

2013-14 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 **Wednesday, April 30, 2014**, via e-mail as an attached PDF file to DOB's internal control reporting mailbox at dob.sm.icreporting@budget.ny.gov.

Roosevelt Island Operating Corporation 5/08/14 Sean Singh 212-832-4540

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.** 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

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

Guidelines addressing the points outlined above have been distributed to RIOC staff.

The President's Tone at the Top memorandum to all staff, which emphasizes RIOC's commitment to the established internal control system was distributed to all staff electronically and posted conspicuously in facilities. The memorandum also speaks to the role of policies and procedures as they relate to internal controls and the role of all employees in ensuring that internal controls are maintained through compliance with policies and standards. To this extent, the memo encourages employees to communicate any concerns about job requirements and procedures relating to their responsibilities to management.

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 2013-14.)*
6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions. *(Identify the significant deficiencies revealed during the 2013-14 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 2013-14 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

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.

The management team at RIOC understands the importance of operating in a well-controlled environment. Moreover, while it is necessary to operate under the auspices of formal policies and procedures that comply with applicable laws and regulations, internal controls are effected by people. To this end, management holds a weekly meeting to effectively communicate information within the organization; ongoing developments are communicated via e-mail. This ongoing level of communication, including statements by management that align RIOC's day-to-day activities with established policies and procedures, produces two key outcomes: (1) Personnel understand internal control responsibilities as they relate to the achievement of RIOC's objectives; (2) Management and staff are able to identify changing conditions and communicate them both internally at all levels and to external stakeholders — to the extent necessary.

Department heads are annually required to identify and correlate key risks and key controls. This iterative evaluation enables department heads / management to identify and document control gaps, if any. Whether control gaps are identified during the annual review or at other points throughout the year, a relevant plan of action is proposed and addressed appropriately. As part of this process a list of corrective actions and expected dates of implementation, as well as a summary of control enhancements — if any, are prepared for executive management. Executive management also reviews and critiques the annual risk / control submissions.

As noted, RIOC's departments review and document key risks and key controls annually. RIOC's annual audit by a CPA firm includes a limited review of tests of internal controls for the purpose of obtaining reasonable assurance about whether RIOC's financial statements are free of material misstatement — including a review of RIOC's annual evaluation. However, a formal opinion on the effectiveness of such controls is not an objective of the audit and accordingly no opinion is provided. The audit results are reviewed by the Audit Committee and presented to RIOC's Board annually.

The annual review process implemented by RIOC is designed to focus on key risks and controls; department heads perform ongoing monitoring of control activities, and findings are communicated to management and staff. As such, RIOC incorporates the framework and five basic components of internal control adopted by COSO into its internal controls.

This year's annual internal control documentation process identified no high-risk issues in need of corrective action. Since the implementation of most corrective actions are

driven by physical processes rather than data, it has not been deemed necessary to use IT systems to track corrective actions.

RIOC management follows up on external audit report comments and findings, and recognizes that a deficiency (not significant or material) exists due to non-implementation of a disaster recovery/business continuity plan, since RIOC's internal control system relies heavily on information technology programs to support its fiscal and other operations. The relevant risks and controls have been noted in the annual evaluation and an appropriate corrective action plan has been developed. RIOC's IT department is currently reviewing the merits of a company identified via competitive bidding to perform the requisite services. If not found to be sufficient, RIOC will requirements and accordingly re-issue a solicitation.

- 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

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

As noted in Item A above, the Tone at the Top memorandum has been distributed to RIOC personnel. Statements, whether communicated via formal written policy or dictated through day-to-day management guidance, reinforce management's commitment to internal controls; policy decisions arising from such day-to-day guidance reinforce the extent to which applicable laws and regulations dictate operations.

Policy and procedure manuals, as applicable to each employee's duties and job descriptions are distributed appropriately. General managerial policies and procedures for RIOC personnel are articulated in administrative manuals and employee handbooks. Similarly, Corporation guidelines, policies, and standards with which officers, managers, and employees are expected to comply are appropriately available.

- 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: Partially Compliant

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

The ICO position is currently vacant. RIOC understands that the designation of a sufficiently skilled ICO is a key part of a well functioning internal control system and the vacancy has been appropriately advertised.

Management also recognizes that the absence of an ICO should not serve as a limitation for the completion of the annual review. Department heads are provided with guidance on how to complete the exercise, and the annual reviews are reviewed by executive management. During the course of completing the exercise department heads needing further explanation, guidance and support with regard to internal control standards, risks, and corresponding controls are scheduled to have one-to-one meetings with the Comptroller—who has 29 years of audit/internal controls experience. Similarly, corrective action plans and control enhancements developed during the process are reviewed by the appropriately experienced personnel and executive management. Therefore, the review accorded to the annual evaluation and corrective action plan meets the requirements that it be reviewed by those having a broad knowledge of the agency's operations, personnel, and policy objectives.

- 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

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

As noted, RIOC's Comptroller has 29 years of audit/internal control experience and holds educational one-to-one interactions with department heads, as needed, to properly complete the annual review exercise. Moreover, clear guidance was distributed to department heads.

RIOC recognizes the importance that all personnel receive the appropriate level of internal controls training. As mentioned in Item B, these values are reinforced in weekly discussions with Management. Currently, the Corporation is pending enrollment in the Governor's Office of Employee Relations online portal. Once enrolled, officers and line staff will use the appropriate self-study courses. RIOC has also obtained DVD copies of both line staff and manager level training, and will schedule sessions so that all staff without direct access to computers participate.

F. **Periodically evaluate the need to establish, maintain or modify an internal audit (IA) function. If an IA function exists, it should operate in accordance with generally accepted professional standards for internal auditing.**

Agencies on DOB'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 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, the IA function 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 function, the individual that has responsibility for overseeing the internal audit activity and other organizations/activities under the purview of the DIA.
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 functions should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles(e.g., Information Security Officer).

4. IA 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. The IA function should develop an annual risk-based audit plan, track the extent to which audit plans are achieved and monitor implementation of audit recommendations.
6. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit activities and results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO and the audit committee.
7. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required, and should take steps to assure that the size of the audit staff is appropriate given the size and complexity of the organization.
8. The IA function should take appropriate steps to assure 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.

Agencies should specifically provide the following information when presenting their explanation:

1. A current organizational chart identifying the placement of the IA function, 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 meet 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 the 2014-15 internal audit plan.
7. Documentation pertaining to the risk-assessment utilized in formulating the 2014-15 audit plan.

8. An indication of which audits in the audit plan for FY 2013-14 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 2013-14 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 resulted from implementation of such recommendations.
10. Identify the recommendations contained in the audits described in the FY 2013-14 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 April 1, 2013 and March 31, 2014 that were not implemented, if any, and provide a full explanation why they were not implemented.

For this requirement, the agency is: Partially Compliant

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

RIOC is not on the list of agencies included on the *List of Agencies Required to Establish and Maintain an Internal Audit Function* contained in BPRM Item B-350 (Attachment B). The Corporation previously evaluated the need to maintain an IA function and concluded that there was no need given significant effort toward improving internal controls including, but not limited to, the recently added position of Compliance/Internal Control Officer.

As noted, RIOC is actively seeking to fill the vacant position of Compliance/Internal Control Officer. Following selection and appointment of a qualified individual the Corporation will take appropriate steps to become Fully Compliant with all provisions of the Internal Control Act, including re-evaluation of the need to maintain the IA function.

2013-14 INTERNAL CONTROL CERTIFICATION

Roosevelt Island Operating Corporation of the State of New York
Agency Name

Charlene M. Indelicato, President & Chief Executive Officer
Agency Head

591 Main Street, Roosevelt Island, NY 10044-0002 (212) 832-4540
Agency Address Telephone Number

Name of Internal Control Officer Telephone Number

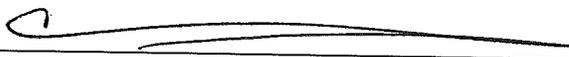
Email Address of Internal Control Officer

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.


Signature/Agency Head

5/22/14
Date