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July 1, 2014

New Jersey Department of the Treasury
Ms. Roseann Koval
Integrity Monitorship Program
33 West State Street, PO BOX 230
Trenton, NJ 08625

Dear Ms. Koval,

With this letter I am transmitting KPMG LLP's EQ2013-006-P3--Atlantic Highlands--Att 2 IM Quarterly Report (January 1 – March 31, 2014).

The data included in this report was obtained from the Borough of Atlantic Highlands on or before March 31, 2014. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to March 31, 2014.

Please contact me at sfishner@kpmg.com or 212 872-3873 if you have any questions or comments. We look forward to continuing to provide service to the State of New Jersey on this project.

Very truly yours,

A handwritten signature in black ink, appearing to read 'S.M. Fishner', with a long horizontal line extending to the right.

Steven M. Fishner
Principal

State of New Jersey
 Department of Treasury
 Integrity Monitoring Reporting Model
 Engagement: Borough of Atlantic Highlands Marina and Pier
 Reconstruction Contract # T-2939; EQ2013-006-P3

For Quarter Ending: 7/1/2014

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	Atlantic Highlands Harbor	
2.	Federal Funding Agency? (e.g. HUD, FEMA)	FEMA	
3.	State Funding (if applicable)	Not Applicable	
4.	Award Type	Grant	
5.	Award Amount	\$19,312,425	
6.	Contract/Program Person/Title	Reconstruction Contract # T-2939; EQ2013-006-P3; Project Worksheet - PA-02-NJ-4086-PW-01733(0) - Atlantic Highlands Harbor Marina and Piers /Adam Hubeny / Borough Administrator	
7.	Brief Description, Purpose and Rationale of Project/Program	Hurricane Sandy's combination of strong winds, waves and high tide resulted in an intense storm surge which submerged the piers and produced extremely high forces on the structural members. All twelve piers were significantly damaged. Damage included severely uplifted, misaligned and broken piles, several split or broken headers and stringers, missing or broken decking, and severely damaged secondary components including wave screens, railings, mooring piles and all utilities located on the piers (water, electric, sanitary and fuel system). Also damaged were the Americans with Disabilities Act (ADA) access ramps, observation decks, launching ramps and bulkheads.	
8.	Contract/Program Location	Reconstruction Contract # T-2939; EQ2013-006-P3; Project Worksheet - PA-02-NJ-4086-PW-01733(0) / 2 Simon Lake Drive, Atlantic Highlands, NJ	
9.	Amount Expended to Date	JH Reid - \$14,579,805 T & M - \$1,111,186 Sullivan - \$403,925 Total - \$16,094,915	
10.	Amount Provided to other State or Local Entities	Not Applicable	
11.	Completion Status of Contract or Program	95% Complete. J.H. Reid expects to start remaining bulkhead work by May 2014 and complete work by July 4th weekend.	
12.	Expected Contract End Date/Time Period	End of July 2014	
B. Monitoring Activities			
13.	If FEMA funded, brief description of the status of the project worksheet and its support.	On February 7, 2013, Atlantic Highlands Harbor ("the Harbor") completed the Project Worksheet ("PW") UEBHG20 for the rehabilitation of the Atlantic Highland Marina and Piers. The Harbor engaged T & M Associates of Middletown, New Jersey to a prepare the site condition survey report for the PW and were also assisted by FEMA project specialists and representatives. The PW was executed by FEMA PAC Crew Leader Charles Deason, on February 26, 2013 in the amount of \$19,315,327	
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)	- Conducted a kick-off Meeting with Atlantic Highlands Administration, T & M Associates, DOT representatives and Ernst & Young – February 26, 2014 - Initial document request - March 6, 2014 - Additional document request - March 25, 2014 - Site Visit with Harbor Manager – March 19, 2014	

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No.	Recipient Data Elements	Response	Comments
15.	<p>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>	<p>KPMG issued a detailed document request list at the beginning of the review and all documentation received was tracked and reviewed by our Project Team. In addition, KPMG drafted a detailed project work plan that clearly outlined the areas of our review and included detailed test steps to complete this review. Some of the specific areas reviewed included the following:</p> <ul style="list-style-type: none"> - Contracting (e.g., JH Reid, Sullivan and T&M) and Procurement; - Payment Applications; and - Change Orders. <p>In order to monitor and assess if the Borough's construction plans, documentation and permits were in compliance with program requirements, KPMG requested, obtained and reviewed the following documentation:</p> <ul style="list-style-type: none"> - A complete set of drawings submitted by T&M Associates; - The plans to construct the project; - Key ordinances relied upon by T&M; - Schedules (i.e., baseline, look-ahead, updates); - Minority / Women / Locally Owned Enterprise utilization reports; - Insurance and bonding requirements; - Plan approval; - Inspection reports; - Punch-list items; and - Permits <p>An additional document request list was submitted to Atlantic Highlands on 3/25/14. Additional documentation was anticipated to be received in early April.</p>	
16.	<p>Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.</p>	<p>In order to monitor and assess if the Borough's financial and administrative functions adhered to grant/assistance program guidelines, procurement rules, and reporting requirements, KPMG requested, obtained and reviewed the following documentation:</p> <ul style="list-style-type: none"> • FEMA Project Worksheets (PW) to determine whether PW elements were included in accordance with FEMA Fact Sheet 9580.5; • Cost Estimating Format Fact Sheets (CEF) to determine if CEF's met the standard operating procedures; and • Certified Payrolls to assess whether Prevailing Wage Requirements (N.J.S.A. 34.11-56.25, et seq.) were met. <p>In order to monitor and assess if contract(s) with T&M, J.H. Reid and Sullivan (contractor supplying floating docks) were procured in accordance with program requirements, KPMG obtained and reviewed the following procurement documentation:</p> <ul style="list-style-type: none"> • Governing Body Approval Resolutions; • T&M's Scoping Documents; • Bid packages for J.H. Reid and Sullivan; • T&M's evaluation of bid packages for the reconstruction work; and • Bernard M. Reilly, LLC's evaluation of bid packages for supplying the floating docks. <p>In addition, KPMG performed procedures to monitor and assess any affiliations indicating possible conflicts of interest related to the Borough's Governing Board and T&M, J.H. Reid, and Sullivan. Specifically, KPMG performed public database and media searches to identify undisclosed relationships or affiliations, ownership interest, adverse media, litigation or other form of noncompliance for contractual or regulatory requirements. Based on the procedures performed, KPMG did not identify any undisclosed relationships or affiliations between the aforementioned parties.</p>	

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No.	Recipient Data Elements	Response	Comments
17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	<p>Yes. In order to monitor and assess whether payments and change orders were disbursed consistent with applicable directives, KPMG performed the following procedures:</p> <ul style="list-style-type: none"> Analyzed documents provided for proper authorization of transactions; Analyzed documents to assess proper segregation of duties. This included assigning different people the responsibilities of authorizing transactions, and recording transactions; Analyzed the design and use of documents and records to help ensure the proper recording of transactions and events; Requested, obtained and reviewed Inspector's Job Summary Reports to assess whether there was supervisory presence over daily reconstruction operations; Requested, obtained and reviewed change order documentation to assess whether the changes were appropriately reviewed and approved by management, the changes were not included in the original project scope and that there were controls in place to help ensure reasonableness of all change orders. 	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	<p>In order to prevent and detect, fraud waste and abuse KPMG performed continuous monitoring of the project. Some of the specific activities performed included the following:</p> <ul style="list-style-type: none"> Ongoing meetings and site visits (See question #14); Obtained and reviewed key project documentation (e.g., RFPs, bid tabulations, contracts, project worksheets); and Reviewed all contractor payment applications and change orders. 	
19.	Provide details of any integrity issues/findings	<p>General Findings Based upon procedures performed, KPMG found that the Borough has made significant efforts to comply with requirements outlined in the FEMA Public Assistance Program and implement controls to oversee and monitor the construction of the Atlantic Highlands Harbor Reconstruction Project. KPMG has made the following recommendations to the Borough which, if properly implemented, should improve the Borough's internal controls for this program:</p> <p>Tracking of Payments: T&M is the Borough's engineer and is also performing non-Super Storm Sandy Projects for the Borough. The Borough did not issue separate checks for Super Storm Sandy related work and other work being performed by T&M (i.e., General Services). Instead the Borough combined invoices/vouchers and issued one check. Going forward, KPMG recommends that the Borough issue separate checks for Super Storm Sandy related work for tracking purposes.</p> <p>Fraud Hotline - Although not required by code, based on site inspections performed, KPMG did not identify any signage regarding a hotline for complaints about construction contractors or for complaints of fraudulent conduct. KPMG recommends posting a notice of the hotline at central locations at the Marina and on all New Jersey projects.</p> <p>Document Retention: The Borough, with assistance from T&M, was able to demonstrate that change orders were negotiated, reviewed, and approved by appropriate personnel and controls were in place to help ensure that change orders were justified and reasonable. Although the Borough and T&M were able to justify that changes were reasonable, all supporting documentation (e.g. invoices, receipts, detailed estimate, negotiation correspondence, etc.) were not maintained by the Borough, but rather T&M. The Borough should maintain all supporting documentation prior to completion of the project in order to avoid potential claw backs from FEMA.</p>	
20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	No noted issues on our initial site visit on March 19, 2014.	
21.	Provide details on any other items of note that have occurred in the past quarter	All observations were included in Question # 19	

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22.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	This is the first Quarterly Report KPMG is submitting for the Atlantic Highlands Project so there were no previous recommendations.	
C. Miscellaneous			
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	See Time and Expense Tab	
24.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Covered in Previous Sections.	

Name of Integrity Monitor:	KPMG
Name of Report Preparer:	Steven Fishner
Signature:	
Date:	7/1/2014

Resource	Title	Rate	Hours Incurred (Jan -Mar)	Summary of services provided
Anh Nguyen	Associate	\$ 150	29	Conducted site inspection; assisted with Contract Assessments (e.g., JH Reid, Sullivan and T&M); Procurement Reviews; Payment Application; and Change Order Reviews.
Nicolas Koniski	Sr. Associate	\$ 220	8	Attended meetings; conducted site inspections; assisted with Contract Assessments (e.g., JH Reid, Sullivan and T&M); Procurement Reviews; Payment Application; and Change Order Reviews.
Ryan Coco	Manager	\$ 265	19	Attended meetings; performed Contract Assessments (e.g., JH Reid, Sullivan and T&M); Procurement Reviews; Payment Application; and Change Order Reviews.
Thomas Stanton	Director	\$ 325	10	Attended meetings, prepared meeting notes, performed Contract Assessments (e.g., JH Reid, Sullivan and T&M); and reviewed Payment Applications
Steve Fishner	Principal	\$ 325	1.5	Attended meetings and reviewed reports
Grand Total			38.5	

Resource	Expense Amount	Summary of Expenses (Jan - Mar)
Nicolas Koniski	\$62	Ferry Service/ Ground Transportation
Ryan Coco	\$33	Tolls / Mileage
Grand Total	\$95	