

## 2009-10 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM

The Internal Control Summary and Certification Form provides supporting justification for an agency's or authority's level of compliance with the requirements of the Internal Control Act as outlined below.

This form requests information regarding specific actions taken, or needed to be taken, by agencies/authorities to comply with each of the Act's requirements as described in Budget Policy and Reporting Manual (BPRM) Item B-350.

A completed and signed Internal Control Summary and Certification Form should be submitted by **April 30, 2010**, via e-mail as an attached PDF file to the Division of the Budget's internal control reporting mailbox at [dob.sm.icreporting@budget.state.ny.us](mailto:dob.sm.icreporting@budget.state.ny.us).

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Roosevelt Island Operating Corporation      4/30/10      Sylvia Feliciano      212-832-4540 ext. 314

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| Agency Name | Date | Completed by (Name) | Phone |
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**A. Establish and maintain guidelines for a system of internal controls for the agency or authority.** Internal control guidelines communicate an organization's management and programmatic objectives to its employees and provide the methods and procedures used to assess the effectiveness of its internal controls in supporting those objectives. Internal control guidelines should:

1. State the agency head's support of internal controls to provide staff with an understanding of the benefits of effective controls;
2. Identify the agency's primary responsibilities and the objectives;
3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management and supervisors and agency staff;
5. Acknowledge that internal controls adhere to accepted standards; and,
6. Describe the organization's process for evaluating internal controls.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

- In June 2009, revisions to the Corporation's Internal Control Guidelines were submitted, presented and approved by its Board of Directors. The revisions to the Internal Control Guidelines placed more accountability on directors, supervisors, and managers for the internal controls of their respective departments and includes the following:
  - A statement in support of the concept internal controls and communicates the benefits of an effective internal control program;
  - Identifies the agency's primary responsibilities and objectives;
  - Explains how the formalized system of internal control process is organized and managed through:
    - i. defining the functions and objectives with each department

- ii. identifying risks where resources could be lost, misused, or used inefficiently
- iii. training all staff in internal control methods and making them aware of the requirements of law
- iv. identifying informal and formal controls that exist
- v. formally documenting policies and procedures and other controls, with proper distribution to employees
- vi. performing self-reviews of established controls to ensure proper function and intended purpose
- o outlines the internal controls responsibilities of the agency management, supervisors, and general staff by detailing the roles of the Board of Directors; the Internal Control Officer; individual managers and supervisors; and individual employees (Revisions, to be Board-approved, include placing stronger internal control accountability on supervisors and managers of respective departments).
- o acknowledges the Office of the State Comptroller's *Standards for Internal Controls in new York State Government* as the accepted standards in which the Corporation adheres to.
- o the Corporation's four-step process for its internal control system, which includes:
  - i. identifying functions in all departments
  - ii. conducting annual functional vulnerability assessments
  - iii. annual manager's reviews of inherent and current risks
  - iv. developing corrective action plans which are followed up by the Internal Control Officer
- The President's "Tone at the Top" memorandum to all staff, emphasizing the Corporation's strong commitment to its established internal control system, was sent electronically to all staff and is posted in all facilities. The memorandum also emphasizes a strong commitment to carrying out the goals of the corporation; the roles and responsibilities of all employees as it pertains to good internal control practices; and the means of communicating any questions concerning the requirements of job duties, policies and/or procedures.

**B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority.** The system of internal control should be developed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) conceptual framework adopted in the *Standards for Internal Controls in New York State Government*, and should incorporate COSO's five basic components of internal control: control environment, risk assessment, control activities, information and communication and monitoring.

The program of internal control review shall be a structured, continuing and well documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's or authority's internal controls.

Organizations can adopt a system of internal control review tailored to their needs, size and degree of centralization. The procedures for evaluating the adequacy of that system also vary, but at a minimum should:

1. Identify and clearly document the primary operating responsibilities (functions) of the agency or authority;
2. Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions;
3. Identify/document the policies and procedures used to execute functions;
4. Identify the major functions of each of the agency's assessable units;
5. Develop a process or cycle to assess risk and test controls for major functions;
6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions;
7. Test controls to ensure they are working as intended (see the "Manager's Testing Guide" which can be downloaded from BPRM Item B-350);
8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement and specifically address the following points:**

1. Describe the process used to review the agency's/authority's internal controls.
  - The Internal Control program includes a four step process in which directors, managers, and supervisors perform a thorough annual self-assessment of the functions within their departments. This year, as the first step of the process, the internal control review process included executive staff reviewing, revising, and identifying department objectives for their relative departments and discussing the department objectives with staff. The directors, managers, and

supervisors were then required to review, revise, and develop function objectives from the departmental objectives.

- The second step required directors, managers, and supervisors to assess inherent risks within the functions of the department.
- The third step required directors, managers, and supervisors to assess and identify current risks and improvement opportunities within the functions.
- The fourth step required a correction plan be developed to address any risks or areas of improvement.

The annual assessment was completed with a function and department summary.

2. List all high-risk activities and indicate which were reviewed during 2009-10.
  - While no high-risk activities had been identified in the previous year, all functions are reviewed by directors, managers, and supervisors.
  - Reviews of various functions are conducted by the Finance department, supplemental to the annual reviews.
    - Bus Operations - a thorough review and audit completed
    - Public Purpose Grant – audits completed to ensure funds were used according to grant application and funding agreement
    - Inventory Control – semi-annual reviews of fixed assets for accountability
    - Motorgate Parking – two-day review at Central Office on all revenues received
    - HCK Tennis – percentage rent review
    - Tram cash and metro card - metro card inventory and Tram cash received
3. Identify the significant deficiencies revealed during the 2009-10 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year.
  - Significant deficiencies identified:
    - Lack of surveys and physical condition assessments of facilities and projects – Developed surveys and physical condition assessments (ongoing project)
    - Lack of staff training – training required to carry out functions and duties have been identified and training is ongoing. Training provided included State Driver Safety training to all employees operating corporate vehicles and Supervisors in Basic Management Skills to all supervisors and managers. Pertinent staff also received MSDS and OSHA training and two MSDS safety stations were set up at the Corporation's warehouse.
    - Policies and Procedures not established – functions for which policies and procedures were not established or updated have been identified and are being established and/or

- updated. Policies and procedures that were updated have been communicated to employees electronically and saved in a share drive for future access and reference.
- The corporation's historical records were at risk due to not being saved electronically – Scanning of all records currently in process.
4. Describe the monitoring system installed by the agency to verify that corrective actions are taken. Discuss the extent to which IT systems are used to track corrective actions.
- Directors, managers, and supervisors are responsible for conducting the internal control reviews annually, of inherent risks, current risks, and functional vulnerability assessments, within their respective departments and implementing corrective action plans. Department heads discuss and review assessments and corrective action plans, put into place, for risks identified. The corrective action plan includes target completion dates for the implementations, the impact of effect and likelihood of occurrence. Implementations are followed up by the Internal Control Officer.
  - The Internal Control Officer keeps an electronic inventory of corrective action plans and target dates and follows up on corrective action plans implemented.
5. Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2009-10 to verify test results and expand the testing program.
- The finance department performs audits, tests, and thorough reviews on any function with potential high risk. For example, in addition to a two-day audit, a test of Motorgate Parking revenues was conducted and concluded controls were working as designed. The corporation's testing program is expanding which will satisfy the Internal Control Program requirements. An inventory of all functions is being maintained by the Internal Control Officer with testing underway.
6. Describe measures instituted to sustain the effectiveness of the internal control program during 2009-10. Include information on reorganizations and other revisions in the program to enhance operations.
- The corporation's organizational chart is continuously updated as changes are made and made available electronically.
  - Job descriptions are reviewed and updated and any changes are forwarded to Human Resources to be placed in respective files.
  - The Corporation's mission statement was reviewed and approved by its Board of Directors.
  - Semi-annual fixed asset inventory audits are conducted to ensure the effectiveness of the Corporation's asset transfer policy and accountability. The WIN-ATS asset tracking system monitors the movement of fixed assets and vehicle usage.

- The Corporation uses the Dolphin Fleet Management system to track scheduled and unscheduled vehicle maintenance; vehicle/bus parts and cost; and driver information.
  - The Corporation uses the Gasboy Fleet Management system as a means of controlling access to the fuel usage. The system was updated and stronger controls were placed for more accountability by restricting employee access codes and a monthly print out of fuel usage is submitted to the Finance department for review.
  - Printer access codes were issued to each employee and quarterly reports are issued showing printer/copy usage as a means of identifying print jobs to function duties and identifying means of lowering print costs.
7. Describe efforts agency/authority management has taken to coordinate and integrate the documentation and reporting of activities the Office of the State Comptroller's *Standards for Internal Controls in New York State Government* recognize as supporting a good internal control system: evaluation, strategic planning and internal audit.
- Directors, supervisors and managers evaluate their respective departments to ensure the internal controls are functioning effectively with an annual four step process review. In addition to the four step process normally conducted, executive staff reviewed, revised, and identified department objectives and discussed them with their respective staff. Job descriptions are also reviewed to ensure descriptions meet the requirements of the respective functions and objectives.
  - The Corporation evaluated the need for an internal audit function and concluded there is no pressing need to maintain an internal audit function.
8. Describe efforts agency/authority management has taken to effectively communicate information within the organization. Information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. Communication is not an isolated internal control component. It affects every aspect of an organization's operations and helps support its system of internal control. The feedback from this communication network can help management evaluate how well the various components of the system of internal control are working.
- An executive staff member, the Vice President of Operations, coordinated and provided a corporation field trip with operations staff. The purpose of the trip was to show case and discuss the corporation's various island capital projects. This enabled the executive staff member to discuss and tie in how each department, employee and staff member's function and mission, plays a vital role in not only each project's success, but in accomplishing the corporation's global mission as well.

- Executive and departmental meetings are held on a weekly basis as a means of updating and communicating information on inter-departmental activities Corporation-wide.
- Feedback, from staff and/or employees, is communicated to management and discussed during the weekly meetings.
- The Corporation uses electronic means to relay and communicate information to its employees.
- Advisories, pertinent to the operations, and affecting Roosevelt Island, are email blasted to both employees and residents requesting the advisories, posted on the Corporation's website, and telephone calls are placed with advisory announcement.

- Add Additional Pages if Needed -

- C. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply along with detailed policies and procedures the employees are expected to adhere to in completing their work.** The statement should set the tone at the top. It should be issued periodically and emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions and applicable policy and procedure manuals. While it is not necessary for all employees to possess all manuals, employees should be provided with, or have access to, applicable policies and procedures for their position.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

- The President issued, to all staff, a "Tone at the Top" memorandum which emphasized the Corporation's commitment in ensuring that policies and procedures are responsive to fiscal and programmatic responsibilities to the State. The memorandum also emphasizes the commitment to the established internal control system and to be a high priority, to which all employees are expected to comply and cooperate with. The memorandum is sent via email to all staff and posted at all facilities.
- The Human Resource department distributes *Employee Handbooks* to all employees, and maintains an acknowledgement sheet in employee files.
- Job descriptions, within all departments, were reviewed and updated accordingly as part of the annual manager's review and internal control assessment.
- Policies and procedures were reviewed, updated and/or currently being updated within all departments. As policies and procedures are revised, updated, and communicated, they are distributed to employees electronically, and placed in an employee shared file.

- D. Designate an Internal Control Officer (ICO), who shall report to the head of the agency or authority or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should be communicated to all employees.**

The ICO works with appropriate personnel within the agency or authority to coordinate the internal control activities and to help ensure that the internal control program meets the requirements established by BPRM Item B-350. Although the ICO evaluates the adequacy of the internal control reviews performed by agency or authority staff, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and analyzing and improving control systems. The ICO should be an individual with sufficient authority to act on behalf of the agency head in implementing and reviewing the agency's internal control program. This individual should have a broad knowledge of agency operations, personnel and policy objectives.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

- In September 2008, the Board of Directors approved the Corporation's designated Internal Control Officer, and designee. The President communicated the designation of the Internal Control Officer in the "Tone at the Top" memorandum to all employees, which was distributed electronically and posted at all facilities.

**E. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.**

Agencies and authorities should identify staff requiring internal control training and the depth and content of that training. Such education and training should be on-going with specific courses directed at line staff, middle managers and executive management. For organizations that have established internal audit functions, training and education should be offered on the appropriate role of the internal auditor within the organization's internal control system.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

- Board members, upon appointment, attend the Public Authority Board Governance Seminar sponsored by the City University of New York, which includes a period of instruction on internal controls.
- The Internal Control Officer forwards information and training to all employees electronically as it is made available by external agencies.
- Internal Control training created by the Internal Control Officer and distributed electronically to all employees is maintained on the employee shared file.
- The Internal Control Officer and supervisor revised and developed an Internal Control Manager's Guide as a means of guidance, assistance, and for reference to directors, managers and supervisors during the thorough annual internal control assessment.
- Internal control updates are discussed in both executive and departmental weekly meetings.
- The Internal Control Officer continuously seeks out new training opportunities to enhance the knowledge and skills in the matters of internal controls and passes that information onto staff.
- Internal Control training provided to employees has been stored on the employee shared file.

- F. Periodically evaluate the need for an internal audit (IA) function. If an IA function exists, it should be maintained in compliance with generally accepted professional auditing standards. Agencies on the Division of the Budget's list of agencies required to establish IA functions – and those choosing to have an IA function – are required to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (see BPRM Item B-350 Section III "IA Responsibilities").**

As outlined in BPRM Item B-350, agencies and authorities are required to periodically evaluate the need to establish, maintain or modify an IA function utilizing the *Internal Audit Evaluation Criteria* (Attachment C).

Agencies concluding that an IA function is warranted should submit their evaluation to DOB as outlined in BPRM Item B-350. Periodically thereafter, agencies with IA functions should review current operations to determine whether the function should be altered or maintained.

Agencies concluding an IA function is not warranted should periodically reevaluate the need for such a function using Attachment C, especially when organizational, operating, fiscal, program, legal or personnel changes occur which affect the agency's exposure to risk or which could otherwise change the results of the initial assessment.

Pursuant to BPRM Item B-350, agencies required to have – and those entities choosing to have – an internal audit unit should comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Therefore, IA units should comply with the guidance outlined below regarding organizational placement, independence and reporting.

1. Directors of Internal Audit (DIA) should report functionally to the agency head or audit committee and may report administratively to the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.
2. A current organizational chart should be available that identifies the placement of the IA unit, the individual that has responsibility for overseeing the internal audit activity and other organizations/activities under its purview.
3. The IA function should be independent of the ICO, but should work closely with the ICO. Limitations should be established on IC activities where those duties overlap. Agencies should identify impairments to the independence of the DIA that may be created where the DIA is performing the ICO function. Furthermore, IA units should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles (e.g., Information Security Officer).
4. Internal audit staff should complete an annual independence statement identifying actual/potential impairments to independence and notifying the DIA whenever a new actual/potential impairment arises.

5. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO and the audit committee.
6. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required and that the size of the audit staff is appropriate given the size and complexity of the organization.
7. IA units should take steps to ensure sufficient audit resources are available given the size and complexity of the organization. This can be accomplished by exploring in-sourcing, outsourcing and sharing audit services.

**For this requirement, the agency/authority is:**

**Not Applicable – This agency/authority does not have an IA function.**

**Fully Compliant**

**Partially Compliant**

**Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement by providing the following information:**

1. A current organizational chart identifying the placement of the IA unit, the name and title of the IA director, other organizations/activities under the IA function's purview and the name and title of the person to whom the IA director reports.
2. A description of how the internal audit director's credentials, education and experience meets the minimum qualifications established in BPRM Item B-350.
3. A description of how continuing professional education requirements are met by the director and each staff member.
4. A description of how quality assurance review requirements are being met.
5. A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).
6. A copy of your 2009-10 and 2010-11 internal and contract audit plans. (Please note: Dennis Whalen's memo of April 1, 2009 called on internal audit units to include the impact of Federal American Recovery and Reinvestment Act (ARRA) funding in their risk assessment and audit planning. If your agency is receiving ARRA funds, please be sure that your 2010-11 internal audit plan addresses this issue.)

7. Documentation pertaining to the risk-assessment utilized in formulating the 2010-11 audit plans.
8. An indication of which audits in the audit plan for FY 2009-10 were not conducted, and an explanation as to why they were not conducted.
9. An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2009-10 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate for savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.
10. Identify the recommendations contained in the audits described in the FY 2009-10 audit plans that were not implemented, if any, and provide a full explanation why they were not implemented.
11. Identify the recommendations contained in final audits issued by the Office of State Comptroller between July 1, 2008 and March 31, 2010 that were not implemented, if any, and provide a full explanation why they were not implemented.

The Governor's Office of Taxpayer Accountability (OTA) and the Division of the Budget (DOB) will be conducting a review of these State agency and authority internal and contract audit plans and audit recommendations to assess (i) whether the audit plans are based on a documented risk assessment which captures areas for review that have the greatest risk exposure, (ii) the percentage of audits identified in each audit plan that were conducted, (iii) whether recommendations contained in audits were implemented, and any reasons for non-implementation, and (iv) cost savings and other benefits attributable to the audits. In addition, the OTA and DOB will assess whether recommendations contained in audits conducted by the Office of the State Comptroller were implemented, and any reasons for non-implementation.

**Although the Corporation is required to maintain an internal audit function, management evaluated the need and concluded that there was no need at this time to maintain an internal audit function. In the past two years, significant resources have been incurred to improve internal controls. These resources include establishing a new additional position of Compliance/Internal Control Officer; implementation of internal reviews of internal functions conducted with the Finance department; and upgrading and enhancing internal controls, procedures, and related documentation. Annual external audits have indicated a significant improvement in agency operations and controls and have not identified a need for an internal audit function or department.**

**2009-10 INTERNAL CONTROL CERTIFICATION**

Roosevelt Island Operating Corporation

Agency/Authority Name

Stephen H. Shane, President & CEO/Brian Lawlor, Chairperson Governing Board

Agency Head/Chairperson Governing Board

591 Main Street, Roosevelt Island, NY 10044

(212) 832-4540

Agency/Authority Address

Telephone Number

Sylvia I. Feliciano

(212) 832-4540

Name of Internal Control Officer

Telephone Number

SFeliciano@rioc.com

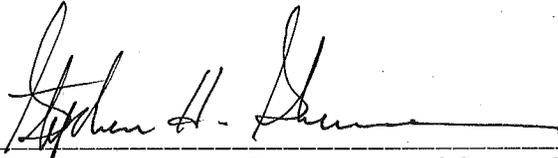
Email Address of Internal Control Officer

I hereby certify the agency or authority is:

- Fully Compliant (Full compliance with all provisions)**
- Partially Compliant (Partial compliance with some or all provisions)**
- Not Compliant (Noncompliance with all provisions)**

With the New York State Governmental Accountability, Audit and Internal Control Act.

This certification is supported with detailed justification of actions taken and/or outlines specific actions needed to address areas of partial compliance or noncompliance as described in the preceding Internal Control Summary.



Signature/Agency Head or Chairperson of Governing Board

4/30/10

Date