

**Integrity Monitor Report
Category 3**

Integrity Monitor Firm Name: Vander Weele Group^{LLC}/Joseph A. DeLuca Advisory and Consulting Services^{LLC}
Quarter Ending: 06/30/2025
Expected Engagement End Date: 12/31/2026

A. General Info

1. Recovery Program Participant:

New Jersey Board of Public Utilities (NJBPU)

2. Federal Funding Source (e.g. CARES, HUD, FEMA, ARPA):

American Rescue Plan Act (ARPA)

3. State Funding Source (if applicable):

N/A

4. Deadline for Use of State or Federal Funding by Recovery Program Participant:

December 31, 2026

5. Accountability Officer:

Curtis Elvin

6. Program(s) under Review/Subject to Engagement:

1.) School and Small Business Ventilation and Energy Efficiency Verification and Repair (SSB-VEEVR) Program

2.) School and Small Business Noncompliant Plumbing Fixture and Appliance (SSB-NPFA) Program

7. Brief Description, Purpose, and Rationale of Integrity Monitor Project/Program:

The purpose of this engagement is to review the SSB-VEEVR and SSB-NPFA programs for compliance with *P.L. 2021, c. 200* and the Coronavirus State Fiscal Recovery Fund (CSFRF) Interim and Final Rule, as applicable.

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8. Amount Allocated to Program(s) under Review:

The NJBPU earmarked approximately \$180 million for the two programs and an additional \$5 million for administrative expenses.

- \$7,934,801.52 for the NPFA program and \$172,065,198.48 for the VEEVR program.
- Of the total \$5 million set aside for administrative costs, \$3,778,262.88 is obligated to TRC, the program administrator, and \$1,221,737.12 is obligated to the integrity monitor.

9. Amount Expended by Recovery Program Participant to Date on Program(s) under Review:

Administrative Costs	\$3,884,066.09
Small Business HVAC - Other Community	\$4,942,665.50
Small Business HVAC - Underserved Community	\$1,407,403.11
Small Business Plumbing - Other Community	\$729,004.99
Small Business Plumbing - Underserved Community	\$257,440.05
School HVAC - Other Community	\$69,193,979.02
School HVAC - Underserved Community	\$51,172,227.54
School Plumbing - Other Community	\$3,475,079.35
School Plumbing - Underserved Community	\$3,325,185.78
Total Expended to Date	\$138,387,051.43

10. Amount Provided to Other State or Local Entities:

N/A

11. Completion Status of Program (e.g. planning phase, application review, post-payment):

Subrecipient sampling and application review

12. Completion Status of Integrity Monitor Engagement:

Programmatic Review Process

B. Monitoring Activities

13. If FEMA funded, brief description of the status of the project worksheet and its support:

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a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

14. Description of the services provided to the Recovery Program Participant during the quarter (i.e. activities conducted, such as meetings, document review, staff training, etc.):

a) IM Response

- 1.) Held biweekly Microsoft Teams meetings with the NJBPU contract manager for the program. The chief accountability officer was not in attendance.
- 2.) Finalized and submitted the first quarterly report for 2025.
- 3.) Aided the NJBPU in the overall monitoring of program spending to date, including encumbrances and actual expenditures.
- 4.) Received responses from TRC regarding the expenditure projection model it provided for the SSB-VEEVR programs. The IM reviewed the responses and sent TRC an email on 04/11/2025 with questions on projects whose last milestones were in 2022 and 2023. TRC responded the same day with general information about the status and stated that they will continually update us on the status of these projects.
- 5.) Completed the draft report for plumbing round two and sent it to the NJBPU for review on 04/22/2025.
- 6.) Submitted the draft report for plumbing round two to TRC on 05/09/2025 and received TRC's responses to the findings on 05/13/2025. TRC noted that the NJBPU should provide the response for the budget coding finding (see question 19, item 4 of this report for the finding details). During the biweekly meeting on 05/15/2025, the IM requested the NJBPU's response to the finding: however, the NJBPU has yet to respond. NJBPU confirmed that they are working to draft a response to the finding and expect to provide a response to the finding in the coming weeks.
- 7.) Continued discussion with NJBPU on the concerns regarding the cancellation process for programs, particularly as there is no policy regarding any claw-back of funds paid out to programs that then decide to cancel and not complete the project. We encountered one such program that received both the initial and secondary incentive payment and then decided to cancel the project. We will be including this project within our round three of testing.
- 8.) Finalized the HVAC round two review and summarized findings.

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- 9.) Drafted the HVAC round two report, which is undergoing internal review.
- 10.) Selected HVAC projects for potential site visits
- 11.) Drafted and finalized the monthly reports for April and May 2025. Drafted the monthly report for June 2025.
- 12.) Drafted the quarterly report for the period ending 06/30/2025.

b) Recovery Program Participant Comments

Staff continues to work with the IM in its efforts, including the discussions regarding the cancellation process for projects. Staff is currently reviewing the draft report for plumbing round two.

15. Description to confirm appropriate data/information has been provided by the Recovery Program Participant and description of activities taken to review the project/program:

a) IM Response

- 1. Requested documents from TRC during the second round of HVAC testing, which TRC promptly provided. There were various documents that we had to send second and third requests for and the monitoring team is currently working with TRC to finalize the HVAC round two reviews.
- 2. Requested and received biweekly HVAC program pipeline reports from the NJBPU, which include the status and expenditures for the programs.

b) Recovery Program Participant Comments

Staff continues to work with both TRC and the IM to ensure that any documentation requested by the IM is delivered in a timely fashion.

16. Description of quarterly auditing activities conducted to ensure procurement compliance with terms and conditions of contracts and agreements:

a) IM Response

- a) Aided the NJBPU in the overall monitoring of program spending to date, including encumbrances and actual expenditures.
- b) Completed round two of HVAC testing. The draft report is undergoing internal review.

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- c) Completed the review of the program administrator (TRC) and the review of the procurement and invoice billing processes. The results of these reviews are included in the plumbing round two report.
- d) Submitted the plumbing round two draft report to TRC and the NJBPU for their responses. The IM received TRC's responses and is waiting for the NJBPU's response for one of the findings.

b) Recovery Program Participant Comments

Staff is currently reviewing the plumbing round two report.

17. If payment documentation in connection with the contract/program has been reviewed, provide description.

a) IM Response

Reviewed the procurement and invoice billing processes that commenced in the prior quarter and summarized the finding in the plumbing round two report.

b) Recovery Program Participant Comments

Staff is currently reviewing the plumbing round two report.

18. Description of quarterly activity to prevent and detect waste, fraud, and/or abuse:

a) IM Response

a. The IM continues to evaluate TRC's performance to ensure it meets its contractual obligations outlined in the T3009 Program Administration and Management Services, New Jersey Clean Energy Program.

b. The IM conducted a comprehensive examination of the procurement and invoice payment procedures associated with the NJBPU's HVAC and Plumbing programs. It focused on expense management and billing practices to ensure efficiency and compliance. The costs incurred by these programs are categorized into two primary types: recurring monthly administrative fees and

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milestone-based payments tied to the progress of individual program applications.

c. Completed round two of HVAC testing. The draft report is undergoing internal review.

d. Submitted the draft report for plumbing round two, to TRC for responses. The report included the results of the program administrator review and the procurement and invoicing procedures review. The IM received TRC's responses and is waiting for the NJBPU's response for one of the findings.

b) Recovery Program Participant Comments

Staff continues to engage with the IM on their programmatic review and is currently reviewing the plumbing round two report.

19. Details of any integrity issues/findings, including findings of waste, fraud, and/or abuse:

a) IM Response

- 1.) The IM observed that as of Q1 FY2025, the plumbing program has effectively closed. There are no open or ongoing plumbing program applications, and all applications have been closed out and paid in full.

As part of TRC's contract with the NJBPU, it invoices (i.e., bills for payment) the NJBPU for two categories: a fixed monthly cost to run the plumbing and HVAC programs, and one based on program application activity.

The IM believes the fixed monthly cost TRC charges the NJBPU should be reduced by the portion of costs associated with overseeing and managing the plumbing program. The fixed monthly cost is intended for overseeing and managing the plumbing and HVAC programs while they are active. However, the IM observed the plumbing program to be effectively closed as of Q1 FY2025.

- 2.) The IM's plumbing round two review identified potential instances of fund mismanagement. A review of twenty completed projects with a combined expenditure of \$1,158,627.33 revealed \$21,189.89 in unused committed funds. The unused funds indicate the need for improved expenditure oversight and more frequent assessments. The project's estimated costs are the foundation for the allocated budgeted incentives. Since actual project costs were less than anticipated, the incentive payment was less than the amount committed. By addressing this issue, the NJBPU can prevent the unnecessary reallocation of

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unused funds in the future and significantly enhance financial management and accountability in upcoming projects.

The IM also observed that as of 06/24/2025, the funds committed to forty-four of the 121 completed HVAC projects were \$5,079,319.48 more than the total incentives paid. This was due to a variety of factors, primarily that actual costs were less than the budgeted amounts. Had these differences been detected earlier, funds could have been made available for additional projects.

- 3.) Two plumbing projects, reviewed in round two testing, did not pass their initial inspections but were approved in subsequent inspections. TRC invoiced the NJBPU for two inspections for each project at a rate of \$700.56 for each inspection. TRC indicated that the contractors submitted final invoices and supporting documentation asserting the projects were complete, which prompted the scheduling of inspections.

However, one inspection report indicated that the project did not meet completion requirements. Similarly, the report for the second project noted the absence of low faucets and a required workbook detailing the installation by room as reasons for its failure.

The IM reviewed communications that contractors or customers sent to TRC to request the initial inspections. The details and documentation of these communications were insufficient to confirm that the projects were fully completed and ready for inspection.

The IM recommends that TRC, prior to scheduling inspections, require contractors or customers to submit written confirmation indicating that the project has been finalized and is ready for inspection. If an inspection reveals the work is unfinished, TRC should consider charging the contractor or customer for the inspection cost or deducting that fee from the final incentive payment rather than billing the NJBPU. Contractors and customers should be informed that providing false confirmation of project completion may result in their liability for the inspection fee.

- 4.) The NJBPU's Accounts Payable staff has occasionally deviated from the coding instructions outlined in the disbursement form and the senior project manager's email instructions. The IM determined instances where designated funding buckets were not accurately utilized during the data entry process.

On 08/05/2024 the senior project manager submitted a disbursement form for TRC invoice CR202407-1_VEEVR-SBU_TRC, totaling \$148,500.00, requesting that the payment be allocated to the NJBPU budget category "Small Business HVAC U1 (BHU1)". However, on 08/19/2024, Accounts Payable emailed that the remaining balance in the BHU1 category was only \$91,646.00, precluding the payment processing. Note: The NJBPU labels budget categories

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where "B" stands for Small Business, "S" stands for School, "H" stands for HVAC, and "P" stands for Plumbing.

Also, on 08/19/2024, the senior project manager comprehensively reviewed the budget categories, assessing both expenditures and encumbrances. The analysis uncovered discrepancies in seven out of nine categories, with three categories reflecting lower balances than anticipated and three others indicating higher balances. Notably, the BHU1 category was determined to be understated by \$313,292.25.

A subsequent review on 08/19/2024 revealed that the discrepancies were attributed to Accounts Payable incorrectly charging several invoices to the wrong funding categories. These discrepancies have since been resolved.

- 5.) The plumbing round two review revealed a significant lapse in approving extensions after the application's expiration date, leading to expired extensions. The program administrator did not notify the applicants about the lapse. However, these all expired prior to the program administrator implementing a process for proactively sending reminders to projects prior to their expiration dates, as the IM recommended during round one of testing for the plumbing program.
- 6.) The program administrator does not currently provide the NJBPU with the necessary supporting documentation to substantiate incentive payments made under the NJBPU's programs, such as invoices that applicants submit detailing their program-related expenses. When TRC submits its invoices, the NJBPU does not request this supporting documentation for administrative activities or incentive disbursements. Instead, the NJBPU relies on the program administrator to ensure the accuracy and validity of all payments made to applicants.
- 7.) Upon receipt of invoices from TRC, the NJBPU project manager is required to complete the "New Jersey Clean Energy Program Request for Drawdown and Disbursement of ARPA of 2021 Funds" form, also known as the disbursement form. This form captures essential information, including the payee's name (TRC), the invoice receipt date, the requested payment amount, the IMS program name/budget line, and other pertinent details.

The approval levels necessary for Accounts Payable to process the payment are structured as follows:

- Amounts up to \$500,000—NJBPU senior project manager.
- Amount between \$500,000.01 and \$1,000,000— NJBPU outreach manager.
- Amount exceeding \$1,000,000.01—NJBPU chief of staff.

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Currently, the application of these approval thresholds is based on the individual payments TRC made to program applicants rather than the total invoice amount TRC submitted. It is important to note that these individual payments are not itemized on the disbursement form. The IM recommends that the required NJBPU approvals be determined based on the total dollar amount of TRC's invoice to promote efficiency and ensure that the process accurately reflects the financial transactions. Since TRC is the vendor being compensated and the NJBPU is responsible for funding the program, NJBPU approval levels must be based on the total TRC invoice amount, not the individual line items that comprise the invoice.

- 8.) As of 06/24/2025, 30 HVAC programs, with committed amounts totaling \$3,355,071.50, were cancelled by the applicants. Fourteen of the thirty cancelled programs received incentive payments totaling \$443,806.50, which left \$2,911,265.00 in unused committed funds. The NJBPU incentive payment scheme for HVAC was devised to prevent mismanagement of funds. There are either two or three incentive payments for HVAC, depending on the type of program. Each incentive requires the applicant to substantiate costs to receive payment. The NJBPU does not have legal recourse for initiating the claw-back of disbursed funds as such language is not included in the original Memoranda of Understandings with the NJ Treasury.

b) Recovery Program Participant Comments

- 1.) TRC stopped charging the administrative fee for the SSB-NPFA, or plumbing program, one month after the final payment was issued. TRC charges a base of \$37,372.95 per month for the SSB-VEEVR, or HVAC program, and charged a base of \$12,457.65 for the plumbing program. The final invoice for administration of the plumbing program was issued in November, 2024.
- 2.) Many of the plumbing projects came in under budget. The remaining funds were returned to the general pool of money and when possible used to fund new projects.
- 3.) Staff will engage with TRC on this recommendation.
- 4.) To correct Accounts Payable's incorrect coding, the following process has been enacted. The senior project manager reviews all contractor billing and ensures that the contractor is paid only for services rendered and goods delivered. Then, the senior project manager emails the accounts payable supervisor all invoices requiring payment and designates payment funding buckets to process each invoice payment. After processing the invoices, the

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accounts payable supervisor sends a confirmation email to the senior project manager, detailing all payments processed and the corresponding funding buckets.

5.) Staff notes that issues with extensions have been well documented by the IM and have been discussed with TRC. Changes have been made to how the program is managed and these issues originated before those changes.

6.) TRC has offered to make all documents available to Staff. Staff intends to ask for relevant documents for a subset of projects to ensure compliance.

7.) Staff is discussing this request with TRC, but notes that this is consistent with the invoicing current process for all other clean energy programs administered by TRC.

8.) Staff notes that it is unfortunate that programs cancel, some after receiving a payment. As noted by the IM, the payment structure is devised so that the Board does not pre-pay for work, but rather payments are provided after work is complete. For plumbing projects, this represents one payment after all work is complete. For HVAC projects, which can be very costly, the payment structure pays for certain costs after they are incurred. Grants only cover up to 75% of costs, so there is a minimum of a 25% cost share for recipients.

20. Details of any other items of note that have occurred in the past quarter:

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

21. Details of any actions taken to remediate waste, fraud, and/or abuse noted in past quarters:

a) IM Response

The IM aided the NJBPU in the overall monitoring of program spending to date, including encumbrances and actual expenditures. We will continue to monitor and make recommendations for best practice adjustments related to the remediation of waste, fraud, and /or abuse.

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b) Recovery Program Participant Comments

N/A

C. Miscellaneous

22. List of hours (by employee) and expenses incurred to perform quarterly integrity monitoring review:

a) IM Response

Dr. Kristen Mokofisi – 45.25
Kathleen Budrean – 6.20
Sophia Staveris – 64.85
Rick Duran – 19.15
Bianca Joseph – 99.85
Kevin Mullins – 51.50
Salvatore Ubaldini – 95.50
Katherine Larson – 93.50

b) Recovery Program Participant Comments

N/A

23. Add any item, issue, or comment not covered in previous sections but deemed pertinent to monitoring program:

a) IM Response

N/A

b) Recovery Program Participant Comments

N/A

Name of Integrity Monitor:	Vander Wee Group ^{LLC} /Joseph A. DeLuca Advisory and Consulting Services ^{LLC}
Name of Report Preparer:	Sophia Staveris
Signature:	<i>Sophia Staveris</i>
Date:	07/10/2025