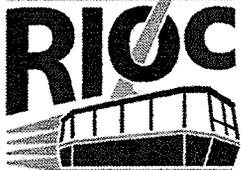


ROOSEVELT ISLAND
OPERATING CORP.



**Roosevelt Island
Operating Corporation**
of the State of New York
591 Main Street
Roosevelt Island, NY 10044
(212) 832-4540
www.rioc.com

David A. Paterson
Governor

Stephen H. Shane
President
Chief Executive Officer

Kenneth A. Leitner
Vice President
General Counsel

Fernando Martinez
Vice President
Operations

Steven Chironis
Vice President
Chief Financial Officer

Rosina Abramson
Vice President
*Planning and Inter-
Governmental Affairs*

Board of Directors
Deborah VanAmerongen
Chairperson
Alberteen Anderson
Laura L. Anglin
David Kraut
Charlee Miller
Mark Ponton
Michael Shinozaki
H. Patrick Stewart

April 30, 2008

Mr. Thomas Lukacs
Internal Control Officer
NYS Division of the Budget
State Capitol
Albany, NY 12224

Re: 2007-2008 Internal Control Summary Report and Certification

Dear Mr. Lukacs,

In accordance with the Governmental Accountability, Audit and Internal Control Act of 1999, I am submitting the enclosed Internal Control Summary Report and Certification for the 2007-2008 period.

On behalf of the Roosevelt Island Operating Corporation staff, we wish to thank you and your staff for your continued support and guidance with respect to the certification process.

Please feel free to contact me at (212) 832-4540, ext. 314, should you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sylvia I. Giralde". The signature is written in a cursive style with a large initial "S".

Sylvia I. Giralde
Compliance Officer

sig
Enclosure(s): 1

cc: Stephen Shane, President/Chief Executive Officer
Kenneth Leitner, Vice President/General Counsel
Deborah VanAmerongen, Chairperson
David Kraut, Audit Committee Chair

INSTRUCTIONS FOR PREPARING 2007-08 INTERNAL CONTROL SUMMARY

This Internal Control Summary, to be submitted to the Division of the Budget by April 30, 2008, provides background on the internal control certifications made by agencies and authorities for 2007-08. The summary also requests information regarding specific actions already taken by agencies to implement recommendations included in the Internal Control Task Force report, "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.*"

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AGENCY	DATE	COMPLETED BY
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Roosevelt Island Operating Corporation	April 30, 2008	Sylvia I. Giralde
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1. Describe the review process used during 2007-08 to assure that internal controls were evaluated regularly.

- o Board meetings are held on a regular basis and serve as an oversight to the Corporation's compliance of applicable laws, regulations, rules, policies and procedures.
- o Executive meetings are held on a weekly basis to discuss the financial, legal, and operating functions of the Corporation. The meetings ensure inter-departmental coordination and provide staff with an update on status of projects, policies, and initiatives the Corporation is engaging. The meetings also include discussions of policy review; governance issues; staffing and personnel actions and performance as needed; compliance requirements; IT related issues, safety concerns, issues and enforcement. Any concerns are addressed and responded to.
- o Departmental meetings are held on a weekly basis and serve as a means of communicating with staff policy, procedures, and existing internal controls. The meetings also serve as a forum for staff feedback on concerns and issues employee may have. Concerns and issues brought up by staff are addressed and responded to.
- o Audit tests of inventory and fixed assets are given quarterly to ensure compliance.
- o Reviews and assessments of risks and vulnerabilities within each department, and function of each department, were conducted to assure that weaknesses in the internal controls were identified. Corrective action plans were developed and are being implemented.

2. List all high-risk activities and indicate which were reviewed during 2007-08.

High-risk activities:

- o Inventory control of assets, equipment, and vehicles

The above mentioned high-risk activities were reviewed during 2007-2008; stronger controls have been implemented.

3. Identify the significant deficiencies revealed through the agency's 2007-08 review process. Outline the actions taken, or planned, to eliminate the deficiencies. Highlight the most important internal control improvements made during the year.

Significant Deficiencies Revealed

- o An audit performed by the State Comptroller's office discovered equipment and vehicle control deficiencies. Records of fixed assets were not accurately maintained; policies and procedures were not written; and inventory of assets were not properly maintained.
- o CORRECTIVE ACTION TAKEN: Implemented the WIN-ATS asset tracking system and Gasboy Fleet Management system to track and maintain records of fixed assets, equipment, vehicles, and fuel usage.
- o Reviews performed by managers identified the lack of health and safety training in the event of chemical or biological contamination, among other safety hazards.
- o CORRECTIVE ACTION PLANNED: Coordinate health and safety training sessions, for employees throughout the Corporation, with the Occupational Safety and Health Administration.
- o Reviews performed by managers, identified written policies and procedures, for functions and departments, were lacking and /or inadequate.
- o CORRECTIVE ACTION TAKEN/PLANNED: Policies and procedures are currently being implemented and/ or updated.

Important Internal Control Improvements

- o To date, the Corporation has implemented the WIN-ATS asset tracking system, which tracks and maintains records of fixed assets and Corporation vehicles by means of assigning a barcode number to the asset or vehicle; affixing a barcode label to the asset or vehicle; and scanning the barcode label when checked in or out to track the usage of the asset.
- o Records of usage of fixed assets and vehicles are being kept in the WIN-ATS asset tracking system. These records include the value; receive date; serial number and/ or model number, and the location of the asset.
- o Quarterly audit tests, of the inventory in the WIN-ATS system, are held to ensure compliance.
- o Complete and up-to-date fuel usage logs are kept, for all vehicles, using the Gasboy Fleet Management system.
- o Retained the services of the accounting firm Bollam, Sheedy, Torani & CO., for the internal audit services. Services provided include revenue audits; corporate audits, IT audits; operational audits, and external audits of tenant and contractors.

4. Describe the monitoring system installed by the agency to verify that corrective actions are, in fact, taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.

- o Department Heads are responsible for reviewing managerial assessments of risks and implementing corrective actions; once implemented, corrective actions are evaluated and monitored to ensure effectiveness.
- o Directors and managers, for respective departments, are responsible for conducting reviews and assessments of risks and vulnerabilities of functions within their department.
- o Function Heads are responsible for assessing functional vulnerabilities.
- o Board Members are informed of any corrective action as necessary.
- o The Gasboy Fleet Management system reinforces internal controls of fuel usage by requiring an employee access code, vehicle barcode number, and mileage of the vehicle, in order to release fuel. The fuel usage is then recorded and polled within the system and a monthly print out of fuel usage is submitted to the Finance department.
- o The Corporation uses the WIN-ATS asset tracking system as a means of electronically entering and tracking asset and vehicle information.

5. Summarize specific actions the agency has taken to install a compliance testing program in accordance with the methods presented in the *Managers Guide: Testing Compliance with Internal Control Requirements*, which can be downloaded from BPRM Item B-350. Describe actions taken during 2007-08 to verify test results and expand the testing program.

o The Corporation is in the process of documenting and formalizing a compliance program specific and in accordance with the methods presented in the Manager's Guide. The methods and procedures of reviewing risks, assessments, and vulnerabilities, of all functions within each department described above in questions 1-4, are how internal controls are currently measured in effectiveness.

6. Discuss the methods used in 2007-08 to provide internal control education and training to keep agency/authority staff aware of the need for internal controls.

o RIOC's Board Members, Internal Control Officer, and management have attended Public Authority Board Governance Seminar sponsored by the City University of New York where an internal controls period of instruction was provided and addressed.

o The Internal Control Officer attended a web-based internal control course sponsored by the Government Finance Officer's Association.

o Internal Control memos and directives were distributed to all employees, by the Agency head, the Internal Controls Officer, and managers, communicating the Corporation's Internal Control program policy, and process, and its importance.

7. Describe measures instituted to sustain the effectiveness of the internal control program during 2007-08. Include information on reorganizations and other revisions in the program to enhance operations.

- o A 'Tone at the Top' memo, by the President and CEO of the Corporation, was distributed to all employees. The memo will be reviewed, updated, and distributed to all employees on an annual basis. The memo is also posted throughout the Corporation's facilities.
- o An Internal Control Officer was designated to review, test, and implement the Internal Control Act responsibilities, on a full-time basis.

8. Outline specific actions taken to implement the internal control recommendations included in the Internal Control Task Force report, "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.*" Using the "Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders" as a guide, please provide a point-by-point affirmation of compliance with, or gap analysis of, each of the recommendations directed to agencies on pages 2, 3, 9 and 10. Please provide an action plan and related timetable for any instances of non-compliance.

The Compliance Roadmap can be accessed at:

(http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf).

- o A 'Tone at the Top' memo, by the President/CEO of the Corporation, was distributed to all employees of the Corporation. In the memo, the President/CEO communicated his commitment, support, and importance of RIOC's internal control program.

- o RIOC's internal control program consists of an in-depth internal control directorial and managerial review of every function in every department of inherent risks, an assessment of current risks, an assessment of functional vulnerabilities, and corrective action plans for any and all risks identified. If a risk, and the effect of the risk, is identified, corrective actions are developed and a target completion date is given.

- o Department Heads independently monitor the implementation of the corrective action to ensure effectiveness and compliance; these in-depth internal control reviews are performed on an annual basis. The Internal Control Officer independently reviews the directorial and managerial reviews and assessments of risks and functional vulnerability assessments.

- o Through the in-depth internal control review annual process, areas of improvement are identified and corresponding corrective action plans are developed and implemented.

- o RIOC's documentation standards, for corrective action plans, require Department Heads submit a Corrective Action Plan form after reviewing the Director's or Manager's Review of Inherent Risks, Assessment of Current Risks, and Functional Vulnerability Assessment forms. The Corrective Action Plan form entails listing specific risk(s) and action(s) that will be taken to address the risk(s) and projected time frame for completing the corrective action.

- o All employees are appropriately trained according to their job function. However, training levels, objectives, and key concepts are in the process of being documented and formalized.

9. For those agencies required to have an internal audit (IA) function, demonstrate how that function complies with the expanded requirements of BPRM Item B-350's Section III, "Internal Audit Responsibilities," the Internal Control Act and professional IA standards. Provide the following:

- The name and title of the IA director.
- The name and title of the person to whom the IA director reports.
- A description of how the internal audit director's credentials, education and experience meet the minimum qualifications established in B-350.
- A description of how continuing professional education requirements are met by the director and each staff member.
- A description of how quality assurance review requirements are being met.
- 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).

In addition to the information outlined above, using the "Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders" as a guide, demonstrate how the IA function conducts its operations in accordance with professional IA standards. Provide a point-by-point affirmation of compliance with, or gap analysis of, each of the internal audit recommendations directed to agencies on pages 11, 12, and 13. Please provide an action plan and related timetable for any instances of non-compliance. The Compliance Roadmap can be accessed at:

(http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf).

o As determined by the Director of the Budget, Roosevelt Island Operating Corporation ("RIOC") is not required to maintain an internal audit function. However, for the purpose of best business practices, RIOC has retained the services of an Internal Auditor and is currently undergoing the audit process.

INTERNAL CONTROL CERTIFICATION

Roosevelt Island Operating Corporation

Agency/Authority Name

Stephen H. Shane, President/CEO Deborah VanAmerongen, Chairperson Governing Board

Agency Head/Chairperson Governing Board

591 Main Street, Roosevelt Island, NY 10044

(212) 832-4540

Agency/Authority Address

Sylvia I. Giralde 591 Main Street, Roosevelt Island, NY 10044

Telephone Number
(212) 832-4540

Name of Internal Control Officer

Address

Telephone Number

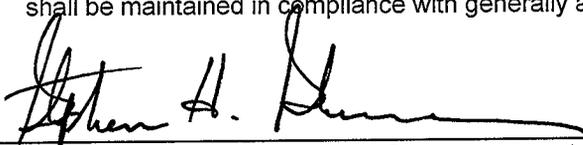
SGiralde@rioc.com

Email Address of Internal Control Officer

I hereby certify that the agency or authority has complied with the following provisions for internal controls.

These provisions are as follows:

- A. Establish and maintain guidelines for a system of internal controls for the agency or authority.
Internal control guidelines communicate the management and programmatic objectives of an agency or authority to its employees and provide the methods and procedures used to assess the effectiveness of the agency or authority internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority. 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.
- 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. Such statements shall emphasize the importance of and responsibility for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency (or their designee within the executive office) to implement and review the Internal Control Act responsibilities.
- E. Implement education and training efforts to ensure that officers and employees within such agency or authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
- F. Periodically evaluate the need for an internal audit function. If an internal audit function exists, it shall be maintained in compliance with generally accepted professional auditing standards.



Signature/Agency Head or Chairperson Governing Board

4/30/08

Date