


KPMG - Middlesex County Utility Authority

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: 3/31/2016			
The reporting period for this report is January 1, 2016 through March 31, 2016			
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 advertising the upcoming permanent mitigation projects on Sayreville Pumping Station and Edison Pumping Station. Details on the anticipated timeline of this work are provided in Question #14 below.</p>	

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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 Completed. Contract award in July 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.	Funding for the approved Hazard Mitigation Proposals (HMP) was obligated under the respective FEMA PWs for Sayreville and Edison Pump Station. <ul style="list-style-type: none"> • For Sayreville Pump Station PW 5061, the HMP represents \$61,659,218.32 of the project worksheet's total value of \$73,877,840.25. • For Edison Pump Station PW 5075, the HMP represents \$11,799,830.00 of the project worksheet's total value of \$15,760,971.59. Pursuant to the approved project worksheet, this HMP includes the construction of a floodwall surrounding the Edison Pump Station, the construction of an isolation vault with a bypass pumping system, and the construction of a riser ring to elevate the Northwest Access Shaft & Tunnel top slab above the design 500-year flood elevation. 	

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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 January 4, 2016, KPMG had a meeting with Hatch Mott MacDonald HMM) to discuss Project Worksheet (PW) funding allocation for the upcoming hazard mitigation work.</p> <p>2) On March 7, 2016, KPMG reviewed a letter from R3M Engineering to MUA detailing their final analysis of the \$2.50 mileage rate invoiced by Xylem identified by KPMG. R3M attached in this letter a detailed analysis of rental rates, Blue Book Rates, Means Construction Cost Estimating data, and photographs of vehicles used at the site. R3M concluded that the service truck used for maintenance of pumps was a specialty truck equipped to be able to service the large bypass pumps at the site rather than a passenger car as initially assumed. Thus, the Internal Revenue Service standard mileage rate of \$0.50 per mile is not applicable. Similarly, based on R3M's detailed analysis, it was determined that the average cost per service vehicle per day of \$251 is fair and reasonable and appears to be lower than construction industry standards for overall costs for daily rental of similar vehicles.</p> <p>3) On March 17, 2016, KPMG had a conversation with R3M Engineering to discuss the status of the upcoming hazard mitigation work, specifically regarding the timeline for bid advertisement and future key project milestone dates. R3M indicated the following anticipated timeline for Sayreville Pump Station (SPS):</p> <ul style="list-style-type: none"> • Advertisement of Project: Late March 2016 • Project Award: May 2016 Commissioner Meeting • Notice to Proceed: July 2016 • Preconstruction Activities: Late July 2016 (two months of anticipated site preparation) • Construction Start: September 2016 <p>R3M stated the Edison Pump Station (EPS) will follow a similar schedule as above, with a contract also to be awarded at the May 2016 Commissioner Meeting. R3M indicated they would like to schedule a monthly meeting with KPMG to discuss and share observations throughout the ongoing monitoring of SPS and EPS mitigation work.</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 MUA, 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 MUA 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 MUA 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>	

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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 to note 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 in the upcoming Hazard Mitigation Work.</p> <p><i>Supporting Documentation</i> KPMG makes the suggestion to strengthen "supporting documentation" section of Article 7. Specific topics included:</p> <ul style="list-style-type: none"> Detailed Sign In/ Sign Out Logs for entire contract staff to be maintained by Contractor and submitted with every Payment Requisition. KPMG to provide some 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) to be maintained by Contractor. These logs will prove helpful in cases where there are claims for delay and equipment on site needs to be substantiated. 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> Language should be made more robust specifically surrounding overhead and profit markup for second tier subcontractors. This will address MCUA's concern that subcontractors are not applying a markup for overhead and profit in addition to any that may have already been included by their second tier subcontractors.</p> <p><i>Scheduling and Reporting</i> KPMG recommends Contractor provide an electronic version of the schedule (Primavera P6 file) with every Monthly Report. This will also allow the potential to run schedule analytics on the contractor's schedule in the future if desired by MCUA. 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). 	

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C. Miscellaneous			
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	Attached. See January - March 2016 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:	Kevin Max	
	Signature:		
	Date:	7/1/2016	

Time Summary	
Resource	Hours Incurred (January - March)
Ryan Coco	2.50
John Christensen	5.00
Grand Total	7.50