



A Subsidiary of K2 Intelligence, Inc.

July 1, 2014

Mr. Dave Ridolfino, Associate Deputy State Treasurer
State of New Jersey
Department of the Treasury
Division of Administration
PO BOX 002
Trenton, NJ 08625

via email – IntegrityOversightMonitor@treas.state.nj.us

Re: Integrity Oversight Monitoring Quarterly Reports –
City of Elizabeth Veterans Memorial Waterfront Park – EQ2013-001-P3
City of Perth Amboy Marina, Promenade and Bulkheads – EQ2013-005-P3

Dear Mr. Ridolfino:

In accordance with A-60, enclosed please find Quarterly Reports for the above-referenced projects wherein Thacher Associates, LLC (“Thacher Associates”) serves as integrity oversight and anti-fraud monitor pursuant to P.L. 2013, Chapter 37.

Notably, while both reports cover the period beginning January 1, 2014, and ending March 31, 2014, Thacher Associates was not engaged at either project for the entirety of this period. Our engagement at the City of Elizabeth began on January 10, 2014, and at the City of Perth Amboy on March 11, 2014. The methodology we employed for both project integrity monitoring assignments began with the performance of an initial risk assessment designed to assess the potential integrity risks to the project, the controls currently in place to mitigate those risks, and provide recommendations to enhance project controls. The results of that risk assessment are included in the report for the City of Elizabeth, however, will be reported in the next quarterly report for the City of Perth Amboy. Concurrent with the performance of these risk assessments, Thacher Associates began regular visits to both project sites to ensure opportunities for waste, fraud and abuse were mitigated, to test the controls currently in place, and to audit the project participants’ compliance with the stated controls.

We thank you for the opportunity to serve the citizens of the State of New Jersey in this important capacity and we look forward to continuing in this role through the completion of these projects. Please contact me at any time with questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph A. DeLuca".

Joseph A. DeLuca
President

Enclosures

State of New Jersey
Department of Treasury
Integrity Monitoring Reporting Model
For Quarter Ending: 03/31/2014

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
A. General Info			
1.	Recipient of funding	Elizabeth (Union)	
2.	Federal Funding Agency? (e.g. HUD, FEMA)	Federal Emergency Management Agency	
3.	State Funding (If applicable)	N/A	
4.	Award Type	Public Assistance - Category G	
5.	Award Amount	\$13,626,712.91 (estimated)	90% of total Project Cost of \$15,140,792.13 per FEMA Project Worksheet (PW) 2100007 (dated 3/7/2014).
6.	Contract/Program Person/Title	Veterans Memorial Waterfront Park	
7.	Brief Description, Purpose and Rationale of Project/Program	Due to high winds, heavy rains, subsequent flooding and storm surge from Superstorm Sandy, Elizabeth sustained major damage to its waterfront facilities known collectively as Veterans Memorial Waterfront Park. For the purposes of this PW, the waterfront site was divided into five (5) areas of focus: 1) Veterans Memorial Waterfront Park; 2) Municipal Marina; 3) Recreation Pier and Boardwalk Pier; 4) Hike, Bike and Roll Throughway to Slater Park; and 5) Atalanta Plaza.	
8.	Contract/Program Location	Elizabeth and Front Streets, Elizabeth, Union County	
9.	Amount Expended to Date	\$2,638,489.28	\$2,934,247.06 has been completed to date for all scopes, including \$295,757.78 of Non-FEMA reimbursable work.
10.	Amount Provided to other State or Local Entities	None	
11.	Completion Status of Contract or Program	19.36%	Percent complete is based on the total amount of FEMA reimbursable work.
12.	Expected Contract End Date/Time Period	10/31/2014	Construction is anticipated to be complete by 10/31/2014.
B. Monitoring Activities			
13.	If FEMA funded, brief description of the status of the project worksheet and its support.	The original PW was submitted on March 17, 2013. There have been two subsequent amendments. Amendment 1 submitted on February 2, 2014, amended certain insurance costs. Amendment 2 involves a change in scope of work and costs due to hidden damage involving rip-rap footings and to further mitigate the boardwalk with additional nailer boards.	
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)	Thacher Associates began this engagement on January 10, 2014. The methodology we employed for this project integrity monitoring assignment began with the performance of an initial risk assessment designed to assess the potential integrity risks to the project, the controls currently in place to mitigate those risks, and provide recommendations to enhance project controls. Concurrent with the performance of the risk assessment, Thacher Associates began regular visits to the project site to ensure opportunities for waste, fraud and abuse were mitigated, to test the controls currently in place, and to audit the project participants' compliance with the stated controls. Thacher Associates attended two (2) kick-off meetings during this quarter. On January 10, 2014, Thacher Associates met with State of New Jersey Department of Treasury (Treasury) officials and Ernst & Young (E&Y) to discuss the monitorship, reporting requirements, and other matters related to Thacher's contract. On January 17, 2014, Thacher Associates, Treasury and E&Y met with Elizabeth and Envar Services Inc., the contractor responsible for providing civil engineering design services and overseeing the performance of the construction work covered under the PW. Thacher Associates performed two (2) project walkthroughs. The first walk through was on January 13, 2014, in an effort to familiarize staff with the project in advance of the kick-off meeting with City officials and construction contract personnel. The second walk-through was conducted on January 28, 2014, at which Thacher Associates received a general overview of the projects by City officials and construction contract personnel. Thacher Associates conducted nineteen (19) site visits led by either our Forensic Engineer, Investigator or both. At these visits Thacher Associates performed any combination of the following tasks: meet with contractor personnel to discuss status of project; attend bi-weekly construction meetings; observe, photograph and document work performed to date and work currently being performed; perform worker headcounts; conduct prevailing wage interviews; interview technician from concrete testing laboratory; interview environmental scientist regarding site soil samples; and request and review relevant documentation (e.g., change order logs, sign-in sheets, request for information). These site visits occurred on January 31, February 6-7, 12, 18, 20, 21, 25, March 4, 6, 10, 14, 18, 19, 21, 24, 26, 28, and 31. In addition to our kick-off and project walkthrough meetings, Thacher Associates met with, or engaged in substantive meetings on at least six (6) additional dates. On February 10, 2014, Thacher Associates, specifically our Forensic Audit team, met with Elizabeth city officials to review the City's contracting procedures and with Envar Services, Inc., to review their policies and procedures related to oversight and controls. On February 11, 2014, our Forensic Audit team met with Tomco Construction Inc., the Waterfront Park project's General Contractor at their Mount Arlington headquarters to review their payroll and billing policies and procedures. On February 21, 2014, Thacher Associates held a telephone conference with city officials to discuss a material substation issue related to the timber utilized (described in detail below). On the same day, Thacher Associates held a telephone conference with the Office of Emergency Management FEMA liaison to discuss the City's process by which it procured Envar Services, Inc. On February 27, 2014, Thacher Associates attended the bid opening covering the Recreational Pier north of the Marina, met with City officials and observed the procurement process.	

State of New Jersey
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For Quarter Ending: 03/31/2014

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No.	Recipient Data Elements	Response	Comments
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.	Thacher Associates requested any and all documents related to procurement including City of Elizabeth Policies and Procedures manuals, bids submitted by contractors, bid tabulation sheets and insurance requirements. Additional requests were made regarding requisitions, payment vouchers, certified payroll reports and change order documentation.	Documentation has been timely provided by City of Elizabeth as well as by their Construction Manager and respective General Contractors.
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	Thacher Associates reviewed contracts awarded as well as bids submitted by other firms including the contract awarded to Envar Services Inc. and the Veterans Memorial Waterfront Park contract awarded to Tomco. We also attended the bid-opening for the Pier Rehabilitation contract awarded to Scafar and observed the procurement procedures as they were being conducted.	Tomco was the low bidder on the Pier Rehabilitation contract, but their bid package included documentation that did not meet the contract requirements, and was rejected. Thacher Associates' subsequent analysis of procurement related documentation will be covered in the next report.
17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	For the quarter ending March 31, 2014, payment requisitions had not yet been reviewed.	Requisitions were requested and subsequently provided covering the period up to March 31, 2014. Thacher Associates' analysis will be covered in the next quarterly report.
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	Thacher Associates has conducted on-site meetings with Elizabeth officials and contractors to discuss project controls, scope and other integrity concerns. We have conducted regular site visits to the project site for the purposes of determining compliance with contractual and legal requirements and monitor for known integrity risks, including but not limited to prevailing wage, design specifications, and change order procedures. We have performed interviews of management from contractors regarding billing and timekeeping controls, requisition process, and documentation requirements. We have performed analysis of results from field prevailing wage interviews, and reviewed stored materials procedures to determine potential for overbilling.	
19.	Provide details of any integrity issues/findings	During the period beginning on January 10, 2014, through March 31, 2014, Thacher Associates did not identify any integrity-related issues indicative of fraud, waste, or abuse of disaster recovery funds.	
20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	On February 21, 2014, Thacher Associates conducted a telephone conference with Elizabeth officials to alert them of a potential material substitution involving the timber decking and stringers. Our Forensic Engineer and Investigator revealed the timber utilized was rated "UC4" whereas the contract specifications called for "UCS" timber. On February 25, 2014, Thacher Associates was notified that the original specifications calling for UCS timber was in error, and that UC4 timber should have been used in the specifications. To our knowledge, Elizabeth officials are negotiating a credit change order related to this finding.	
21.	Provide details on any other items of note that have occurred in the past quarter	None.	
22.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	As a result of a Thacher Associates' recommendation to Elizabeth, on February 6, 2014, Tomco Construction Inc. began keeping daily logs of work quantities, equipment, materials and labor, to be submitted daily for Envar Services, Inc. approval. Tomco Construction Inc., also began keeping a log to track for "work not within the contract." Also as a result of a Thacher Associates' recommendation, the unit-based line item "unclassified fill" was tracked separately as a FEMA and non-FEMA line item to avoid any confusion or inconsistency as to payment responsibility.	
C. Miscellaneous			
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	For the period of January 1, 2014, through March 31, 2014, Thacher Associates expended 654.50 hours at a cost of \$126,533.79. We had no expenses. A brief summary of the services provided include attending approximately ten (10) substantive meetings and conducting approximately nineteen (19) site visits. In addition to monthly reports filed for January and February, Thacher Associates also produced a comprehensive risk assessment during this quarter.	
24.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Thacher Associates believes it is important to note Elizabeth's officials have been very cooperative, well organized and a model of transparency in our requests for information and our interactions with them during this monitorship.	

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No.	Recipient Data Elements	Response	Comments
	Name of Integrity Monitor: Thatcher Associates LLC Name of Report Preparer: Bradley J. Breslin, Esq. Signature:  Date: July 1, 2014		