

ALAN G. HEVESI
COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 3, 2005

Roy M. Goodman
President and Chief Executive Officer
United Nations Development Corporation
Two United Nations Plaza - 27th Floor
New York, NY 10017-440

Re: Internal Controls Over Financial Operation
United Nations Development Corporation
Report 2004-S-88

Dear Mr. Goodman:

Pursuant to Article X, Section 5 of the State Constitution, we have audited the United Nations Development Corporation's (UNDC) system of internal controls over its financial operations for the period January 1, 2002 through December 31, 2003.

A. Background

In 1968, in response to the United Nations' (UN) expanding needs, New York State enacted legislation creating the UNDC with a mandate to develop more office space, housing, hotel space, and other essential facilities close to the UN headquarters on 44th Street on the East River in Manhattan. UNDC constructed office towers to fulfill its mission and is responsible for the management of approximately one million square feet of space in the UN's vicinity. One and Two UN Plaza are 40-story buildings immediately adjacent to UN headquarters. They contain office space for UN agencies and missions, and a hotel facility, now privately owned. UNDC also has constructed and manages Three UN Plaza, which contains the worldwide headquarters of the United Nations Children's Fund and apartments housing UN and mission staff. Both Two and Three UN Plaza include parking garages. UNDC uses a managing agent to operate the buildings.

The UNDC is governed by a 15-member Board of Directors (Board) of which eight members serve at the pleasure of the Governor, and five (including the Chairman) serve at the pleasure of the Mayor, together with the New York City Planning Commission Chairperson and the New York City Commissioner of Housing, Preservation and Development, who serve ex officio.

B. Audit Scope, Objective and Methodology

We audited UNDC's system of internal controls over its financial operations for the period January 1, 2002 through December 31, 2003. The objective of our performance audit was to assess the adequacy of UNDC's system of internal controls over its major financial operations.

To accomplish this objective, we interviewed appropriate UNDC officials and reviewed applicable policies and procedures governing the following significant financial operations: revenue and collections; cash and investments; payroll; procurement and contracting; equipment and asset management; budgeting and expenditure control; and accounting and information systems. We also performed limited compliance testing to provide assurance that UNDC employees are following established policies and procedures. We believe our examination provides a reasonable basis for our opinion.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those procedures and operations included within the audit scope. Further, these standards require that we understand UNDC's internal controls systems and compliance with those laws, rules and regulations that are relevant to UNDC's procedures and operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

We found that internal controls were adequate in most areas of UNDC's operations. However, we noted the following instances in which UNDC needs to improve its system of internal controls and strengthen the adherence to existing policies and procedures. (A summary table addressing specific questions related to each of UNDC's basic financial operations is attached as Table I.)

1. Board Activities and Guidelines

UNDC must submit to the Governor, the Mayor and the State Comptroller, within ninety days after the end of its fiscal year (or by March 31st), a complete and detailed annual report. UNDC must also submit their audited financial statements and a procurement report by the same deadline. The annual report and the procurement report were submitted within 90 days, however, the audited financial statements were submitted about one month past the March 31st deadline. This delay occurs because the Board must review and approve the audited financial statements before they are submitted to the Governor and other control agencies, and such approval does not occur until the formal annual meeting in April.

2. Internal Control Reviews

Pursuant to the New York State Governmental Accountability, Audit and Internal Control Act of 1987 (Act), as revised in 1999, UNDC's management is responsible for establishing and maintaining an effective system of internal controls and a program of internal control review and designating an internal control officer to oversee this program. Among other duties, an internal control officer is responsible for ensuring that an adequate internal control assessment is performed, developing a plan for correcting any internal control deficiencies and regularly reporting to top level management and the Division of the Budget on the status of any recurring deficiencies. In addition, in accordance with the New York State Division of the Budget's Policy and Reporting Manual Item B-350, State agencies and public authorities must annually certify their compliance with important provisions of the Internal Control Act, and submit this certification of compliance to the Division of the Budget.

UNDC's Internal Control Certifications for 2002 and 2003 listed the UNDC Controller as the internal control officer. However, we were informed that the UNDC audit committee has not formally designated the Controller as the Internal Control Officer. We believe that UNDC needs to formally designate an Internal Control Officer. UNDC also listed five areas as high risk in its assessment of agency functions in its 2002 Certification, but failed to state what actions, if any, would be taken to mitigate these risks. UNDC officials should document what actions, if any, were taken to counter these risks or what actions have been planned to address these risks. The 2003 Certification noted seven high-risk areas but only two were repeats from the 2002 list. Therefore, it is unclear how prior risks are considered and addressed when the current internal control certification is prepared.

3. Other Control Matters

UNDC has only four staff in its accounting department and this presents UNDC with certain internal control problems. Ideally, internal control duties should be separated amongst individuals so that the work of one employee is reviewed by the work of another. Our audit found that one employee prepares checks for signature, enters information on the accounting system and performs the bank reconciliation. We believe controls would be strengthened if the bank reconciliation function was assigned to an employee removed from the accounting department.

UNDC also places a great reliance upon the managing agent to procure goods and services and to verify that services were performed. The managing agent also employs staff to operate the buildings. However, UNDC needs to independently verify that these services are being received before they are paid for. For example, UNDC reimburses the managing agent for the salary cost incurred in paying the managing agent's building staff but has no process in place to ensure that all of the staff paid for are actually working on UNDC buildings. UNDC personnel need to test the accuracy of the charges for salaries in such ways as conducting random floor checks.

4. Procurement Guidelines

UNDC adopted procurement guidelines in 1990 that call for UNDC to use competitive procurement methods for securing outside contracts valued at over \$5,000. These guidelines also specify that written bids are needed if the contract is over \$10,000. An exception to the competitive procurement method is allowed under certain circumstances, such as time limitations, unique services, the need to obtain high quality goods or services or if the Board determines that competitive procurement would be inappropriate.

We found that UNDC's guidelines do not specify how often contracts should be put out for procurement; hence contracts may run for long periods without benefit of renewed competition. For example, the current building management contract was subjected to a Request for Proposal (RFP) in 1997, eight years ago. (This contractor has served as building manager for over 20 years.) This contract has not been subjected to a competitive procurement since that time and is operating on a month-to-month basis. The procurement guidelines should specify the procedure and documentation requirements for extending contract duration.

5. Reporting of Building Staff Salaries on the Financial Statements

UNDC uses a managing agent to provide the staff for operating its buildings. The agreement with the managing agent provides that UNDC will reimburse the managing agent for the cost of staff they hire and direct to operate UNDC's buildings. Our review of UNDC's financial statements disclosed that the wages and fringe benefits for the managing agent's staff are reported as salaries of UNDC. The amount reported in this manner for the 2002 year equaled nearly \$2.0 million out of the \$3.2 million on the financial statements. UNDC officials stated that they report building staff wages in this manner consistent with the method used for reporting on the IRS form 990. We believe that reporting in this manner is incorrect. The staff are hired and directed by the managing agent and are employees of the managing agent. These amounts should be reported as contract payments and not as wages of UNDC.

6. Storage of Computer System Backup Tapes

UNDC employs a computer network to handle various accounting and managerial systems. In operating any computer systems such as this, it is important to regularly back up the information on the system and to develop a disaster recovery plan to allow for continuing operations in the event of an unforeseen event such as a fire or other disaster.

We found that UNDC does regularly back up its system data via tape. However, the back-up tape is stored on UNDC's premises instead of an off site location. Off- site storage of back up tapes is preferable. We also noted that UNDC does not have a disaster recovery plan. UNDC should develop such a plan to insure that UNDC management be able to continue operations and will have access to all necessary data in the event of a disaster.

Recommendations

1. *Modify existing practices for preparing and approving the annual audited financial statements to ensure the statements are provided to all State control agencies by the proper deadline.*

(UNDC officials stated that the Board will consider amending its bylaws to change the date of its annual meeting to an earlier date to allow for approval of the audited financial statements before March 31.)

2. *Designate an Internal Control Officer and develop a plan of corrective action to identify the steps taken to mitigate any identified risks. Review past internal control reports to determine if corrective action is needed to mitigate any previously identified risks.*

(UNDC officials have designated an Internal Control Office and will formalize its corrective action plans.)

3. *Assign the bank reconciliation function to a staff member not involved in the accounting operations.*

(UNDC officials agree with this recommendation.)

4. *Develop controls to test the accuracy of the building staff costs and other costs billed by the managing agent.*

(UNDC officials agree with this recommendation.)

5. *Modify existing procurement guidelines to specify the procedures and documentation requirements for extending contract duration. Discontinue extending contracts that have expired.*

(UNDC officials agree with this recommendation.)

6. *Discontinue reporting the salaries of the managing agent's staff as salaries on UNDC's financial statements. Record such payments as contract costs.*

(UNDC officials agree with this recommendation.)

7. *Establish a disaster recovery plan and secure an off-site storage location for the storage of computer backup files.*

(UNDC officials did not respond to this recommendation.)

A draft copy of this report was provided to UNDC officials for their review and comment. UNDC officials generally agreed with our recommendations. They also provided comments to our report to clarify matters contained in the draft. Their comments were considered in preparing this report and are included as Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the President of UNDC shall report to the Governor, the State Comptroller, and the leaders of the Legislature and its fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Major contributors to this review were Tom Trypuc, Anthony Carbonelli, Joan Williams and Jean-Renel Estime.

We wish to express our appreciation to the management and staff of UNDC for the courtesies and cooperation extended to our auditors during this examination.

Very truly yours,

Steven E. Sossei
Audit Director

cc: Rudy C. Montenegro, Senior Vice President and Controller
Robert Barnes, Division of the Budget

TABLE I

**UNITED NATIONS DEVELOPMENT CORPORATION
INTERNAL CONTROLS OVER FINANCIAL OPERATIONS**

A colored “traffic light” legend is included in the table below to assist management in focusing an appropriate level of attention on the issues summarized in the table. As part of our audit, we sought answers to a series of questions and reviewed selected UNDC records related to certain basic financial operations. Our questions in each area, along with a summary of UNDC’s activities and our comments concerning these activities, are included in the table.

Legend:

	Activities/Comments contain matters that should be of immediate concern to management.		Activities/Comments contain matters which management should consider correcting.		Activities/Comments do not contain issues that require management’s immediate consideration.
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	QUESTION	UNDC ACTIVITIES	COMPTROLLER’S COMMENT
	Board Oversight & Governance:		
	Does UNDC’s Board of Directors function in a manner that promotes an ethical business climate within the organization and encourages and supports full compliance with all applicable laws, rules and regulations?	The Board meets at the required intervals and a quorum was present at the Board meetings. The Board also approves all required reports submitted to State administrative agencies.	The audited financial statements are approved and submitted later than required. The Board needs to adjust its practices to ensure the required deadlines are met.
	Has UNDC’s Board of Directors established appropriate internal controls that promote the economic efficient and effective operation of the Authority consistent with its statutory public benefit mission and that provide for transparency and accountability in pursuing its strategic business objectives?	UNDC’s Board has adopted procurement guidelines that require competition. The board has submitted the required reports on compliance with the Internal Control Act. The Board is also responsible for approving the contracts entered into by the UNDC and by the managing agent.	The Board needs to formally designate an Internal Control Officer and strengthen its program of internal control review to identify what, if any, actions will be taken to mitigate identified risks. Procurement guidelines need to be improved to set timeframes for rebidding of contracts. Other internal controls should be strengthened.

TABLE I (Cont'd)

	QUESTION	UNDC ACTIVITIES	COMPTROLLER'S COMMENT
	Do the UNDC's policies and procedures provide assurance that revenues are billed timely and accurately and are recorded properly in the accounting records?	UNDC collects revenues for office space, capital leases, residential apartments, and parking garages. Tenants deliver checks directly to UNDC's office or pay electronically and garage fees are deposited daily by the garage contractor. UNDC's current practices provide assurance that revenues are recorded properly in the accounting records.	Controls are adequate.
	Do the UNDC's policies and procedures provide assurance that revenues are being collected timely?	UNDC's tenants are not subject to standard collection practices as most are UN missions and offices which have immunity from normal collection practices.	Controls over the timeliness of the collection of revenues are adequate.
Cash & Investments:			
	Do the UNDC's policies and procedures provide assurance that cash and investments are properly safeguarded, accounted for, and deposited into the appropriate account?	UNDC has a number of bank accounts that are used for its operations. UNDC staff receive payments, record the receipt in the proper accounts and prepare bank deposits. Bank accounts are reconciled monthly. Investment policies are reviewed and approved by the Board.	Controls would be strengthened if bank reconciliations were performed by an employee removed from the accounting operations.
	Do the UNDC's policies and procedures provide assurance that cash disbursements are properly authorized and recorded?	The managing agent receives and approves for payment invoices from contractors for payments under \$1,000 and seeks reimbursement from UNDC for these payments. UNDC's procedures require that checks up to \$2,500 require any one of four official's signature; checks over \$2,500 require any two of the four signatures; checks over \$50,000 require any two signatures but one has to be the executive vice president; and checks over \$250,000 have to be approved by the Chairman of the Board plus two signers, one of which has to be the executive vice president.	UNDC needs to independently verify that payments made to the managing agent for building staff salaries and other items are proper.
<u>Payroll:</u>			

TABLE I (Cont'd)

	QUESTION	UNDC ACTIVITIES	COMPTROLLER'S COMMENT
	<p>Do the UNDC's policies and procedures provide assurance that employee time and attendance records are accurate and that leave time is accounted for and recorded properly?</p>	<p>UNDC has established adequate control procedures over time and attendance and leave accrual procedures. Non-exempt employees are required to sign in and out, but exempt employees are not. The accounting secretary keeps track of accruals for all 15 employees. UNDC's Controller reviews these computations. The Controller also does an independent verification of employee leave accruals which are booked into the financial statements.</p>	<p>Our examination indicates that employees generally adhere to UNDC time and attendance procedures.</p>
	<p>Do the UNDC's policies and procedures provide assurance that payroll changes (e.g., additions, deletions, and overtime) are processed accurately and timely?</p>	<p>UNDC has only 15 staff and has very low employee turnover. The Controller and other officials are involved in the hiring process. Similar controls are in place for staff separation. Overtime has to be pre-approved by the supervisor or an officer. UNDC contracts for payroll processing services. After a payroll change has been approved, the Senior Accountant sends the information to the service for processing.</p>	<p>Our examination indicates that employees generally adhere to UNDC payroll change procedures. The transactions reviewed were handled properly and timely.</p>
<p>Procurement & Contracting:</p>			
	<p>Do the UNDC's policies and procedures provide assurance that purchases are authorized, received, and recorded properly?</p>	<p>UNDC's has established procedures for authorizing the purchase of goods and services.</p>	<p>UNDC has not established written policies for verifying that goods and services are received. The managing agent procures certain goods and services on behalf of UNDC and UNDC staff need to independently verify that goods and services are received.</p>
	<p>Do the UNDC's policies and procedures provide assurance that purchases are reasonable and necessary and made in an economical and efficient manner?</p>	<p>UNDC has established dollar level thresholds for requiring bids.</p>	<p>UNDC needs to strengthen its procurement guidelines to establish timeframes for the rebidding of contracts. UNDC also needs to improve its oversight of the managing agent to ensure that the building staff employed by the managing agent is working solely on UNDC's buildings.</p>

TABLE I (Cont'd)

	QUESTION	UNDC ACTIVITIES	COMPTROLLER'S COMMENT
Equipment & Asset Management:			
	Do the UNDC's policies and procedures provide assurance that equipment acquisitions and dispositions are authorized and recorded properly, and that a comprehensive inventory of equipment is maintained?	UNDC's policies and procedures provide that equipment acquisitions and dispositions are authorized and recorded properly in the equipment account of the corporation.	Control would be further strengthened if UNDC established an equipment inventory system and took annual inventory of its equipment.
	Do the UNDC's policies and procedures provide assurance that equipment is secured properly and used as intended?	UNDC relies on the security of the building and the integrity of its employees for the proper use of equipment.	Control would be further strengthened if UNDC established a policy that prohibits the unauthorized use of UNDC equipment.
Budgeting & Expenditure Control:			
	Do the UNDC's policies and procedures provide assurance that the UNDC's annual budget is prepared accurately and timely?	A UNDC official stated the current budget is constructed based on the previous year's revenue and expenses, as well as any changes due to new projects.	Our review indicated that UNDC complies with its policies and procedures.
	Do the UNDC's policies and procedures provide assurance that actual operating results are monitored against budgeted estimates and that appropriate revisions to current and future budgets are made as warranted by these operating results?	UNDC prepares an analysis of prior year expenses and monitors its expenditures versus the budget.	Our review indicated that UNDC complies with its policies and procedures.
Accounting & Information Systems:			
	Do UNDC's accounting and information systems provide assurance that management has access to timely, accurate and relevant information?	UNDC maintains an accounting and information systems that provides management with access to timely, accurate and relevant information.	The salaries for managing agent staff are reported on the UNDC financial statements as UNDC salary costs. These staff are employees of the managing agent and should be more properly reported as payments to the managing agent.

TABLE I (Cont'd)

	QUESTION	UNDC ACTIVITIES	COMPTROLLER'S COMMENT
	Do the UNDC's policies and procedures provide assurance that the accounting and information systems are secure and that the information is recoverable in case of system failure?	UNDC's regularly backs up its accounting and information systems via a tape back up procedure. UNDC also runs two simultaneous disks in case one becomes inoperative and has an uninterruptible power system in case of a power failure.	UNDC should consider establishing an off-site location for its back up tapes. UNDC does not have a disaster recovery plan for its system.

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March 14, 2005

Steven E. Sossei
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Dear Mr. Sossei:

This letter is in response to the draft audit report (2004-S-88) from the Office of the State Comptroller of the State of New York on the United Nations Development Corporation's (UNDC) system of internal controls over its financial operations for the period from January 1, 2002 through December 31, 2003. Please include this letter as an appendix to the final audit report issued by your office. Our responses are categorized to correspond to the headings under "**C. Results of Audit**" and "**Table I**" of the report.

C. Results of Audit

1. Board Activities and Guidelines

The report states that UNDC submits its audited financial statements to the Governor, the Mayor and the State Comptroller after the March 31 deadline because approval of such financial statements by the Board of Directors occurs in April of each year at the annual meeting. Historically, our auditors have delivered drafts of audited financial statements by the end of March and the Board approves the financial statements in April at its annual meeting. In order to hold the annual meeting of the Board in March, it will be necessary to amend our Bylaws, which currently require an annual meeting in April. At the 2005 annual meeting, the Board will consider such an amendment and, if approved, the annual meeting will be held in March (beginning in 2006). This will enable our external auditors to release the final audited financial statements in March for submission to the Governor, the Mayor and the State Comptroller.

2. Internal Control Reviews

The report points out that UNDC's Controller acts as the internal control officer, but has not been formally designated as such by the audit committee. Please be advised that UNDC's audit committee formally designated our Controller as internal control officer at a meeting held on March 9, 2005. The Controller has been an employee of UNDC since 1990 and has many years of experience in accounting and internal control matters.

UNDC listed five areas of high risk in its assessment of agency functions in its 2002-2003 Internal Control Certification and seven areas of high risk in the 2003-2004 Certification. The report states that only two high risk areas in the 2003-2004 Certification were duplicates from the prior year. We did not repeat the remaining three high risk areas from the 2002-2003 Certification in the 2003-2004 Certification because adequate steps were taken to mitigate such risks. Internal Control Certifications for future years will list all high risk areas in our assessment of agency functions and state with specificity the actions that were taken, or are planned to be taken, to mitigate such risks. We do not expect significant variation in our list of high risk areas from year to year because UNDC's operations are fairly consistent, although a future new project could have an impact on our assessment of agency functions.

3. Other Control Matters

The report states that internal control duties should be separated among individuals so that the work of one employee is reviewed by the work of another. UNDC has a limited accounting department of three members plus a secretary (out of a total of sixteen employees). Because of the size of the department, segregation of duties is not feasible as to all functions. However, financial reports and accounting procedures are reviewed by senior members of the accounting department. For example, the work of the employee who prepares checks, enters information in the accounting system and performs bank reconciliation is reviewed by the Deputy Controller and approved by the Controller. In order to strengthen controls, we will assign the bank reconciliation function to an employee who does not handle cash or bookkeeping functions.

UNDC works closely with our managing agent to procure goods and services, in part because we have a limited staff to perform these duties. However, to independently verify that goods and services are received before they are paid for, UNDC staff members review all bills, accompanied by all necessary supporting documentation, including purchase approvals, receiving tickets and certifications from the managing agent's financial and portfolio managers. The managing agent verifies that goods and services are received in accordance with its established procedures as well. We also have controls in place to ensure that the managing agent's building staff performs their work at UNDC buildings. UNDC's annual budget and supporting documentation includes detailed information on the managing agent's building staff, including names, salaries, job function, and number of employees by shift and by day. We will be implementing random payroll payouts in consultation with our external auditors to strengthen our controls.

Proposed changes to text. We believe that the clause "business office operations" should

* Note

* See State Comptroller's Note, page 15

be changed to “accounting department” to more accurately describe the employees involved in UNDC’s financial operations. We also believe that the clause “certain internal control problems” should be changed to “certain internal control issues” because, as stated in the report, UNDC’s internal controls are adequate in most areas although the accounting department is limited in size.

4. Procurement Guidelines

The report indicates that UNDC’s procurement guidelines do not specify how often contracts must be put out for procurement. In accordance with our procurement guidelines, all contracts involving services (of \$5,000 or more) to be rendered over more than one year must be approved in advance by the Board, and performance under such contracts is reviewed by the Board annually. All contracts with a term of one year or less are subject to competitive bidding.

UNDC’s contract with the current building managing agent was last subject to a request for proposal (RFP) in 1996, as UNDC was preparing for the sale of its interest in the U.N. Plaza Hotel (which consisted of its interest in the hotel unit at One U.N. Plaza and the sublease of the hotel portion of Two U.N. Plaza). At that time, the Board met, reviewed and considered bids from eight companies, and decided that it would be in the best interests of UNDC to continue its relationship with the building managing agent. From time to time, the Board has revisited UNDC’s arrangement with the managing agent and elected to continue such arrangement. When the current contract term expired on December 31, 2001, the Board determined that it would be advantageous to continue the contract on a month-to-month basis at the same fee. There have been only negligible changes in the management fee since 1996. The Board plans to discuss the building management contract again at its annual meeting in April.

5. Reporting of Expense for UNDC Office and Building Staff Salaries in the Financial Statements

UNDC reports salaries and benefits for staff of the managing agent as expenses under the line item salaries and employee benefits in our financial statements, which the report characterizes as incorrect. We have historically reported such expenses in this manner, based on discussions with our external auditors and the requirements of IRS Form 990. However, beginning with the 2004 financial statements, we will separately report such expenses under a new line item identified as managing agents’ reimbursable salaries and benefits.

TABLE I

The following are comments and corrections to “**Table I**” of the report:

Board Oversight & Governance

Do the UNDC’s policies and procedures provide assurance that revenues are billed timely and accurately and are recorded properly in the accounting records?

The report states that UNDC does not send bills for overdue rents due to the nature of

UNDC's tenants. Please note that UNDC promptly sends notices to tenants if rent is overdue and assesses late charges on overdue rents.

Note

The report states that controls would be further strengthened if UNDC developed written procedures for revenue collection. Please be advised that UNDC currently has written procedures for revenue collection which were provided to the Office of the Comptroller in connection with the audit.

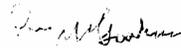
Note

Do the UNDC's policies and procedures provide assurance that revenues are being collected timely?

The report states that UNDC's tenants are not subject to standard collection practices as most are UN missions and offices which have immunity from normal collection practices. During UNDC's thirty years of operation, our relationships with tenants have been excellent and without significant rent collection issues.

Thank you for the recommendations contained in your report, which when implemented will enhance our system of internal controls over financial operations. Within 90 days after final release of the report, as required by Section 170 of the Executive Law, we will report to the Governor, the State Comptroller, and the leaders of the Legislature and its fiscal committees, advising the steps taken to implement the recommendations contained in the report or stating the reasons why recommendations were not implemented.

Sincerely,



Roy M. Goodman
President and Chief Executive Officer

* State Comptroller's Note: The requested change was made to the final report.