



cutting through complexity

Proposal to serve

State of New Jersey Department of Treasury

The Borough of Atlantic Highlands
- Harbor Marina and Piers
Integrity Oversight and
Anti-Fraud Monitor
January 24, 2014

kpmg.com





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January 24, 2014

State of New Jersey Department of Treasury
Attn: Dave Ridolfino
Associate Deputy State Treasurer
33 West State Street, PO BOX 230
Trenton, NJ 08625

Dear Mr. Ridolfino,

We are pleased to submit this proposal describing how KPMG LLP (“KPMG”) can assist the State of New Jersey Department of Treasury (the State or NJ) in the Atlantic Highlands Harbor Marina and Piers (“Borough”) integrity oversight and anti-fraud monitorship. We value the importance of this initiative, and for reasons outlined in this proposal, we believe we are uniquely positioned to fulfill your needs.

Our multidisciplinary engagement team understands the potential fraud and misconduct that may arise from contractor noncompliance with contracts and agreements in connection with this project. The approach we will bring to bear is differentiated by our...

- Subject matter professionals with a deep understanding of the risk of fraud, waste, and abuse typically associated with large fast-paced disaster recovery construction efforts, with relevant experience acting as integrity monitors;
- Insight from advising organizations in proactively establishing effective controls to prevent, detect, and respond to fraud and misconduct;
- Project management and quality control capabilities which allow us to offer tailored, yet cost-efficient solutions;
- Experience monitoring for fraud, waste, and abuse in distribution of U.S. Department of Housing and Community Development Block Grant Funds, FEMA Public Assistance and Individual Assistance Funds and Hazard Mitigation Grant Program Funds; and
- Successful track record providing integrity monitoring services to other clients related to Hurricane Sandy disaster recovery.

We are excited about engaging with your team and will work to address your needs as we have successfully done with our many other clients, some of which are profiled in this proposal. Please feel free to call me at 212-872-3873 if you have any questions or would like to discuss this proposal in detail.

Very truly yours,
KPMG LLP

Steven M. Fishner
Principal

Contents

Our Understanding of Your Needs	1
Our Approach	2
Our Core Service Team	8
Our Qualifications	10
Sample Engagements	13
Our Rates	17
Appendix A: Professional Biographies	19

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Our Understanding of Your Needs

The State of New Jersey (“the State” or “NJ”) through its disaster recovery efforts, engaged T&M Associates and J.H. Reid to rehabilitate and reconstruct the Atlantic Highlands Harbor Marina and Piers damaged by Hurricane Sandy. The work includes the repair of 12 piers (8 fixed wood piers and 4 floating wood piers); an observation platform; ADA access ramps and all utilities (water, electric, sanitary and fuel system). We understand that the NJ Department of Treasury (DOT) seeks to retain an integrity monitor to monitor the aforementioned contractors selected by the State. Further, we understand that the duties of the integrity monitor may include, but not be limited to, the following areas: (A) Attending a kick-off meeting with representatives from DOT to discuss the tasks and deliverables required under this agreement. (B) Reviewing and assessing the Borough’s financial and administrative functions for this contract. (C) Reviewing and analyzing the construction deliverables for this contract. (D) If weaknesses are detected, developing recommendations and strategies to ensure maximum Federal recoveries, compliance with all laws, and prevention of associated risks through project closeout. (E) Providing ongoing quality assurance/quality control reviews for the duration of this engagement. (F) Providing deliverables as set forth in the Engagement Query – RFQ – The Borough of Atlantic Highlands – Marina and Piers.

We are committed to helping DOT succeed in meeting its objectives. Our ability to accomplish this is grounded in our focus on the factors that will drive overall project success, and our ability to utilize our tools, capabilities, and experience to serve your needs.



Our Approach¹

In order to help DOT achieve its objectives in a timely and cost-efficient manner, we are proposing the following coordinated and streamlined approach that encompasses, at a minimum, the eight tasks identified.

Task A – Attend a kick-off meeting with representatives from DOT to discuss the tasks and deliverables required under this agreement

In order to help ensure that there is a clear understanding of the overall project approach, the key milestones and timeline for meeting your objectives, before commencing substantial work on this project, KPMG will meet with representatives from DOT to discuss and agree on a planned approach. The following is a sample listing of the matters that may be covered during this meeting.

- Introduce key DOT Representatives and KPMG team members
- Discuss roles and responsibilities of key team members
- Review initial document requests and obtain relevant documentation available
- Discuss any known or anticipated issues and concerns
- Agree on scope of procedures to be conducted
- Agree on project team communication plan and reporting format(s)

Following this initial meeting, KPMG will finalize a project plan for approval by DOT. All of our work will be performed at the direction of DOT, on behalf of DOT, and we will undertake only those tasks approved by DOT.

¹ KPMG currently serves as financial statement auditor for the State of New Jersey, and as such, is committed to maintaining auditor independence as required by GAO Government Auditing Standards. KPMG will advise DOT as described in the tasks above with the expectation that client management will designate a qualified individual to be responsible and accountable for overseeing the engagement, will make all decisions that involve management responsibilities related to the engagement and accept full responsibility for such decisions and the results of the service, and will evaluate the adequacy of the services performed and any findings that result.

Task B – Review and assess the Borough’s financial and administrative functions for this contract.

Based on our experience providing integrity monitoring services, KPMG anticipates employing a wide range of strategies and analyses to document if program requirements are being followed appropriately. At the onset of the project, we will assist in reviewing and assessing policies and procedures aimed at detecting and preventing inefficiencies, waste, fraud and abuse. Policies and procedures will be targeted at the inherent risk areas existing with large scale disaster recovery construction projects, as well as be tailored to include controls to prevent the specific types of fraud, waste and abuse we have observed during our previous Hurricane Sandy integrity monitorship experiences.

Assess if functions adhere to grant/assistance program guidelines, procurement rules, and reporting requirements

We will work with DOT to determine the applicable guidelines, regulations and laws that will be required under this program. Upon understanding those requirements, we will advise and report if the various controls in place will provide the foundation for an effective compliance system aimed at preventing and detecting instances of fraud, waste and abuse. We anticipate that that our review will include but will not be limited to, assessing that the functions adhere to the following provisions:

• FEMA 9500 Series Guidance	• CDBG-DR Administrative Manual
• OMB Circular A-87 Revised, Cost Principles for State, Local, and Indian Tribal Governments	• Hurricane Sandy Disaster Relief Bill
• OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments	• Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended
• FEMA 300 Series Guidance Documents	• The Code of Federal Regulation, Title 44, Emergency Management and Assistance

Assess if the contract was procured in accordance with Federal, State and Local laws regulations, and ordinances

We will assess the following components of the bidding and selection process to evaluate if the contract(s) was procured in accordance with the applicable guidelines, regulations and laws that will be required under this program:

- Bid solicitation and evaluation
- Contract approval and award
- Contract documentation

In addition, per 44 Code of Federal Regulations, we will review EPLS (Excluded Party List System) documentation to verify that vendors are not on the list.

Test if payments were disbursed consistent with applicable directives, and that there were no duplication of benefits, process and payment errors, waste, fraud, abuse, malfeasance or mismanagement of funds

KPMG utilizes a risk-based methodology along with customized work plans developed based on our experience delivering integrity monitoring services. KPMG will develop a customized work plan for the Borough's payments based on our understanding of the scope of work and mutual agreement with DOT.

KPMG has developed a software tool capable of analyzing large volumes of construction cost data to more effectively target potentially fraudulent transactions for detailed review. KPMG's implementation of the tool on major construction projects has increased efficiency and often dramatically increased the odds of recovering vendor overcharges.

Benefits of utilizing Computer Aided Audit Techniques (CAAT) include:

- Reduce time spent sorting transactions; focus efforts on testing higher risk transactions
- Potentially increase project success rate through better targeting of questionable transactions
- More efficient identification of higher risk transactions
- Ability to identify the potential for cost reduction, avoidance and/or, recoveries
- Identify anomalies and trends in project cost data

Task C – Review and analyze the construction deliverables for this contract

Verify that construction plans, documentation, and permits are in compliance with all Federal, State and Local laws, regulations, and ordinances

KPMG will review the key contractual terms outlined in the construction contractor's contract and assess whether the contractor was compliant with the deliverable requirements outlined in the contract. Some of the key deliverables that will be assessed include the following:

- Schedules (i.e., baseline, look-ahead, updates)
- Daily reports
- Daily sign-out logs
- Monthly status reports
- Subcontractor utilization reports
- Site safety plans
- Minority / Women / Locally Owned Enterprise utilization reports
- Insurance and bonding requirements
- As-built drawings
- Quality control plans
- Plan approval and permits
- Inspection reports
- Certificate of Substantial Completion
- Evidence of final punchlist

In addition, we will assess whether plans were reviewed, permits were issued and inspections were performed in accordance with relevant local, state and federal law.

Verify that all construction contract deliverables to date have been provided, and within acceptable timeframes

KPMG will assess whether all deliverables outlined in the contract were submitted in a timely manner and in accordance with the requirements of the contract and federal, state and local law. We will also document that the appropriate permits were obtained prior to commencement of any work and that the required inspections were performed prior to approval of key milestones and close-out of the project

Task D– If weaknesses are detected, develop recommendations and strategies to ensure maximum Federal recoveries, compliance with all laws, and prevention of associated risks through project closeout

KPMG will work with DOT to develop a mutually agreeable protocol for identifying and reporting integrity issues. At a minimum, KPMG will present a case-specific investigative project plan for approval to DOT. All of our work will be performed at the direction of DOT and we will undertake only those tasks approved by DOT. Upon completion of our procedures, findings will be reported to DOT.

Task E –Provide ongoing quality assurance/quality control reviews for the duration of this engagement

Based upon the testing procedures described above, which will include field procedures presence, we will be able to appropriately monitor the contractor’s performance and compliance with the program. Throughout the life of the project, we will constantly evaluate the procedures and monitoring the work being performed in order to establish and implement leading practices for program participants. Some of the areas we anticipate monitoring include contractor payment requisitioning and construction progress.

As part of the ongoing payment requisitioning and construction progress review process, we will obtain and assess payment requisitions for the following:

- Compliance with program policies and guidelines related to the submission, review, and approval of payment applications;
- Contractor’s compliance with the contract terms with respect to submission of payment applications;
- Existence of approvals and authorizations;
- Timeliness of contractor submission and review, approval, and payment;
- Completeness of payment application supporting documentation which includes schedule of values, job cost reports, certified payroll, timesheets, receipts, invoices, etc.; and
- Assessment of the payment application which includes conducting field inspections to assess that the actual percentage of work complete is commensurate with the percentage of work noted in the corresponding payment application.

As part of this Integrity Monitorship, we plan to sample on an ongoing basis, contractor and

subcontractor payroll documentation in order to identify anomalies. Specifically, we intend to perform the following:

- Compare project-specific information, such as general contract name, contract number, etc. to the selected sample of certified payrolls and Daily Sign In/Out Logs for consistency;
- Identify if Daily Sign In/Out sheets are signed by employees;
- Identify if hours reported on certified payrolls were authorized by the contractor and/or subcontractor;
- Compare hours reported on certified payrolls to the hours reported on the Daily Sign In/Out sheets ;
- Assess whether union benefits were paid and compare wages paid to labor law prevailing wage rates;
- Recalculate the gross pay for the employee recorded on the certified payrolls;
- Assess whether subcontractors submitting certified payrolls are included in the contractor subcontracting plan; and
- Perform field visits to determine whether laborers in field were paid what is stated on payroll records.

Task F– Provide deliverables as set forth in the Engagement Query – RFQ – The Borough of Atlantic Highlands – Marina and Piers

KPMG will provide timely delivery of reporting requirements established by the State as detailed in the Engagement Query – RFQ – The Borough of Atlantic Highlands – Marina and Piers, with the understanding that DOT, the Borough and all contractors must provide information and cooperation in a timely fashion, which will be necessary for KPMG to meet deliverable deadlines. Deliverable timelines are described below:

DELIVERABLES

The Contractor must ensure compliance with the following required timelines:

A. Required timelines:

- Tasks B and C are required to be completed within 40 business days of receipt of letter of engagement.
- All other tasks shall be performed on an ongoing basis and in a timely manner for the duration of this engagement and may have completion dates assigned by DOT at a later date.

B. Required reports and documents:

- Findings of potential fraud, malfeasance, or criminal activity: Upon a finding of a likely criminal violation or lesser degree of any malfeasance, inefficiency, waste, fraud, abuse or mismanagement of funds, report findings to the State Attorney General and State Comptroller immediately consistent with the requirements of the Act. Provide a copy to the State Contract Manager.
- Monthly Status Report: Provide update on activities conducted on, or for, each task to include the type of activity, analysis, results, recommendations, resolutions, and/or

preventative measures; and follow-up on any previous outstanding issues. Provide monthly status reports to the City and copy the State Contract Manager.

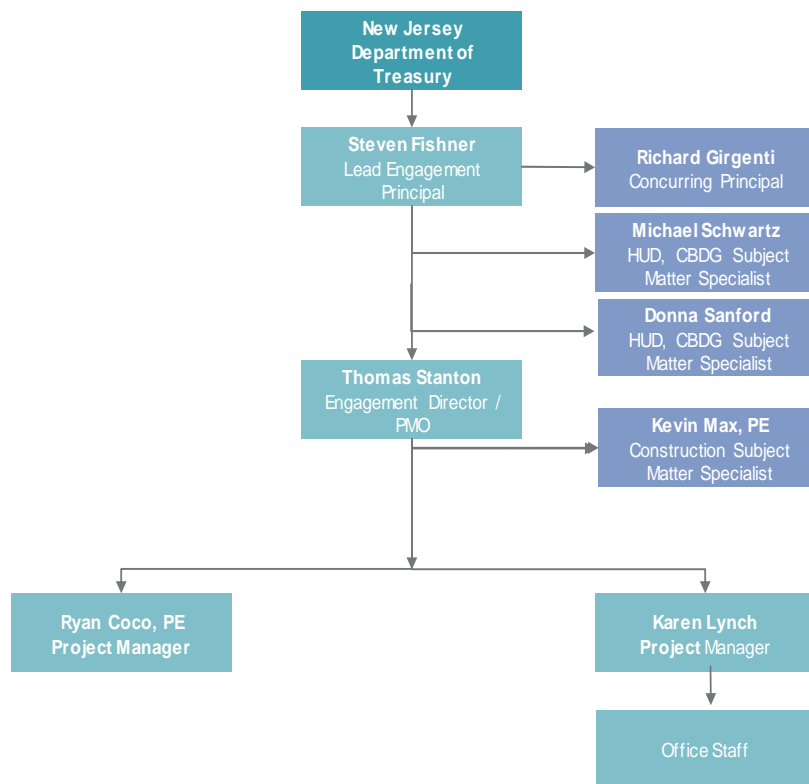
- Quarterly Report: On the first business day of each calendar quarter, KPMG will provide to the State Treasurer, for distribution to the Legislature and the Governor, a report detailing the integrity oversight monitor's provision of services during the three-month period second preceding the due date of the report and any previously unreported provision of services, which shall include, but not be limited to, detailed findings concerning KPMG's provision of services and recommendations for corrective or remedial action relative to findings of malfeasance and inefficiency. The report shall include a privilege log which shall detail each denial of sensitive information that KPMG exercises in preparing the report for transmission to the Legislature and the Governor pursuant to this subsection. The report shall not include any information which may compromise a potential criminal investigation or prosecution or any proprietary information.

Time Logs: Copies (and upon request, originals) of time logs shall be maintained by KPMG and shall include information on the allocation of hours worked by KPMG to the respective federally-funded programs and all other data required in order to ensure compliance with all federal requirement.



Our Core Service Team

KPMG will assemble a multi-disciplinary team of professionals who have successfully provided similar integrity monitor services in response to other Hurricane Sandy disaster recovery efforts. Our KPMG professionals understand DOT's needs. Furthermore, these individuals understand the risk of fraud, waste, and abuse typically associated with large-scale, fast-paced, disaster recovery construction efforts.



Steven Fishner, Principal, will serve as the engagement lead principal. He will have primary responsibility for delivery of services. He will also be responsible for organizing the efforts of the entire team and for communication with DOT in a timely manner. Steve is an experienced monitor having been appointed to monitorships by the New York City Department of Investigation (DOI) including the City of New York FEMA-funded Rapid Repairs Program and

the City's School Construction Authority Inspector General. At KPMG, Steve assists government and industry clients in prevention, detection, and response to fraud by conducting fraud risk assessments, investigations, and development of ethics and integrity compliance programs. Prior to joining KPMG, Steve was a senior prosecutor in the New York County District Attorney's Office where he served as that office's Administrative and Executive Assistant District Attorney. He was also Mayor Rudolph Giuliani's Criminal Justice Coordinator. In that capacity, he served as the mayor's principal criminal justice advisor and was the mayor's liaison to local, state, and federal law enforcement. Steve is a member of the International Association of Independent Private Sector Inspectors General ("IAIPSIG").

Richard Girgenti, Principal, will serve as a concurring review principal. He will offer subject matter experience on this engagement and help ensure overall engagement quality. Rich is the National and Americas leader for KPMG's Forensic Advisory Services, the Global Network Leader for compliance and monitoring services and a member of the firm's Global Forensic Executive Committee. He has more than 30 years of experience both nationally and globally conducting investigations and providing fraud risk management advisory services to clients. Rich has served as a member of the Board of Directors for KPMG LLP and the Americas. He has chaired the Board's Governance Task Force, Professional Practice and Ethics & Compliance, and Nominating Committees. He has also served as a member of the Audit & Finance and Pension Committees.

Michael Schwartz, Principal, will serve as a subject matter specialist on this engagement on an as-needed basis. Michael provides a broad array of professional services to clients by assisting them in preventing, detecting, and investigating fraud, waste, and abuse. He performs investigative work and related analysis on behalf of corporate and public sector clients in matters pertaining to financial and other misconduct and is involved in proactive fraud risk management matters and the assessment of corporate compliance programs. Recently, Michael served as the principal -in charge of anti-fraud, waste, and abuse programs and controls for the post-Hurricane Katrina U.S. Department of Housing and Urban Development Community Development Block Grant Funded Louisiana Road Home Program, the largest housing disaster recovery housing program in U.S. history

Thomas Stanton, Director, will serve as an engagement director. He will coordinate the team's day-to-day activities and will serve as your primary point of contact. Thomas is an experienced monitor and recently led the City of New York's FEMA-funded Rapid Repairs program integrity monitorship. He has more than 15 years of experience conducting fraud investigations and specializes in due diligence assignments and internal control reviews.

Donna Sanford, Director, will serve as a subject matter specialist on an as-needed basis. Donna is the former Director of Disaster Recovery Division for the State of Mississippi. Donna served the State of Mississippi for over 26 years in various capacities. Most recently she managed all aspects of Mississippi's \$5.5 billion U.S. Department of Housing and Urban Development (HUD)-funded Katrina Disaster Recovery Program portfolio. She has strong accounting, finance, and auditing management experience, specifically state and federal procurement, reporting, and cash management.

Kevin Max, PE, Director, will serve as a subject matter specialist. Kevin is a director in the Major Projects Advisory practice and licensed professional engineer. He has over 15 years of diverse experience in engineering, construction, and management consulting. Most recently, Kevin has specialized in the assessment of capital construction programs and projects, the development of project controls, and construction audits and reviews

Ryan Coco, PE, Manager, will serve as an engagement manager. He will coordinate the field inspection team's activities. Ryan is a manager in the Major Projects Advisory practice in New York City with over 12 years of experience in construction consulting, engineering, and project management. He is a licensed professional engineer in the State of New York and a licensed home inspector in the State of New York. He has a strong construction background with experience in many areas throughout the construction project lifecycle including planning, design, procurement, contract administration, quality management and project controls. Ryan coordinated and managed the team of inspectors throughout the City of New York's FEMA-funded Rapid Repairs program integrity monitorship.

Karen Lynch, Manager, will serve as an engagement manager. She will coordinate the office team's day-to-day activities and conduct many of the reviews and audits detailed in the 13 tasks above. Karen is an experienced monitor who recently managed the Rapid Repairs program integrity monitorship team for the DOI. She has over 8 years of experience conducting forensic investigations related to fraud, waste, and abuse in all industries, including specifically construction and licensing projects

KPMG will assign staff and other professionals on an as-needed basis.

Please see Appendix A for a list of complete professional biographies of individuals KPMG may assign to this project.





Our Qualifications

Our Qualifications

DOT's efforts to retain a highly qualified integrity monitor firm is critical to this initiative's success, and in our view, DOT can clearly benefit from the experience, resources, and insights that we are positioned to provide. We can help DOT to ensure that contractors maintain compliance with all aspects of the program and resolve issues if they occur. Our professionals draw upon skill sets and experience in the following areas:

- Integrity Monitoring
- Real estate & construction (engineers, architects, job costing, environmental & safety)
- Forensic accounting
- Law enforcement
- Fraud and misconduct control assessments

- Regulatory enforcement
- Legal damage quantification and analysis
- Expert witness testimony
- International arbitration
- Asset tracing

- Information management
- Computer forensics
- e-discovery
- Forensic data analysis
- Corporate intelligence (background checks and security screening)
- Security and loss prevention (physical security and surveillance).

This background and experience enables Forensic professionals to help discover the facts underlying concerns about fraud and misconduct, as well as assist clients in assessing and mitigating their vulnerabilities to such activities. Forensic professionals also deliver a broad range of services to help prevent and resolve commercial disputes, including the assessment of damages; the resolutions of accounting, audit, and finance-related issues; and expert witness services.

In addition to this experience and knowledge, Forensic technology teams supported by a dedicated Forensic Technology Center (CTEC) use our sophisticated technology tools and methodologies to help clients reduce litigation risks and costs in the areas of evidence and discovery management and the acquisition, management, and analysis of large data sets. Forensic Technology professionals also apply court-accepted forensic digital evidence recovery and preservation methodologies and data analysis techniques to assist with detecting fraud and misconduct.

Forensic professionals have worked with government oversight agencies and have a keen understanding of their requirements. Forensic professionals are prepared to draw upon their extensive forensic accounting, investigation, and construction-related experience in order to respond to the needs of the City. KPMG's experience in areas relevant to your needs are as follows:

Disaster Recovery

Established financial controls and monitored contractors' time and materials during the World Trade Center debris removal following the September 11 terrorist attack on the World Trade Center, developed antifraud programs and controls for the State of Louisiana in its distribution of \$6.5 billion of federal home rebuilding funds following Hurricane Katrina, and facilitates the financial claims process following the Gulf of Mexico oil spill.

Integrity Monitoring

Monitored organizations compliance with applicable laws, governmental regulations, deferred prosecution or other agreements with regulatory bodies, and established internal control policies and procedures. Specific areas of review and analysis for clients in both the public and private sectors have included fraud, waste, or abuse; prevailing wages; collective bargaining agreements; procurement; payroll; financial reporting; and MBE/WBE program compliance.

Construction Cost Reviews

Performed project cost reviews for large capital construction projects. This included cost recovery/compliance audits, construction project evaluation, project management oversight assessment, labor law compliance (i.e., prevailing wage analysis).

Design of Fraud and Corruption Prevention Programs

Helped many clients manage fraud and misconduct through the utilization of KPMG's Fraud Risk Management methodology. This methodology provides clients with the tools necessary to manage risk in a manner consistent with applicable laws and regulatory requirements. This included an assessment of fraud and misconduct risks and a gap analysis of the clients controls and programs to prevent, detect, and respond to these risks. This also included assistance with the design and implementation of program elements to address identified gaps in controls (e.g., codes of conduct, whistle-blower hotlines, accounting and financial controls, employee and third-party screening, and training and communication programs).

Corporate Intelligence

Utilized KPMG's Astrus tool to screen employees, key personnel, vendors, consultants, and subcontractors to identify possible integrity issues. The tool utilizes Boolean search terms to cull through publicly available information to identify criminal or civil convictions, litigation, organized crime affiliations, sanctions, debarment, ownerships interest, or other possible adverse information.

Forensic Technology Services

Performed computer forensic and forensic data analysis to support investigations and compliance monitoring. This included digital evidence collection, recovery, and analysis (e.g., e-mail, e-docs, and accounting entries) to support investigations. This also included the use of K-Trace, KPMG's data analysis tool, to identify fraud red flags or anomalies in transactional data sets such as payroll, accounts payable, accounts receivable, inventory, journal entries, and sales.

Investigations

Performed all manner of investigation relating to financial reporting fraud, misappropriation of assets, bribery, corruption, and violations of laws and regulations. In particular, KPMG has performed investigations involving payroll fraud (e.g., ghost employees, no-show employees, cash payroll, Inflated or fictitious hours), purchasing fraud (e.g., bid rigging, kickbacks, dummy vendors), sales fraud (e.g., inflated sales, fraudulent sales, diversion of sales proceeds, writing-off debt for a fee), and cash frauds (e.g., check fraud, electronic payment fraud, and skimming).

Our Firm

KPMG LLP (KPMG) is the U.S. member firm of KPMG International Cooperative (KPMG International). KPMG International's independent member firms have nearly 152,000 professionals, including 8,600 partners. Its professionals work together to provide clients access to global support, industry insights, and a multidisciplinary range of services.

KPMG's corporate headquarters is located in New York City, and consists of professional and administrative personnel strategically aligned by function and industry knowledge, helping clients address a wide range of business issues. KPMG LLP is a limited liability partnership, with approximately 23,000 employees in 87 office locations nationally. The New York City-based practice serves numerous public sector, not-for-profit and publicly and privately owned businesses of all sizes throughout both the State of New York and New York City.



Sample Engagements

- **New York City Department of Investigation:** KPMG was recently engaged by the City through DOI to serve as the Integrity Monitor for a construction firm providing post-Hurricane Sandy home repairs through the City's \$2 billion Build-It-Back Program - federally funded by Housing and Urban Development. The program consists of multiple pathways, including: rehabilitation or reconstruction of homes; reimbursement for repair work already carried out; and acquisition of homes. KPMG was engaged to help deter acts of construction fraud, investigate instances of contractor/subcontractor waste and abuse, and provide various analyses around potential contractor overbilling to the City.
- **New York City Department of Investigation:** KPMG was engaged by the City through the DOI to serve as the Integrity Monitor of two construction firms providing FEMA-funded post-Hurricane Sandy home repairs through the City of New York's \$500 million FEMA-funded Rapid Repairs Program. The Rapid Repairs program was a groundbreaking initiative undertaken by the City to mobilize dozens of contractors and thousands of skilled construction workers to make emergency repairs, free to homeowners, on residential properties affected by Hurricane Sandy. KPMG was engaged to help deter acts of construction fraud, investigate instances of contractor/subcontractor waste and abuse, and provide various analyses around potential contractor overbilling to the City. We utilized Forensic professionals with subject matter experience in the construction industry, including licensed engineers, to serve the client in the most efficient and effective way possible. Our professionals uncovered numerous instances of contractor overbilling equating to substantial cost savings for the City.
- **New York City Department of Design and Construction:** In the wake of the September 11, 2001 terrorist attacks on the World Trade Center, KPMG was engaged by the New York City Department of Design and Construction ("DDC") project to establish internal controls, provide financial oversight, and prevent fraud during the FEMA-funded emergency debris removal and disposal operations at the World Trade Center site. KPMG developed internal controls and project-specific policies and procedures to facilitate the review of more than \$500 million of construction manager payment requisitions. KPMG also conducted 24-hour field monitoring to verify laborers at work, track the existence and operational status of equipment, verify receipt of material deliveries, and monitor the overall progress of the project.
- **State of Louisiana Road Home Program:** KPMG developed antifraud programs and controls and provided related services for the Louisiana Road Home Program, the State of Louisiana's post-Hurricane Katrina program for distribution of \$6.5 billion in HUD Community Development Block Grant Funds. This included assessing all policies and procedures from a fraud prevention perspective and embedding antifraud measures as appropriate; conducting fraud awareness training for employees; performing forensic data analytics and data mining across more than 150,000 applications to identify possible patterns and instances of fraud or duplication of benefits; assisting with the development

of a compliance program including standards of ethical conduct, conflict of interest policies, investigative protocols, whistleblower and hotline procedures, and a process to refer matters to federal and state law enforcement authorities; investigating allegations of fraud and misconduct; acting as a liaison with federal and state law enforcement authorities; and assessing and testing selected information technology controls.

- **Major Energy Company: KPMG was engaged** by a major oil and gas company to review, assess, and validate over \$1 billion of expense associated with responding to a major environmental incident in the Gulf of Mexico. Through close interaction with our client and its vendors and contractors, KPMG brought transparency and accountability to the response expenditures. Our efforts consisted of the following: provided a rapid response to the crisis; established a process for assessing the appropriateness of invoices and supporting documentation; brought accountability to the vendors and contractors that worked on the response; facilitated the timely and appropriate payment to vendors and contractors; and documented inappropriate, duplicative, and unsupported billing.
- **Port Authority of New York and New Jersey Inspector General:** KPMG recently served as the integrity monitor for a construction contractor providing construction services on several aspects of World Trade Center projects. KPMG was tasked with assessing the company's continued compliance with the terms of its monitoring agreement with the **Port Authority Inspector General**. Specifically, KPMG designed and implemented an anticorruption program for the contractor including a "zero-tolerance" policy and code of business ethics. KPMG also conducted assessments, investigations, and due diligence to assess whether the company had engaged in bribery, corruption, fraud, waste, and abuse.
- **New York City Department of Investigation:** KPMG was engaged as integrity monitor for a national telecommunications consultant providing services to the City Department of Information Technology and Telecommunications ("DOTTT"), Police and Fire Departments regarding 311, 911, and emergency dispatch systems. In this capacity, KPMG assisted with monitoring the company's operations with an emphasis on compliance with applicable laws and regulations governing bidding on and execution of City contracts.
- **New York City Department of Education:** KPMG served as the integrity monitor for four school bus companies contracted by the City's Department of Education to provide transportation services to students. In this capacity, KPMG is working with each company to develop a corruption prevention program, code of business ethics, "zero-tolerance" policy, and communication and training plan. KPMG also worked with the Department to implement its corruption prevention program and oversee the ongoing monitoring of the companies compliance with the terms of various monitoring agreements.
- **New York County District Attorney and New York State Supreme Court:** KPMG was appointed as an Independent Private Sector General (IPSIG) to monitor a major interior construction company's affairs, books, and records. In this capacity, KPMG oversaw the risk assessment and diagnostic evaluation of internal controls as they related to the subcontractor, vendor, and consultant procurement process. KPMG also supervised the examination of the company's programmatic efforts to manage risks and made recommendations to address weaknesses identified. Based on the recommendations, KPMG worked with the company to revise its policies and procedures and to design and implement a compliance program. In addition, KPMG helped the company design and implement a vendor prequalification program, including a code of conduct,

communication protocols, and training that used electronic databases to perform in-depth personal and corporate background checks and develop financial and operating profiles of companies. This included the design of an application to elicit information regarding a vendor's organizational history, key personnel, and business operations. Finally, KPMG conducted an employee benchmarking survey to provide the company with a baseline measure of employee knowledge, perceptions, and behavior with regard to ethical and legal risks in order to measure the effectiveness of the company's compliance program. Three years after the completion of the monitorship, KPMG was subsequently engaged by the company on a voluntary basis. In this engagement, KPMG performed an assessment of the organization's Ethics and Compliance program including essential areas such as policies and procedures, education and training, and auditing and monitoring. The assessment entailed a review of documentation related to the design and implementation of the company's Ethics and Compliance program. Additionally, members of the company's management were interviewed to obtain information about the design and implementation of the Ethics and Compliance Program. KPMG issued a report highlighting strengths and opportunities for improvement. It is our understanding that the report was used to brief members of the company's senior management at a management retreat.

- **U.S. District Court (Eastern District of New York):** KPMG was appointed by the U.S. District Court for the Eastern District of New York to serve as the monitor of three painting construction companies to help ensure compliance with the terms of a plea agreement in settlement of criminal and civil actions. The companies and their owners were indicted on charges that they did not make appropriate benefit contributions on behalf of their union employees. As monitor, KPMG was charged with helping to ensure and promote defendants' compliance with terms of the plea agreement, and with determining which union members and benefit funds should be reimbursed from court-ordered restitution of \$1 million.
- **U.S. District Court (Southern District of New York):** KPMG was retained by the court-appointed monitor of several trash haulers, including Suburban Carting. This included a review of the company's books and records to identify possible money laundering activity, payments to government officials or union officials, and payments to organized crime members.
- **Court Appointed Receiver:** KPMG was retained by the court-appointed receiver for six carting companies in the City who were prosecuted and subsequently convicted of racketeering by the New York County District Attorney's Office. The work involved reviewing the company's books and records and monitoring their operations to help ensure that none of the company's assets were hidden, diverted, or dissipated in anticipation of civil asset forfeiture proceedings.
- **New York City School Construction Authority Inspector General:** KPMG was engaged as an IPSIG to monitor a structural engineering firm pursuant to an agreement between the firm and the New York City School Construction Authority, Inspector General ("SCA" and "IG"). KPMG was responsible for the following: examination of the firm's business operations in order to develop and implement a business management and ethics program; audit, examine, and monitor the implementation of the ethics program for compliance in connection with all work performed by the firm; conduct audits and investigations of payments, requisitions, invoices, payroll reports, and other requests for payment by the firm and its subcontractors for completeness and accuracy; review claims and change order requests and any other reports submitted or invoiced by the firm

and its subcontractors for completeness and accuracy; and establish and maintain a “hotline” telephone number to facilitate reports of allegations of improper and illegal conduct directly to the KPMG monitorship team.

- **New Jersey School Development Authority: KPMG was engaged by** the New Jersey School Development Authority, which was undertaking an \$8.6 billion multiyear capital construction plan, to perform an overall risk assessment of current capital budgeting and construction management processes. In addition to identifying and prioritizing all of the process functions involved in the development and execution of the capital program, KPMG provided recommendations regarding organizational structure which would mitigate the exposure for risk, both from a fraudulent- and a financial and market-impact perspective. The initial phase of work involved an analysis of the integrity of the current capital budget. This involved, but was not limited to, identification of project cost estimating control weaknesses, component assumptions, potential claims estimates, and identification of high-risk variable elements, such as land purchase cost assumptions. The remainder of the engagement involves development of a recurring audit plan that include reviews of land acquisition, project management, procurement, contract administration, real estate management, capital planning, etc.
- **New York City School Construction Authority: KPMG was engaged by** the New York City School Construction Authority, with a \$13 billion five-year capital construction plan, to perform its internal audit function. This included a dedicated team of KPMG construction professionals performing an overall assessment of current construction management process. The result of this effort identified and prioritized all of the process functions involved in the life cycle of the capital program. KPMG’s specific methodology segregated those processes that possessed the highest exposure for risk, both from a fraudulent and a financial and market impact perspective. The testing and analysis procedures focused on contract compliance, identifying potential construction fraudulent activities, labor law compliance, project control weaknesses, authorization requirements, change management, external reporting verification, and potential damage and claims investigations.



Budget

The table below presents the estimated hours by labor category required to complete each task as requested in the State’s engagement query. Given that this engagement consists of construction and repairs to the park, and is subdivided into four areas of focus, we believe the fees are reasonable. The level of effort, mix of experienced professionals and timeline are the required elements driving the overall fees, which we are estimating to be \$125,000 for the engagement. The professional hours by task have been estimated to derive the proposed fees and are presented below.

TASKS	Principal	Director	Project Managers	Senior Associate	Associate	Subject Matter Professional	Total Hours
Task A: Review Policies and Procedures							
Prepare and execute a kick-off meeting	2	2	4	0	0	2	10
Task A Total	2	2	4	0	0	2	10
Task B: Review and assess the Borough’s financial and administrative functions for this contract							
Assess if functions adhere to grant/assistance program guidelines, procurement rules, and reporting requirement	1	5	16			2	
Assess if the contract was procured in accordance with Federal, State and Local laws regulations, and ordinances	1	5	10			2	
Test if payments were disbursed consistent with applicable directives, and that there were no duplication of benefits, process and payment errors, waste, fraud, abuse, malfeasance or mismanagement of funds	1	5	8	25	25		
Task B Total	3	15	34	25	25	4	106
Task C: Review and analyze the construction deliverables for this contract							
Verify that construction plans, documentation, and permits are in compliance with all Federal, State and Local laws, regulations, and ordinances	1	5	15				
Verify that all construction contract deliverables to date have been provided, and within acceptable timeframes	1	5	15				
Task C Total	2	10	30	0	0	0	42

TASKS	Principal	Director	Project Managers	Senior Associate	Associate	Subject Matter Professional	Total Hours
Task D: If weaknesses are detected, develop recommendations and strategies to ensure maximum Federal recoveries, compliance with all laws, and prevention of associated risks through project closeout Investigating suspected and alleged malfeasance, inefficiency, waste, fraud, abuse or mismanagement of funds							
Due to the unknown variables that will impact extent of work to be performed, and unforeseen requirements that arise in practically all investigations, it is difficult to quantify the total expected fees for a matter like this. However, we have attempted to estimate our professional fees based on our current understanding of potential abuse (procurement fraud, duplicate invoicing, ghost employees, overbilling for materials, etc.) and assumed time commitments and make-up of the KPMG engagement team	2	10	10	25	20		
Task D Total	2	10	10	25	20	0	67
Task E: Provide ongoing quality assurance/quality control reviews for the duration of this engagement							
Test that remaining payments are disbursed consistent with applicable directives, and that there are no duplication of benefits, process and payment errors, waste, fraud, abuse, malfeasance or mismanagement of funds	1	4	10	20	20		
Review remaining construction progress through project closeout to ensure compliance with contract	1	4	20	10	10		
Provide ongoing guidance and problem resolution to support account reconciliations, and other issues related to the payment processing and reporting	1	4	10	10	10		
Task E Total	3	12	40	40	40	0	135
Task F: Provide deliverables as set forth in this Engagement Query							
Task B	1	2	5	10	5		
Task C	1	2	5	10	5		
Investigation Reports	2	5	10	10	5		
Monthly Status Reports	2	5	10	10	5		
Quarterly Reports	2	5	10	10	5		
Task F total	8	19	40	50	25	0	142
Total Project Hours	20	68	158	140	110	6	502

TASKS	Principal	Director	Project Managers	Senior Associate	Associate	Subject Matter Professional	Total Hours
Project Rate per Hour	\$325	\$325	\$265	\$220	\$150	\$285	
Total Project Budget	\$6,500	\$22,100	\$41,870	\$30,800	\$16,500	\$1,710	\$119,480

Assumptions

1. DOT is aware that KPMG may provide assurance, tax, and/or advisory services to potential vendors. At the point that DOT identifies vendors for consideration, KPMG will perform an internal search for conflicts or other professional relationships with the vendors selected for RFP distribution by DOT. KPMG will advise DOT of the general nature of services provided to the vendor, as permitted. However, you acknowledge that we are a large firm that is engaged by new clients on a daily basis and as a result, we cannot guarantee that following our initial relationship search, an engagement for a vendor under consideration will not be accepted somewhere else in our firm. Should any new information come to KPMG's attention, KPMG will promptly inform you.
2. KPMG's services as outlined in this proposal constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report, or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.
3. KPMG currently serves as financial statement auditor for the State of New Jersey, and as such, is committed to maintaining auditor independence as required by GAO Government Auditing Standards. KPMG will advise DOT as described in the tasks above with the expectation that client management will designate a qualified individual to be responsible and accountable for overseeing the engagement, will make all decisions that involve management responsibilities related to the engagement, and accept full responsibility for such decisions and the results of the service, and will evaluate the adequacy of the services performed and any findings that result.
4. The scope of work does not require that KPMG make any legal interpretations or render any legal advice, and the parties hereby agree that in connection with KPMG's performance of the services under this engagement shall not include or be construed to include the provision by KPMG of legal advice or legal services. KPMG is prohibited from giving legal advice or performing legal services of any kind or nature, and all legal interpretations and rendering of legal advice shall be Counsel's responsibility. KPMG will refer any such questions to Counsel.
5. This proposal is made by KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of KPMG International Cooperative ("KPMG International"), and is in all

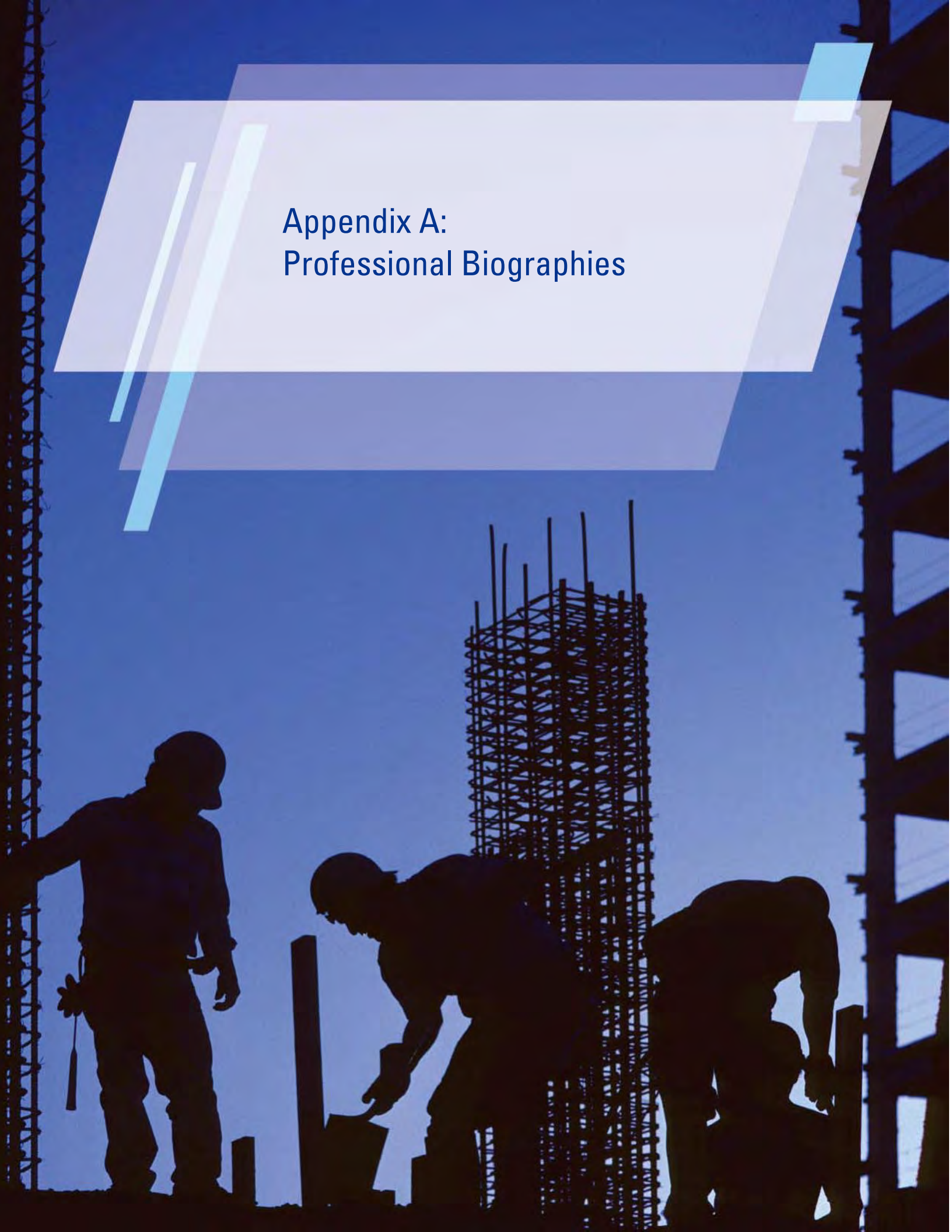
respects subject to our client and engagement acceptance procedures as well as the negotiation, agreement, and execution of a specific engagement letter or contract.

6. DOT acknowledges that in connection with the performance of services under the Agreement, KPMG uses vendors within and without the United States to provide at KPMG 's direction administrative and clerical services to KPMG. These vendors may in the performance of such services have limited access to information, including but not limited to confidential information, received by KPMG from or at the request or direction of the State. KPMG represents to the State that each such third party service provider has agreed to conditions of confidentiality with respect to the State's information to the same or similar extent as KPMG has agreed to pursuant this Agreement. KPMG has full responsibility to cause these vendors to comply with such conditions of confidentiality and KPMG shall be responsible for any consequences of their failure to comply. Accordingly, the State consents to KPMG disclosure to a third party service provider and the use by such third party service provider of data and information, including but not limited to confidential information, received from or at the request or direction of the State City for the purposes set forth herein.

KPMG Value and Benefits

In summary, we believe that KPMG offers a unique value proposition which includes a locally based team with monitorship and compliance experience within the construction industry. Our team is experienced and dedicated to serve as DOT's monitor in order to achieve your goals. Finally, we offer our services at a competitive cost.

The KPMG team looks forward to the opportunity to work with DOT on this important program.



Appendix A:
Professional Biographies



STEVEN M. FISHNER

Principal

[Redacted]

[Redacted]

Function and Specialization

Forensic Advisory Services

Professional Associations

- Association of Certified Fraud Examiners
- International Association of Independent Private Sector Inspectors General
- New York State Bar Association
- Association of the Bar of the City of New York

Education, Licenses & Certifications

- Juris Doctor – Hofstra University School of Law
- Bachelor of Arts – George Washington University
- Licensed Attorney
- Member of New York State and U.S. Supreme Court Bars

Background

Steven Fishner is a principal in KPMG LLP’s Forensic Advisory Practice. He provides investigative and integrity advisory services including fraud risk assessments, investigations, development of compliance and ethics programs, and ethics and integrity monitoring for clients in industry and government.

Professional and Industry Experience

Selected Engagements

- Served as engagement lead partner and integrity monitor of two construction firms providing FEMA-funded post-Hurricane Sandy home repairs through the City of New York’s FEMA-funded \$500 million Rapid Repairs Program.
- Conducted investigation of allegation of fraud by a regional medical center’s construction manager in the construction of a \$250 million hospital project.
- Served as an Independent Private Sector Inspector General (IPSIG) monitoring ethics and integrity compliance of national telecommunications consultant appointed by the New York City Department of Investigation.
- Served as an IPSIG-monitoring ethics and integrity compliance of a construction company appointed by the Port Authority of New York and New Jersey Inspector General.
- Conducted investigation of allegations of misappropriation of assets and procurement fraud by public school administrators and conducted gap analysis of school district’s internal financial controls.
- Analyzed internal financial controls of college and investigated allegations of financial misconduct by college president.
- Reviewed procurement policies and practices of New York State agencies in connection with State of New York financial audit.

Other Experience

Criminal Justice Coordinator – Office of the Mayor of the City of New York

- Served as principal criminal justice advisor to Mayor Rudolph W. Giuliani.
- Coordinated policy, management, strategy, technology, budget and legislation pertaining to the Fire, Police, Correction, Probation and Juvenile Justice Departments.

Assistant District Attorney – New York County District Attorney’s Office

- Served in a number of capacities including positions of Administrative and Executive District Attorney. Investigated and tried major felony matters and represented District Attorney Robert M. Morgenthau in intergovernmental affairs at City Hall, Albany and Washington.

Assistant District Attorney – New York County District Attorney’s Office

Other Activities

- Board Member and Treasurer, Center for Employment Opportunities



RICHARD H. GIRGENTI

Principal

[REDACTED]

[REDACTED]

Function and Specialization

Mr. Girgenti specializes in fraud and misconduct investigations, fraud risk management, and compliance and monitoring advisory services in the private, public and not-for-profit sectors.

Professional Associations

- American Bar Association
- New York State Bar Association
- New York City Bar Association
- Association of Certified Fraud Examiners

Education, Licenses & Certifications

- Juris Doctor, Georgetown University Law Center
- Bachelor of Arts, Seton Hall University
- Licensed Attorney, New York State
- Admitted to Practice, Supreme Court of the State of New York; United States District Court, Southern District of New York; and US Court of Appeals, Second Circuit
- Certified Fraud Examiner (CFE)

Background

Richard H. Girgenti is the National and America’s Chair for KPMG LLP’s (“KPMG”) Forensic Advisory Services and a member of the firm’s Global Forensic Executive Committee. He serves as the global leader of KPMG’s Compliance and Monitoring Network, which includes all proactive antibribery and corruption services, including risk assessments, due diligence, review of compliance controls and program reviews and the design, implementation and monitoring of Antibribery Programs and Controls. He has more than 35 years of experience both nationally and globally conducting investigations and providing fraud risk management advisory services to public and private corporations, as well as federal and state government entities and not-for-profit organizations.

Richard has served as a member of the Board of Directors for KPMG LLP and the Americas. He has chaired the Board’s Governance Task Force, Professional Practice and Ethics & Compliance, and Nominating Committees. He has also served as a member of the Audit & Finance and Pension Committees.

Richard is the coauthor of a comprehensive book on preventing, detecting and responding to fraud and misconduct—*Managing the Risk of Fraud and Misconduct: Meeting the Challenges of a Global, Regulated and Digital Environment* (The McGraw-Hill Companies, Inc., March 2011).

Professional and Industry Experience

Prior to joining KPMG, Richard held a number of high-level legal and law enforcement positions. He served as New York State Director of Criminal Justice and Commissioner of the Division of Criminal Justice Services, where he oversaw and coordinated the policies and initiatives of all of the state’s criminal justice agencies and worked closely with all federal and state law enforcement agencies. He is a former veteran state prosecutor in the Office of the Manhattan District Attorney, where he handled investigations, trials, and appeals in both the state and federal courts, including investigations and prosecutions of white collar, violent and major narcotics organized crime cases.

Sample Client Engagements

- Conducted fraud and misconduct investigations and risk assessments for major public sector organizations and multi-national corporations in all areas of operations, including purchasing, sales and inventory and involving all major industries within the FORTUNE 500.
- Led investigations of financial reporting fraud allegations with major public companies, including the improper recognition of revenue, the improper restructuring of loans, improper reserving for bad debt and other restructuring charges.
- Conducted international investigation of suspected multimillion dollar supply chain diversion of key components for a global FORTUNE 100 telecommunications company.
- Served as an independent monitor overseeing consent decrees, settlements and pleas entered into with government regulatory and prosecutorial agencies.
- Oversaw investigations of alleged bribes and kickbacks involving former City officials, contractors and public utility employees, and made recommendations for internal control improvements.
- Conducted investigation for multinational company involving improper

RICHARD H. GIRGENTI

Principal

reimbursements and tax avoidance.

Publications and Speaking Engagements

- Former adjunct professor, law school lecturer and instructor for trial advocacy.
- Publishes extensively on a wide range of criminal justice, white-collar, anti-bribery and corruption and fraud-related topics.
- Lectures frequently and conducts training programs and workshops on all aspects of fraud investigations, anti-bribery and corruption and the evaluation, development and implementation of integrity programs.
- Analyst and consultant for television, radio and print media.

Other Activities

Boards of Directors

- International Association of Independent Inspector Generals
- Citizen Crime Commission, New York City
- John Jay College of Criminal Justice Foundation (Treasurer)
- Fund for Modern Courts
- Economic Crime Institute (Emeritus)



MICHAEL B. SCHWARTZ

Principal

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Function and Specialization

Michael specializes in investigative and integrity advisory services and is the national lead for Forensic services related to the public sector and the Foreign Corrupt Practices Act (FCPA).

Professional Associations

- International Association of Independent Private Sector Inspectors General
- State Bar of Texas
- Bar of the District of Columbia
- Houston Bar Association
- American Bar Association

Education, Licenses & Certifications

- Cornell University, College of Arts of Sciences; A.B. Economics
- Emory University School of Law; J.D.

Background

Michael Schwartz is a principal in KPMG LLP’s Forensic Advisory Services practice in Houston, Texas. He assists corporate and public sector clients in preventing, detecting and investigating fraud, waste, abuse and other misconduct. He is the forensic coordinating partner nationally for the public sector and the national and global coordinator for antibribery and corruption and Foreign Corrupt Practices Act (FCPA)-related forensic services. Prior to joining KPMG in 2002, he had over 20 years of trial and other legal experience as an Assistant United States Attorney, in law firms and corporate legal departments. He is a frequent speaker nationally on fraud, misconduct and compliance-related topics.

Professional and Industry Experience

Michael has investigated allegations of fraud and misconduct for clients in almost all industry sectors, and his experience includes the following:

- In charge of antifraud, waste and abuse programs and controls for the Louisiana Road Home Program, the largest disaster recovery housing program in U.S. history, which involved the distribution of billions of dollars of HUD funds to Louisiana residents whose homes were damaged by Hurricanes Katrina and Rita
- Investigations, acquisition diligence, risk assessments and compliance matters related to the FCPA and other bribery and corruption statutes in the technology, aviation, energy, hospitality, mining and telecommunications industries
- Antibribery and corruption and fraud awareness training in 22 countries for a global payroll and human resources services provider
- Assessments of the completeness and effectiveness of compliance programs at several entities based inside and outside the United States
- Multiple matters involving investigations of alleged fraudulent financial schemes and other misconduct

Other Relevant Experience

- From 1991 – 2002, Michael was an Assistant U.S. Attorney in the U.S. Attorney’s Office in Houston, Texas. In June 2001, he was one of six finalists for the position of U.S. Attorney, Southern District of Texas. In early 2002, he was briefly a member of the Enron Task Force. As a prosecutor, he led investigations, prosecutions and trials of complex white-collar fraud and forfeiture matters, including Ponzi and investment schemes. He received numerous awards and commendations from the U.S. Attorney and the FBI.

Other Activities

Michael’s employment history is as follows:

- KPMG LLP (Principal, 2003–present; Director, 2002–2003)
- U.S. Department of Justice/U.S. Attorney’s Office (Assistant United States Attorney, 1991–2002)
- System One Corporation/Continental Airlines, Inc. (Staff Vice President and Assistant General Counsel, 1988–1991)
- Mayor, Day & Caldwell (Attorney, 1987-1988)
Butler & Binion (Attorney, 1981 – 1987)



THOMAS F. STANTON

Director

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Function and Specialization

Thomas specializes in Financial Reporting Investigations, Fraud and Misconduct Investigations, Fraud Risk Management and Sarbanes-Oxley advisory services.

Professional Associations

- Associate member of the National Association of Certified Fraud Examiners

Education, Licenses & Certifications

- BBA degree, in Accounting, Siena College

Background

Thomas is a director in KPMG’s Forensic practice with more than 15 years of experience managing complex accounting, financial reporting, and Securities and Exchange Commission (SEC) and auditing matters. He has directed and conducted investigations into financial statement matters and performed due diligence assignments, internal control reviews and other projects requiring financial and forensic skills

Thomas’ forensic accounting experience includes analysis of historical accounting records, including: analysis of transactions, general ledger detail, journal entries, customer documentation, contracts, email activity and other information in connection with various earnings management and fraudulent financial reporting schemes, fraud and misconduct investigations and costs and expenses paid under cost reimbursement contracts.

Professional and Industry Experience

- Served as engagement lead director in an integrity monitorship of two construction firms providing post-Hurricane Sandy home repairs through the City of New York’s FEMA-funded \$500 million Rapid Repairs Program.
- Assisted a global oil and gas company in establishing a process to receive claims for alleged damages under the Oil Pollution Act 1990. The responsibilities included but were not limited to providing feedback on issues and questions that surfaced concerning the claims process, communicating with local stakeholders and providing advice with regard to supporting documentation needed for individual, business and government claims
- Led investigations of a number of New York metropolitan area hospitals in connection with alleged procurement fraud.
- Served as team lead for an earnings management investigation which concluded that management manipulated company accounts to hit quarterly performance goals. The responsibilities included identifying potentially questionable journal entries, and adjustments to various liability accounts. Additional responsibilities included investigation of matters of apparent interest to the SEC, identification, determination of potential new issues, data/fact gathering analysis, authoring of issue memorandums, and participating in various meetings with representatives of the investigative law firm, the company, the company’s outside auditors, and the SEC.
- Served the leading global investment banking, securities and investment management firm, providing technical expertise in a number of areas including internal control design, the design and evaluation of tests of internal controls, and documentation.
- Served one of the nation’s largest telecommunication companies by performing a comprehensive forensic data analysis on the organization’s vendor, accounts receivable, accounts payable, and payroll data files identifying anomalies and irregularities in their system and investigating the possibility of fraudulent activity. This engagement allowed management to establish a reliable, predictable, and consistent investigative process that examines the root causes of fraud and misconduct and recommends business improvements.
- Investigated accounting improprieties in particular, revenue recognition practices, of a technology-based organization resulting in civil action against the

THOMAS F. STANTON

Director

company and certain employees.

- Served one of the nation's largest not-for-profit organizations in comprehensive investigation of fraud, waste and abuse resulting in the criminal prosecutions of numerous white-collar professionals.
- Conducted a due diligence review of the antimoney- laundering policies and procedures and designed a comprehensive set of anti-money laundering recommendations for a financial institution subsequent to the discovery of a money laundering operation that had infiltrated the institution. Advised senior management with respect to policies, procedures, controls and information technology systems.
- Conducted audits and applied knowledge of GAAP, SEC and NASD regulations to the investment partnerships of one of the nation's largest discount broker/dealers in securities.
- Conducted a corporate investigation on behalf of a financial institution with accounts, each in the name of different individuals and entities that were actually owned and/or controlled by one individual who had allegedly defrauded several other financial institutions in amounts exceeding several millions of dollars.

Technical Skills

IDEA, Microsoft Office, and Access

Publications and Speaking Engagements

- **NEW YORK UNIVERSITY – New York, NY**
Lecturer, Certificate in Forensic Accounting Program. Prepared and gave guest lectures for the course Introduction to Investigative and Forensic Accounting on techniques for using information technology to understand, detect, and prevent financial fraud throughout the modern business organization. Course included information technology theory relating to fraud, as well as examples drawn from actual investigations. Provided live demonstrations during lecture of actual information technology techniques used to detect fraud in "dummy" data.



KEVIN J. MAX

Director

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Function and Specialization

Kevin is a Director in KPMG’s international Major Project Advisory practice where he specializes in providing real estate and construction advisory services.

Professional Associations

- Structural Engineering Institute
- American Society of Civil Engineers
- Association for the Advancement of Cost Engineers International
- Association of Certified Fraud Examiners

Education, Licenses & Certifications

- Professional Engineer, P.E. (Civil, New Jersey)
- Certified Fraud Examiner
- Professional Project Manager
- Masters of Business Administration, MBA Finance – Rutgers Graduate School of Management
- Bachelors of Engineering, Civil and Environmental Engineering – Rutgers College of Engineering
- Adjunct Professor, Fairleigh Dickinson University

Background

Kevin is a Director in the KPMG LLP’s Major Projects Advisory practice. As a licensed Professional Engineer, Project Management Professional and Certified Fraud Examiner, he has almost 20 years of diverse construction industry, project management and fraud investigation experience. His professional resume is highlighted by extensive civil engineering and construction management experience and consulting credentials in the areas of construction risk management, contract administration and compliance, litigation support and fraud investigation. He has advised clients on a wide range of large-scale capital projects and programs for FORTUNE 500 companies, government entities, and private institutions.

Professional and Industry Experience

- Kevin was part of the team of investigators and engineers acting as Integrity Monitors for New York City’s FEMA-funded Rapid Repairs Program. He assessed contractors’ compliance with program and contract requirements and reviewed the quality of work.
- Kevin’s team was appointed by a major metropolitan U.S. city as the Integrity Monitor for the construction manager overseeing the restoration of heat, hot water, and power under an unprecedented emergency repair program to enable residents to safely inhabit damaged dwellings. The team monitored damage assessments, demolition work, and construction activities, reporting to city officials. The work included developing a process for reviewing invoices and supporting documentation; establishing system of accountability for work performed; facilitating the timely and appropriate payment to the contractor; and documenting inappropriate, duplicative, and unsupported billing.
- As part of team of investigators, forensic accountants, and construction professionals, Kevin investigated allegations of a multimillion dollar bribery/kick-back fraud scheme at a regional energy provider. The allegations came to light as part of an investigation of the federal government and implicated utility construction management personnel. His work included a quantification of the losses to the company resulting from the illicit activities and the provision of improved processes to mitigate the risks of recurrence of similar actions.
- Kevin led an investigation and cost audit of a \$7 billion, 10-year capital construction project. The investigation was initiated by allegations of kickbacks paid by contractors to utility employees on the multiphase construction of an electrical generating station.
- Kevin conducted a risk assessment of a state government agency with an \$8 billion capital construction program. The assessment included a review of all the functional and operational units with specific focus on “no-risk” contracts the agency awarded to third-party construction management firms. Risks identified were classified based on the likelihood of occurrence and the potential impact.
- Kevin’s team was engaged to perform a contract compliance review and due diligence assessment for a \$100 million maintenance operation of an oil-drilling ship - partly-owned by global energy financing concern and operating off the coast of Brazil. He led an international team in a review of the ship operator’s overall organization, structure, policies, procedures, and controls to identify high-risk areas for potential further analysis and process improvement. The team also analyzed and evaluated internal accounting and control processes used for preparing project budgets, tracking project costs, validating capital expenditure,

KEVIN J. MAX

Director

analyzing budgeting/forecasting data, inventory, work schedule, and indemnifications and insurances.

- Kevin performed an audit of a \$600 million marine construction project in the Indian Ocean off Western Australia. The project was part of a larger program to construct a liquefied natural gas facility on an island near a sub-sea gas field. He audited and assessed the valuations reported by the contractor for contract work, the out-of-scope work performed, and the potential additional owner-directed work.
- Kevin was part of the team appointed by the Inspector General of a city agency to monitor and approve requests for payments submitted by a design consultant. The consultant had submitted over \$1 million in unsubstantiated invoices. The work included a detailed review of all invoices submitted to the agency over a three-year period.
- Kevin analyzed claims submitted to a major resource provider for damages incurred during a major oil disaster. Claims were primarily related to lost income during a period of business interruption resulting from the event. He evaluated the claims and provided recommendations for claims handling and cost reduction.
- Kevin performed a claims cost assessment for a transportation holding company with railroad investments in the United States, Mexico and Panama. On June 30, 2010, Hurricane Alex damaged the company's primary Mexican rail subsidiary service in northern Mexico causing considerable track damage on key transportation corridors. KPMG assisted in evaluating the \$70 million in total insurance claims submitted by the company to their insurance carrier for physical damage, reconstruction, and business interruption losses.
- Kevin managed an integrated team of professionals working for a large New York City agency with a \$13 billion capital construction program. He has been responsible for the overall management of the oversight program including leading the risk assessment process, the development of the multi-year audit program, and the execution of more than 80 internal reviews and assessment. He has managed assessments of the authority's core business processes including project planning and initiation, real estate selection, technical design, procurement management and sourcing, contract administration and compliance, emergency response, safety and environmental compliance, insurance and risk management, change management and project closeout.
- Kevin performed a gap analysis of the internal guidelines, procedures, and documented policies of an Eastern university hospital medical center. In addition, his team provided a road map and prioritization schedule for the development and implementation of leading practices related to project management and execution.



DONNA SANFORD

Director



Education, Licenses & Certifications

- BA degree, University of Mississippi

Background

Donna is a director in KPMG’s Advisory Practice in Jackson, Mississippi. Prior to joining KPMG in July 2008, she served the State of Mississippi for over 26 years in various capacities. She assists government clients to improve performance, meet regulatory or standards compliance, and enhance accountability and reporting.

Relevant Experience

Donna has extensive accounting, finance and auditing management experience, specifically related to State and Federal reporting, compliance, procurement and cash management.

Disaster Recovery

- Managed all aspects of Mississippi’s \$5.5 billion U.S. Department of Housing and Urban Development (HUD) Community Development Block Grants (CDBG) funded Katrina Disaster Recovery Program portfolio.
- Initiated and implemented policies and procedures for the \$2 billion Mississippi Homeowners Assistance Program. This program provided compensation grants to homeowners whose primary residence received flood damage as a result of Hurricane Katrina.
- Responsible for the development and implementation of a Programmatic Agreement, Environmental Broad Review and Site Specific Checklist in compliance with HUD’s environmental regulations for Mississippi’s Elevation Grant and Small Rental Assistance Disaster Recovery Programs. The State was required to address matters such as activities within a flood plain and coastal high hazard zones.
- Developed and implemented policies and procedures for programs providing disaster relief to local units of government for community revitalization, economic development and infrastructure. Oversaw the scoring of over 230 applications and approved the resulting grant agreements for these programs with a budget of over \$1 billion.

State Government

- As controller for the MS Development Authority she was responsible for all accounting, finance and budget functions and federal and state reporting. This included oversight of state funded transactions for two major economic development projects totaling \$490 million.
- Served as Bond Advisory Director for the State of Mississippi coordinating the issuance of state bonds. Prepared monthly analysis and forecasts of state revenues and cash flows for the Governor and Legislative Budget Office.
- Responsible for compiling the Mississippi’s Comprehensive Annual Financial Statements and maintaining the state’s *Accounting, Policies and Procedures Manual* for state fiscal years 1994–1998.
- Prepared the annual budget and monthly forecasts for the Mississippi’s Department of Human Services. Supervised the preparation of quarterly federal reports and the maintained the agency’s Cost Allocation Plan.
- Planned and implemented the merging of four offices: internal audit, fraud investigations, client hearings and quality control to create the Division of

DONNA SANFORD

Director

Program Integrity. Responsible for managing and operating the division from 1990 to 1992.

State of Louisiana, Department of Administration's Office of Community Development

- Served as engagement manager to assist in the prevention and detection of fraud, waste and abuse in connection with multiple HUD funded disaster recovery programs. There are currently more than 20 distinct programs using these funds ranging from infrastructure repair to workforce development to rental housing incentives.

State of Mississippi, Department of Finance and Administration

- Currently serves as engagement manager to assist the State with having internal controls in place and complying with the requirements for receiving and implementing American Recovery and Reinvestment Act (ARRA) funds. This engagement involves the review of internal controls and program compliance of ARRA funds received by 16 state agencies.

State of Mississippi, Mississippi Insurance Department

- Served as engagement manager to assist the Department in documenting and assessing internal controls related to all functions and programs of the agency.

State of Mississippi, Department of Education

- Served as engagement manager for the monitoring of 81 local education districts' ARRA awards. ARRA programs include Title I Part A, Homeless Assistance, Idea Part B, Title II Part D (E2T2), State Fiscal Stabilization Funds and Ed Jobs. This engagement involves assisting the State with the development of a monitoring template, monitoring results reporting and a system for distributing reports to the local districts via a share point site allowing for districts to submit report responses electronically. The 81 site visits provide for monitoring of general controls related to receipts, disbursements, reporting and accounting for fixed assets. Districts are monitored for compliance with procurement regulations, cash management and ARRA reporting requirements.

State of Florida, Department of Community Affairs

- Served as engagement manager to assist the State in monitoring real estate transactions and financial controls for the 24 subrecipients of the HUD Neighborhood Stabilization Program.



KAREN ANN LYNCH

Manager

[Redacted]

[Redacted]

Service Lines

Investigative & Integrity Advisory Services

Function and Specialization

Karen specializes in investigative services with extensive experience in FCPA, state and city governments and Stock-Option backdating matters.

Education

- BS degree, Pennsylvania State University: Major in Finance, and Minor in Health Policy Administration
- Semester Abroad, University of Queensland, Australia

Firm Activities

- TFFB Staff Council – Philadelphia Advisory Staff Council Board Member
- Mid-Atlantic Law Firm Channel – Lead Staff Research
- Campus Recruiting

Background

Karen is a manager in KPMG’s Advisory Services practice with more than 8 years of Forensic Advisory experience. Currently she provides consulting and investigative services for attorneys and corporate management on a variety of matters including all types of investigations, with specific focus on FCPA / ABC matters including FCPA risk assessments and FCPA due diligence, state and city government agencies, earnings management, accounting misappropriations, business disputes, contract compliance, pharmaceutical co-promote contracts, loan reviews, royalty audits, U.S. government contracts, shadows, FITAs and other related issues. She is also trained in providing Corporate Due Diligence services to clients through KPMG’s Astrus tool. A sample of related experience is detailed below:

Relevant Experience

- Lead office manager on New York City FEMA-funded Rapid Repairs Program engagement, in which KPMG was hired to act as the Integrity Monitor of two construction firms providing post-Hurricane Sandy home repairs through the City of New York’s \$500 million Rapid Repairs Program. The Rapid Repairs program was a groundbreaking initiative undertaken by the City to mobilize dozens of contractors and thousands of skilled construction workers to make emergency repairs, free to homeowners, on residential properties affected by Hurricane Sandy. Duties performed include analyses to help deter acts of construction fraud, investigate instances of contractor/subcontractor waste and abuse, and provide various analyses around potential contractor overbilling to the City. Reviewed contractor invoices to uncover overbilling equating significant saving for the City. Managed the office team to conduct various analysis aimed at uncovering variances and instances of waste and abuse of City funds.
- Managed international team on Wal-mart FCPA investigation, with specific focus on South African jurisdiction. Duties performed include managing and training a team consisting of KPMG staff, both United States and international, at the clients South Africa affiliate location on FCPA red flags and investigation methodology, conducting a strategic review of the international business practices to select samples from an FCPA risk based approach and tested transactions for potential FCPA violations, formally reported and presented to counsel all findings associated with the South African investigation.
- Lead manager on state agency investigation engaged through the Office of Inspector General for the Commonwealth of Pennsylvania. Investigation surrounded allegation of potential inappropriate use monies through taxpayer funded grants awarded by a state agency. Duties performed include a review of taxpayer funded grants awarded to a specific city organization; conducted interviews, reviewed grant supporting documentation and all financial data associated with fund expenditures, formally reported and presented investigation findings to Pennsylvania Inspector General.
- Lead manager on an internal investigation of a global energy distributor with formal allegations of extensive overbillings for converting properties from gas to propane. Duties performed include managing a team of KPMG staff and the companies’ internal audit department for performing on site home inspections and quantifying the potential overbillings by reviewing internal files and third-party supporting documentations. Interacted daily with assistant general counsel and head of internal audit to provide various status updates and ad hoc analysis.

KAREN ANN LYNCH

MANAGER

Managed and made decisions on the underlying accounting treatment of what should have been billed vs. what was ultimately billed by the company.

- Participated in and completed an Earnings Management investigation of a global information technology company. Duties performed include participating in interviews conducted in Copenhagen Denmark with outside counsel of 18 employees suspected of potential involvement in the fraud as well as interviews of top U.S. management. Managed a team conducting e-mail review and targeted red flag issue searches across 29 custodians consisting of approximately 150,000 documents. Collaboratively developed and implemented key word searches across e-mail population with outside counsel. Managed a team reviewing approximately 70,000 hard copy subpoena responsive documents produced to the SEC.
- Participated in and completed an FCPA-focused Global Risk Assessment for a high end fashion retailer in the U.S. and its affiliates around the globe. Duties performed include managing a team consisting of KPMG staff, both US and international, at the clients' international affiliates throughout the world, conducting a strategic review of the international business practices to select samples from an FCPA risk-based approach, formally reporting and presenting to counsel all findings associated with the risk assessment.
- Participated in and completed two simultaneous engagements for a global healthcare company for 18 months. The first part being an investigation of alleged Foreign Corrupt Practices Act allegations for the U.S. based affiliate of the global company. The second being a Global Risk Assessment conducted from the International headquarters of the company and its affiliates around the globe. Duties performed include managing a team consisting of KPMG staff as well as the internal corporate auditors of the client in a Global Risk Assessment of their business practices at international affiliates throughout the world, conducting a strategic review of the international business practices to select samples from an FCPA risk based approach, managing the U.S. based KPMG team through various analysis and review of investigative documentations for FCPA red flags, managing a team through the document collection efforts for the U.S. based investigation, formally reporting and presenting to counsel all findings associated with the investigation and risk assessment and acted as a liaison between the Forensic Data team and the Forensic Core team in order to obtain data to enable the core team to conduct analyses in the most efficient manner possible.
- Participated in and completed an international investigation surrounding allegations of Foreign Corrupt Practices Act violations of a global healthcare manufacturing company. Duties involved overseeing staff through the e-discovery process, evaluating e-mail communication, interviewing key personnel, developing outlines for interview questioning, reviewing commission payments, reviewing T&E expenses, and assisting with the final KPMG report to counsel.
- Completed 2 years of assisting a global pharmaceutical company with two large U.S. Government Contracts in order to comply with Government Standards. Assisted the pharmaceutical company in calculating indirect cost rates to submit to the U.S. government in accordance with the Federal Acquisition Regulations and Cost Accounting Standards.



RYAN E. COCO, P.E.

Manager

[Redacted]

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Function and Specialization

Ryan is a member of the Forensic Major Projects Advisory practice specializing in Real Estate and Construction.

Professional Associations

- Member, Association of Certified Fraud Examiners
- Member, Institute of Electrical and Electronic Engineers (IEEE)
- Member, Power and Energy Society

Education, Licenses & Certifications

- BS degree, Villanova University
- Professional Engineering (PE) Licensure New York
- Licensed Home Inspector New York
- Certified Project Management Professional (PMP)

Background

Ryan is a manager in KPMG’s Forensic Major Projects Advisory practice with more than 12 years of construction consulting experience. He is a Licensed Professional Engineer and a Licensed Home Inspector in the State of New York. He has a strong construction background with experience in many areas throughout the construction project lifecycle including planning, design, procurement, contract administration, and project controls. Some of the industries that he has construction experience in includes home construction, educational facilities, commercial office, hospitals, transportation, and heavy industrial structures.

Professional and Industry Experience

Ryan has significant experience in the construction consulting industry where he has provided various construction services that include construction internal audit, contract compliance and cost recovery analyses, capital construction program evaluations, construction project reviews, program and project controls assessments, and project oversight and monitoring. He has provided design services on buildings, bridges and highways which entailed the production and review of proposals, contracts, plans, specifications, schedules, and estimates as well as construction support services. He also has financial claims consulting experience, specifically in the construction and government contracting practice areas. He performed project cost analyses, construction document assessments, and schedule analyses to identify financial damages, delays, and productivity loss on various construction projects.

Sandy Recovery Experience

- Ryan was a manager on the team of investigators and engineers acting as Integrity Monitors for New York City’s FEMA-funded Rapid Repairs Program. The NYC Rapid Repairs Program was a free program to assist residential homeowners impacted by Super Storm Sandy. The objective of the program was to restore heat, hot water, electrical and repair weather exposures to homes devastated by the Storm. As Integrity Monitor, KPMG monitored the work of the construction contractors and their subcontractors performing repairs and monitored and investigated allegations of fraud by other parties in connection with the program. As part of this review, he led the day-to-day activity of the field teams, which assessed program and contract compliance, quality of work, safety, code compliance, closeout documentation, and whether the billings were in accordance with the program guidelines and accurately reflected the work completed in the field.

Construction Program/Project Evaluations and Monitoring Experience

- Ryan served as manager of the Internal Audit Division at a public agency with a \$13 billion and \$11.3 billion capital construction budget for building schools on behalf of the Director of Internal Audit Services and the Audit Advisory Committee. In this role, he managed the daily internal audit activities, which include planning audits, performing fieldwork and reporting to management. Ryan led a team of internal auditors and subject matter professionals on multiple construction related reviews and audits. Some of the audits that were led by him included contractor and consultant payment application review process, time and materials/emergency contract payment application review process, change order audit, testing consultant qualifications assessment, building code compliance

and construction inspection division process assessment, project reviews assessment, procurement process assessment, and limited bidders' list assessment.

- KPMG was engaged to perform a construction program evaluation of an Ivy League University's \$800 million capital program. Ryan led and performed a detailed construction program assessment, conducted contract compliance assessments of several specific projects, and provided ongoing project monitoring and oversight services for all projects included in the University's capital construction plan. His team is currently engaged to monitor all ongoing projects, which includes the review of project infrastructure and setup, budget monitoring, records review and documentation compliance, payment review and cost oversight, and schedule management.
- Ryan managed an assessment of a \$2.3 billion construction project for a large financial institution. He reviewed the processes and controls related to contract administration, procurement, change management, remittance of payment to contractors and consultants, project reporting, safety, scheduling, quality assurance, insurance and project closeout.

Previous Construction and Engineering Experience

Multi-National Bridge Design Firm

Ryan was a project engineer for a multi-national bridge design firm. On numerous projects he was the lead design engineer, coordinating and producing many components of a construction project that include cost estimating, design calculations, plans, scheduling, and specifications. He was the liaison between clients, contractors, subcontractors, vendors, marketing personnel, and many engineering disciplines. He also provided on-site surveying, inspections, and construction support services on movable bridges and heavy movable structures. Much of his construction consulting services were conducted for the New York City Department of Transportation, New York State Department of Transportation, Michigan Department of Transportation, as well as many other government agencies.

Global Consulting Firm

Ryan worked in the government contracting and construction practice where he worked directly with various professionals including engineers, attorneys, and contractors in order to settle litigation disputes. He performed project cost analyses, construction and procurement schedule analyses, field inspections, and in depth document reviews. As part of review process, he assessed contracts, specifications, contract drawings, applications for payment, change orders, extra work orders, and requests for information. He determined financial damages that resulted from delays, design flaws, and productivity issues on different construction projects.

Contact us

Steven M. Fishner

Principal



kpmg.com