

State of New Jersey
Department of Treasury
Integrity Monitoring Reporting Model
For Quarter Ending: 06/30/2014

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	\$4,557,181.69	\$5,501,705 has been completed to date for all scopes, including \$944,523 of Non-FEMA reimbursable work.
10.	Amount Provided to other State or Local Entities	None	
11.	Completion Status of Contract or Program	33.44%	Percent complete is based on the total amount of FEMA reimbursable work as of June 30, 2014.
12.	Expected Contract End Date/Time Period	6/30/2015	A state approved time extension was issued on September 8, 2014. The resulting new project completion deadline is 6/30/2015.
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.	

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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)	Thacher Associates' quarterly activities focused on providing an extensive on-site monitoring presence with our forensic engineer and investigator to detect and deter fraud, waste or abuse on this Project and supporting this on-site presence with our forensic audit capabilities. Our methodology outlining our activities was derived from our Project risk assessment, which was delivered in February. This risk assessment highlighted eleven (11) broad areas of potential integrity risks, including Procurement, Insurance, Permitting, Requisitions/Payments, Payroll Fraud, Fraudulent Billings for Materials and Equipment, Change Order Fraud, Schedule, Safety, QA/QC, and Environmental. Each of these potential risk areas were analyzed in the context of the specific controls in place for the Project and a monitoring approach to mitigate these risk areas was devised. The monitoring approach for each potential risk area is distinct, however, some examples of the monitoring approach employed include: perform a requisition review and test selected support items; test a selection of wage/benefit rates and compare to prevailing wage schedule and record of worker interview; and review technical specifications, define requirements and spot check materials for compliance with specifications. Thacher Associates conducted thirteen (13) site visits in April, twelve (12) site visits in May, and nine (9) site visits in June, 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 April 1,3-4, 7-8, 14-15, 18, 21, 23, 25, 29-30, May 1-2, 6, 8-9, 12-13, 15, 20, 23, 28, 30, June 2-3, 6, 10, 12, 17, 20, 24, 27, and 30. In addition to our regular and extensive site presence, our staff attended two (2) substantive meetings during this quarter. The first, on April 23, involved our team presenting our risk assessment findings and recommendations to City of Elizabeth officials. The second meeting, on May 13, was a project kick-off meeting for the recreational pier contract and included City officials, the general contractor for the project and our team.	
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 a selection of bids and all supporting documentation including insurance certificates. We made additional requests regarding requisitions, certified payroll reports and follow-up correspondence associated with potential underpayments of prevailing wages.	Documentation has been timely provided by City of Elizabeth including providing Thacher Associates with letters issued by the City of Elizabeth concerning potential prevailing wage underpayments, clarifications of worker classifications, and prevailing wage guidelines.
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 a selection of bids and the supporting documentation for accuracy and completeness. Thacher Associates conducted spot reviews of the March 18, 2014, requisition and documentation supporting the requisitions including certified payroll reports and invoices associated with Buy America provisions. We reviewed interview reports generated by the field Investigators and Engineers and compared responses to the applicable prevailing wage guidelines and certified payroll reports.	In the previous report, Thacher Associates reported that although Tomco was the apparent low bidder on the Pier Rehabilitation contract, their bid package was not complete and therefore their bid was rejected. We reviewed the documentation submitted by Tomco, as well as, that of the winning contractor, Scafar. The City of Elizabeth followed the procurement guidelines by disqualifying Tomco and awarding the contract to Scafar. Additionally, we reviewed other bids received associated with the Veterans Memorial Waterfront Project and found the required documentation contained no exceptions.
17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	Thacher Associates performed spot review of Tomco's Veterans Memorial Waterfront Park requisition dated March 18, 2014. We verified the calculations used on amounts completed and stored to date as well as reviewed certified payroll reports of Tomco and applicable subcontractors. No exceptions were noted.	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	Thacher Associates 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 identified through our comprehensive risk assessment, including but not limited to prevailing wage, design specifications, and change order procedures. Thacher Associates also performed a variety of audit activities outlined in more detail in box 16 above.	
19.	Provide details of any integrity issues/findings	On April 18, 2014, Thacher Associates was approached on site by workers with allegations they were not receiving appropriate wage payments. Thacher Associates conducted an unannounced office visit to a contractor in June to substantiate these allegations. Our review is pending.	

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20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	On April 3, 2014, Thacher Associates first noted discoloration with the applied epoxy on the boardwalk decking, potentially as a result of defects in the initial application. Following this discovery, the epoxy was replaced. On April 18, 2014, soil contamination was discovered. This discovery resulted in the requirement to remove a foot of top soil and replace with clean material, thereby delaying the completion of the project. On April 29, 2014, Thacher Associates noted some of the installed floating docks were "listing." The resolution of this matter is still pending as of the date of this report. On June 6, 2014, Thacher Associates noticed newly placed vinyl sheeting was separating from the concrete and conduit and wiring was damaged as a result of construction, not storm damage. Both issues were satisfactorily resolved and Thacher Associates closely monitored the requisition process to ensure these work quality issues were not inappropriately charged to the City.	As a follow up to our previous report, City of Elizabeth officials determined that ambiguities in its contract language and specifications make forgoing a credit change order regarding the use of "UC4" treated lumber instead of "UC5" treated lumber the appropriate course of action. In our opinion, the City's decision in this matter is both rational and well documented.
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	City of Elizabeth officials, acting on Thacher Associates' recommendation, informed the contractor for the recreational pier contract that daily sign-in/sign-out sheets are to be utilized on the project. This represents a substantial enhancement to the designed controls to ensure compliance with prevailing wage.	
C.	Miscellaneous		
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	For the period of April 1, 2014, through June 30, 2014, Thacher Associates expended 421.50 hours at a cost of \$73,860.02. We had no expenses. A brief summary of the services provided include conducting approximately thirty-four (34) site visits. Thacher Associates also filed monthly reports to the Department of Treasury for the months of March, April and May and a quarterly report for the period of January through March 2014.	
24	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	None.	

Name of Integrity Monitor: Thacher Associates LLC
Name of Report Preparer: Joseph A. DeLuca
Signature: 
Date: October 1, 2014

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Privilege Log

In accordance with A-60 and at the request of the State of New Jersey Office of the Attorney General, Thacher Associates redacted certain information contained in Box 19.

Name of Integrity Monitor: Thacher Associates LLC
Name of Report Preparer: Joseph A. DeLuca
Signature: 
Date: October 1, 2014



A Subsidiary of K2 Intelligence, Inc.

October 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.

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. 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