

**ROOSEVELT ISLAND OPERATING CORPORATION**  
**(A Component Unit of the State of New York)**

**MANAGEMENT LETTER**

**For the Year Ended March 31, 2013**

**ROOSEVELT ISLAND OPERATING CORPORATION**  
**(A Component Unit of the State of New York)**

**MANAGEMENT LETTER**

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May 24, 2013

The Board of Directors  
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the Financial Statements of Roosevelt Island Operating Corporation (“RIOC”) for the year ended March 31, 2013 and have issued our report thereon dated May 17, 2013 in which we have expressed an unqualified opinion.

During our audit, we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The Schedule of Findings and Recommendations that accompanies this letter summarizes our comments and suggestions regarding those matters. The findings and recommendations have been discussed with RIOC’s management and their comments and responses have been incorporated in the report. Responses that indicate corrective action has been taken have not been verified at this time, but will be verified in the succeeding audit.

This communication is intended solely for the information and use of the Board of Directors and management of RIOC, and is not intended to be and should not be used by anyone other than these specified parties.

*Dadia Valles Vendiola LLP*

Elmhurst, New York

**ROOSEVELT ISLAND OPERATING CORPORATION**  
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**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2013**

**I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**1. Tramway Revenue**

We noted that the New York City Transit Authority (NYCT) pays the corporation for the use of the Roosevelt Island Aerial Tramway (“Tram”) based on \$2.00 per swipe which was the “base price” when the agreement took effect in 2004. The “base price” increased to \$2.25 in 2008 and to \$2.50 in March 2013. We understand that the NYCT refused to adjust the rate to be remitted to the company based on the prevailing rates because the annual grant of \$1M to NYCT from the New York City Council as provided in the contract was never paid except for one year as explained by management.

**Recommendation**

We understand that management and the board of directors are aware of this issue. We suggest that any decision on this matter be properly documented for future reference.

**Management’s Response**

We agree with the recommendation. Any decision made will be documented for future reference.

**2. Escrow Fund - \$52,565.47**

The Escrow fund amounting to \$52,565.47 as of March 31, 2013 has been long outstanding in the books of the Corporation, with transactions in recent years involving only interest earned and bank charges. Furthermore, the supporting schedule shows only two (2) names of intended beneficiaries for a total of \$22,889.68. Moreover, the names listed therein cannot anymore be contacted or their whereabouts are unknown to the management, as explained by the finance department.

**Recommendation**

Management should verify the source and/or intended beneficiaries of the escrow fund and determine proper disposition.

**Management’s Response**

We agree with the recommendation. Management will verify the source and/or intended beneficiaries and will take appropriate action.

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**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2013**  
*(continued)*

**II. FOLLOW-UP ON PRIOR YEARS' FINDINGS AND RECOMMENDATIONS**

**2012**

**Bidding process**

We reviewed the bidding process as part of review of internal control in connection with the financial statements audit for the year ended March 31, 2012. We selected eight (8) samples to test compliance with the prescribed process. Following are our findings and observations:

- Failure to issue Letters of Notification of Non- award/Award to non-winning vendors and winning vendor, respectively, for one (1) sample;
- For two (2) samples, two (2) of the raters did not award points to a qualified WBE/MBE vendor;
- For two (2) samples, one of the raters gave more points under the 'cost' criterion to a vendor with higher cost proposal;
- For one (1) sample, the contract was awarded to the second lowest bidder (upon disqualification of the previously winning bidder) instead of the second highest ranked bidder without proper explanation for not choosing the latter.
- For one (1) sample, three (3) out of the thirty-six (36) rating forms had the wrong totals;
- For one (1) sample, three (3) out of the fifteen (15) rating forms did not have totals at all.

**Recommendation**

We recommend that the Corporation address the issues identified above.

**Prior Year's Management's Response**

We agree with the findings. To ensure that all procurement documents for every contract are consistently filed in the procurement record, management will implement a Procurement Document Checklist ("Checklist"). The Checklist is a chronological list of the procurement documents necessary to substantiate the issuance of a contract.

At each step of the procurement process, the relevant procurement document will be gathered and filed in the designated procurement records folder and so noted on the Checklist with the date and initial of the procurement manager. Upon execution of the contract, the Checklist will be submitted to the CFO and Comptroller for their review and approval.

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**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2013**  
*(continued)*

**Prior Year's Management's Response (continued)**

To ensure that rating points are consistently and fairly assigned to bidders for the pricing and WBE/MBE criteria, management will compute the points based upon a statistical formula that considers the range of the price difference between the lowest and highest bidder and the utilization of WBE/MBE; respectively. The rate and ranking forms will be pre-filled with the computed points and provided to the raters for their completion.

The procurement manager will check each rate and ranking form for completeness and mathematical accuracy and summarize the rate and rankings. The procurement manager will provide the rate and ranking summary and the supporting individual rate and ranking forms to the CFO or Comptroller for their review and approval.

In the event that the lowest bidder was disqualified and another bidder was awarded the contract, the procurement manager will so note on the Checklist and file the justification in the procurement record. The CFO or Comptroller, upon their review of the Checklist, will ensure that the justification is in place to support the award.

**Status**

Condition no longer exists. Management has implemented corrective measures soon after last year's report was issued.

**2009**

**Information Technology**

RIOC does not have a formalized disaster recovery plan or a business continuity plan in the event of a major shutdown of its information technology systems. RIOC's internal control system relies heavily on information technology programs to support its fiscal and other operations.

**Recommendation**

We recommend that management implement a disaster recovery plan and a business continuity plan.

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**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
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*(continued)*

**Prior year's Management's Response**

RIOC has completed the information gathering phase to implement this recommendation, including information about the pertinent services and systems required. The Corporation has created a Request For Proposals ("RFP") for the purpose of soliciting proposals from qualified vendors, which management expects to advertise to the public prior to the end of May 2012. The vendor will be selected based upon the Corporation's standard procurement guidelines. The award of a contract for services will be made at the earliest possible juncture to implement this recommendation.

**Status**

The corporation has just recently completed the bidding process and awarded the contract to a vendor for the project.