoring Phase

- 1.) Coordinate with TA Investigators to meet with the Superintendents in the field for each of the general contractors to determine if Daily Narratives and T&M tickets are being properly prepared and approved in the field in a timely manner;
- 2.) Ascertain the field superintendants view of the T&M process and any recommendations what would make it better from their perspective;
- 3.) Collect a sample of Daily Narratives and T&M tickets for each day observed and coordinate with Investigators to perform headcounts on those days;
- 4.) Prepare a field memo summarizing findings and observations in the field;
- 5.) Once requisitions and/or change orders are processed for the work observed, compare documentation obtained in the field to the final amounts billed.



330 West 42nd Street, 23rd Floor,
New York, NY 10036

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To: [Agency] Office of Inspector General
From: TA Audit
Date: January 13, 2014
Subject: [Contractor Name] Lump Sum Review
Matter:

Background

At the request of the [Agency], Office of Inspector General, Thacher Associates ("TA") performed a lump sum subcontract review of [Subcontractor]. Our review focused on the [Project Name] where [Subcontractor] is a subcontractor to [General Contractor] to furnish, deliver and install HVAC units and hydronic piping for the [Project].

[Subcontractor] was awarded a base contract valued at \$21,650,867, which was signed in June, 2008. Of the base contract amount, \$4,004,659 represented allowances and alternates that may not be used. During our office visit, [Subcontractor] provided us with the most recently approved requisition, Requisition 42 for the period ending September 31, 2013. As of that date, [Subcontractor] had twenty-six (26) approved change orders totaling \$3,043,309, which represented approximately 14% of the base contract, for a total adjusted contract value of \$24,694,176. In addition, TA noted that there were sixty-seven (67) pending change orders totaling approximately \$2.6 million. At the time of our office visit, work had been approved for payment in the amount of \$20,805,476 (84%), inclusive of approved change orders.

Procedures

TA conducted our review at [Subcontractor] headquarters in XXXX, NY, which included a review of various financial and project documents and interviews of the Vice President and Owner, [Name]; and Office Manager, [Name].

Documents reviewed on a spot basis included, but were not limited to, the contract; various financial reports; selected subcontractor and vendor invoices; certified payroll reports; timekeeping documentation; and other project-related documents.

Findings

In the course of performing our review, TA became aware of the following potential integrity and financial issues, which are described further below:

- Possible Misrepresentation of Payment and Performance Bond
- Incomplete job cost report provided to TA
- Procurement of M/WBE Subcontractors
- Site Security Badging Allowance
- Unused Allowances/Alternates
- Questionable Relationship with [Lower Tier Subcontractor]

Possible Misrepresentation of Payment and Performance Bond

Upon our initial review of the [Subcontractor] job cost report, TA noted a payment of \$XXX paid to [Vendor]. TA asked [Subcontractor] for the invoice, corresponding cancelled check, and any supporting documentation related to the costs. [Owner] stated that the payments to [Vendor] totaling \$XXX were related to the payment and performance bond. TA then requested a copy of the bond policy in addition to the cancelled check(s).

TA was provided the check stub for the \$XXX payment to [Vendor]. However, TA never received the invoice or any supporting documentation for this payment, and it does appear to be supported by any of the bonding information we were provided. The bond policy that was provided had a premium amount of \$XXX, based on an invoice provided by the broker [Broker Name]. However, the premium amount field on page one of the bond was left blank. The premium was paid in full, however, neither the premium amount nor the broker was reflected on the job cost report, which led us to the conclusion that the job cost report was incomplete (covered in more detail in the next section).

TA noted that the bond amount is included on the schedule of values at \$XXX, and the entire amount has been billed. This is \$200,000 more than what [Subcontractor] actually paid for the bond, based on the documentation we received. TA requested a copy of the bond from [General Contractor] to see if the bond policy provided to TA was also given to [General Contractor]. [General Contractor] produced the bond policy provided to them by [Subcontractor], and it was identical to the policy we were provided, including the missing premium amount.

Incomplete Job Cost Report

[Owner] did not want to provide TA with the project's job cost report arguing that nobody needed to see how much profit they make on a project. After a repeated back-and-forth, he eventually provided a job cost report. Upon review of the job cost report that was provided, TA believes it is an incomplete report for the following reasons:

- The bond amount of \$XXX is not included on the job cost report provided.
- Numerous lower-tier subcontractors were reflected as being paid more than they billed [Subcontractor] according to the job cost report:
 - [Several examples provided]

- In addition, numerous lower-tier subcontractors were reflected as being paid less than they billed [Subcontractor] according to the job cost report:
 - [Several examples provided]

Procurement of M/WBE Subcontractors

[Subcontractor] was required to achieve a goal of allocating 20% of project costs to M/WBE subcontractors. [Subcontractor] had a single M/WBE subcontractor, [M/WBE Subcontractor Name], working for them on the project. [M/WBE Subcontractor] has been paid a total of \$XXX, which represents approximately 4% of the project, which is significantly below the 20% contractual requirements. [Owner] was unaware of the M/WBE requirements when he spoke to TA. Upon review of [Subcontractor's] M/WBE Participation Plan, TA noted that they did not even seek credit for the use of [M/WBE Subcontractor] as an M/WBE. Furthermore, TA performed an online search of [M/WBE Subcontractor], and was unable to locate a company website.

Site Security Badging Allowance

TA noted that of the 20 allowances/alternates that totaled over \$4 million, only three allowances had been billed at the time of our review at a total cost of \$207,464. The 'Site Security Badging' allowance had been billed \$22,453 of a possible \$50,000. The Site Security Badging Allowance is intended to be used to reimburse payments to outside agencies required to obtain SWAC and site badges for this Contractor's personnel. The contractor may not charge any expended hours for lost time obtaining security badging against this allowance. All unused funds are to be returned to the Owner. All charges must be properly documented with backup receipts and shall be submitted as backup to the application for payment when reimbursement is requested.

TA requested and reviewed all supporting documentation for the charges applied to this line item. For approximately \$6,000 of site security badging costs, [Subcontractor] provided no supporting documentation at all to TA. For about \$5,000 of site security badging costs, [Subcontractor] provided credit card statements. However, the statements did not provide the names of the workers for whom the badge was requested, or the amount of the charge. TA observed that some of the dates and amounts reflected on the credit card statements overlapped the dates and amounts reflected on earlier requisitions, and could potentially represent double billings.

Unused Allowances/Alternates Amount

Of the remaining \$3,797,194 in Unused Allowances and Alternates, [Owner] said that he did not anticipate making any additional applications towards this amount, and that the [Agency] should plan to receive a credit for these unused funds. TA will continue to track the use of these funds, to ensure that the proper credit is issued at the end of the project.

Relationship with [Lower-Tier Subcontractor]

TA noted several red flags regarding the relationship between [Subcontractor] and [L/T Subcontractor]:

- [Owner] said that he had been a close long-time friend with [L/T Subcontractor's] owner, [Name], when the two of them initially considered submitting a bid to the [Project] as a Joint Venture.
- [Subcontractor] has no formal contractual relationship with [L/T Subcontractor]. Rather, the two owners' informally agreed that they would split the profit on the [Project] 50/50.
- [Subcontractor] did create a purchase order related to [L/T Subcontractor] to represent the labor portion of its overall bid price, but according to [Owner], this was done only to submit it to the bonding company, which required it for job-costing purposes.
- [L/T Subcontractor] guaranteed [Subcontractor's] bond and provided collateral.
- [Subcontractor] directly paid numerous invoices related to costs incurred by [L/T Subcontractor], including hundreds of thousands of dollars to Amex for purchases that [L/T Subcontractor] made.

As a result of these preliminary observations, [Agency]OIG approved and TA performed a follow-up review of [L/T Subcontractor].

Do Not Disclose or Distribute.



330 West 42nd Street, 23rd Floor
New York, NY 10036

CONFIDENTIAL

TO: [AGENCY] OFFICE OF INSPECTOR GENERAL
FROM: THACHER ASSOCIATES
SUBJECT: [SUBCONTRACTOR NAME] CHANGE ORDER REVIEW MEMO
MATTER: PROJECT NAME
DATE:

Over the last several months, Thacher Associates has raised concerns to the [Agency], Office of Inspector General ("OIG"), as it relates to [Subcontractor]. These concerns stemmed from findings and observations noted during our recent lump sum review of the company. In our report, dated XXX, we highlighted preliminary issues noted during a review of time and materials ("T&M") change orders, which led us to question whether certain material invoices were possibly being billed, in full or in part, more than once. In that memo, we recommended, and OIG approved, further analysis of [Subcontractor's] T&M tickets to determine the extent of the potential double billings. This memo addresses the additional examination of the change orders.

In our earlier memo, we noted a number of preliminary concerns based on a high level review of [Subcontractor] change order documents. Our two primary concerns were as follows:

1. We noted that material invoices were billed and paid in full, and that no materials were being documented on T&M tickets, only labor. Material invoices billed in full totaled \$105,224, including a 15% markup. Furthermore, some of these invoices appeared again as support for materials in later change orders.
2. We noted a total of 29 invoices which were provided numerous times (as many as 6 times) as support for materials on T&M tickets. It had not yet been determined whether this represented multiple billings of the same materials, or just portions of an invoice being split amongst many change orders.

As a first step to our additional procedures, we met with [Project Manager] of [General Contractor] and requested an updated listing of all [Subcontractor] T&M change orders, including who was responsible for payment; the [Agency] or the GC.

[Project Manager] provided us with a schedule which detailed all T&M change orders; broken down by number, and who was responsible for payment. The total amount of change orders invoiced on the schedule was approximately \$4.8 million. Of this amount, approximately \$1.6 million was payable by [General Contractor] and the remaining \$3.2 million was payable by the [Agency].

Regarding item #2, our first step was to identify the total population of material invoices which were included as support for change orders more than once. We determined that there were a total of 96 material invoices, totaling \$188,415 that were submitted more than once as supporting documentation for materials billed in change orders. Next, because of the large volume of materials on the above invoices, we selected a sample of the materials for detailed testing. Starting with the first invoice, we scheduled out the materials utilized on the T&M tickets through the multiple change orders in which the invoice appeared, until such time that all the materials purchased were exhausted. In instances where the materials continued to be billed beyond the quantities listed on the invoice, and no new invoice was provided, we listed those items as being double billed.

Our overall findings are summarized below:

- Of the \$188,415 worth of material invoices which were included in multiple change order packages, we tested \$63,460, or approximately 1/3 of the dollar value of the materials. Including markups, the amount billed for these materials was \$75,153. We found that:
 - \$7,074 was billed in excess of what was supported by invoices (including markups). This represents an overcharge of 9.41%.
 - Of this, \$5,836 was billed to the [Agency] and \$1,238 was billed to the GC.
- When these findings are extrapolated over the total population of \$188,415, the result is an estimated \$21,002 of potential overcharges, including markups. Using the same ratios as the sample, this would break out to \$17,327 to the [Agency] and \$3,675 to the GC.

Our further testing supports that [Subcontractor] has, in fact, double billed the [Agency] and the GC for materials.



330 West 42nd Street, 23rd Floor
New York, NY 10036

CONFIDENTIAL

TO: CLIENT
FROM: ENGINEERING
SUBJECT: SUBCONTRACTOR A
DATE: MARCH 28, 2014

1. INTRODUCTION

In conjunction with the engineering site activity report dated March 26th, 2014, TA is issuing the following memo regarding potential overcharges and misrepresentations by Subcontractor A.

General Contractor 1 has a subcontract with Subcontractor A for the furnishing of services related to concrete drilling, sawing and scanning. The contract consists of daily and overtime rates as follows:

Type	Rate/Day
Core Drilling (Laborer)	\$1,700.00
Core Drilling (Plumber)	\$2,300.00
Saw Cutting	\$1,900.00
GPR Scanning	\$1,900.00
Type - Overtime	Rate/Hour
Core Drilling (Laborer)	\$400.00
Core Drilling (Plumber)	\$512.50
GPR Scanning (Laborer)	\$437.50

The drilling and sawing rates are derived using 2-man crews and all necessary equipment to perform the work. The rates were determined to be reasonable by Construction Manager X as they were consistent with rates that were previously negotiated for similar work.

The hourly wage rates used by Construction Manager X to audit the charges are as follows:

Local Union A Laborers - \$87.45
Local Union B Plumbers - \$130.07
Local Union C Masons - \$98.32

The work was billed against an \$800,000 allowance in General Contractor 1's contract. The work was tracked using extra work tickets and the total billed to date is \$140,816.93 (inclusive of a 5% markup for overhead and profit for General Contractor 1). This review has identified several areas of concern.

2. FINDINGS

Overbilling for labor rates

While Construction Manager X deemed the above crew-day rates reasonable on the basis of previously negotiated labor rates, based on interviews performed by Thacher of the workers, there is a significant discrepancy. As identified in the March 26th activity report, Jim Smith and John Doe, who typically make up the drilling crew, were identified by their union cards as working for a division of Local B Plumbers called "Mechanical Equipment Service (MES)".¹ As compared with the plumber rate used by Construction Manager X at \$130.07 for the total package, an MES plumber according to the New York State prevailing wage schedule earns wages and benefits that total \$60.64. The difference per hour between the two wages is \$69.43. On a typical 8 hour day, as Construction Manager X uses in their breakdown spreadsheet, the total discrepancy for a two man crew per day is \$1,110.88.

As noted above, there is a separate drilling rate when work is performed by laborers. For this trade classification, the rate approved by Construction Manager X is equivalent to \$87.45. For days that the laborer's crew rate was utilized, Smith and Doe are listed on the tickets as belonging to Local Union A. However, as per their union affiliation, the two men are still MES plumbers and the discrepancy between laborers wages and MES wages for a two man crew per day is \$428.96.

Overbilling with respect to crew rates for scanning

In Subcontractor A's subcontract with General Contractor 1 it is clear as to what is included in the daily rate for drilling. However, this is not the case for scanning. Considering that the daily rate for drilling and scanning are similar and that two men are utilized when drilling, it is reasonable to assume that scanning also includes a two man crew. Based on the extra work tickets reviewed, only one worker is utilized when scanning is performed. Therefore, it is Thacher's position that General Contractor 1 is overcharging the Client when it provides only one worker at the approved daily rate. Thacher has not yet interviewed the scanning technician, but assuming that his wages are in line with Construction Manager X's rate (\$98.32 per hour), the discrepancy in wages per day for an eight hour day is \$786.56.

Overbilling for overtime labor

Considering that Construction Manager X calculates labor rates for an eight hour day in their analysis, the crew day rate should be inclusive of an 8 hour shift as well. In addition, a typical

¹ After conferring with a Local D union representative over the phone, core drilling is within the jurisdiction of Mechanical Equipment Service Plumbers.

day for MES plumbers, as according to the New York City Comptroller's prevailing wage schedule, is 8 hours. However, on multiple occasions, Subcontractor A has billed for an hour of overtime on the tickets when 8 hours of work is performed. This discrepancy for an additional hour of overtime on affected tickets results in a total value of approximately \$12,000. It is noteworthy to mention that this practice of billing for overtime stopped after the July 18th, 2013 extra work ticket even though the same 8 hours typically appears on tickets thereafter.

Prevailing wage Misrepresentations

Even though Jim Smith and John Doe are both members of the Local D Plumbers Union, it is not uncommon for Subcontractor A to represent them as Laborers both on the certified payroll reports as well as on extra work tickets, when the work requires such trade labor. It is possible that these misrepresentations allow the contractor to avoid bringing on additional labor and also lower their costs.

3. SUMMARY

In addition to the above analysis, it had been pointed out in the March 26th activity report that Jim Smith is a salaried Subcontractor A employee with the title of sales manager. In speaking with a union representative from Local B, it was also determined that Smith's classification within the union was as a "helper." Both of these facts may contribute to larger savings than indicated above.

In coordination with audit and pending receipt of financial documents and payroll reports, the following is a rough estimate of a potential credit back to the Client due to the overcharging schemes listed above:

Billing Category	Approximate Savings
Drilling (Laborers)	\$428.96/day x 40 days = \$3,000
Drilling (Plumbers)	\$1,110.88/day x 43 days = \$14,000
Scanning	\$706.56/day x 31 days = \$8,000
Overtime	\$12,000
TOTAL	\$98,830



CONFIDENTIAL

MEMORANDUM

To: Agency Name
From: Thacher Associates Integrity Monitoring Team
Re: Hurricane Sandy – Change Order Integrity Monitoring Review Work Plan
Date: February 5, 2014

Hurricane Sandy Change Order Integrity Monitoring Review Work Plan

As requested, we set forth below a work plan for reviewing Hurricane sandy change orders. This version includes the changes that we discussed and agreed to on February 4, 2014.

As of mid-January 2014, costs (direct, adjustments, claims & other) related to Hurricane Sandy change order work (including both lump sum and T&M) for clean-up and recovery¹, for the following TA monitored projects, was estimated at over \$564 million, as follows:

- Project 1: \$425,847,191
- Project 2: \$27,427,342
- Project 3: \$93,440,871
- Project 4: \$17,794,117

Through Claim Release #4, prepared in mid-January 2014 for approval, the following amounts have been approved by the [Agency] for submittal to the insurers, representing change orders for work that has been completed to date:

- Project 1: \$70.8 Million
- Project 2: \$2.4 Million
- Project 3: \$14.8 Million
- Project 4: \$2.6 Million

¹ This work plan provides for the review of a sample of Hurricane Sandy clean-up and recovery change orders, but not the planned measures for resiliency or the remediation of long-term effects of salt exposure. While the need for integrity monitoring of resiliency and remediation work is at least the same as the need for integrity monitoring of the clean-up and recovery work, the process of identifying the resiliency and remediation work to be done, estimating costs, and awarding contracts is not sufficiently advanced for us to create an integrity monitoring work plan. Once there is more progress in these activities, we will have the information necessary to create a focused work plan for integrity monitoring of the resiliency and remediation work to be done.



Reviewing the ROM estimate of Hurricane Sandy Costs related to TA's projects showed that a significant amount of dollars are included in the category of "Adjustments, Claims and Other". Many of those costs have not been realized yet so TA's review will initially focus mostly if not exclusively on the direct costs related to the clean-up and recovery from the damage caused by Sandy.

Prior to initiating work, and throughout our performance of the following tasks, TA will coordinate with [Agency] Internal Audit to determine what is being done to audit Hurricane Sandy costs and billings, so as to coordinate and not duplicate efforts. Our proposal includes performing spot reviews of Hurricane Sandy change orders across the four aforementioned projects in an attempt to identify and/or mitigate the following integrity concerns:

Objectives:

1. To ensure that established change order procedures are being followed, and not circumvented.
2. To ensure that the scope of change order work is not already included in base scope work
3. To ensure that all time and materials change order work is properly supported.
4. To ensure that pricing is fair and reasonable,
5. To ensure that contractors are not submitting duplicate insurance claims, or submitting claims for contractor owned equipment,
6. To ensure that costs for items such as commissioning and testing are reimbursed appropriately.
7. To ensure that contractors working on multiple projects or contracts are not double billing.

Procedures:

1. Spot check selected change order files to determine whether all required supporting documentation is included, such as change order proposals, estimates, negotiations and approvals.
2. Compare specifications between base scope work and change order work and spot check work descriptions on T&M tickets, invoices and other supporting documentation to ensure that the charges are being categorized correctly.
3. Spot check T&M tickets and Sign In/Sign Out sheets to ensure that they are being filled out in accordance with established [Agency] guidelines.
4. Compare unit prices for labor, materials and equipment between base scope and change order work, and obtain explanations for any large variances.



5. TA will review the master [Agency] insurance claim to identify contractors who have submitted claims to the [Agency]. TA will follow up with selected contractors with significant claims to ensure that no duplication has occurred.
6. TA will review change orders for costs associated with start up and commissioning to determine if said costs were previously billed or being wrongly shifted from the base contract to the change order if not previously billed.
7. TA will pay special attention to contractors who are working across multiple projects/contracts at the same time to analyze the documentation supporting labor or material costs for possible duplicate billings.

TA's monthly budget for the review of Hurricane Sandy change orders on the above four projects is set forth below. In order to ensure that we maximize the amount of coverage on each project, and at the same time address potential integrity risks, our selection of change orders on each project will be based on a combination of materiality (focusing on larger change orders), and judgment (those where preliminary red flags are noted or where the potential for fraud is deemed greater). We anticipate that during the first two months of work pursuant to this work plan, we will develop information about these factors that will enable us to create a list of priority targets, which we can then review with [Agency].

It is anticipated that the monthly budget will be allocated approximately as follows:

Monthly Staffing Plan – Integrity Monitoring/ Review of Hurricane Sandy Change Orders			
	Hourly Rate	Hours	Total
Principal/ Project Manager	\$XXX	XX	\$X,XXX
Senior Forensic Investigative Audit Specialist	\$XXX	XX	\$X,XXX
Senior Forensic Auditor	\$XXX	XX	\$X,XXX
Staff Forensic Auditor	\$XXX	XX	\$X,XXX
Supervisory Forensic Engineer	\$XXX	XX	\$X,XXX
Engineer Auditor	\$XXX	XX	\$X,XXX
Project Administrator	\$XX	XX	\$XXX
TOTAL		XXX	\$XX,XXX

RECOVERING FROM HURRICANE SANDY PROCESS FOR DOCUMENTING DEWATERING, CLEAN-UP AND RESTORATION

1. Project Clean-up Issues
 - a. Emergency clean-up, schedule pressures, public-minded workers and contractors trying to get the job done.
 - b. Cost recovery problems – FEMA and insurance disallowances
 - i. Lack of transparency
 - ii. Insufficient documentation
 - iii. Disputed labor rates
 - iv. Disputed equipment rates
2. Cost Recovery on Projects – documenting the process and implementing best practices
 - a. Creating controls that are transparent and auditable
 - i. If it isn't documented (as described below) and auditable, it didn't happen
 - ii. If it didn't happen, no payment
 - b. Trade contractor responsibilities – all contractors at all tiers
 - i. Prepare and submit separate invoices for dewatering, clean-up and restoration work. Such invoices should include a separate detailed cost summary sheet for each of the three major categories of costs (labor, equipment and materials) totaling to the amount currently being billed for each category, including any applicable markups.
 1. The detailed cost summary sheet for labor should include payroll week ending dates, names and gross pay amount.
 2. The detailed cost summary sheet for equipment should include equipment descriptions, date range billed and amounts.
 3. The detailed cost summary sheet for material should include invoice number, supplier name, material description and amount.
 - ii. Provide supporting documentation for invoices in each of the three categories, including:
 1. Labor costs: daily approved labor sign in/ sign out sheets and daily T&M tickets (see next section), including all required information; certified payroll reports supporting the labor; payroll registers supporting the labor; gross labor rate buildup sheets for each category of labor being billed;
 2. Equipment costs: detailed inventory listing of all equipment being utilized by the contractor, including serial numbers; list of monthly rates being billed, as per the Blue Book or other written approved rate; daily approved equipment activity logs including detailed descriptions of the equipment being used, its activity and its current status (active, idle, standby); summary of billings for owned equipment; supporting invoices and delivery tickets for rented equipment.

3. Material costs: detailed inventory listing of all materials being utilized or stored by the contractor; daily materials utilization logs including detailed descriptions and quantities of the materials used; and supporting vendor and supplier invoices along with delivery tickets.
4. Damaged equipment and material: detailed inventory listing of all equipment or materials damaged by Hurricane Sandy or may become damaged as part of the dewatering, clean-up and restoration.

iii. Keep legible, accurate and complete T&M tickets that separately set forth the dewatering, clean-up and restoration work so as to avoid including lump sum contract labor on the ticket.

1. Each contractor's foreman to maintain a sign-in/sign-out sheet using the approved [Agency] form, as supporting documentation for T&M tickets.
2. Each contractor's foreman to keep a daily progress, equipment and material report using the approved [Agency] form, as supporting documentation for T&M tickets.

c. CM responsibilities

- i. For construction management of dewatering, clean-up and restoration work and other self-performed work, separate invoices and accurate T&M tickets with back-up, including sign-in/sign-out sheet using the approved [Agency] form; equipment and material logs – same as trade contractors
- ii. Serve as central repository for all documentation of dewatering, clean-up and restoration work, including T&M tickets and supporting documentation, to facilitate inspection and auditing
- iii. Provide real-time oversight of contractors' documentation of dewatering, clean-up and restoration work – including two documented inspections per shift and counter-signing the T&M tickets.
- iv. Where not already covered by contract, negotiate with contractors the rates for labor and equipment, blue book rate or other written approved rate.
- v. Create an inventory of equipment at the site prior to the hurricane so that we know what equipment is brought on site afterwards and so the [Agency] is not billed for equipment not on site.
- vi. Keep a written log, including serial number, and photograph equipment and materials as they enter and leave the site.
- vii. Assess both immediate damages and potential long-term consequential damage, using independent third-party assessors where appropriate, and document the need for emergency repairs
- viii. Keep a written log, including serial number, and photograph damaged equipment and materials as they leave the site.
- ix. Monitor and document disposal of damaged equipment and materials so that toxic, hazardous and contaminated materials are properly disposed of.
- x. Meet with and document notification to all contractors at all tiers on the rules and controls that will be employed during this effort.

d. [Agency] initiatives

- i. [Agency] to meet with FEMA as early as possible to understand what documentation they will require for reimbursement.
- ii. [Agency] to establish cost coding system
- iii. Safety & Environmental Unit oversight
- iv. Request Internal Audit review of T&M reqs
- v. Integrity Monitors to monitor implementation of internal controls
 1. Monitor processes put in place to prevent waste, fraud, and abuse.
 2. Monitor compliance with T&M procedures.
 3. Periodic head counts
 4. Spot check/ interviews of workers
 5. Real-time spot-checks of equipment, materials, deliveries, damaged items, treatment of environmental hazards
 6. Support for and coordination with Internal Audit



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Cost Proposal

In accordance with the terms of RFP No. 14-033, Thacher Associates' cost proposal and related attachments are submitted in a separate volume.



Proposal for RFP No. 14-033

New Jersey Transit Superstorm Sandy Recovery and Resiliency Program

Integrity Oversight Monitoring Services

Volume B – Cost Proposal

Table of Contents
NJ Transit RFP #14-033
Volume B – Cost Proposal

<u>Section</u>		<u>Page</u>
1	Cost Proposal	1
2	Financial Statements	3
3	Thacher Associates, LLC – Certifications	19
	Acknowledgement of Receipt of Addenda	
	DBE Forms and Affidavits	
	Non-Collusion Affidavit	
	Ineligible Contractors Certificate	
	Affidavit of Compliance	
	Certificate of Grants, Loans & Cooperative Agreements	
	Business Registration Certificate	
	Source Disclosure Agreement	
	Ownership Disclosure Agreement	
	State of New Jersey – Disclosure of Investment Activities in Iran	
4	Withum, Smith & Brown – Certifications	38
	Business Registration Certificate	
	Peer Review Report	
5	Crescent Consulting – Certifications	40
6	Talson – Certifications	42
7	Exceptions to Professional Services Agreement	48

Cost Proposal

1. Our cost proposal for the three (3) year base period based upon the estimated number of hours provided by New Jersey Transit in Attachment C of RFP No. 14-033 is \$12,968,500.
2. Our fully-loaded rates will remain constant through the initial three (3) year base period.
3. Our rates for the first two-year option period will increase 5% from our third year rates. Our rates for the second two-year option period will increase 5% from our first two-year option period rates.
4. As Thacher Associates and our partners are located in the regional area, we will not charge for the Travel Allowances provided for the initial three (3) year base period, thereby saving New Jersey Transit a potential \$380,000 in travel allowances.

Staffing Category	Year 1			Year 2			Year 3		
	Estimated Staff Hours	Rates	Cost	Estimated Staff Hours	Rates	Cost	Estimated Staff Hours	Rates	Cost
Partner / Principal / Director	200	\$ 300.00	\$ 60,000.00	200	\$ 300.00	\$ 60,000.00	200	\$ 300.00	\$ 60,000.00
Program Manager / Project Manager	1,800	\$ 250.00	\$ 450,000.00	2,700	\$ 250.00	\$ 675,000.00	3,600	\$ 250.00	\$ 900,000.00
Subject Matter Expert	3,600	\$ 200.00	\$ 720,000.00	4,000	\$ 200.00	\$ 800,000.00	5,500	\$ 200.00	\$ 1,100,000.00
Supervisor / Senior Consultant	3,600	\$ 160.00	\$ 576,000.00	6,000	\$ 160.00	\$ 960,000.00	8,500	\$ 160.00	\$ 1,360,000.00
Consultant / Associate / Staff	7,200	\$ 137.50	\$ 990,000.00	12,000	\$ 137.50	\$ 1,650,000.00	17,000	\$ 137.50	\$ 2,337,500.00
Administrative Support	1,800	\$ 50.00	\$ 90,000.00	1,800	\$ 50.00	\$ 90,000.00	1,800	\$ 50.00	\$ 90,000.00
Total	18,200		\$ 2,886,000.00	26,700		\$ 4,235,000.00	36,600		\$ 5,847,500.00

TOTAL COSTS YEARS 1-3 \$ 12,968,500.00

Travel Allowances for all contract for all Consultants are as follows:

Year 1:	\$	75,000
Year 2:	\$	130,000
Year 3:	\$	175,000
Total:	\$	380,000

Staff Certifications

Name	Certified Fraud Examiner	Certified Forensic Accountant	OSHA- 10 or 30 hr	LEED	Amtrak Training	NYC TRANSIT TRACK TRAINING	LIRR Track Training	MTA Training	4 hr- Scaffolding Training	Certified Construction Auditor	CPA	Notary	Certified Anti-Money Laundering Specialist	Law Degrees	SWAC	ACI Concrete Field Testing Technician	NYC DOB Licensed Site Safety Manager	Primavera P6 Project Management	Certified Ethics and compliance officer	(CFI) Certified Forensic Interviewer	Real Estate Broker	NYCTA Track Safety Cert.	Path Track Safety Training	NYS Dept. of State Private Investigator	NJ Private Investigator License	New Jersey State Police
Aronchick, Martin			04/11/2009 - valid											06/01/1977 - valid												
Breslin, Bradley														01/19/09 - valid till 12/31/2019												
Jim Bush			Issued 9-13				Issued 06-13								Expires 2/21/14											
Casado, Kenneth	Valid through 1/11/2014		Valid through 12/31/2012		Valid through 05/14/2013	Valid through 05/15/2013	Valid through 02/05/2013	Valid through 02/05/13	Valid through 05/15/2013						Valid through 04/08/2013			No Expiration								
Casado, Stephanie														PA & NJ - valid 2007 - MD and SC - 12-2013												
Carrano, Michael			Valid through 4/2/2016						Valid through 4/09/17																	
Cecare, Bob	04/11/13 - valid									01-05-2008 - valid																
Chang, Sherry															1/2013 - valid											
D'Amello Vincent											Valid															
DeFoe, Barry	5/2/03 - valid		12/1/08 - valid												Valid through 07/07/2013											
DeLuca Joe																									Valid	
Duggan, Mark			11/20/2011 - valid			Valid through 08/2/2013			05/11/2013 - valid						12/31/2013 - valid								Valid through 01/16/2015	Valid		
Fattah, Sarah	1/2014 - valid														Valid through 01/15/14											
Frech, Gerard			7/1/2008									8-07/2011		10/9/1990												
Iemalgedi, Besmira			05/19/12 - valid						04/05/2013 - Valid																	
Kassa, Dan															Valid through 02/21/13											
LaRock, Philippe																									Valid through 2015	Valid through 2015
Lee, Dyana			4/15/2009 - valid												4/1/09 - valid	Valid through 04/15/2013										
Leith, Rod			No Expiration		Valid through 08/11/13				Valid through 10/01/2013																	
Letfaj, Arben																										
Mexhitaj, Urdi			11/20/11 - 11/20/13		Valid through 4/5/14		Valid through 3/1/2014		Valid through 4/5/17						Valid through 5/28/16											
McAllister, Patrick			04/08/14 - valid		04/02/13 - valid				Valid through 11/28/15						Valid through 10/28/15							Valid Through 10/15	Valid Through 01/16/15			
Murphy, Jim	11/17/10 - 11/15/13		Valid through 2012	No Expiration			Valid through 2014	Valid through 2013							Valid through 3/30/16	Valid through 4/2/13	Valid through 2015	0								
Normoyle, Michael			Valid through 2015						Valid through 02/17						Valid through 02/24/2016											Valid
Paul, Matthew	04/2/09 - valid														Valid through 02/26/14									P11000098216 exp 11/23/2014		
Palummiert, Eric			04/28/13 - valid						04/22/14 - valid						Valid through 1/23/16											
Pistoli, Rudin			12/02/11 - 12/01/14		04/10/13 - valid			8/11/11 - 8/9/13	8/11/11 - 8/9/13						11/6/10 - 11/2/13											
Pitts, Jonathan	11/10/2011 - valid														06/21/2012 - 05/15/2013											
Prather, Chris					Valid through 10/11/2013			02/04/2014 - valid						08/1/11 - valid												
Richmond, Liam																										
Rodriguez, Erica															Valid through 04/15/2015											
Rogers, William												08/1993 - valid		1994 - valid												
Ryan, Paul			05/05/2011 - valid		02/24/2011 - 10/14/2012		04/01/2014 - 10/15/2015					05/2014 - valid		10/2007 - valid												
Shytt, Iiven			6/1/2008-6-04/2013		Valid through 01/22/2014				4/1/2014 - 04/04/2017																	
Sanchez, Jennifer												Valid through - 03/10														
Thacher, Thomas II												Valid		Valid							Valid			ID 11000080614 valid through 11/16/14	License 8318 valid through 11/16/14	
Toriente, Gene			Valid through 04/21/14				Valid through 12/14/2013	Valid through 1/2/2014	Valid through 3/10/2014																	
Vermulen, Rich	6/1/2004 - valid	1/2/2014 - valid			Valid through 11/06/2013		Valid through 10/14/2013				No 10/10/2010 - 04/06/2012				Valid through 4/15/2013											
Vetter, Louis	Valid										No NY-Valid															
Wu, Shirley	01/2011 - valid		10/2009 - valid	04/2009 - valid					04/2010 - valid						07/2011 - valid											
Jose Velazquez	4/2004 - valid										No 11/2012/2009															

TAThacher Associates

A Subsidiary of K2 Intelligence, Inc.

In order to achieve New Jersey Transit's goal of 10% DBE participation for subconsultant work for this Project, Thacher intends to partner with Talson Solutions, LLC and Crescent Consulting. Talson is a certified DBE by the Southeastern Pennsylvania Transportation Authority (a Certifying Partner in the Commonwealth of Pennsylvania Unified Certification Program in Talson's home state), the Metropolitan Transportation Authority (a Certifying Partner in the New York State Unified Certification Program), and a certified Minority Business Enterprise (MBE) by the Port Authority of New York and New Jersey.

Talson has submitted its DBE certification file to New Jersey Transit for reciprocity certification. Attached (page 42) is a copy of Talson's correspondence with New Jersey Transit. Talson has advised that based upon discussions with L.A. Hernández, Manager of Certification & Outreach at New Jersey Transit, Talson's DBE certification will be expedited should his department's review not be completed prior to contract award.

In the event Talson is unable to achieve DBE status with New Jersey Transit, Crescent Consulting will fulfill the 10% goal. Crescent is a certified DBE under the New Jersey Unified Certification Program. Crescent's original Certification, as well as its current listing in the New Jersey BizNet UCP Directory is attached. Crescent has advised that they are currently in the process of renewing its certification and that Mr. Hernández has confirmed that Crescent remains certified during the renewal process.

MANDATORY FORM FOR BIDDER/PROPOSER/PRIME: COMPLETE ENTIRELY

FORM A (Fed)

First Tier DBE UTILIZATION - FORM A

Project Name: Integrity Oversight Monitoring ServicesNJ Transit Contract No: RFP No. 14-033Assigned DBE Goal %: 10% NJ Transit Procurement Specialist: N/AContract Value (\$): TBD

First Tier DBE must perform at least 51% of its subcontract value if subcontracting to a Second -Tier DBE or Non-DBE. Do not count Non-DBE portion toward the goal.

Name, Address and Telephone # of DBE Subcontractor/Subconsultant	Provide <u>Detailed</u> Scope of Work to be Performed (Identify all suppliers)	Dollar Value of Subcontract/Sub-consultant Work (\$) Awarded	Percentage of Subcontract Work (%)
Talson Solutions, LLC 215-592-9634 306 Market St., 4th Floor Philadelphia, PA 19106	Activities under Tasks E and F including construction auditing and the preparation and maintenance of fraud risk assessments.	TBD	7.5 %
Crescent Consulting 914-788-9244 2 Stowe Road, Suite 3A Peekskill, NY 10566	Activities under Task C including performing background checks, performing investigations, and reviewing documents for accuracy and honesty.	TBD	2.5 %
			%
			%
			%
For DBE suppliers, show original subcontract value multiplied by 60% (\$2,000*60%=\$1200). For DBE portion of work, subtract Non-DBE portion of work from original subcontract value.	TOTALS	\$ TBD	10 %

The undersigned will enter into a formal agreement with the DBE(s) listed in this schedule conditioned upon execution of a contract with NJ TRANSIT for the above referenced project. The undersigned understands that removal/replacement of the DBE(s) listed is **NOT PERMISSIBLE** for any reason (pre or post-award), without submitting a written request to the Office of Business Development and receiving **WRITTEN APPROVAL** from the Office of Business Development. Failure to obtain written approval shall result in the breach of contract and subject to corrective action to be determined by NJ TRANSIT.

Company Name: Thacher Associates, LLCCompany Address: 330 W. 42nd St., 23rd Floor, NY, NY 10036Federal Tax ID #: Company Tel #: 212-845-7500Authorized Signature: Joseph A. DeLucaPrint Name: Joseph A. DeLucaTitle: PresidentPrime Contractor's DBE Liaison Officer: Stephanie K. Casado, Esq.Date Signed: April 1, 2014

21

To Add Subs Use Additional Forms

NJ Transit Form A rev Sept 2010

BIDDER SOLICITATION & CONTRACTOR INFORMATION - FORM A1

NJT Contract No: RFP No. 14-033

Project Title: Integrity Oversight Monitoring Services

Prime Contractor: Thacher Associates, LLC

Telephone #: 212-845-7500

Date: April 1, 2014

Complete the information below for Bidder/Proposer/Prime(s) working on the project. Use Page 2 for all subcontractors/subconsultants participating on or solicited for this project.

	Bidder/Proposer/Prime	Bidder/Proposer/Prime	Bidder/Proposer/Prime
Company's Full Name	Thacher Associates, LLC		
Address	330 W. 42nd St., 23rd Floor		
City	New York		
Zip	10036		
County	New York		
Phone	212-845-7500		
Fax	212-845-7549		
E-mail	joe@thacherassociates.com		
Owner	K2 Intelligence, Inc.		
Date Established	11/16/1996		
Date Certified	N/A		
Ethnicity	N/A		
Gender	N/A		
Certification Status: DBE or Non-DBE	Non-DBE		
Federal Tax ID # / SSN #			
Annual Gross Receipts: A - Less than \$500K B - \$500K to \$1M C - \$1M to \$2M D - \$2M to \$5M E - \$5M and over Indicate the letter that applies	E		
Primary NAICS Code:	541611		

BIDDER SOLICITATION & CONTRACTOR INFORMATION - FORM A1

NJT Contract No: RFP No. 14-033

Prime Contractor: Thacher Associates

Date: April 01, 2014

Project Title: Integrity Oversight Monitoring Services

Telephone #: 212-845-7500

Complete the information below for "all" subcontractors/subconsultants solicited for or participating on this project.

	Subcontractor/Subconsultant	Subcontractor/Subconsultant	Subcontractor/Subconsultant
Company's Full Name	WithumSmith+Brown, PC, Certified Public Accountants and Consultants	Talson Solutions, LLC	Crescent Consulting Associates, Inc.
Address	1 Spring Street	306 Market Street, 4th Floor	2 Stowe Road, Suite 3A
City	New Brunswick	Philadelphia	Peekskill
Zip	08901	19106	10566
County	Middlesex	Philadelphia	Westchester
Phone	Project Leader: 215-546-2140	215-592-9634	914-788-9244
Fax	Project Leader: 267-238-1423	215-592-9636	914-788-9214
E-mail	rcohen@withum.com	rbright@talsonsolutions.com	rdefreitas@crescentconsult.com
Owner	N/A	Robert S. Bright	Rohan DeFreitas/Luis Segarra
Date Established	March 21, 1974	May 18, 2001	2001
Date Certified	N/A	Pending; April 2014 Expected	DBE Certified 2005
Ethnicity	N/A	African American	African American/Hispanic
Gender	N/A	Male	Male/Male
Certification Status: DBE or Non-DBE	Non-DBE	Pending DBE	DBE
Federal Tax ID # / SSN #			
Annual Gross Receipts: A - Less than \$500K B - \$500K to \$1M C - \$1M to \$2M D - \$2M to \$5M E - \$5M and over indicate the letter that applies	E.	D.	D.
Primary NAICS Code:	541211	541611	8742

BIDDER SOLICITATION & CONTRACTOR INFORMATION - FORM A1

NJT Contract No: RFP No. 14-033

Prime Contractor: Thatcher Associates, LLC

Date: April 1, 2014

Project Title: Integrity Oversight Monitoring Services

Telephone #: 212-845-7500

Complete the information below for "all" subcontractors/subconsultants solicited for or participating on this project.

	Subcontractor/Subconsultant	Subcontractor/Subconsultant	Subcontractor/Subconsultant
Company's Full Name	Qwic, Inc.		
Address	313 East Broad St.		
City	Palmayra		
Zip	08065		
County	Burlington		
Phone	856-829-7942		
Fax	856-829-7996		
E-mail	nancymyers@qwicinc.com		
Owner	Nancy Myers		
Date Established	1996		
Date Certified	12/7/12		
Ethnicity	N/A		
Gender	Female		
Certification Status: DBE or Non-DBE	DBE		
Federal Tax ID # / SSN #			
Annual Gross Receipts: A - Less than \$500K B - \$500K to \$1M C - \$1M to \$2M D - \$2M to \$5M E - \$5M and over Indicate the letter that applies	C.		
Primary NAICS Code:	236210		

INTENT TO PERFORM AS A 1ST TIER DBE - FORM B

The Bidder/Proposer/Prime is prohibited from completing any portion of this form and directing the DBE to sign a blank form.

DIRECTIONS: DBE(s) listed on the Form A must complete all information on this form.

Thacher Associates

Name of Bidder/Proposer/Prime:

Crescent Consulting Associates, Inc.

Name of DBE Firm:

Project/Contract Name: Superstorm Sandy Recovery & Resiliency IFB/RFP Contract Number: RFP No. 14-033
Integrity Oversight Monitoring Services

Does the undersigned DBE (Answer Accordingly):

Intend to perform subcontract work in connection with the above mentioned project as a Joint Venture? Circle one. (Yes or No)

Intend to subcontract any portion of its scope of work to a DBE(s)?

Circle one. (Yes or No)

If yes, DBE Sub-Primes must complete and submit Form AA.

At what percent? _____%

Intend to subcontract any portion of its scope of work to a Non-DBE(s)?

Circle one. (Yes or No)

If yes, must complete and submit Form AA2.

At what percent? _____%

The undersigned will perform the following described work on the above-referenced project: *(Provide a detailed description of the type of work you will perform on your subcontract. Attach a copy of quote approved and signed by Bidder (optional)).*

Task C: Conducting Background Checks, Reviews of Documents and Investigations.

Review of certified payrolls submitted by vendors for honesty and accuracy; Investigations including interviews, site visits, surveillances, field activities and head counts for the prevention and detection of violations, fraudulent and/or illegal acts, etc.

Dollar Value of DBE Subcontract: \$ 2.5%

Total Quantity/Units (if applicable):

Per Unit Cost (if applicable): \$ _____

The undersigned based the above scope of work and subcontract value on detailed project specs received from the Bidder contractor named above. Circle one. (Yes or No)

The Prime Contractor projected the following commencement and completion date for such work as follows:

DBE Contract Start Date: To be determined DBE Contract Completion Date To be determined

The undersigned DBE will enter into a formal agreement for the above work with the Prime Contractor conditioned upon execution of a contract with NJ TRANSIT. As a DBE subcontractor, I will cooperate with the certification, compliance and monitoring process set forth by NJ TRANSIT. I attest that I will perform at least 51% of my subcontract with my own workforce for the referenced project.

Signature of 1st Tier DBE

Date

Principal

Title

Rohan DeFreitas

Print Name

914-788-9244

Telephone #:

Failure to adhere to these instructions or the falsification of any information on this form shall result in breach of contract and subject to the appropriate penalties to be determined by NJ TRANSIT.

INTENT TO PERFORM AS A 1st TIER DBE – FORM B

The Bidder/Proposer/Prime is prohibited from completing any portion of this form and directing the DBE to sign a blank form.

DIRECTIONS: DBE(s) listed on the Form A must complete all information on this form.

Thacher Associates, LLC

Name of Bidder/Proposer/Prime:

Talson Solutions, LLC

Name of DBE Firm:

Project/Contract Name: Superstorm Sandy Recovery and Resiliency Integrity Monitoring Services.

IFB/RFP Contract Number: 14-033

Does the undersigned DBE (Answer Accordingly):

Intend to perform subcontract work in connection with the above-mentioned project as a Joint Venture? Circle one. (Yes or No)

Intend to subcontract any portion of its scope of work to a DBE(s)?
If yes, DBE Sub-Primes must complete and submit Form AA.

Circle one. (Yes or No)
At what percent? _____ %

Intend to subcontract any portion of its scope of work to a Non-DBE(s)?
If yes, must complete and submit Form AA2.

Circle one. (Yes or No)
At what percent? _____ %

The undersigned will perform the following described work on the above-referenced project: (Provide a detailed description of the type of work you will perform on your subcontract. Attach a copy of quote approved and signed by Bidder (optional)).

Talson Solutions, LLC will provide construction audit services including construction contract audits, federal grant compliance, and fraud risk assessments.

Dollar Value of DBE Subcontract: % 7.5 of Cost Proposal

Total Quantity/Units (if applicable): _____ Per Unit Cost (if applicable): \$ _____

The undersigned based the above scope of work and subcontract value on detailed project specs received from the Bidder contractor named above. Circle one. (Yes or No)

The Prime Contractor projected the following commencement and completion date for such work as follows:

DBE Contract Start Date: TBD DBE Contract Completion Date TBD

The undersigned DBE will enter into a formal agreement for the above work with the Prime Contractor conditioned upon execution of a contract with NJ TRANSIT. As a DBE subcontractor, I will cooperate with the certification, compliance and monitoring process set forth by NJ TRANSIT. I attest that I will perform at least 51% of my subcontract with my own workforce for the referenced project.

[Signature]
Signature of 1st Tier DBE

09/11/14
Date

President

Title

Talson Solutions, LLC

Print Name

215-592-9634

Telephone #:

failure to adhere to these instructions or the falsification of any information on this form shall result in breach of contract and subject to the appropriate penalties to be determined by NJ TRANSIT.

NON-COLLUSION AFFIDAVIT

STATE OF NEW YORK

ss:

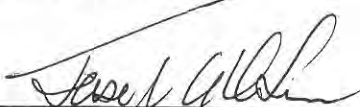
COUNTY OF NEW YORK

I, Joseph A. DeLuca of the City of New York
in the County of New York and the State of New York
of full age, being duly sworn according to law on my oath depose and say that:

I am President
of the firm of Thacher Associates, LLC
the bidder making the Proposal for the above named project, and that I executed the said Proposal with
full authority so to do; that said bidder has not, directly or indirectly, entered into any agreement,
participated in any collusion, or otherwise taken any action in restraint of free, competitive bidding in
connection with the above named project; and that all statements contained in said Proposal and in this
affidavit are true and correct, and made with full knowledge that the State of New Jersey relies upon the
truth of the statements contained in said Proposal and in the statements contained in this affidavit in
awarding the contract for the said project.

I further warrant that no person or selling agency has been employed or retained to solicit or
secure such contract upon agreement or understanding for a commission, percentage, brokerage or
contingent fee, except bona fide employees or bona fide established commercial or selling agencies
maintained by Thacher Associates, LLC

(Name of Contractor).

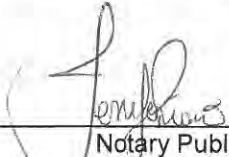


(Also type or print name of affiant under signature)

Joseph A. DeLuca

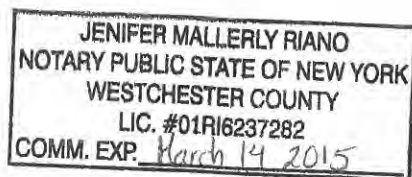
Subscribed and sworn to before me this

3rd day of April, 2014



Notary Public of

My commission expires March 14 2015



INELIGIBLE CONTRACTORS CERTIFICATE

The Thacher Associates, LLC (Name of Contractor)
hereby certifies that it is not listed on the "Report of Suspensions, Debarments and Disqualifications of
Firms and Individuals" published by the State of New Jersey Department of the Treasury in accordance
with New Jersey Executive Order No. 34.

Thacher Associates, LLC
Company

By: 

Joseph A. DeLuca
Name

President
Title

330 West 42nd Street, 23rd FL
New York, NY 10036
Address

Date: April 3, 2014

AFFIDAVIT OF COMPLIANCE

I, Joseph A. DeLuca (name of individual), executing this document on behalf of the undersigned company, partnership, corporation, or entity hereinafter referred to as "Contractor", presently seeking to do business with NJ TRANSIT by way of a Request for Proposals ("RFP") or Invitation for Bids ("IFB"), hereby warrant and affirm to NJ TRANSIT as follows:

1. I warrant and affirm that Contractor has received a copy of NJ TRANSIT's Code of Vendor Ethics and that I have read and studied this document and distributed this document to all of Contractor's personnel involved in seeking to do business with NJ TRANSIT and required said personnel to fully read this document. In addition, I further warrant and affirm that Contractor has received from NJ TRANSIT a document entitled "Important Notice to All Contractors and Consultants" and that I have read and studied this document, including the page setting forth various New Jersey statutory provisions, and that Contractor has distributed this document to all of Contractor's personnel involved in seeking to do business with NJ TRANSIT and required said personnel to fully read this document.

2. Contractor warrants and affirms that it has issued written instructions to all of Contractor's personnel involved in seeking to do business with NJ TRANSIT instructing and requiring same to strictly adhere to the Contractor's responsibilities as set forth in NJ TRANSIT's Code of Vendor Ethics and in the "Important Notice to All Contractors and Consultants".

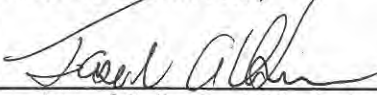
3. Contractor warrants and affirms that during the bidding or proposal process for the contract with NJ TRANSIT, no gratuities or other inducements have been offered or given or will be offered or given in any form including gifts, gratuities, benefits, inducements, meals (other than *de minimis* valued snacks such as coffee, tea, soda, pretzels, cookies, or similar non-meal items), entertainment, or any other thing of value or favors of any kind to any member of NJ TRANSIT's Board of Directors, officer or employee of NJ TRANSIT.

4. The Contractor warrants and affirms that during the RFP or IFB process for the contract with NJ TRANSIT, Contractor has not and will not make any offers of employment to any member of the NJ TRANSIT Board of Directors, officer or employee directly involved with this contract or solicit or interview therefor, directly or indirectly, without first seeking and obtaining written approval from NJ TRANSIT's Ethics Liaison Officer.

5. The Contractor warrants and affirms that during the RFP or IFB process for the contract with NJ TRANSIT it has and shall promptly report in writing to NJ TRANSIT every instance that comes to the Contractor's attention and knowledge regarding any member of NJ TRANSIT's Board of Directors, officer or employee of NJ TRANSIT who has solicited or asked Contractor to provide gifts, gratuities, benefits, inducements, meals (other than *de minimis* valued snacks such as coffee, tea, soda, pretzels, cookies, or similar non-meal items), entertainment or any other thing of value or favors of any kind or has made any solicitation or request, directly or indirectly, for employment with or through the Contractor.

6. The Contractor acknowledges and accepts that for breach or violation of the foregoing warranties and affirmations, NJ TRANSIT shall have the discretion and legal right to disqualify Contractor from bidding or proposing for a contract between the Contractor and NJ TRANSIT.

Thacher Associates, LLC
(Print Name of Contractor)


(Signature of Authorized Principal or Officer)

Joseph A. DeLuca, President
(Print Name and Title of Signator)

NEW JERSEY TRANSIT CORPORATION

RFP NO. 14-033

CERTIFICATION FOR CONTRACTS, GRANTS, LOANS
AND COOPERATIVE AGREEMENTS

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal Contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal Contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal Contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit "Disclosure of Lobbying Activities," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.



Signature of Authorized Official

Joseph A. DeLuca
Print Name

President
Title

Thacher Associates, LLC
Firm

April 3, 2014
Date

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF REVENUE AND ENTERPRISE SERVICES

THACHER ASSOCIATES, LLC

0600044307

I, the Treasurer of the State of New Jersey, do hereby certify that the above-named New York Foreign Limited Liability Company was registered by this office on November 17, 1997.

As of the date of this certificate, said business continues as an active business in good standing in the State of New Jersey, and its Annual Reports are current.

I further certify that the registered agent and registered office are:

*Dominick Santini
43 Route #46
Columbia, NJ 07832*

I further certify that as of the date of this certificate, the following were listed as officers/directors of this business on the last Annual Report filed in this office on: September 6, 2012.

<i>President</i>	<i>Thomas D Thacher II 370 Pine Brook Road Bedford, NY 10506</i>
<i>Vice President</i>	<i>Joseph A Deluca 14 Chaucer Drive Hackettstown, NJ 07840</i>
<i>Member</i>	<i>K2 Intelligence Inc 845 Third Avenue New York, NY 10022</i>

*STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF REVENUE AND ENTERPRISE SERVICES*

THACHER ASSOCIATES, LLC

0600044307



Certification# 127199274

Verify this certificate at
https://www1.state.nj.us/TYTR_StandingCert/TSP/Verify_Cert.jsp

*IN TESTIMONY WHEREOF, I have
hereunto set my hand and affixed my
Official Seal at Trenton, this
23rd day of January, 2013*

A handwritten signature in black ink, appearing to read "Andrew P. Sidamon-Eristoff".

*Andrew P. Sidamon-Eristoff
Acting State Treasurer*

N.J.S.A 52:34-13.2 CERTIFICATION

SOURCE DISCLOSURE CERTIFICATION FORM

Consultant: Thacher Associates, LLC

Contract Number: RFP # 14-033

I hereby certify and say:

I have personal knowledge of the facts set forth herein and am authorized to make this Certification on behalf of the Consultant.

The Consultant submits this Certification as part of its proposal in response to the referenced solicitation issued by NJ TRANSIT, in accordance with the requirements of N.J.S.A. 52:34-13.2.

The following is a list of every location where services will be performed by the consultant and all subconsultants.

<u>Consultant or Subconsultant</u>	<u>Description of Services</u>	<u>Performance Location[s] by Country</u>
Thacher Associates, LLC	Integrity Monitoring	USA
Withum Smith & Brown, PC	Internal, IT, Construction Auditing	USA
Talson Solution, LLC	Integrity Monitoring	USA
Crescent Consulting Associates, Inc.	Integrity Monitoring	USA

Any changes to the information set forth in this Certification during the term of any contract awarded under the referenced solicitation or extension thereof will be immediately reported by the Consultant to the Director of Contracts, NJ TRANSIT Corporation, One Penn Plaza East, Newark, NJ 07105.

I understand that, after award of a contract to the Consultant, it is determined that the Consultant has shifted services declared above to be provided within the United States to sources outside the United States prior to a written determination by the Contracting Officer, that the services can not be performed in the United States, the Consultant shall be deemed in breach of contract, which contract will be subject to termination for cause pursuant to Article 14 of the Professional Services Agreement.

I further understand that this Certification is submitted on behalf of the Consultant in order to induce NJ TRANSIT to accept a proposal, with knowledge that NJ TRANSIT is relying upon the truth of the statements contained herein.

I certify that, to the best of my knowledge and belief, the foregoing statements by me are true. I am aware that if any of the statements are willfully false, I am subject to punishment.

Consultant: Thacher Associates, LLC

[Name of Organization or Entity]

By: 

Title: President

Print Name: Joseph A. DeLuca

Date: April 3, 2014

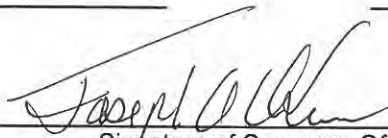
RFP NO. 14-033
ACKNOWLEDGMENT OF RECEIPT OF ADDENDA

Proposers are required to acknowledge receipt of all addenda issued prior to the proposal due date. This acknowledgment is made by the Proposer, if an individual; by a partner, if a partnership; or by an officer of the corporation, if a corporation.

The undersigned acknowledges receipt of the following addenda.

<u>Addendum Number</u>	<u>Date</u>
<u>1</u>	<u>March 20, 2014</u>
<u>2</u>	<u>March 27, 2014</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

By:



Signature of Company Official

President

Official's Title

Thacher Associates, LLC

Company Name

FIRM NEW JERSEY LICENSE

**State Of New Jersey
New Jersey Office of the Attorney General
Division of Consumer Affairs**

THIS IS TO CERTIFY THAT THE
Board of Accountancy

HAS REGISTERED

WithunSmith+Brown PC
LEONARD H SMITH
5 Vaughn Drive
Princeton, NJ 08540

FOR PRACTICE IN NEW JERSEY AS A(N): Firm Registration

05/18/2012 TO 05/30/2015
VALID

20CB00149800
LICENSE REGISTRATION/CERTIFICATION #

Signature of Licensee/Registrant/Certificate Holder

E. Ky
ACTING DIRECTOR

New Jersey Office of the Attorney General
Division of Consumer Affairs
THIS IS TO CERTIFY THAT THE
Board of Accountancy
HAS REGISTERED
WithunSmith+Brown PC
Firm Registration

05/18/2012 TO 05/30/2015
VALID

20CB00149800
License/Registration/Certification #

SIGNATURE

E. Ky
ACTING DIRECTOR

PLEASE DETACH HERE
IF YOUR LICENSE/REGISTRATION/
CERTIFICATE ID CARD IS LOST
PLEASE NOTIFY:

Board of Accountancy
P.O. Box 15000
Newark, NJ 07101

PLEASE DETACH HERE

PEER REVIEW LETTER

NO LETTER OF COMMENT



SYSTEM REVIEW REPORT

December 5, 2013

To the Shareholders of
WithumSmith+Brown, PC
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of WithumSmith+Brown, PC (the Firm) applicable to non-SEC issuers in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, and examinations of service organizations [Service Organization Control (SOC) 1 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of WithumSmith+Brown, PC applicable to non-SEC issuers in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. WithumSmith+Brown, PC has received a peer review rating of *pass*.

Olsen Thielen & Co., Ltd.

Olsen Thielen & Co., Ltd.

2575 Long Lake Road, St. Paul, Minnesota 55113-1117 651 483 4521 FAX 651 483 2467
300 Prairie Center Drive, Ste. 300, Minneapolis, Minnesota 55344-7908 952 941 9242 FAX 952 941 0577

NJ UCP

New Jersey Unified Certification Program

NJ TRANSIT
The Way To Go.



THE PORT AUTHORITY OF NY & NJ

CERTIFIED DISADVANTAGED BUSINESS ENTERPRISE

CRESCENT CONSULTING ASSOCIATES, INC.

This certificate acknowledges that the above named firm is certified as a Disadvantaged Business Enterprise as defined in Title 49, Part 26 of the US Code of Federal Regulations. This certificate will remain in effect for three years from the certification date and must be updated annually. **NJ TRANSIT** must be notified within 30 days of any changes in the business that may affect ownership and control.

Your firm will be listed in the NJ UCP directory under the following NAICS Code(s).

NAICS CODE	541611
------------	--------

NJ TRANSIT certified your firm as a DBE on behalf of all NJ UCP partners.

Signed:

Ernest C. Williams

Ernest C. Williams, Director
Office of Business Diversity

Signed:

Sherry O. Clements

Sherry O. Clements
Senior Business Diversity Specialist

CERTIFICATION DATE: October 10, 2008

EXPIRATION DATE: October 10, 2011

New Jersey BizNet UCP Direct

Firm Name Business Description SIC Code NAICS Code Specialty Code NIGP Code

CRESCENT CONSULTING ASSOCIATES INC

DBA:

CONTACT INFORMATION

Description: DIVERSITY CONSULTANT FOR CONSTRUCTION PROJECTS

Address: 2 STOWE ROAD STE 3A
PEEKSKILL, NY 10566

Phone: (914) 788-9244

Fax:

E-mail: LSEGARRA@CRESCENTCONSULT.COM

Contact: LUIS A SEGARRA

CERTIFICATIONS

UCP Certification: DBE

ACDBE: No

Certifying Agency: NEW JERSEY TRANSIT CORPORATION

Anniversary Date: 10/10/2011

INDUSTRY CODES

	SIC	NAICS	NIGP	SPECIALT
Primary	7389	541611		
2nd				
3rd				
4th				
5th				
6th				
7th				
8th				
9th				
10th				

TIP: If your browser supports Tooltips, hover your mouse pointer over the code to see the d

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Alice McRae < amcrae@talsonsolutions.com>

Fwd: FW: Talson Solutions, LLC

1 message

Jeff Simpson <jsimpson@talsonsolutions.com>
To: Alice McRae <amcrae@talsonsolutions.com>

Wed, Apr 2, 2014 at 11:08 AM

Jeffrey W. Simpson
Vice President of Operations
Tolson Solutions, LLC
306 Market Street, Fourth Floor
Philadelphia PA 19106
215-592-9634
www.talsonsolutions.com

----- Forwarded message -----

From: <LHernandez@njtransit.com>
Date: Tue, Apr 1, 2014 at 3:04 PM
Subject: FW: Talson Solutions, LLC
To: jsimpson@talsonsolutions.com
Cc: LNWilliams@njtransit.com

Good Afternoon Mr. Simpson,

Per our conversation today I have enclosed as attachments a document checklist indicating which documents need to be submitted. Also, the required documents that need to be completed and submitted (NJ UCP Application, affidavits & an updated PNW Statement).

Enclosed below is the contact information for Ms. Lauren Williams, Senior Business Development Specialist who has been assigned to process your firm's application:

Lauren Williams, MBA
Senior Business Development Specialist
Office of Business Development
email: lnwilliams@njtransit.com
(p) 973-491-8065
(f) 973-863-4899
NJ TRANSIT
One Penn Plaza East, 6th Floor DBE
Newark, NJ 07105

If you have any questions pertaining to the documents being requested or completing the requested documents, please feel free to contact Ms. Williams.

L. A. Hernández

Manager, Certification & Outreach

NJ TRANSIT HQ

Office of Civil Rights & Diversity Programs

Business Development

One Penn Plaza East – 6th Fl

Newark NJ 07105

lhernandez@njtransit.com

Tel: 973-491-7530

Fax: 973-665-7594





Southeastern Pennsylvania Transportation Authority
DBE Program Office
1234 Market Street - 11th Floor
Philadelphia, PA 19107-3780
Telephone: (215) 580-7278
Fax: (215) 580-7261
Web Site: www.septa.org



June 10, 2013

Robert S. Bright, President
TALSON SOLUTIONS LLC
306 Market St - 4th Flr
Philadelphia, PA 19106

RE: Pennsylvania Unified Certification Program
Continued Eligibility for TALSON SOLUTIONS LLC

DBE Certification

PA UCP No: 12275

SEPTA No: 1843-0512-2

Anniversary Date - Annually on May 19

Dear Entrepreneur:

The Southeastern Pennsylvania Transportation Authority (SEPTA), a certifying participant in the Pennsylvania Unified Certification Program (PA UCP), has reviewed your request for certification as a Disadvantaged Business Enterprise (DBE) and is pleased to inform you that your firm appears to meet the requirements established by the United States Department of Transportation in title 49, Part 26 of the Code of Federal Regulations. Consequently, your firm is now certified as a DBE to participate in the program in the following classification(s) only:

**CAPITAL PROJECT CONSULTING - PERFORMS CONSTRUCTION CONTRACT COMPLIANCE
REVIEWS/AUDITS; PROJECT RISK ASSESSMENTS AND REVIEW FINANCIAL POLICIES AND
PROCEDURES; CLAIMS ANALYSIS**

NAICS Codes:

- 541219 Other Accounting Services
- 541618 Other Management Consulting Services
- 541990 All Other Professional, Scientific, and Technical Services
- 541611 Administrative Management and General Management Consulting Services
- 541690 Other Scientific and Technical Consulting Services

If you wish to expand your status to include another type of business, you must contact the PA UCP for reevaluation prior to undertaking any projects as a DBE in the expanded area.

In the event of a change in circumstances affecting your ability to meet size, disadvantage, ownership, and control requirements of Part 26 or any material change in the information provided in your application form; you must inform the PA UCP by means of a Notice of Change Affidavit describing in detail the nature of such changes. You must submit a Notice of Change Affidavit (also available online) within 30 days of the occurrence of the

City of Philadelphia

PENNDOT

Port Authority of
Allegheny County


SEPTA

Robert S. Bright, President
TALSON SOLUTIONS LLC
June 10, 2013
Page 2

change. Failure to do so will be deemed a failure to cooperate. We would also remind you that the PA UCP reserves the right to review your firm at any time to ensure compliance with the program.

We are pleased to have you as a Disadvantaged Business Enterprise and wish you success in acquiring work within the DBE Program. If you have any questions, please contact Lynn A. Bailey, DBE Program Specialist at (215) 580-7019.

Sincerely,


Mary L. Connell
Acting Director
DBE Program Office
SEPTA

MEC:LAB

347 Madison Avenue
New York, NY 10017-3739
212 878-7000 Tel



Metropolitan Transportation Authority

State of New York

October 30, 2013

Mr. Robert S. Bright, President
TALSON SOLUTIONS LLC
302 Market Street - Fourth Floor
Philadelphia, PA 19106

Re: **DBE CERTIFICATION NOTICE**

Dear Mr. Bright:

The Metropolitan Transportation Authority (MTA), a Certifying Partner in the New York State Unified Certification Program (NYSUCP), is pleased to advise you that your firm meets the eligibility criteria established by the U.S. Department of Transportation Disadvantaged Business Enterprises regulation, codified at 49 CFR, Part 26 and has been **CERTIFIED** as a Disadvantaged Business Enterprise (DBE). Your firm is certified as a DBE with the NYSUCP. Your firm is certified to provide the services listed below:

**CAPITAL PROJECT CONSULTING
CONSTRUCTION CONTRACT COMPLIANCE REVIEWS & AUDITS
FINANCIAL POLICIES AND PROCEDURES REVIEWS
PROJECT RISK ASSESSMENTS
CLAIMS ANALYSIS**

Your firm is eligible to participate as a DBE on MTA, New York State Department of Transportation, Port Authority of New York and New Jersey and Niagara Frontier Transportation Authority federally assisted projects in the identified areas.

Your firm's certification status with the NYSUCP will remain effective for as long as your firm continues to meet all DBE certification eligibility requirements and the ownership and control of the firm upon which DBE certification was granted, has not changed. However, you are required to submit, annually, on the anniversary date of this notice, a sworn affidavit in the ownership, control and/or operations of the firm or eligibility requirements, a sworn affidavit affirming whether there have been no changes in your firm's economic disadvantaged status, ownership or control. In the event that there are changes, please be advised that you are required notify the MTA, within 30 days, of any changes in your business' ownership, control and/or operations, including address, telephone number, business services and capabilities. Failure to adhere to these requirements may result in the removal of DBE certification.

DBE Certification Notice
TALSON SOLUTIONS, LLC
Page 2.

Your firm will be included in the NYSUCP Directory (<http://biznet.nysucp.net>) which will indicate the type of work that your firm has been certified to perform.

Please note that any of the Certifying Partners of the NYSUCP reserves the right to review your firm's certification eligibility prior to the firm's participation on a federally assisted project for their agency or at any time that it is determined that such re-evaluation is warranted.

We are pleased to have you as a participant in the NYSUCP and wish you much success

Should you have any questions, please contact me at cgreene@mtahq.org or call me at (646) 252-1378.

Sincerely,



Carolyn E. Greene, Assistant Director
Certification Programs
Department of Diversity and Civil Rights

cc: L. Smith, MTA
N. Din, MTA
M. Garner, MTA

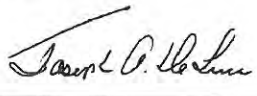


A Subsidiary of K2 Intelligence, Inc.

Exceptions to New Jersey Transit's Professional Service Agreement

Thacher Associates, LLC takes no exceptions to the New Jersey Transit Professional Service Agreement attached to RFP No. 14-033 as Exhibit 1.

Thacher Associates, LLC
(Company)


(Signature)

President
(Title)

04/03/2014
(Date)