2015-16 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM

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

This form requests information regarding specific actions taken, or needed to be taken, by agencies 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 to the Division of the Budget (DOB) on or before **Monday, May 2, 2016**, via e-mail as an attached PDF file to DOB's internal control reporting mailbox at dob.sm.icreporting@budget.ny.gov.

RIOC	5/20/2016	Gretchen Robinson	212-832-4540
Agency Name	**Date**	**Completed by (Name)**	**Phone**

A. **Establish and maintain guidelines for a system of internal controls for the agency.** 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 objectives;
3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management, supervisors and 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 is:

■ **Fully Compliant** ☐ **Partially Compliant** ☐ **Not Compliant**

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

The President's "Tone at the Top Memorandum" that was distributed to all staff members, explains the policies and procedures as they relate to Internal Controls. Employee responsibilities are reinforced by the yearly issuance of RIOC policies and procedures and also reiterates the requirement of all employees to communicate any concerns about job requirements, job-related activities, and also ensures that policies and procedures are followed. RIOC reinforces these policies and standards through regular Operations meetings with executive management and other department managers. These meetings are informative and serve to educate not only the Corporation but also executive management and staff on policies in need of updating but also whether policies in-place are proving to be encouraging and effective. Further, RIOC holds yearly retraining sessions to emphasize its commitment to Internal Controls and ethics. Indeed, the meetings and refresher training serve as a reminder to all RIOC employees of the importance of Internal Controls and how these procedural measures positively promote the effectiveness, efficiency, and integrity of the Corporation.

- Add Additional Pages if Needed -

B. **Establish and maintain a system of internal controls and a program of internal control review for the agency.** 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 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.

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. Include a process and cycle used to assess risk and review controls for major functions. *(Describe the process used to review the agency's internal controls and list all high-risk activities and indicate which were reviewed during 2015-16.)*

6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions. *(Identify the significant deficiencies revealed during the 2015-16 review process. Outline the actions taken, or planned, to eliminate those deficiencies, highlighting the most important improvements made during the year.)*

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). *(Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2015-16 to verify test results and expand the testing program.)*

8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions. *(Describe the monitoring system installed to verify that corrective actions are taken. Discuss the extent to which IT systems are used to track actions.)*

For this requirement, the agency is:

■ **Fully Compliant** ☐ **Partially Compliant** ☐ **Not Compliant**

In addition to providing a thorough explanation of the specific actions your agency has taken, or which are needed, to comply with this requirement, please describe briefly your agency's process for reviewing and testing controls and monitoring corrective actions. Also list all high-risk activities which were reviewed during the past year, and the results of those reviews.

RIOC has been successful in maintaining a controlled environment through its committed staff and through its established formal and informal policies and procedures. RIOC managers continue to hold regular meetings to facilitate and promote effective communication regarding RIOC business, special events, and RIOC daily operations. They have proven to be essential in promoting a cohesive work environment in that all departments/units are included in the dissemination of information involving RIOC operations. Moreover, staff are regularly updated on ongoing projects, developments, or daily activity reports, as needed, in order to keep staff informed about how these projects may affect their respective departments. By maintaining a line of communication that is all-inclusive of RIOC employees, personnel understand their respective roles as it relates to Internal Controls and RIOC employees are able to quickly identify areas of concern and report these changing conditions to the appropriate parties.

Second, RIOC strongly encourages and relies on department directors and unit managers to identify and assess key risks for their respective departments and units, while also devising methods in which to mitigate or eliminate the risk. Employees are strongly urged to promptly report any risks they discover so that those risks can be timely addressed through policy enhancements or policy changes, when needed. All policies and plans of action are prepared and reviewed by executive management for approval before they are implemented.

Third, RIOC undergoes both an internal and external audit annually, which greatly aids the Corporation in identifying, assessing, and mitigating any potential risks that arise during the year. For example, RIOC's Internal Controls review involves its Compliance and Internal Controls Officer meeting with all department directors and managers to discuss the daily operations of their respective departments and units. These meetings are designed to candidly communicate key risks and obstacles presented as well as to relay any specific concerns from RIOC staff. Individual consultations with other RIOC employees – when requested – are also a part of this process. What is also involved is the Compliance and Internal Controls Officer working with department directors and managers to find solutions to any potential risks that are identified. This data is then synthesized into an internal report for executive review. Once reviewed, RIOC prioritizes and determines how to proceed and makes the appropriate adjustments.

As for the external audit, RIOC is evaluated annually by a Certified Public Accounting firm that includes a limited review of RIOC's internal controls which help the firm obtain a reasonable assurance that RIOC's financial statements are free of material errors. Although the firm does not provide a formal opinion on the effectiveness of the Corporation's Internal Controls policies and mechanisms – as it is not the objective of the

annual external audit; that information is still forwarded to RIOC's Audit Committee and presented to the Board of Directors for review. Any findings of Internal Control deficiencies are addressed as needed.

Fourth, RIOC's Internal Controls and Compliance Officer is in constant contact with department directors, managers, and staff, and encourages an open line of communication between all employees. Through regular interaction, new potential risks or new concerns that surface as a result of conducting daily tasks and operations of the Corporation, are discussed and relayed to the appropriate parties for mitigation. In this regard, RIOC continuously and positively reinforces the importance of Internal Controls as it is an underlying theme by which the Corporation is run.

- Add Additional Pages if Needed -

C. **Make available to each officer and employee of the agency a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency 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 an appropriate tone at the top, reflecting agency management's expectations. It should be issued periodically and emphasize the importance of effective internal controls to the agency 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 is:

■ **Fully Compliant** ☐ **Partially Compliant** ☐ **Not Compliant**

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

As stated above, RIOC distributes and makes available the President's "Tone at the Top Memorandum" to all RIOC employees in an effort to reinforce RIOC's commitment to Internal Controls. Additionally, RIOC annually distributes its internal policies, procedures, and rules to all employees, which include its policies on the Code Ethics, Code of Conduct, employee responsibilities, among other polices. These policies, which are reinforced through management's daily communications to RIOC staff, underscore RIOC's commitment to Internal Controls and policy decisions based on applicable laws and regulations that dictate daily operations.

- Add additional pages if needed -

D. **Designate an Internal Control Officer (ICO), who shall report to the head of the agency 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 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, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and for 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 the agency's operations, personnel and policy objectives.

For this requirement, the agency is:

■ **Fully Compliant** ☐ **Partially Compliant** ☐ **Not Compliant**

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

RIOC's Compliance and Internal Controls Officer monitors, maintains, and updates RIOC's Internal Controls program by conducting annual assessments, reports and Internal Control certificates, among other things. Additionally, the Internal Controls Officer also schedules and prepares programs of training for RIOC's Board of Directors, RIOC directors, managers, and staff in internal controls, ethics, procurement practices, human resources, contract administration, and other relevant rules, issues, and best practices. Further, the Compliance and Internal Controls Officer regularly consults with executive management and the Board of Directors regarding RIOC business and courses of action while also updating and/or altering methods of best practice and procedure where necessary or advisable. Indeed, through these practices, the Compliance and Internal Controls Officer is able to implement and review the Internal Control responsibilities to ensure that these practices comply with and meet the requirements established by BPRM Item B-350.

- Add additional pages if needed -

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 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 is:

■ **Fully Compliant** ☐ **Partially Compliant** ☐ **Not Compliant**

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

Again, as noted above, RIOC's Compliance and Internal Controls Officer holds individual meetings with department directors, unit managers and other RIOC staff as needed to properly complete the annual review process. These meetings consist of individual assessments of each department and unit to determine any potential risks and/or mitigating practices to diminish those risks. Following these meetings, the information is synthesized and presented to management in order to assess what training if any is necessary to further promote Internal Controls. Similar practices also occur in the event an issue is brought to management's attention. These practices are in place because RIOC is fully committed to the importance that all personnel receive the appropriate and necessary training, needed for the efficient daily operation of the Corporation. Further, RIOC is in the process of gaining access to the Governor's Office of Employee Relations online portal, as it provides exceptional training materials to help educate RIOC staff on Internal Control matters. In the meantime however, RIOC has obtained and regularly uses DVD copies of both staff and manager level training, and will schedule sessions so that all staff participates.

- Add additional pages if needed -

2015-16 INTERNAL CONTROL CERTIFICATION

Roosevelt Island Operating Corporation

Agency Name

Susan G. Rosenthal, Acting President/General Counsel

Agency Head

591 Main Street, Roosevelt Island, New York 212-832-4540

Agency Address Telephone Number

Gretchen Robinson 212-832-4540

Name of Internal Control Officer Telephone Number

Gretchen.Robinson@rioc.ny.gov

Email Address of Internal Control Officer

I hereby certify the agency 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.

Susan G. Rosenthal, Acting President 5/20/16

Signature/Agency Head Date