

Firm Name: Grant Thornton LLP
 Engagement: PVSC Integrity Oversight Monitor EQ2015-001-PS
 For Quarter Ending: 12/31/2015

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 | Passaic Valley Sewerage Commission (PVSC) | |
| 2. | Federal Funding Agency? (e.g. HUD, FEMA) | FEMA | |
| 3. | State Funding (if applicable) | N/A | |
| 4. | Award Type | FEMA 406 Restoration and 406 Mitigation Funding | |
| 5. | Award Amount | \$444.8 million | |
| 6. | Contract/Program Person/Title | E. David Barth, Grant Thornton Project Manager | |
| 7. | Brief Description, Purpose and Rationale of Project/Program | Passaic Valley Sewerage Commission has received federal FEMA funding in the amount \$445.2 million through 48 different Project Worksheets (PW). The scope of Grant Thornton's work is limited to 12 specific contracts whose value exceeds \$5 million. As of December 31, 2015 only three contracts exceeded the integrity monitoring threshold: 1) Temporary By-Pass Cabling - Travis Contract; 2) Administration Controls Building - Fine Wall Contract; and 3) Program Management Services - AECOM/HDR Contract | |
| 8. | Contract/Program Location | PVSC, 600 Wilson Avenue, Newark, NJ | |
| 9. | Amount Expended to Date | As of December 31, 2015 the following payments (associated with the three contracts) have been made: 1) Travis - \$13,847,361; 2) Fine Wall - \$768,300; and 3) AECOM/HDR - \$2,070,778. | |
| 10. | Amount Provided to other State or Local Entities | \$0 | |
| 11. | Completion Status of Contract or Program | The Completion Status for each of the three contracts, currently subject to our review, is as follows: 1) Travis - Ongoing Time & Material Contract with an anticipated end date of March 15, 2016. 2) Fine Wall - This construction project was advertised on March 4, 2015 and awarded on June 4, 2015. PVSC issued the Notice to Proceed on September 14, 2015. As of December 31, 2015 approximately 13% of the contract work had been completed. 3) AECOM/HDR was awarded the Program Management Services contract on February 13, 2015. The initial contract period is for two years. PVSC issued the Notice to Proceed on April 2, 2015. As of December 31, 2015 approximately 40% of the contract work had been completed. | |
| 12. | Expected Contract End Date/Time Period | The expected contract end dates for the three contract currently subject to our review are as follows: 1) Travis - March 15, 2016 or until a replacement contract is executed. The award of a replacement contract was completed on March 10, 2016; 2) Fine Wall - September 13, 2016; and 3) AECOM/HDR - February 13, 2017 | |
| B. Monitoring Activities | | | |
| 13. | If FEMA funded, brief description of the status of the project worksheet and its support. | Of the three projects currently being monitored, funding is provided through two Project Worksheets (PW). The Travis and Program Management Services contracts are funded through PW 4701 for the Repair and/or Restoration of the PVSC's Power Substations and Electric Cables. The Fine Wall contract is funded through PW 4803 for the Repair and/or Restoration of the Administration Controls Building. In addition to the specific work of these contracts, the PWs also fund other work not currently part of our review either because the contract values are less than the \$5 million threshold or the proposed projects have not been initiated. | |

Firm Name: Grant Thornton LLP
 Engagement: PVSC Integrity Oversight Monitor EQ2015-001-PS
 For Quarter Ending: 12/31/2015

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 |
|-----|---|---|----------|
| 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) | Grant Thornton's activities during this quarter included completing the review of PVSC's procurement processes; and attendance at the Bi-Weekly FEMA Coordination Meetings and Monthly Construction Progress Meetings (Administration Controls Building). Grant Thornton reviewed with PVSC our Procurement Process Reviews and Analysis of the Travis, Fine Wall and AECOM-HDR contracts. During the quarter Grant Thornton communicated on a monthly basis the status of its' monitoring activities to the Treasury Integrity Monitor Liaison. During the quarter Grant Thornton met with PVSC on the following dates: October 15, 2015 - Construction Progress Meeting; October 22, 2015 - PVSC's General Counsel and Purchasing Agent; October 22, 2015 - Bid Opening for Additional By-Pass Cabling; October 29, 2015 - PVSC's General Counsel and Purchasing Agent; November 5, 2015 - PVSC's Chief Engineer; November 17, 2015 - Construction Progress Meeting; November 24, 2015 - PVSC's General Counsel and Purchasing Agent; December 2, 2015 - PVSC's Chief Engineering and Project Coordinator; and December 15, 2015 - Construction Progress Meeting. In addition Grant Thornton met with Treasury Integrity Monitor Liaison and NJOEM - Recovery Bureau staff. | |
| 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. | PVSC has provided Grant Thornton copies of Travis, Fine Wall and AECOM-HDR invoices and supporting documentation With this information Grant Thornton was able to confirm PVSC's compliance with FEMA and/or State administrative grant requirements and processes; and identify any issues that represented potential loss of Federal reimbursements. | |
| 16. | Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements. | During the Quarter Grant Thornton began reviewing in depth the details of the Travis Contract and specific payment provisions. Grant Thornton identified three areas of concern: The addition of subcontractors not originally identified in the bid documents; the addition of new labor categories not initially bid; and the use of Cost Plus Percentage of Cost Payment provisions for all material expenses. For the first two areas PVSC was able to clarify the ability to add subcontractors and labor categories under the provisions of Contract Section 00735 - Extra Work. For the third concern Grant Thornton understands that although PVSC followed acceptable New Jersey procurement processes, the payment provisions when viewed against federal requirements may lead to confusion with FEMA guidelines. See below for further discussion of the Cost Plus Percentage of Cost provisions. | |
| 17. | Have payment requisitions in connection with the contract/program been reviewed? Please describe | During the Quarter Grant Thornton reviewed 1) 89 Of 103 invoices submitted by Travis and paid by PVSC for the Temporary By-Pass Cabling; 2) 2 of 8 invoices submitted by AECOM-HDR and paid by PVSC for Program Management Services. No payments have been made to Fine Wall Construction. The total value of the 103 Travis invoices represented \$13.8 million. The total value of the 8 AECOM-HDR invoices represented \$1.6 million. | |

Firm Name: Grant Thornton LLP
 Engagement: PVSC Integrity Oversight Monitor EQ2015-001-PS
 For Quarter Ending: 12/31/2015


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 |
|-------------------------|--|--|----------|
| 18. | Description of quarterly activity to prevent and detect waste, fraud and abuse. | <p>During the Quarter Grant Thornton identified for PVSC 26 invoices of the 89 Travis invoices reviewed where supporting documentation was not initially provided. The missing documentation included timesheets to document hours and/or subcontractor support or invoices. PVSC indicated that compliance based supporting documentation is maintained in the Engineering Department and was not initially provide. Grant Thornton is currently reviewing the additional support to close this open issue.</p> <p>During the Quarter Grant Thornton identified for PVSC issues concerning the Cost Plus Percentage of Cost payment provisions for the material expenses under the Travis contract. PVSC under the Travis contract allows a 15% markup on the material cost for the development of pricing quotes for each requested task order. However all task orders are based upon specification developed by PVSC or PVSC's consulting engineers and individual task orders are awarded on a not to exceed lump sum basis. Under FEMA requirements Cost Plus Percentage of Cost contracts are prohibited. PVSC believes that the Travis contract is a Time and Material contract but agrees that the payment provisions contained within the contract may cause confusion relative to FEMA guidelines (See Item 22 below). Of the invoices reviewed Grant Thornton identified approximately \$3.3 million in material expenses (out of the \$12.7 million in billed cost). The 15% markup represents approximately \$499,000 of the \$3.3 million paid as material markups.</p> | |
| 19. | Provide details of any integrity issues/findings | None noted | |
| 20. | Provide details of any work quality or safety/environmental/historical preservation issue(s). | During this second quarterly period Grant Thornton's construction oversight was limited to the Administration Controls Building Construction. Based on our site visits we did not observe any work quality, health and safety, environmental or historical preservation issues. | |
| 21. | Provide details on any other items of note that have occurred in the past quarter | PVSC has provided Grant Thornton access to its procurement, financial and administrative files necessary to perform our reviews. | |
| 22. | Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters | To address the ambiguity of the payment provisions in the Travis contract versus the Cost Plus Percentage of Cost payment prohibitions identified above, Grant Thornton was requested to provide recommendations to address these issues in the rebidding of the contract under which Travis was originally procured. Grant Thornton provided draft Invitation to Bid language and established a Cost Plus Fixed Fee schedule that PVSC would be able to use in the rebidding documents. PVSC took affirmative steps to correct the ambiguous contract language and rejected on December 17, 2015 the replacement contract bids received on October 22, 2015 and reissued an new Invitation to Bid (ITB) on January 15, 2016 with the new/revised payment provisions for material expense payments under a Fixed Fee Schedule. | |
| C. Miscellaneous | | | |
| 23. | Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review | See Attached Time and Expense Report. During the quarter Grant Thornton provided a total of 387 hours for a cost of \$60,422. | |

Firm Name: Grant Thornton LLP
 Engagement: PVSC Integrity Oversight Monitor EQ2015-001-PS
 For Quarter Ending: 12/31/2015

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 |
|-----|---|---|----------|
| 24 | Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program. | Based on our review of PVSC's financial and administrative processes, we concluded that PVSC's processes are appropriate for complying with FEMA grant management requirements and NJOEM standards. PVSC's financial and administrative processes provide the framework for ensuring that the functions adhere to grant program guidelines, procurement rules and reporting requirements. Proper controls appear to be in place to minimize the risk of deobligation of federal funds; duplication of benefits; process and payment errors; and waste, fraud and abuse. We did discuss however, two area where PVSC could strengthen its controls relative to its administrative processes dealing with business disclosures by members of a procurement's Evaluation Team (in addition to the annual Ethics Disclosure); and the inclusion of bid protest procedures in its bidding documents. | |

| | |
|----------------------------|---|
| Name of Integrity Monitor: | Grant Thornton LLP |
| Name of Report Preparer: | Jack Reagan |
| Signature: |  |
| Date: | 1-Apr-16 |

PVSC Integrity Monitor - Legislative Quarterly Report

October 1, 2015 to December 31, 2015



PVSC Integrity Monitor - Time and Expense Report

| | <i>Hours</i> | <i>Subtotal Hours</i> | <i>Labor</i> | <i>Travel</i> | <i>Total</i> |
|--|--------------|-----------------------|--------------|---------------|--------------|
| Project Name - ID: PVSC Kick-Off Mtg Task A / 100233.00.00A.00A | 0.00 | 0.00 | \$ - | \$ 183.41 | \$ 183.41 |
| Project Name - ID: PVSC Fin&AdminRevw Task B / 100233.00.00B.00B | 0.00 | 0.00 | \$ - | \$ - | \$ - |
| Project Name - ID: PVSC Travis Tsk C / 100233.00.001.01C | 244.00 | | | | |
| Project Name - ID: PVSC Travis Tsk D / 100233.00.001.01D | 0.00 | | | | |
| Project Name - ID: PVSC Travis Tsk E / 100233.00.001.01E | 35.70 | | | | |
| Project Name - ID: PVSC Travis Tsk F / 100233.00.001.01F | 7.70 | 287.40 | \$ 41,694.34 | \$ 1,366.22 | \$ 43,060.56 |
| Project Name - ID: PVSC Fine Wall Tsk C / 100233.00.002.01C | 0.50 | | | | |
| Project Name - ID: PVSC Fine Wall Tsk D / 100233.00.002.01D | 29.25 | | | | |
| Project Name - ID: PVSC Fine Wall Tsk E / 100233.00.002.01E | 9.95 | | | | |
| Project Name - ID: PVSC Fine Wall Tsk F / 100233.00.002.01F | 7.70 | 47.40 | \$ 7,366.71 | \$ 284.70 | \$ 7,651.41 |
| Project Name - ID: PVSC AECOM/HDR Tsk C / 100233.00.003.01C | 5.00 | | | | |
| Project Name - ID: PVSC AECOM/HDR Tsk D / 100233.00.003.01D | 0.00 | | | | |
| Project Name - ID: PVSC AECOM/HDR Tsk E / 100233.00.003.01E | 4.45 | | | | |
| Project Name - ID: PVSC AECOM/HDR Tsk F / 100233.00.003.01F | 8.70 | 18.15 | \$ 3,345.61 | \$ 92.08 | \$ 3,437.69 |
| Project Name - ID: PVSC Floodwall Eng Tsk C / 100233.00.004.01C | 0.00 | | | | |
| Project Name - ID: PVSC Floodwall Eng Tsk D / 100233.00.004.01D | 0.00 | | | | |
| Project Name - ID: PVSC Floodwall Eng Tsk E / 100233.00.004.01E | 1.75 | | | | |
| Project Name - ID: PVSC Floodwall Eng Tsk F / 100233.00.004.01F | 2.35 | 4.10 | \$ 730.46 | \$ - | \$ 730.46 |
| Project Name - ID: PVSC Floodwall Const TskC / 100233.00.005.01C | 0.00 | | | | |
| Project Name - ID: PVSC Floodwall Const TskD / 100233.00.005.01D | 0.00 | | | | |
| Project Name - ID: PVSC Floodwall Const TskE / 100233.00.005.01E | 0.00 | | | | |
| Project Name - ID: PVSC Floodwall Const TskF / 100233.00.005.01F | 0.00 | 0.00 | \$ - | \$ - | \$ - |
| Project Name - ID: PVSC Power Gen Eng Tsk C / 100233.00.006.01C | 0.00 | | | | |
| Project Name - ID: PVSC Power Gen Eng Tsk D / 100233.00.006.01D | 0.00 | | | | |
| Project Name - ID: PVSC Power Gen Eng Tsk E / 100233.00.006.01E | 1.25 | | | | |
| Project Name - ID: PVSC Power Gen Eng Tsk F / 100233.00.006.01F | 2.35 | 3.60 | \$ 641.38 | \$ - | \$ 641.38 |
| Project Name - ID: PVSC Power Gen Const TskC / 100233.00.007.01C | 0.00 | | | | |
| Project Name - ID: PVSC Power Gen Const TskD / 100233.00.007.01D | 0.00 | | | | |
| Project Name - ID: PVSC Power Gen Const TskE / 100233.00.007.01E | 0.50 | | | | |
| Project Name - ID: PVSC Power Gen Const TskF / 100233.00.007.01F | 0.00 | 0.50 | \$ 89.08 | \$ - | \$ 89.08 |
| Project Name - ID: PVSC Phase 2 RepairsTsk C / 100233.00.008.01C | 0.00 | | | | |
| Project Name - ID: PVSC Phase 2 RepairsTsk D / 100233.00.008.01D | 0.00 | | | | |
| Project Name - ID: PVSC Phase 2 RepairsTsk E / 100233.00.008.01E | 0.00 | | | | |
| Project Name - ID: PVSC Phase 2 RepairsTsk F / 100233.00.008.01F | 1.10 | 1.10 | \$ 195.98 | \$ - | \$ 195.98 |
| Project Name - ID: PVSC Motor Controls Tsk C / 100233.00.009.01C | 0.00 | | | | |
| Project Name - ID: PVSC Motor Controls Tsk D / 100233.00.009.01D | 0.00 | | | | |
| Project Name - ID: PVSC Motor Controls Tsk E / 100233.00.009.01E | 0.00 | | | | |
| Project Name - ID: PVSC Motor Controls Tsk F / 100233.00.009.01F | 1.05 | 1.05 | \$ 187.07 | \$ - | \$ 187.07 |
| Project Name - ID: PVSC Mtr/PmpRepairs Tsk C / 100233.00.010.01C | 0.00 | | | | |
| Project Name - ID: PVSC Mtr/PmpRepairs Tsk D / 100233.00.010.01D | 0.00 | | | | |
| Project Name - ID: PVSC Mtr/PmpRepairs Tsk E / 100233.00.010.01E | 0.00 | | | | |
| Project Name - ID: PVSC Mtr/PmpRepairs Tsk F / 100233.00.010.01F | 2.60 | 2.60 | \$ 463.22 | \$ - | \$ 463.22 |
| Project Name - ID: PVSC PAC Motors Elec TskC / 100233.00.011.01C | 0.00 | | | | |
| Project Name - ID: PVSC PAC Motors Elec TskD / 100233.00.011.01D | 0.00 | | | | |

| | | | | | | |
|--|---------------|---------------|---------------------|--------------------|---------------------|--|
| Project Name - ID: PVSC PAC Motors Elec TskE / 100233.00.011.01E | 0.20 | | | | | |
| Project Name - ID: PVSC PAC Motors Elec TskF / 100233.00.011.01F | 1.10 | 1.30 | \$ 231.61 | \$ - | \$ 231.61 | |
| | | | | | | |
| Project Name - ID: PVSC AddByPassCablingTskC / 100233.00.012.01C | 1.50 | | | | | |
| Project Name - ID: PVSC AddByPassCablingTskD / 100233.00.012.01D | 0.00 | | | | | |
| Project Name - ID: PVSC AddByPassCablingTskE / 100233.00.012.01E | 15.20 | | | | | |
| Project Name - ID: PVSC AddByPassCablingTskF / 100233.00.012.01F | 3.10 | 19.80 | \$ 3,531.86 | \$ 18.57 | \$ 3,550.43 | |
| | | | | | | |
| Overall | 387.00 | 387.00 | \$ 58,477.32 | \$ 1,944.98 | \$ 60,422.30 | |