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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

July 8, 1999

Mr. Robert H. Ryan
President/Chief Operating Officer
Roosevelt Island Operating Corporation
591 Main Street
Roosevelt Island, New York 10044

Re: Report 99-F-30

Dear Mr. Ryan:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Chapter 26 of the New York Unconsolidated Laws, we have reviewed the actions taken by officials of the Roosevelt Island Operating Corporation as of June 8, 1999, to implement the recommendations contained in our prior audit report, *Roosevelt Island Operating Corporation, Selected Operating Practices* (Report 97-S-4). Our report, which was issued on June 8, 1998, determined whether the Roosevelt Island Operating Corporation used appropriate hiring practices, maintained appropriate inventory controls, had adequate procedures for accounting for the Public Purpose Funds, and adequately identified capital construction needs.

Background

The Roosevelt Island Operating Corporation (RIOC) was organized in 1984, under the auspices of the New York State Division of Housing and Community Renewal. RIOC is a public benefit corporation responsible for the development, operation, security and maintenance of Roosevelt Island (Island), which is in the East River between Manhattan and Queens Counties in New York City, and contains a planned, mixed-income urban community. With oversight by a nine-member Board of Directors (Board) appointed by the Governor and approved by the New York State Senate, RIOC serves as the provider of many municipal services on the Island.

RIOC provides transportation and security services, performs snow removal, repairs the streets and sidewalks, and maintains the common grounds on the Island. RIOC receives revenues

from such sources as commercial space leases, parking fees, bus and aerial tramway fares, as well as fees from the housing companies that operate both rental and cooperative apartments on the Island. RIOC currently has a staff of approximately 100 employees. For the 1998-1999 fiscal year, RIOC had an operating budget of \$9.63 million in revenues and \$9.08 million in expenditures, including \$4.08 million in salaries and fringe benefits.

Summary Conclusion

Our prior audit found that RIOC needed to make improvements in its hiring practices, inventory controls, and capital construction planning process. In addition, RIOC needed to completely account for the Public Purpose Funds on a regular and public basis.

In our follow-up review, we found that RIOC officials have made significant progress in implementing the recommendations contained in our prior audit report. RIOC officials have made improvements in its hiring practices in order to ensure that employees are qualified for their jobs, promulgated formal inventory control guidelines, established a perpetual inventory system, improved accountability over the Public Purpose Funds (PPF), and addressed its capital needs. However, RIOC needs to properly document the training provided to all public safety officers, and to affix identification tags to all equipment items.

Summary of Status of Prior Audit Recommendations

Of 13 prior audit recommendations, RIOC officials have implemented ten recommendations and partially implemented three recommendations.

Follow-up Observations

Recommendation 1

Ensure that the RIOC Employee Manual contains a detailed description of appropriate hiring practices.

Status - Implemented

Agency Action - RIOC officials have revised its Employee Manual. We observed that the Manual now includes a section on hiring practices.

Recommendation 2

Ensure compliance with the hiring practices described in the RIOC Employee Manual.

Status - Implemented

Agency Action - Our review of the personnel files of five sampled employees hired between June 1998 and May 1999 showed evidence that RIOC has complied with the hiring procedures described in its Employee Manual.

Recommendation 3

Ensure that the personnel files contain all the required forms and documentation and that all the forms are filled out completely.

Status - Implemented

Agency Action - RIOC officials stated that they have created a new application form and have ensured that personnel files contain all the proper forms completely filled out, dated and signed. We reviewed the personnel files for 5 of the 22 new employees that were hired since the audit report issuance date. Our review showed that the personnel files contained all the required forms and proper documentation.

Recommendation 4

Ensure that job descriptions are maintained for all positions and that the descriptions include minimum education and experience requirements, as well as the preparation and effective dates.

Status - Implemented

Agency Action - RIOC officials provided documentation to indicate that there are job descriptions for all positions and that the descriptions include minimum education and experience requirements, as well as preparation and effective dates.

Recommendation 5

Adequately document the training received by public safety officers.

Status - Partially Implemented

Agency Action - RIOC officials indicated that they maintain records to document that all public safety officers (PSOs) received the required training. We reviewed the personnel files of 11 out of 37 PSOs currently employed. We found that training was documented for nine PSOs; however, there were two files that did not contain any training documentation.

Recommendation 6

Promulgate formal inventory control guidelines including the establishment of a perpetual inventory system. Ensure that inventory records are updated annually by independent personnel.

Status - Implemented

Agency Action - RIOC officials have promulgated formal inventory guidelines and have established a perpetual inventory system. Also, inventory records are updated annually by independent personnel in the Business Office.

Recommendation 7

Affix serially press-numbered inventory tags to all items of greater value, and ensure that items of lesser value display either identification stickers or inscriptions denoting RIOC ownership.

Status - Partially Implemented

Agency Action - Although RIOC officials indicated that all equipment are properly tagged and identified, our physical observations of a random sample of 17 items revealed that seven items did not have the required inventory tags.

Recommendation 8

Promptly formalize and promulgate any changes in the procedures for obtaining grants of PPF.

Status - Implemented

Agency Action - RIOC officials indicated that the formal process for obtaining PPF grants remains unchanged. We noted that procedures for obtaining PPF grants and the PPF application forms are distributed to Roosevelt Island residents. Also, the accounting and availability of PPF grants is advertised in RIOC's newsletter and on its web site.

Recommendation 9

Completely account for the use of PPF on a regular and public basis.

Status - Implemented

Agency Action - RIOC officials provided evidence (e.g. Board Resolutions) to account for all the grants that were awarded during fiscal years 1997 to 1999. RIOC management also notifies the public through its newsletter, of all current and past grant recipients.

Recommendation 10

Maintain documentation for all PPF grants. Recover the records relating to the five grants for \$142,872.

Status - Partially Implemented

Agency Action - RIOC officials provided us with documentation for all grants awarded for fiscal years 1997 to 1999. However, they were not able to locate the supporting documentation for the five grants amounting to \$142,872, which were awarded between 1988 and 1992.

Recommendation 11

Consider increasing the term of the certificate of deposit.

Status - Implemented

Agency Action - RIOC officials stated that they considered and increased the term of the certificate of deposit (CD). They provided a detailed presentation of the CD investments that the agency currently manages which indicates increased terms.

Recommendation 12

Develop formal capital project plans and a capital budget annually. Assess whether it is necessary and appropriate to seek State support to meet needs presented in the annual capital budget.

Status - Implemented

Agency Action - RIOC officials stated that capital budgets are prepared and updated annually, for both small and large scale projects. They also stated that the Corporation's excess revenues have been sufficient to cover capital projects. As a result, it is unnecessary and inappropriate to request State support. We reviewed RIOC's financial plans for fiscal years 1998-1999 and 1999-2000, which projected excess revenues.

Recommendation 13

Ensure that plans are made to promptly address capital needs such as the walkways and railings near the seawall.

Status - Implemented

Agency Action - RIOC officials stated that they addressed the capital needs, such as the walkways and railings near the seawall. We physically observed that the walkways and railings have been repaired or replaced.

Major contributors to this report were Albert Kee, Myron Goldmeer, Orin Ninvalle and Jennifer Murrell.

We would appreciate your written response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the Roosevelt Island Operating Corporation for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Mr. Charles Conaway, DOB
Mr. Joseph Lynch, DHCR