

State of New Jersey  
 Department of Treasury  
 Integrity Monitoring Report

KPMG - Atlantic Highlands

Engagement: Borough of Atlantic Highlands Marina and Pier  
 Reconstruction Contract # T-2939; EQ2013-006-P3  
 For Quarter Ending: 06/30/2015

Reports required under A-60 will be submitted by Integrity Monitors on the first business day of each calendar quarter to the State Treasurer and will contain detailed information on the projects/contracts/programs funded by the Disaster Relief Appropriations Act.

No.	Recipient Data Elements	Response	Comments
<b>A. General Info</b>			
1.	Recipient of funding	Atlantic Highlands Harbor	
2.	Federal Funding Agency? (e.g. HUD, FEMA)	FEMA	
3.	State Funding (if applicable)	Not Applicable	
4.	Award Type	Grant	
5.	Award Amount	\$19,315,327	
6.	Contract/Program Person/Title	PA-02-NJ-4086-PW-01733(0) - Atlantic Highlands Harbor Marina and Piers /Adam Hubeny / Borough Administrator; Task Order # Atlantic Highlands 3-1A-F Contract # T- 2939	
7.	Brief Description, Purpose and Rationale of Project/Program	Hurricane Sandy's combination of strong winds, waves and high tide resulted in an intense storm surge which submerged the piers and produced extremely high forces on the structural members. All twelve piers were significantly damaged. Damage included severely uplifted, misaligned and broken piles, several split or broken headers and stringers, missing or broken decking, and severely damaged secondary components including wave screens, railings, mooring piles and all utilities located on the piers (water, electric, sanitary and fuel system). Also damaged were the Americans with Disabilities Act (ADA) access ramps, observation decks, launching ramps and bulkheads	
8.	Contract/Program Location	PA-02-NJ-4086-PW-01733(0) / 2 Simon Lake Drive, Atlantic Highlands, NJ	
9.	Amount Expended to Date	JH Reid (including Skyline Steel): Payment Certificate No. 1 – No. 16 = \$15,376,829.09 T & M - \$1,111,186 Sullivan - \$403,925 Borough of Avon-By-The-Sea: \$24,500 <b>Total - \$16,916,440.09</b>	
10.	Amount Provided to other State or Local Entities	\$24,500 - Borough of Avon-By-The-Sea for 60 LF of Metal Sheeting	
11.	Completion Status of Contract or Program	100% Complete.	
12.	Expected Contract End Date/Time Period	Oct-14	
<b>B. Monitoring Activities</b>			

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13.	If FEMA funded, brief description of the status of the project worksheet and its support.	On February 7, 2013, Atlantic Highlands Harbor ("the Harbor") completed the Project Worksheet ("PW") UEBHG20 for the rehabilitation of the Atlantic Highland Marina and Piers. The Harbor engaged T & M Associates of Middletown New Jersey to a prepare the site condition survey report for the PW and was also assisted by a FEMA project specialist and their FEMA representative. The PW was executed by FEMA PAC Crew Leader Charles Deason on February 26, 2013 in the amount of \$19,315,327	
14.	Quarterly Activities/Project Description (include number of visits to meet with recipient and sub recipient, including who you met with, and any site visits warranted to where work was completed)	Certified Payroll and Cancelled Check Analysis - In order to assess whether amounts paid to individuals reconcile with the Certified Payrolls, KPMG requested that the prime contractor provide fifteen cancelled checks issued to individual contractors. As of June 30, 2015, the contractor was unable to provide five cancelled checks. As a result, KPMG could not conclude that outside of the ten checks received that payments were proper. We have referred the matter to the Department of Treasury for resolution.	
15.	Brief Description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.	Refer to item 14	
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	Refer to item 14	

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17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	In order to monitor and assess whether payments and change orders were disbursed consistent with applicable directives, KPMG in prior quarters, performed the following procedures: <ul style="list-style-type: none"> <li>• Analyzed documents provided for proper authorization of transactions;</li> <li>• Analyzed documents to assess proper segregation of duties. This included assigning different people the responsibilities of authorizing transactions, and recording transactions;</li> <li>• Obtained payment certification from contractor;</li> <li>• Obtained certified payrolls; and</li> <li>• Obtained wire transfer details or cancelled checks.</li> </ul>	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	Refer to item 14	

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19.	Provide details of any integrity issues/findings	<p><b>General Findings</b>            Based upon procedures performed, KPMG found that the Borough has made significant efforts to comply with requirements outlined in the FEMA Public Assistance Program and implemented controls to oversee and monitor the construction of the Atlantic Highlands Harbor Reconstruction Project. KPMG has made the following recommendations to the Borough which, if properly implemented, should improve the Borough's internal controls for this program:</p> <p><b>Labor Reporting</b> – The Harbor was not recording data pertaining to the contractor resources on site each day to complete the last few punch list items. This is extremely important in order to verify prevailing wage is being paid and whether contractors performing the work are actually union employees with the appropriate classification. In order to prevent and detect, fraud waste and abuse, KPMG instructed Atlantic Highlands to track J.H. Reid personnel working on the punch list items. In addition, KPMG requested and received a daily email containing a list of J.H. Reid employees working on the Marina.</p> <p><b>Certified Payroll and Cancelled Check Analysis</b> - In order to assess whether amounts paid to individuals reconcile with the Certified Payrolls, KPMG requested that the prime contractor provide fifteen cancelled checks issued to individual contractors. As of June 30, 2015, the contractor was unable to provide five cancelled checks. For ten (10) out of the fifteen (15) requested checks, KPMG traced the amounts to certified payrolls without exception. As noted above, J.H. Reid was unable to provide five cancelled checks. As a result, KPMG could not conclude that outside of the ten checks received that payments were proper. Therefore, we have referred the matter to the Department of Treasury for resolution.</p>	
20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	None noted this quarter.	
21.	Provide details on any other items of note that have occurred in the past quarter	As noted above, part of our review included performing a reconciliation of Certified Payrolls submitted by JH Reid to cancelled checks issued to individual contractors (fifteen checks in total). We requested JH Reid to provide a copy of the cancelled payroll checks for a sample of individuals. On February 12, 2015, we received ten cancelled checks. As of June 30, 2015 the contractor did not provide the remaining five checks.	

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22.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	<ul style="list-style-type: none"> <li>T&amp;M is the Borough's engineer and is also performing non-Superstorm Sandy Projects for the Borough. The Borough did not issue separate checks for Superstorm Sandy related work and other work being performed by T&amp;M (i.e., General Services). Instead the Borough combined invoices/vouchers and issued one check. KPMG recommended that the Borough issue separate checks for Superstorm Sandy related work for tracking purposes.</li> <li>In order to prevent and detect, fraud waste and abuse KPMG instructed Atlantic Highlands to track J.H. Reid personnel working on the bulkhead and punch list items. In addition, KPMG requested and received a daily email containing a list of J.H. Reid employees working on the Marina.</li> </ul>	
<b>C. Miscellaneous</b>			
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	See Time and Expense Tab	
24.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Covered in Previous Sections.	

Name of Integrity Monitor:	KPMG
Name of Report Preparer:	Richard Girgenti
Signature:	
Date:	10/1/2015

Title	Rate	Hours Incurred (Apr - Jun)	Amount (Apr - Jun)	Summary of services provided
Project Manager	\$ 270	5	\$ 1,350	Discussion and coordination with DOT and Atlantic Highlands to close outstanding items

Expense Amount	Summary of Expenses (Apr - Jun)
\$0	
\$0	