

2008-09 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, 2009, 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.

Roosevelt Island Operating Corporation 4/29/09 Sylvia Giralde 212-832-4540 ext. 314

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 September 2008, the Corporation's Internal Control Guidelines had been formally presented and approved by its Board of Directors. The Internal Controls Guidelines includes (Revisions to the current Guidelines are being submitted, for approval, to the Board of Directors):
 - 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 Division of the Budget's *Budget and Policy Reporting Manual – Item-B350* as the accepted standards in which the Corporation adheres to (Revisions, to be Board-approved, include acknowledging the State Comptroller's *Standards* as the accepted standards).
- 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 issued an annual, "Tone at the Top" memorandum to all staff, emphasizing the Corporation's strong commitment to its established internal control system; the goals of the Corporation's internal control reviews; 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. The memorandum is emailed to all staff and posted.

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:

- Describe the process used to review the agency's/authority's internal controls.
 - The Internal Control program included a four step process in which manager's and supervisors performed annual reviews and assessments of their respective departments.
 - The first step required managers and supervisors to assess the inherent risks of their departments
 - The second step required function heads to identify their functions, and the objectives, and assess the functional vulnerability and it is

- rated as low, moderate, or high risk depending on the controls placed, with review by manager/supervisor
- The third step required managers and supervisors to assess their current risks;
 - The fourth step required deficiencies identified during the assessment, to be addressed on a corrective action plan.
 - The four step process are reviewed by department heads, signed off and submitted to the Internal Control Officer, who then updates the electronic function and objectives; corrective action plans, with target dates; and then follows up on corrective action plans implemented.
 - Supplemental reviews were performed by both the Internal Control Officer, and the Finance department.
 - List all high-risk activities and indicate which were reviewed during 2008-09.
 - Though there were no functions identified by supervisors and managers as high risk, all functions were reviewed by supervisors and managers and corrective action plans implemented for deficiencies found.
 - Reviews of several functions in supplement to the manager's self-reviews. These functions include:
 - i. bus operations – reviewed policies and procedures, environment, and documentation
 - ii. permits – reviewed process for issuing and managing permits and the related billing and collection
 - iii. procurement documentation process – reviewed purchase order and procurement documentation to ascertain compliance of reporting requirements according to laws and guidelines.
 - iv. access control – reviewed policies, procedures and process for access authorization and monitoring
 - v. TRAM cash and metro card review – two unannounced reviews of cash and metro card inventory
 - vi. inventory control – two accountability reviews of RIOC's assets
 - vii. public purpose grant reviews – reviewed to ensure funds were used according to the grant application and funding agreement
 - viii. Motorgate Parking – two-day review on revenues received
 - ix. HCK Tennis – percentage rent review, which resulted in additional rents owed to RIOC.
 - All departments are scheduled to be reviewed, and tested, by the Internal Control Officer, in supplement to the manager's self-reviews. Many reviews and tests scheduled will be done in conjunction with the finance department.
 - Identify the significant deficiencies revealed during the 2008-09 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year.
 - Significant deficiencies identified:
 - i. Policies and procedures identified in some departments as not being updated – corrective action plans have been put in place to update policies and procedures
 - **NOTE** The Corporation underwent a reorganization in which departments/sections were created and/or placed

within another department; policies and procedures are in the process of being formalized and documented.

- ii. Business continuity plans in place and communicated to employees – corrective action plans, already in place, include updating and communicating the business continuity plans to all employees.
- iii. Instances of non-compliance with procurement guidelines were identified – corrective actions were taken which include more frequent reviews of the procurement and stronger controls placed
- iv. Lack of a comprehensive and documented Facilities training program – corrective actions in place to establish a safety and skills training program
- Important internal control improvements:
 - i. Bus Operations: implementation of the fleet management software for vehicle, parts, and driver inventory; significant environment changes made to the bus garage to deter safety hazards and improve access to workspace; update to Gasboy fleet management system for stronger controls of access and monitoring of fuel usage
 - ii. Human Resource: policies and procedures were updated and distributed to all employees
 - iii. Parks and Recreation: policies and procedures were updated and communicated to staff
 - iv. Finance department: posted on the Corporation's website, all annual and fiscal reporting, which includes the Corporation's approved budget, audited financial statements, PARIS reporting, internal controls certification, and mid-year budget report; updated its electronic and web-based requisitioning software; revamped its procurement documentation process which included centralizing supporting documentation on the Finance share drive; and performs daily site-inspections for verification of Time and Materials projects.
 - v. Information Technology: completed massive overhaul of the Corporation's server environment, which reduced the electrical consumption of existing server output and allowed for improvement over controls and management of the computing environment.
- 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 and managers are responsible for conducting the annual reviews 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 completions 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.
- Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2008-09 to verify test results and expand the testing program.
 - The Internal Control Officer maintains an inventory of all functions within the Corporation's department, and in conjunction with the Finance department, began thorough reviews of functions for the effectiveness and efficiency of the internal controls, with testing of functions to follow reviews. However, testing has begun with the Motorgate garage revenue; awaiting results in Motorgate report. A formal compliance testing schedule is being developed which will satisfy the Internal Control Program requirements.
 - Describe measures instituted to sustain the effectiveness of the internal control program during 2008-09. Include information on reorganizations and other revisions in the program to enhance operations.
 - The Corporation underwent a reorganization in which departments were created and sections, within departments, were placed within another department.
 - All departments: reviewed and updated respective departmental organizational charts; reviewed and updated, as necessary, all job descriptions within their respective departments and sent to Human Resources to be placed in respective employee files; reviewed and updated departmental functions and objectives during annual assessments of respective departments; and reviewed/updated departmental mission statements
 - An internal control semi-annual report and semi-annual finance report were sent to the Audit Committee updating the activities of both respective departments.
 - Public Safety news is posted on the Corporation's website, which includes a monthly blotter, monthly statistics, 24-hour incident reports, an electronic request for incident/complaint form, and other pertinent information
 - The Corporation uses the WIN-ATS asset tracking system as a means of electronically tracking and monitoring asset usage and movement.
 - The Corporation uses the Dolphin Fleet Management system to track scheduled and unscheduled vehicle maintenance; vehicle 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.

- A semi-annual Internal Control Report was submitted to the Audit Committee as a means of updating the Committee of the internal control activities
- 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.
 - Supervisor and manager evaluated their respective departments to ensure the internal controls were functioning effectively with an annual four step process review. During this annual review, supervisors and managers reviewed departmental mission statements to ensure with the overall mission, goals, and objectives of the Corporation were met; job descriptions were also reviewed to ensure descriptions met the requirements of the respective functions and objectives.
 - As determined by the Director of the Budget, the Corporation is not required to maintain an internal audit function. However, for the purpose of best business practices, the Corporation had retained the services of an Internal Auditor.
- 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.
 - The Corporation uses electronic and printed means to relay and communicate information to its employees.
 - Advisories, pertinent to the operations, and affecting Roosevelt Island, are email blasted, posted on the Corporation's website, and telephone calls are placed with advisory announcement.
 - 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.

- 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 issues, to all staff, an annual "Tone at the Top" memorandum which emphasizes the Corporation's commitment in ensuring that policies and procedures are responsive to fiscal and programmatic responsibilities to the State. The memorandum 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.
- The Human Resource department distributed *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.

- 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, who report to the Board of Director's Audit Committee. The President communicates the designation of the Internal Control Officer in the annual "Tone at the Top" memorandum to all employees.

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.

- Human Resources identified all staff as either executive management, middle management, line staff, to which internal control training was provided for each level.
- 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.
- Training by the Division of State Government Accountability was provided to
 - Board of Directors with a training session on the oversight of the internal control program
 - Executive and middle management with an all day training session, which included the five key elements of internal controls, to which attendance was required and taken.
 - Line staff with a three hour training session, which included what internal controls, was; the importance of internal control; and how each employee is responsible for internal controls, to which attendance was required and taken.
 - The training was recorded and is available to all employees electronically.
 - A PowerPoint presentation was also provided and distributed to all employees via email
- The Internal Control Officer distributed, via email, PowerPoint presentations to supervisors and managers on identifying functions and objectives within assessable units, along with risk assessments as a means of guidance to the supervisors and managers' performing annual self-reviews of respective departments.
- One-to-one meetings were provided and held with supervisors and/or managers who required further assistance on performing self-reviews and function vulnerability assessments.
- The President's "Tone at the Top" memorandum is distributed via email to all staff, and posted throughout the Corporation's facilities.

- Internal Control updates are discussed in executive and departmental weekly meetings.
- All pertinent supervisors and managers attended a two-day Supervisory training to provide them with supervisory tools, techniques, and information to assist them in their leadership roles.

- Add additional pages if needed -

- 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).

2008-09 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

Agency/Authority Address

(212) 832-4540

Telephone Number

Sylvia Giralde

Name of Internal Control Officer

(212) 832-4540

Telephone Number

SGiralde@rioc.com

Email Address of Internal Control Officer

I hereby certify the agency or authority is:

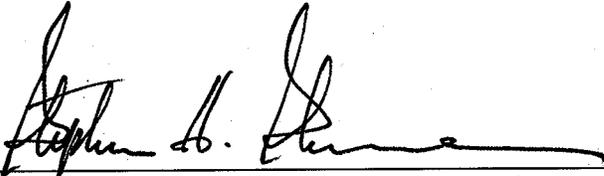
Fully Compliant (Full compliance with all provisions)

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 Governing Board

4/29/09
Date