

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 31, 2009

Mr. Stephen Shane
President/Chief Executive Officer
Roosevelt Island Operating Corporation
591 Main Street
New York, NY 10044

Re: Report 2009-F-42

Dear Mr. Shane:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have followed up on the actions taken by officials of the Roosevelt Island Operating Corporation to implement the recommendations contained in our audit report, *Controls over Equipment and Vehicles* (Report 2007-S-13).

Background, Scope and Objective

The Roosevelt Island Operating Corporation (Corporation) was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. This 147-acre island is in the East River between Manhattan and Queens in New York City. Roosevelt Island is home to more than 12,000 residents. The State of New York holds a 99-year lease on this land, which will expire in 2068, after which ownership will revert to the City of New York.

The Corporation provides security services, performs snow removal, repairs the streets and sidewalks, and maintains the common grounds on Roosevelt Island. It also operates a fleet of buses that provide local transportation for a nominal fee. The Corporation has a staff of approximately 120 employees. The Corporation receives revenues from such sources as commercial space leases, parking fees, bus and aerial tramway fares, as well as fees from housing companies that operate both rental and cooperative apartments on Roosevelt Island. According to the Corporation's financial statements for the fiscal year ended March 31, 2009, expenses exceeded revenues by \$141,000.

The Corporation owns various types of office and maintenance equipment, and maintains a fleet of vehicles used for security, maintenance, and administrative purposes. According to its financial statements, the Corporation owned equipment and vehicles whose total historical cost was \$6.0 million as of March 31, 2009.

Our initial audit report, which was issued on May 22, 2008, examined whether the Corporation had established adequate controls over equipment and vehicles for the period April 1, 2005 through May 31, 2007. We found that the Corporation had not established adequate controls

environment over its equipment and vehicles. The objective of our follow-up was to assess the extent of implementation, as of November 17, 2009, of the seven recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Corporation officials have made significant progress in correcting the problems we identified in the initial report. All seven prior audit recommendations have been implemented.

Follow-up Observations

Recommendation 1

Ensure that equipment inventory records are accurate, complete, and up-to-date.

Status - Implemented

Agency Action - To better track equipment inventory, the Corporation implemented a computerized asset tracking system. We tested a sample of 10 of the 51 equipment items contained on three invoices from the period September 1, 2009 through November 15, 2009. We found that all 10 items were recorded in the Corporation's asset tracking system. We also randomly selected 10 equipment items that were on the premises at two separate locations and found that they were recorded in the Corporation's asset tracking system.

Recommendation 2

Perform periodic equipment counts, and document the results.

Status - Implemented

Agency Action - We found that the Corporation performs periodic equipment counts and documents the results. Officials informed us that the last equipment count was completed in May 2009. A count was also underway at the time of our follow-up examination. Corporation officials showed us the report of the results of the May 2009 count. Additionally, we observed that a count was ongoing in November 2009.

Recommendation 3

Establish equipment control policies and procedures that are consistent with both the [Public Authorities] Law and the practices the Corporation is committed to follow, and monitor adherence to those policies and procedures.

Status - Implemented

Agency Action - We confirmed that the Corporation modified its written equipment control policies to include items valued at less than \$5,000. As a result, their written policy is now consistent

with their practice and the Public Authorities Law. Corporation officials indicated that they monitor compliance through the conduct of periodic equipment counts.

Recommendation 4

Ensure that the Corporation's financial statements reflect financial activities accurately.

Status - Implemented

Agency Action - Corporation officials stated that they now utilize a fixed asset system that is integrated with its financial accounting system. We confirmed that the net value of the Corporation's vehicles and equipment reported on the Corporation's March 31, 2009 financial statements agreed with the Corporation's fixed asset system.

Recommendation 5

Maintain adequate records of vehicle dispositions.

Status - Implemented

Agency Action - Corporation officials reported that since the issuance of our report, they disposed of five vehicles. We found that adequate records of these vehicle dispositions were maintained.

Recommendation 6

Ensure that license plates are returned to the New York State Department of Motor Vehicles for all vehicles no longer in use.

Status - Implemented

Agency Action - Corporation records indicate that since the issuance of our report, eight vehicles are no longer in use. We verified that the license plates for all eight vehicles were returned to the New York State Department of Motor Vehicles.

Recommendation 7

Establish adequate controls over fuel use by all Corporation vehicles.

Status - Implemented

Agency Action - The Corporation has strengthened controls over fuel usage through implementation of a fuel monitoring system. To activate the gasoline pumps, the system requires entry of pertinent information, including: an employee identification number, vehicle code, and odometer reading. We verified that if the above mentioned information is entered incorrectly, the pump will not be activated. Corporation officials also provided documentation showing that monthly fuel usage reports are generated by the system. We

found that the reports contain the pertinent information entered when the pumps are activated. In addition, we observed that surveillance cameras had been installed around the area of the fuel pumps and verified that the cameras were working at the time of our site visit.

Major contributors to this report were Cindi Frieder, Gene Brenenson, Diane Gustard and Dana Bitterman. We thank the Corporation's management and staff for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Frank J. Houston
Audit Director

cc: Steven Chironis, Vice President and CFO
Tom Lukacs, DOB