

State of New Jersey	KPMG - Middlesex County Utility Authority	
Department of Treasury		
Integrity Monitor Report		
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3		
For Quarter Ending: 12/31/2015		

The reporting period for this report is October 1, 2015 through December 31, 2015

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

No.	Recipient Data Elements	Response	Comments
A. General Info			
1.	Recipient of funding	Middlesex County Utility Authority (MCUA)	
2.	Federal Funding Agency? (e.g. HUD, FEMA)	FEMA	
3.	State Funding (if applicable)	Not Applicable	
4.	Award Type	Grant	
5.	Award Amount	Cruz Contractors, LLC (Cruz) - \$9,593,000 Allied Construction Group, Inc. (Allied) - \$8,038,156 Total - \$17,631,156 Sayreville and Edison Pumping Stations Mitigation Contracts - TBD (2016)	
6.	Contract/Program Person/Title	Standby Contract for Forced Mains and Gravity Sewers - Cruz Rehabilitation and Upgrade of the Sayreville Pumping Station - Allied Future mitigation work on Sayreville and Edison Pumping Stations - Contracts anticipated to be awarded in May 2016 Program Person: Richard Fitamant, Executive Director	
7.	Brief Description, Purpose and Rationale of Project/Program	<p>During the ongoing incident period of Post Super Storm Sandy, beginning on October 26, 2012, the Middlesex County Utilities Authority (MCUA) suffered substantial damage to its Sayreville Pump Station which utilizes six (6)-50 MGD (Million Gallons Daily) pumps and four (4)-40 MGD pumps to pump anywhere from 70 MGD of dry weather sanitary flow to 300 MGD of wet weather sanitary flow from 30 municipalities in Middlesex and Somerset counties to the central treatment plant. The storm surge inundated and damaged its onsite electrical substation and controls. Also, due to salt water intrusion the pumps, pump fittings, and pump motors were compromised and rendered inoperable. These damages prompted the sub-grantee to immediately secure emergency contracts to prevent further damage to the existing infrastructure and prevent raw sewage from being discharged into the waterways.</p> <p>Prior to Super Storm Sandy, Cruz was issued a standby contract for forced mains and gravity sewers which included provisions for dewatering and by-pass pumping. This standby contractor was utilized after Super Storm Sandy to perform emergency clean-up and restoration activities for both the original Sayreville Pumping Station and the Sayreville Relief Pumping Station resulting from storm damage.</p> <p>In June 2011, Allied was contracted to perform the rehabilitation and upgrade of the Sayreville Pumping Station. This contract has a provision for unforeseen circumstances which allows payment for any items that are above and beyond the original contract. In this case, the dewatering of the facility, emergency site preparation, and temporary repairs to electrical systems were not in the original contract but were addressed as change orders following the storm.</p> <p>On March 27, 2013, the Integrity Oversight Monitor Act ("the Act") was enacted for the purpose of authorizing the deployment of Integrity Oversight Monitors for recovery and rebuilding contracts resulting from Super Storm Sandy and subsequent major storms in New Jersey. The Act authorizes the State Treasurer to require integrity oversight monitor services on any State or non-State, federally funded, recovery and rebuilding contract of \$5 million or more.</p> <p>KPMG LLP ("KPMG") was engaged by the Department of Treasury ("DOT") on June 20, 2014 to serve as the Integrity Oversight Monitor ("IM") for MCUA Sayreville Pumping Station given that both Cruz and Allied's contracts which exceeded the \$5 million threshold required by the Act.</p> <p>Currently, MCUA is in the process of finalizing the design and obtaining approval for permanent mitigation projects on Sayreville Pumping Station and Edison Pumping Station.</p>	

State of New Jersey	
Department of Treasury	
Integrity Monitor Report	
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3	
For Quarter Ending: 12/31/2015	

The reporting period for this report is October 1, 2015 through December 31, 2015

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

No.	Recipient Data Elements	Response	Comments
8.	Contract/Program Location	Middlesex County Utility Authority 2571 Main Street Sayreville, NJ 08872	
9.	Amount Expended to Date	Cruz Contractors, LLC - Task 1 (Bypass Systems to CTP): \$7,498,901.27 Task 2 (HSR Temporary Wet Weather Overflow Facilities): \$1,670,176.15 Allied Construction Group, Inc. - \$8,281,546.39 Total - \$17,450,624	
10.	Amount Provided to other State or Local Entities	Not Applicable	
11.	Completion Status of Contract or Program	Emergency Work for Sayreville Pumping Station- 100% Complete. Sayreville and Edison Pumping Stations Hazard Mitigation Projects - Design and Approval Stage In progress. Contract award anticipated in May 2016	
12.	Expected Contract End Date/Time Period	Cruz Contractors, LLC - 4/30/15 Allied Construction Group, Inc. - 4/30/15 Sayreville and Edison Pumping Stations Mitigation Work - 2018	
B. Monitoring Activities			
13.	If FEMA funded, brief description of the status of the project worksheet and its support.	The following Project Worksheets were compiled and submitted to FEMA for both emergency and permanent repairs on the Sayreville Pumping Station. All Project Worksheets were prepared and reviewed by MCUA Executive Director, MCUA's Owner's representative (R3M), and FEMA specialists: - PA-02-NJ-4086-PW-5061: Sayreville Pump Station Permanent Repairs, \$12,002,019 - Complete - PA-02-NJ-4086-PW-5061: Sayreville Pump Station Permanent Repairs, \$61,659,218 - Hazard Mitigation Proposals (HMP) - PA-02-NJ-4086-PW-00033: Temporary By-Pass Pumping, \$5,673,000 - Complete - PA-02-NJ-4086-PW-05032: Sayreville Pump Station Emergency Repairs, \$2,250,097 - Complete - PA-02-NJ-4086-PW-00045: Temporary Deflection Pumps, \$1,736,612 - Complete - PA-02-NJ-4086-PW-04905: Acoustic Fiber Optic Monitoring System, \$803,853 - Complete -PA-02-NJ-4086-PW5075: This HMP includes the construction of a floodwall surrounding the Edison Pump Station, the construction of an isolation vault with a bypass pumping system, and the construction of a riser ring to elevate the Northwest Access Shaft & Tunnel top slab above the design 500-year flood elevation, \$15,760,972 - Design in progress.	

State of New Jersey	
Department of Treasury	
Integrity Monitor Report	
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3	
For Quarter Ending: 12/31/2015	

The reporting period for this report is October 1, 2015 through December 31, 2015

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

No.	Recipient Data Elements	Response	Comments
14.	Quarterly Activities/Project Description (include number of visits to meet with recipient and sub recipient, including who you met with, and any site visits warranted to where work was completed)	<p>1) On October 24, 2015 KPMG received and reviewed Cruz response to Xylem mileage rate from R3M Engineering.</p> <p>2) On October 29, 2015 KPMG contacted R3M Engineering to schedule meeting with MCUA to discuss KPMG comments and recommendations on Front End Documentation provided by Hatch Mott MacDonald.</p> <p>3) On November 13, 2015 KPMG attended a meeting with MCUA, R3M Engineering, and Hatch Mott MacDonald to discuss Front End documentation regarding the permanent restoration & mitigation of Sayreville Pump Station and Edison Pump Station.</p> <p>4) On November 16, 2015 KPMG provided comments to R3M on Xylem's buildup of the \$2.50/mile rate invoiced during their emergency work following Hurricane Sandy.</p> <p>5) On December 22, 2015 KPMG provided recommended contract language and details to include in MCUA's contracts and Invitations for Bid for the upcoming Hazard Mitigation Work on Sayreville and Edison Pumping Stations. This information was discussed and requested in the November 13, 2015 meeting with MCUA, R3M Engineering, and Hatch Mott McDonald.</p>	
15.	Brief Description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.	<p>KPMG issued a detailed document request list on July 10, 2014 which outlined all documentation to be provided to KPMG as part of the review. Throughout this review, KPMG prepared an inventory and assessment of documentation provided by MCUA, R3M, contractors and their subcontractors. In addition, KPMG drafted a detailed project work plan that clearly outlined the areas of our review and included detailed test steps to complete our analysis.</p> <p>This quarter KPMG reviewed Front End documentation regarding the permanent restoration and mitigation work on the Sayreville Pump Station and the Edison Pump Station.</p>	
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	<p>In the previous quarters, KPMG performed a detailed assessment of the procurement process in order to monitor and assess if contracts with Allied and Cruz were procured in accordance with program requirements.</p> <p>This quarter, KPMG reviewed and made recommendations to MCUA and R3M Engineering on the Front End documentation regarding future permanent restoration and mitigation work on the Sayreville Pump Station and the Edison Pump Station. As part of this review, KPMG reviewed the contract language surrounding procurement. Please see Question 22 below for recommendations made to MCUA and R3M.</p>	
17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	<p>Yes. Payment requisitions were reviewed during the previous quarters. Specifically, KPMG performed a high-level review of all payment applications for both Cruz and Allied. As part of this high-level review, KPMG assessed whether all payment applications were reviewed and approved by the appropriate personnel, the work performed was within the project scope and billings were compliance with the contract terms and program requirements. In addition, KPMG performed an in depth review of a sample of payment applications.</p> <p>KPMG did not review any new payment requisitions this quarter.</p>	

State of New Jersey	
Department of Treasury	
Integrity Monitor Report	
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3	
For Quarter Ending: 12/31/2015	

The reporting period for this report is October 1, 2015 through December 31, 2015

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

No.	Recipient Data Elements	Response	Comments
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	This quarter, KPMG reviewed and made recommendations on Front End documentation regarding future permanent restoration and mitigation work on the Sayreville Pump Station and the Edison Pump Station. Please see Question 22 below for recommendations made to MCUA and R3M.	
19.	Provide details of any integrity issues/findings	No noted issues this quarter.	
20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	No noted issues this quarter.	
21.	Provide details on any other items of note that have occurred in the past quarter	No other items noted this quarter.	
22.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	<p>1) KPMG made the following recommendations to remediate potential waste, fraud, and abuse following its review of the Front End Documentation for the phase 2 remediation work:</p> <p><i>Supporting Documentation</i></p> <ul style="list-style-type: none"> Detailed Sign In/ Sign Out Logs for all Contractor personnel should be maintained by Contractor and submitted with every Payment Requisition. KPMG provided criteria to MCUA for these logs. These logs will be part of the monthly review process to verify staff on site with time sheets and certified payroll. Equipment Logs (including Make/Model/Count) should be maintained by Contractor to substantiate all equipment in field. Add language to include photos for Stored Material that Contractor is requesting payment for in a given Payment Requisition <p><i>Overhead and Profit Contract Language</i></p> <p>Language should be included in the contract to clarify overhead and profit markup for second tier subcontractors.</p> <p><i>Scheduling and Reporting</i></p> <p>Contractors should provide an electronic version of the schedule (Primavera P6 file) with each Monthly Report.</p> <p>Per R3M, KPMG should receive Division 1 documentation in early January 2016 for feedback. Upon receipt of the documentation, KPMG will review and arrange another meeting with MCUA and R3M to discuss any observations.</p> <p>In addition, KPMG provided MCUA with the following:</p> <ul style="list-style-type: none"> Sample contract language for contractor's fees for second tier subcontractors; Sample contract language for bonds and insurances, specifically regarding documentation to substantiate premiums for change orders; List of fields to include in Daily Sign In/Sign Out Logs; Clarification on industry standard for document retention; and Fraud Hotline documentation (provided by Department of Treasury). <p>2) KPMG reviewed mileage rate details for a subcontractor that performed work under the emergency contracts and recommended R3M request additional supporting documentation.</p>	

State of New Jersey	
Department of Treasury	
Integrity Monitor Report	
Middlesex County Utility Authority - Pumping Stations Contract # T-2939; EQ2014-004-P2&P3	
For Quarter Ending: 12/31/2015	

The reporting period for this report is October 1, 2015 through December 31, 2015

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

No.	Recipient Data Elements	Response	Comments
-----	-------------------------	----------	----------

C. Miscellaneous			
-------------------------	--	--	--

23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	Attached. See October-December 2015 Time & Expense Summary Tab.	
24.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	None.	

Name of Integrity Monitor:	KPMG
Name of Report Preparer:	Timothy Hedley
Signature:	<i>Timothy A. Hedley</i>
Date:	4/1/2016

Time Summary	
Resource	Hours Incurred (October - December)
Ryan Coco	10.00
John Christensen	22.00
Grand Total	32.00