

**NYC School Construction Authority**

**Public Authorities  
Accountability Act  
Annual Report**

**Fiscal Year 2010**

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**New York City School  
Construction Authority**

**Financial Statements**

**At June 30, 2010 and 2009 and for the  
fiscal years then ended**

**New York City School Construction Authority**  
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**June 30, 2010 and 2009**

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### Report of Independent Auditors

To the Members of the Board of Trustees of  
the New York City School Construction Authority:

In our opinion, the accompanying statements of net assets and the related statements of activities present fairly, in all material respects, the financial position of the New York City School Construction Authority (the "Authority") at June 30, 2010 and 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The management's discussion and analysis for the year ended June 30, 2010 on pages 2 through 4 is not a required part of the basic financial statements as of and for the year then ended but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

October 1, 2010

## **New York City School Construction Authority Management's Discussion and Analysis (Unaudited)**

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This section of the New York City School Construction Authority's (the "Authority") Annual Financial Report ("AFR") presents Management's Discussion and Analysis of the Authority's financial performance during the fiscal years ended June 30, 2010 and 2009.

### **Overview of Financial Performance**

In accordance with the requirements of Governmental Accounting Standard No. 34 ("GASB 34"), the Authority presents herein its Management Discussion and Analysis Report. Management's discussion and analysis is intended to provide an overview and analysis of the Authority's financial activity and identify the factors contributing to changes in the Authority's financial position.

In fiscal year 2010, the Authority committed over \$2,258 million in total contract obligations for school construction projects as compared to \$2,652 million in fiscal year 2009. The Authority processed \$2,728 million in construction payments and payments related to general and administrative expenses during fiscal year 2010 as compared to \$2,721 million in fiscal year 2009. The largest portion of the Authority's assets is in construction in progress, which is eventually transferred to the Department of Education ("DoE") for capitalization once the project is completed.

In fiscal year 2009, the Authority committed over \$2,652 million in total contract obligations for school construction projects as compared to \$3,194 million in fiscal year 2008. The Authority processed approximately \$2,721 million in construction payments and payments related to general and administrative expenses (the "Operating Budget") during fiscal year 2009 as compared to \$2,251 million in fiscal year 2008. This represents a 21% increase from the prior year.

The Authority has prepared and is responsible for the financial statements and related information included in this AFR. A system of internal controls is maintained to provide reasonable assurance that assets are safeguarded and that the financial records reflect only authorized transactions. Management believes that its system of internal accounting controls maintains an appropriate cost/benefit relationship.

Resource flows between the Authority (a blended component unit of the City of New York) and the City of New York and Board of Education, have been reported as revenues and expenses in the Statements of Activities. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discreet component. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

### **Results of Operations**

The Authority's revenue is entirely funded by capital appropriations made by The City of New York ("The City") for capital expenditures of the Authority for the fiscal year, including operating and administrative costs. The decrease in revenue from fiscal year 2009 to fiscal year 2010 was \$22 million or 1%. Operating revenues in fiscal year 2010 were \$3,017 million as compared to \$3,039 million in fiscal year 2009. This decrease was driven principally by a decrease in capital project expenditures and a decrease in operating transfers on behalf of the DoE from fiscal year 2009 to fiscal year 2010.

For fiscal year 2010, the Authority awarded construction contracts for 18 new schools and additions with a construction value of \$561 million and 663 capital improvement or renovation projects with a construction value of \$807 million. The Authority completed 26 new schools and additions as of September 2010, which created 17,656 seat openings for the school year.

## **New York City School Construction Authority Management's Discussion and Analysis (Unaudited)**

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For fiscal year 2009, the Authority awarded construction contracts for 19 new schools and additions with a construction value of \$667 million and 882 capital improvement or renovation projects with a construction value of \$1.0 billion. The Authority completed 23 new schools and additions as of September 2009, which created 13,881 seat openings for the school year.

The increase in revenue from fiscal year 2008 to fiscal year 2009 was \$663 million or 28%. Operating revenues in fiscal year 2009 were \$3,039 million as compared to \$2,376 million in fiscal year 2008. This increase was driven by an increase in capital project expenditures of 21% and an increase in operating transfers on behalf of the DoE from fiscal year 2008 to fiscal year 2009.

The Authority's operating expenses increased \$1,529 million from fiscal year 2009 to fiscal year 2010. Operating expenses in fiscal year 2010 were \$3,721 million as compared to \$2,192 million in fiscal year 2009. In fiscal year 2010, the value of completed contracts transferred to the DoE for capitalization as fixed assets was \$3,449 million as compared to \$1,730 million in fiscal year 2009. The increase in completed contracts transferred to the DoE from year to year was \$1,719 million. The increase in completed contracts transferred to the DOE for capitalization is attributable to the 26 new schools opened in September 2010 and the 23 new schools opened in September 2009. Operating transfers on behalf of the DoE decreased by \$21 million from year to year. Operating transfers on behalf of the DoE are defined as technology enhancements, reconstruction, and athletic field refurbishment.

The Authority's operating expenses increased \$696 million from fiscal year 2008 to fiscal year 2009. Operating expenses in fiscal year 2009 were \$2,192 million as compared to \$1,496 million in fiscal year 2008. In fiscal year 2009, the value of completed contracts transferred to the DoE for capitalization as fixed assets was \$1,730 million as compared to \$1,390 million in fiscal year 2008. The increase in completed contracts transferred to the DoE from year to year was \$340 million. Operating transfers on behalf of the DoE increased by \$47 million from year to year.

### **Financial Highlights**

The Authority's fund balances/net assets in the Government-wide financials decreased by \$696 million from fiscal year 2009 to fiscal year 2010. This decrease in net assets is principally due to the higher volume of completed projects transferred to the DoE in fiscal year 2010. All projects transferred were determined by the Authority's Project Management Division to be substantially completed or occupied as of June 30, 2010. This transfer of completed contracts allowed for the capitalization of these contracts as fixed assets by The City in the current fiscal year.

The Authority's fund balances/net assets in the Government-wide financials increased by \$850 million from fiscal year 2008 to fiscal year 2009. This increase in net assets is principally due to the higher volume of payment activity for ongoing construction projects netted against the transfer of completed projects to the DoE and Operating transfers on behalf of the DoE.

The assets of the Authority exceeded its liabilities at the close of fiscal year 2010 by \$3,134 million. The assets of the Authority exceeded its liabilities at the close of fiscal year 2009 by \$3,830 million. The balance in net assets primarily represents the investment in capital assets for construction work performed at New York City Public Schools. These assets are not available for future spending.

The change in net assets for the Capital Project Fund from fiscal year 2009 to fiscal year 2010 is principally attributable to the decrease in construction project activity of the Authority from year to year and the transfers of completed contracts to the DOE.

## **New York City School Construction Authority Management's Discussion and Analysis (Unaudited)**

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The change in net assets for the Capital Project Fund from fiscal year 2008 to fiscal year 2009 is principally attributable to the increase in construction project activity from year to year.

Total Government-wide assets from fiscal year 2009 to fiscal year 2010 decreased by \$738 million. The decrease in total assets in fiscal year 2010 was primarily due to an increase in completed contracts transferred to the DoE for capitalization as fixed assets. From fiscal year 2008 to fiscal year 2009 total assets, increased by \$1,197 million. The increase in total assets in fiscal year 2009 was principally due to an increase in construction in progress.

Cash decreased by \$25 million from fiscal year 2009 to fiscal year 2010. The decrease is principally attributable to \$30 million reimbursed to the Authority by the Port Authority for Noise Abatement Projects at NYC Public Schools that was transferred to the NYC Department of Finance.

Cash increased by \$20.1 million from fiscal year 2008 to fiscal year 2009. The increase is attributable to monies reimbursed to the Authority by the Port Authority for Noise Abatement Projects at NYC Public School of \$12 million and insurance premiums refunded of \$9 million.

Liabilities decreased \$42 million from fiscal year 2009 to fiscal year 2010, principally as a result of a decrease in the accounts payable and accrued liabilities.

Liabilities increased \$347 million from fiscal year 2008 to fiscal year 2009, principally as a result of an increase in the accounts payable, accrued liabilities and retainage held for construction projects.

Effective July 1, 2008, GASB No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", requires that pollution remediation costs be accounted within The City's financial statements as expense items, rather than capital items as previously reflected in the financial statements. For the fiscal year 2010, the Authority has classified \$140.4 million as expenditures incurred for pollution remediation costs. For the fiscal year 2009, the Authority classified \$309.1 million as expenditures incurred for pollution remediation costs (see Note 10).

### **Reconciliation of Net Assets and Change in Net Assets**

The change in "fund balances/net assets" is calculated based on the change from prior year between assets and liabilities for the Authority. The change in "net assets" is supported by the net change reported in the Statement of Activities for the Government-wide financials. Amounts reported by the Authority as expenses in the statement of activities are based on transfers between the Authority and the DoE. These transfers represent the costs incurred for completed contracts, pass through expenses, lead paint abatement and skilled trades.

The Authority has no infrastructure assets and no debt issued to fund activities.

### **Contacting the NYC School Construction Authority's Management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the NYC School Construction Authority's Comptroller's Office, 30-30 Thomson Avenue, Long Island City, NY 11101.

**New York City School Construction Authority**  
**Statements of Net Assets**  
**June 30, 2010 and 2009**

(in thousands)

	2010			2009		
	Capital Project Fund	Adjustments (See Note 2)	Government Wide	Capital Project Fund	Adjustments (See Note 2)	Government Wide
<b>Assets</b>						
Cash	\$ 4,110	\$ -	\$ 4,110	\$ 29,032	\$ -	\$ 29,032
Temporary investments	39,985	-	39,985	19,998	-	19,998
Due from the City of New York	594,926	27,619	622,545	612,837	24,460	637,297
Prepaid expenses	48,807	-	48,807	53,374	-	53,374
Other assets	15,551	-	15,551	15,248	-	15,248
Securities in lieu of cash retainage	17,328	-	17,328	10,174	-	10,174
Fixed assets, net	-	8,459	8,459	-	8,561	8,561
Construction in progress, assets held for City of New York	-	3,201,698	3,201,698	-	3,923,180	3,923,180
<b>Total Assets</b>	<b>\$ 720,707</b>	<b>\$ 3,237,776</b>	<b>\$ 3,958,483</b>	<b>\$ 740,663</b>	<b>\$ 3,956,201</b>	<b>\$ 4,696,864</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 473,596	\$ 20,774	\$ 494,370	\$ 517,437	\$ 19,570	\$ 537,007
Retainage payable	198,066	-	198,066	169,221	-	169,221
Pollution remediation payable	-	120,066	120,066	-	150,546	150,546
Accrued annual leave obligation	5,420	-	5,420	5,205	-	5,205
Accrued sick leave obligation	-	3,443	3,443	-	3,090	3,090
Accrued claims and contingencies	-	3,400	3,400	-	1,800	1,800
<b>Total Liabilities</b>	<b>\$ 677,082</b>	<b>\$ 147,683</b>	<b>\$ 824,765</b>	<b>\$ 691,863</b>	<b>\$ 175,006</b>	<b>\$ 866,869</b>
<b>Fund Balances/Net Assets</b>						
Total Fund Balances	\$ 43,625	\$ 3,090,093	\$ 3,133,718	\$ 48,800	\$ 3,781,195	\$ 3,829,995
Total Net Assets	\$ 720,707	\$ 3,237,776	\$ 3,133,718	\$ 740,663	\$ 3,956,201	\$ 3,829,995
Total Liabilities and Fund Balances	\$ 720,707	\$ 3,237,776	\$ 3,133,718	\$ 740,663	\$ 3,956,201	\$ 3,829,995

The accompanying notes are an integral part of these financial statements.

**New York City School Construction Authority**  
**Statements of Activities**  
**Years Ended June 30, 2010 and 2009**

(in thousands)

	2010			2009		
	Capital Project Fund	Adjustments (See Note 2)	Government Wide	Capital Project Fund	Adjustments (See Note 2)	Government Wide
<b>Revenues:</b>						
Operating revenues from or due from the City of New York	\$ 2,885,368	\$ -	\$ 2,885,368	\$ 2,886,602	\$ -	\$ 2,886,602
Operating revenues for payments made on behalf of DoE	131,705	-	131,705	152,791	-	152,791
Total Revenues	\$ 3,017,073	\$ -	\$ 3,017,073	\$ 3,039,393	\$ -	\$ 3,039,393
<b>Expenditures/expenses:</b>						
Capital projects	\$ 2,727,653	\$ (2,727,653)	\$ -	\$ 2,721,200	\$ (2,721,200)	\$ -
Fixed assets	(102)	102	-	3,288	(3,286)	-
Pollution remediation costs	170,872	(30,480)	140,392	158,543	150,546	309,089
Transfer of completed contracts to the DoE	-	3,449,135	3,449,135	-	1,729,989	1,729,989
Operating transfers on behalf of the DoE	131,705	-	131,705	152,791	-	152,791
Total Expenses	\$ 3,030,128	\$ 691,104	\$ 3,721,232	\$ 3,035,822	\$ (843,953)	\$ 2,191,869
Net Revenues	\$ (13,055)	\$ (691,104)	\$ (704,159)	\$ 3,571	\$ 843,953	\$ 847,524
Other revenues and expenses, net	7,880	-	7,880	2,680	-	2,680
Excess of revenues over expenses	\$ (5,175)	\$ (691,104)	\$ (696,279)	\$ 6,251	\$ 843,953	\$ 850,204
<b>Fund Balances/Net Assets:</b>						
Beginning of year	\$ 48,800	\$ 3,781,195	\$ 3,829,995	\$ 42,549	\$ 2,937,242	\$ 2,979,791
End of year	\$ 43,625	\$ 3,090,091	\$ 3,133,716	\$ 48,800	\$ 3,781,195	\$ 3,829,995

The accompanying notes are an integral part of these financial statements.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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*(in thousands)*

**1. Description of the Entity**

The New York City School Construction Authority (the "Authority"), a public benefit corporation and blended component unit of The City of New York (The "City"), was created by the State of New York Legislature in December, 1988. The Authority's responsibilities as defined in the enabling legislation are the design, construction, reconstruction, improvement, rehabilitation and repair of the New York City public schools. The Authority's capital projects include: new construction; building additions; major modernization and rehabilitation; construction, reconstruction or renovation of athletic fields, playgrounds and pools; and system replacements, including electrical, plumbing, elevators, roofs, security devices and system installation. The Authority is governed by a three member Board of Trustees. The Mayor of the City appoints the School's Chancellor, who serves as the Chairman of the Board of Trustees, and the Mayor also appoints the other two trustees.

The Authority's operations are funded by appropriations made by The City. All of the Authority's net assets are the property of The City and as such have been recorded as net assets - "Total Fund Balances/Net Assets." Appropriations are guided by the five-year capital plan, developed by the New York City Department of Education (the "DoE"). The City's appropriation for the five-year capital plan for the fiscal years 2005 through 2009 was \$13.14 billion. The City's appropriation for the five-year capital plan for the fiscal years 2010 through 2014 is \$11.3 billion.

The Authority carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of \$105,578 and \$118,588 were made in fiscal 2010 and 2009, respectively, for this purpose.

As the Authority represents a pass-through entity, in existence for the sole purpose of capital projects, all costs incurred are capitalized into construction in progress. Upon completion of construction in progress projects, the assets are transferred to the DoE.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

In accordance with Generally Accepted Accounting Principles for governmental entities, the financial statements of the Authority are organized on the basis of individual funds and account groups which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Based upon the nature of the operations of the Authority, only a capital projects fund is utilized (a Governmental Fund Type), as all transactions relate to expenditures and resources obtained for the acquisition, construction or improvement of capital facilities. Amounts reflected in the adjustment column of the financial statements of the Authority represent the operational accounts of the Authority and combined with the funds held in the Capital Project Fund form the overall Government-wide Financials.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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*(in thousands)*

The fund financial statements of the Authority are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available to finance operations of the current period; expenditures and liabilities are recognized upon receipt of goods and services to the extent that they will be liquidated with expendable available resources. The Capital Project Fund of the Authority has no long-term assets and certain long-term liabilities, such as annual leave, sick leave, and claims, are not accrued for in the fund financial statements.

The Government-wide financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, including long-term liabilities such as annual leave, sick leave and claims.

Resource flows between the Authority (a blended component unit of the City of New York) and the City of New York and Board of Education, have been reported as revenues and expenses in the Statements of Activities. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discreet component. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

**Fiscal Years**

The Authority's fiscal year ends on June 30 of each year. Fiscal years are designated in the notes to the financial statements by the calendar year in which the fiscal year ends ("fiscal 2010" and "fiscal 2009").

**Due from The City of New York**

Due from The City of New York represents amounts related to total liabilities net of certain assets.

**Fixed Assets and Construction in Progress**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets applying the half-year convention. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related life of the lease. Upon the disposition of fixed assets, the cost of the asset disposed and the related accumulated depreciation are removed from the accounts, with any resulting gain or loss included in the statement of activities for the period.

Construction in progress includes such costs as site acquisition, wrap-up insurance, initial outfitting construction contract costs, construction management fees, architecture and engineering fees, administrative costs of the Authority, and certain allocated DoE costs including salaries, related fringe benefits and overhead costs.

**Pollution Remediation Costs**

Pollution remediation costs are expensed as incurred in accordance with the provision of Governmental Accounting Standards Board ("GASB") Standard No. 49 ("GASB No. 49"). Refer to Note 10.

**Budget versus Actual Revenues and Expenditures**

Appropriations are made by The City for capital expenditures of the Authority, including operating and administrative costs. Such appropriations are based on the DoE five-year capital plan.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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*(in thousands)*

Budgeted commitments and expenditures generally span more than one year and thus do not provide a meaningful basis for comparison of annual expenditures to budgeted amounts.

**Annual and Sick Leave**

The Authority's full time employees are entitled to annual and sick leave benefits. Annual and sick leave are recorded as expenses in the period in which they are earned. Upon retirement or termination, employees with at least ten years of service will be paid one half of their accrued sick leave balance, while no pay out will be made to those employees with less than ten years of service.

Annual leave is limited to one year's worth of accrued benefits with any excess at the end of the calendar year paid out to the employees.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. The most significant assumptions and estimates relate to the determination of accrued expenses and the useful lives of assets. Actual results could differ from those estimates.

**3. Cash**

The Authority maintains cash accounts with a bank which are covered by FDIC insurance up to the maximum allowed by law. At June 30, 2010 and 2009 uninsured cash balances total \$4,010 and \$28,932, respectively. Cash accounts are collateralized through JP Morgan Chase with the Federal Reserve of Boston.

Additionally, the Authority maintains a zero balance checking account, which is funded by The City. As checks are presented at the bank, funds are transferred from The City into the zero balance account. Negative book balances, representing checks issued but not yet presented for payment, have been classified as accounts payable in the accompanying financial statements and the aggregated amounts are \$115,055 and \$70,446 as of June 30, 2010 and 2009, respectively.

Additionally, at June 30, 2010 and 2009, \$344 and \$344, respectively, is held in escrow pending settlement of liens placed by a subcontractor against a primary contractor.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

*(in thousands)*

**4. Temporary Investments**

The Authority, in accordance with section eleven of the general municipal law, invests money on deposit not required for immediate expenditure in US Treasury Bills.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosure," the Authority categorizes its investments to give an indication of the level of risk assumed by the Authority at year end. The three categories of levels of credit risk are: (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered with securities held by a party other than the Authority or its agent, but in the Authority's name and (3) uninsured and unregistered securities held by a party other than the Authority or its agent, but not in the Authority's name. Pursuant to Section 1741.3 of the Enabling Act, the Authority invests in obligations in accordance with Section 11 of the General Municipal Law. These investments qualify under the first category of credit risk. The Authority's investments are recorded at fair market value. Cost plus accrued interest ("Amortized Cost") approximates the investments' fair market value. Investments are held in the Authority's name by a fiduciary institution.

Investments consist of the following:

	Amortized Cost	Fair Market Value
<b>As of June 30, 2010</b>		
US Treasury Bills, 0.04%, due on 08/12/10	\$ 24,981	\$ 24,997
US Treasury Bills, 0.05%, due on 11/26/10	14,985	14,988
	<u>\$ 39,966</u>	<u>\$ 39,985</u>
	<b>Amortized Cost</b>	<b>Fair Market Value</b>
<b>As of June 30, 2009</b>		
US Treasury Bills, 0.06%, due on 07/30/09	\$ 19,972	\$ 19,998
	<u>\$ 19,972</u>	<u>\$ 19,998</u>

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

(in thousands)

**5. Securities in Lieu of Cash Retainage and Retainage Payable**

The Authority permits contractors to substitute marketable securities in lieu of cash retainage. These securities are maintained by a custodian on behalf of and in the name of the Authority. These investments qualify under the first category of credit risk.

Retainage payable consists of the following:

	2010	2009
Securities retained payable	\$ 17,328	\$ 10,174
Cash retainage withheld	180,738	159,047
<b>Total Retainage Payable</b>	<b>\$ 198,066</b>	<b>\$ 169,221</b>

The Fair Market Value of the securities retained payable is \$21,028 and \$12,672 in fiscal 2010 and 2009, respectively.

**6. Fixed Assets**

Fixed assets consist of the following:

Asset Category	Estimated Useful Lives	2009	Additions	Dispositions	2010
Computer hardware/Equipments	3	\$ 15,230	\$ 461	\$ -	\$ 15,691
Computer software	3	4,935	725	-	5,660
Leasehold improvements	12	16,542	1,268	-	17,810
Furniture & fixtures	5-7	5,374	-	-	5,374
Automobiles	5	3,575	702	(114)	4,163
Office equipment	3-5	2,697	967	-	3,664
		48,353	4,123	(114)	52,362
Less: Accumulated depreciation		(39,792)	(4,210)	99	(43,903)
Fixed assets, net		<b>\$ 8,561</b>	<b>\$ (87)</b>	<b>\$ (15)</b>	<b>\$ 8,459</b>

In the Government-wide Financial Statements, depreciation is capitalized into construction in progress which totaled \$4,210 and \$2,873 for fiscal 2010 and 2009, respectively.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

(in thousands)

**7. Construction in Progress**

Expenditures for construction in progress for fiscal 2010 and 2009 include:

	2010	2009
Outside construction costs	\$ 2,584,598	\$ 2,574,898
Authority payroll and related fringe benefits	91,288	89,128
Authority general and administrative costs	51,767	57,175
<b>Total Expenditures</b>	<u>2,727,653</u>	<u>2,721,201</u>
Construction in progress - beginning of year	3,923,180	2,931,968
<b>Total before transfer to DoE during the year</b>	6,650,833	5,653,169
Costs transferred to the DoE during the year	<u>(3,449,135)</u>	<u>(1,729,989)</u>
Construction in progress - end of year	<u>\$ 3,201,698</u>	<u>\$ 3,923,180</u>

During fiscal 2010, the Authority transferred \$3,449,136 to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$19,277 during fiscal 2010 for work performed by the Capital Task Force. This resulted in the DoE additions to fixed assets for the fiscal 2010 of \$3,468,413. During fiscal 2009, the Authority transferred \$1,729,989, to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$17,583 during fiscal 2009 for work performed by the Capital Task Force. This resulted in the DoE additions to fixed assets for the fiscal 2009 of \$1,747,572.

**8. Transactions with the Department of Education and Operating Transfers**

In addition to construction and renovation of school facilities, the Authority makes payments for certain asset purchases made by the DoE. The title for such purchases transfers directly to the DoE. For the years ended June 30, 2010 and 2009, pass-through purchases totaled \$100,210 and \$124,236, respectively, and have been recorded as "Operating transfers on behalf of the DoE". Included in these amounts are expenditures for technology enhancements, leasehold alterations and reconstruction.

DoE contractors performed minor capital projects on behalf of the Authority, as shown below:

	2010	2009
Skilled trades, minor capital projects	\$ 24,628	\$ 13,722
Lead Paint Abatement	-	2,167
DoE Admin Staff	6,867	12,666
<b>Total</b>	<u>\$ 31,495</u>	<u>\$ 28,555</u>

Such costs are also included in "Operating transfers on behalf of the DoE."

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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(in thousands)

**9. Commitments and Contingencies**

**Rent**

On September 10, 1999, the Authority entered into a lease agreement for office space which expires in 2012, and is subject to a five-year renewal option at that time. This lease contains scheduled rent escalation clauses which, for the purposes of the Fund financial statements are charged/credited to rent expense on a straight-line basis over the related term of the lease agreement. On a Government-wide basis such charges are capitalized into construction in progress.

Future minimum annual rental payments under the non-cancelable operating lease agreement, having a term in excess of one year are as follows:

2011	\$	4,808
Thereafter		<u>803</u>
<b>Total</b>	<b>\$</b>	<b><u>5,611</u></b>

Rent expense, in the Fund financial statements, totaled \$6,045 and \$5,460 in fiscal 2010 and fiscal 2009, respectively.

**Purchase Orders**

Purchase orders, contracts and other commitments at June 30, 2010 and 2009 totaled \$2,599, and \$3,463, respectively, and represent the difference between the value of construction-related contracts and the amount incurred through the end of the year. At June 30 of each fiscal year, The City had encumbered funds to meet these obligations.

**Insurance**

On January 1, 2003, the Authority entered into a contract with Liberty Mutual to provide General Liability (GL) and Worker's Compensation (WC) insurance coverage for the Owner Controlled Insurance Program ("OCIP"). The insurance policies covered all contractors and sub-contractors working on construction projects for the Authority from January 1, 2003 through December 31, 2004. This policy coverage was in the form of a large deductible program for GL and a retrospectively rated program for WC. The Authority has recorded an estimated receivable of \$11,915 and estimated receivable of \$9,532 as of June 30, 2010 and 2009, respectively, based on the insurance contract's terms and conditions and an actuarial assessment of OCIP loss activity.

On January 2005, the Authority contracted with AIG to provide insurance coverage for the OCIP. The insurance coverage period was from January 1, 2005 through December 31, 2007.

The current Authority contract for the Owner Controlled Insurance Program is provided by Liberty Mutual. The insurance coverage period is from January 1, 2008 through December 31, 2010.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

(in thousands)

**Legal**

In the normal course of its operations, the Authority has received notices of claims alleging amounts due related to contracts, financial loss, including loss through condemnation, and personal injuries sustained by individuals. After giving effect to available insurance coverage related to such claims, expenses, if any, are recorded in accordance with the GASB No. 10, "Accounting and Financial Reporting for Risk Financing and related insurance issues". The Authority, with the assistance of The City's Corporation Counsel, has estimated and recorded the liability at June 30, 2010 and 2009 to be \$3,400 and \$1,800, respectively.

From time to time the Authority is involved in various litigations, claims and assessments. The Authority records those claims which they believe to be probable of settlement based upon their best estimate of such settlements and discloses those claims considered to be reasonably possible of settlement along with the range of such possible settlements.

**10. Accounting and Financial Reporting for Pollution Remediation Obligations**

GASB No. 49 identifies the accounting and financial reporting requirements for pollution remediation obligations. GASB No. 49 specifies that costs incurred for the remediation of pollution, except for in certain circumstances, may not be afforded capital treatment for accounting purposes. Pollution remediation obligations are those obligations which are or will be incurred to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. GASB No. 49 requires that the Authority report actual remediation costs or expenditures incurred. Effective July 1, 2008 The City requires that pollution remediation costs now be accounted within The City's financial statements as expense items, rather than capital items as previously reflected in the financial statements in order to comply with GASB No. 49. Pollution remediation costs are identified as asbestos abatement, lead paint abatement, and soil contamination remediation project work performed at NYC Public Schools. For the fiscal year 2010, the Authority has classified \$140,391 as expenditures incurred for pollution remediation costs. For the fiscal year 2009, the Authority classified \$309,089 as expenditures incurred for pollution remediation costs. The Authority does not anticipate recovering any of these costs from other parties or agencies.

	2010	2009
<b>Pollution Remediation Expenditures (GASB No. 49)</b>		
Pollution Remediation Expenditures	\$ 170,872	\$ 158,543
Open commitments as of June 30	120,066	150,546
Payment of 2009 open commitments	<u>(150,546)</u>	<u>-</u>
<b>Total Expenditures</b>	<b>\$ 140,392</b>	<b>\$ 309,089</b>

**11. Pension Plans, Deferred Compensation Plan and Other Post-Employment Benefits**

**Pension Plans**

Substantially all of the Authority's employees have the option to participate in the New York City Board of Education Retirement System-Qualified Pension Plan ("BERS"), a cost sharing multiple employer defined benefit pension plan. Additionally, certain employees who were previously employed by The City may continue to participate in certain other retirement plans including those

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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*(in thousands)*

of the New York City Employee Retirement System and the Teachers' Retirement System of The City ("System").

Contributions to the pension plans are made by the Authority and the employees. Contributions paid or accrued by the Authority under these plans totaled \$8,625 and \$6,827 for fiscal year 2010 and 2009, respectively. The Authority's contributions are actuarially determined at rates that are designed to accumulate sufficient assets to pay benefits when due. Member contributions are determined by law and vary by plan. The retirement plans provide pension benefits to retired employees based on salary and length of service. In addition, the pension systems may provide for cost-of-living and other supplemental benefits to qualified retirees and beneficiaries. In the event of disability during employment, participants are entitled to retirement allowances based on satisfaction of certain service requirements and other provisions. The plans also provide death benefits.

Information regarding actuarial data including vested and unvested benefits, assets to fund such benefits, amortization of unfunded actuarial accrued liability, significant actuarial assumptions, date of actuarial valuation, significant changes in the System or other retirement plans or the effect of any such changes and accounting and reporting policies of the System or other retirement plans are not presented herein as BERS and other retirement plans are administered through agencies of The City. Information about these plans is included in the financial statements of The City or the DoE. Copies of plan reports may be obtained from The City or the plan's administrative agency.

The Authority's obligation associated with the Pension Plans is limited to its contributions to The City.

**Deferred Compensation Plan**

The employees of the Authority are eligible to participate in a deferred compensation plan administered by The City, in accordance with Internal Revenue Code Section 457 (the "Plan"). The Plan is available to all Authority employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable hardship. Pursuant to GASB No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", The City complied with the Internal Revenue Code 457 subsection (g) by establishing a fully funded trust account for employees (including those of the Authority), effective January 1, 1999. Consequently, all assets held under the Plan are restricted to the exclusive use of plan participants and their beneficiaries and are no longer subject to the claims of The City's general creditors.

**Other Post-Employment Benefits**

Subject to the provisions of The City's retirement system, the Authority provides other post-employment benefits through various welfare funds that cover retirees for various healthcare benefits not provided through the basic coverage. Welfare fund benefits may include, but are not limited to, prescription drug coverage and vision and dental coverage. In accordance with GASB No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The Authority has recorded net obligations of \$20,774 and \$19,500 with respect to its post-employment welfare fund benefits as of June 30, 2010 and 2009, respectively.

**New York City School Construction Authority**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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*(in thousands)*

**12. Subsequent Events**

The Authority has performed an evaluation of subsequent events through October 1, 2010, the date the financial statements were available for issuance.

**NYC School Construction Authority  
2010 Report to Management**



December 1, 2010

Members of the Audit Advisory Committee  
of the New York City School Construction Authority:

In planning and performing our audit of the financial statements of The New York City School Construction Authority (the "Authority") as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, of the AICPA Professional Standards includes the following definitions of a deficiency, a significant deficiency and a material weakness:

**Deficiency**—a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

**Significant Deficiency**—a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Material Weakness**—a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We have identified no significant deficiencies or material weaknesses as a result of performing our audit procedures. As agreed in our engagement letter, we are providing you with a report of all deficiencies that are of a lesser magnitude than a significant deficiency and operational, business and other observations.

If you would like any further information or would like to discuss any of the matters raised, please contact Valerie Wieman, (646) 471-5027.

Very truly yours,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

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I. **Site Visit Comments**

1. **Non-compliance with New York Prevailing Wage Law**

**Observation:**

The New York State Prevailing Wage Law requires the General Contractor to post the prevailing wage schedule at the construction sites for the benefit of the contractors and subcontractors. The New York State prevailing wage poster was not posted at any of the four construction sites visited.

**Implication:**

Failure to comply with the New York State Prevailing Wage Law could result in penalties and fines.

**Management's Response:**

Management agrees with this recommendation. Construction Management in conjunction with Labor Law will send a letter to all General Contractors advising them of the requirement to post the prevailing wage schedule at the construction sites for the benefit of contractors and subcontractors.

2. **Repeated Safety Violations**

**Observation:**

There were repeated safety violations noted on the sample site safety reports for one of the sites visited. The reports noted that there was a lack of perimeter protection and improper fall protection by steel erectors who did not properly tie off. Although the violations appeared to have been promptly addressed by the General Contractor on the day they were noted, the same type of safety violations re-occurred on subsequent days.

**Implication:**

Failure to comply with safety procedures increases the risk of injuries and insurance costs.

**Management's Response:**

Management agrees with this recommendation. Construction Management in conjunction with the Safety Unit will address the issue of recurring safety violations with contractors and bring the General Contractor in for a meeting at the SCA if these situations continue to occur. Safety Unit will advise Construction Management of continuing safety issues for a particular contractor as they occur.

## II. Information Technology Comments

### 1. Enhance the user provisioning process

#### Observation:

While there are procedures in place for provisioning user access to the Oracle Financials application, we noted three instances where the formal request and approval for additional access granted to existing users in the Oracle Financials application were not retained.

#### Implication:

Granting additional access to a user ID without documentation of a managerial approval increases the risk of inappropriate access to the application and may lead to unauthorized transactions processed in the system.

#### Recommendation:

Management should enhance their procedures for granting additional access to the Oracle Financials application to include a process for verifying and maintaining formal requests and authorizations for all modified user access to the Oracle Financials application.

#### Management Response:

Management agrees with the recommendation and has modified the existing IT Service Desk Manual and instructed all system administrators to ensure additional access will not be granted unless it is approved by the application manager and is documented in our Heat ticketing system. This process will be enforced for all Oracle Financials users and system administrators.

## III. Operational Comments

### 1. Review Year End Repairs and Maintenance Accruals

#### Observation:

While testing the Repair and Maintenance accounts, we noted that hardware expense had a credit balance. This resulted from the reversal of an accrual from the prior year that had been overstated. The overstatement was not material to the financial statements.

#### Implication:

The overbooking of accruals overstates the expense and liability and impacts the statement of activity upon reversal in the subsequent year.

#### Recommendation:

We recommend that Management provide an additional review of the accuracy of accruals prior to finalization of the financial statements.

#### Management's Response:

Management agrees with this recommendation. During the Fiscal Year 2010 year-end close process, an Operating Budget Report of Open Balances was run in September 2010 and compared against the June 2010 Report to determine the accuracy of the accrual and

eliminate the potential for an inaccurate accrual. The improvement to this process strengthened the Operating Budget accrual process and resulted in an accurate accrual. This process will be used annually to validate the Operating Budget accrual during year-end.

#### **IV. Status of Prior Year Observations**

##### **1. Information Security**

###### **a. Formally review user access**

Observation:

Access for Primavera Expedition users is not reviewed on a regular basis. In addition, the administrator account for the Primavera Expedition application is generic and shared amongst the group supporting the application. There are currently no procedures to log and monitor the generic ID's activity within the system.

A periodic review is not performed to ensure that Oracle Database generic IDs are appropriate. In 2010, we noted that there was no business justification for two Oracle Database generic IDs.

Implication:

The lack of timely recertification increases the risk of inappropriate access to systems and data. Additionally, access to the system may no longer be appropriate for the user's job functions.

The absence of unique user IDs for each person increases the risk that unauthorized transactions may be processed by individuals who cannot be identified. The risk is heightened when the generic account is the system administrator account.

Recommendation:

We recommend that Management implement a formal periodic review and recertification process to evaluate access for Primavera Expedition. The recertification process should include a review of the following elements:

- Review of all active user IDs from the application and their associated access rights
- Analysis of access rights to ensure duties are properly segregated
- Assignment of unique user IDs. If generic IDs are used, individual accountability should be maintained.

In addition, we recommend that Management enable and review audit logging of the Primavera Expedition generic accounts, including the administrator account, to ensure that no unauthorized updates are made that could potentially affect transaction processing.

We recommend that Management implement a formal periodic review of Oracle Database generic IDs. The review process should include a review of the appropriateness of all active generic IDs and their associated access rights.

Management Response:

While there are generic database IDs, there are NO Generic application IDs in the Primavera Expedition system. Each user has his/her own credentials, including ID and Password as per SCA policy. The database system IDs and passwords are restricted to designated individuals to ensure full accountability and traceability is maintained.

Each Expedition application ID has a level of security based on the person's role in the system and the project(s) to which they have access. The security and access is based on a user ID request / change form. These forms are approved by designated persons in the Construction Management department, the A&E department or the IT department (for administrative users).

Management agrees with the finding that a periodic review is necessary to ensure proper access levels and security settings are appropriate. The IT department in conjunction with business functions will generate a report of all users and their access levels. Each business unit's management will attest that individuals in their groups' access levels are still appropriate, and that adequate separation of duties exists in the business function. Likewise, IT will perform the same tests for administrative users.

Any inappropriate access levels that are identified will be remediated immediately.

Due to the fact that Expedition is in the middle of a major upgrade, we plan to have the process in place for the new version (CM13), which is scheduled to go live by fiscal year ended June 30, 2011.

**b. Remove terminated users on a timely basis**

Observation:

We noted four instances when the system access for terminated employees was not revoked upon their termination.

Implication:

Failure to remove user access in a timely manner upon termination can potentially compromise the integrity of the Authority's data and could result in unauthorized data access and manipulation.

Recommendation:

We recommend that Management improve the timeliness of communication with the IT department by the HR department and that Management ensure system and application accounts are disabled in a timely manner upon termination.

Management Response:

Management agrees with the recommendation and has modified existing processes and procedures documented in the IT Service Desk Manual to ensure all terminated users' Windows, Expedition and Oracle Financials logins are disabled in a timely manner. All exceptions will require upper management approval and will be documented in the Heat ticket for each case. All exceptions will be followed up monthly until closed.

IT will look into implementing system integration with the new HR system to trigger automatic workflow to disable network and systems access once a user is terminated.

Management will continue to produce "45-day inactive" reports and account last login reports, as well as performing random checks on a quarterly basis to ensure this process change is followed.

**c. Strengthen password parameters within the system**

Observation:

Password configurations are not consistently established. We noted that the password complexity requirement for Primavera Expedition is not enabled. We noted that the password complexity and lockout are not enabled for the Oracle Financials application. We also noted that the password expiration for one individual Oracle Financials user ID was indefinite.

Implication:

Without strong access controls in the network and application layers, there is an increased risk of inappropriate/unauthorized access to systems.

Recommendation:

We recommend that Management strengthen its application authentication controls. Management should enable password complexity, password history, and where possible, password lockout policies. Also, management should ensure that the password expiration configuration is consistent with policy.

Management Response:

Management agrees with the recommendation and has taken action to enable the Windows LDAP authentication option when we release the upgraded version of Expedition (Contract Manager), which is expected to be completed by the end of this fiscal year. Windows LDAP authentication will be listed as a required feature in the Oracle Financials R12 upgrade, which is tentatively scheduled for Fiscal Year 2012. We will begin an internal process to review Oracle Financials password configuration for all users to ensure it is in line with our password policy.

**2. IT Operations**

**a. Continue to enhance disaster recovery and business continuity plans**

Observation:

A high-level disaster recovery and business continuity plan is currently being developed, but has not been finalized. The detailed recovery procedures with respect to this observation relate to the overall recovery of critical business processes in the event of a disaster (e.g., a flood). In addition, although a Business Impact Analysis (a process that determines the length of time that alternative procedures can be performed before significantly impacting ongoing business operations) was conducted, Management has not completed the development of a formal Business Continuity Plan for critical business functions at the local level. For example, the plan should include what critical steps in payroll would need to be performed off site should the payroll center be incapacitated.

Implication:

The lack of comprehensive disaster recovery and business continuity plans increases the risk of a prolonged and potentially inadequate recovery, which may result in financial losses and business and operational difficulties.

Recommendation:

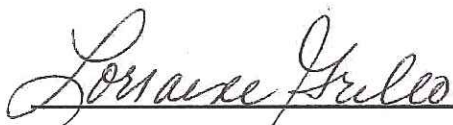
We recommend that Management complete a comprehensive disaster recovery and business continuity plan. In addition, we recommend that the current disaster recovery plan for the IT department be reviewed and updated and that such plan include instructions for recovery of data processing. All plans should be tested for operating effectiveness on a regular basis.

Management Response:

Management agrees with the recommendation and will continue the IT disaster recovery effort begun last year. IT will develop the IT disaster recovery plan, document an annual review and update procedure to ensure the recovery plan is kept up-to-date. IT will issue an RFP to potential vendor(s) to provide space and resources for the IT disaster recovery effort. IT will review the risk assessment report produced by KPMG and come up with plan to remediate risks identified. Once the contract is awarded and the DR site is ready, we will conduct annual testing to validate the recovery plan and operating effectiveness against the new DR site.

## Public Authorities Accountability Act Officer's Certification

I, Lorraine Grillo, President and CEO, and I, Marianne Egri, Vice President of Finance & Information Technology, to the best of our knowledge and beliefs, make the following certifications regarding the financial reports included in the New York City School Construction Authority's Public Accountability Act Annual Report: (a) the information provided therein is accurate, correct, and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as, of, and for, the year ended June 30, 2010.



Lorraine Grillo, President & CEO

3-22-11

Date



Marianne Egri, Vice President of Finance & Information Technology

3/22/11

Date

## **FY10 Projects and Key Accomplishments**

### **Design and Construction**

Total expenditures were \$3.1 billion in FY 10. As of June 30, 2010, the SCA had 436 projects worth \$3.5 billion in construction. There were 382 projects in scope and design with an estimated construction value of \$1.5 billion.

In FY10, the SCA awarded 11 contracts for new schools and additions valued at \$ 560 million. The SCA also awarded 546 projects for Capital Improvement totaling \$806 million. Total capital commitments in FY10 exceeded \$ 2.2 billion.

Among the major projects completed in FY10 (September, 2009 and September, 2010 school openings) are:

- Cesium Toro Mullane School, Brooklyn, 700 seats (\$50,875,000)
- PS 861 a/k/a Elizabeth Connelly Campus, Staten Island, 822 seats (\$50,539,000)
- Frank Sinatra High School, Queens, 998 seats (\$77,725,000)
- James Monroe High School Annex, Bronx, 1,144 seats (\$57,790,000)
- New Utrecht High School Addition, Brooklyn, 442 seats (\$29,565,704)
- PS 229 Addition, Brooklyn, 650 seats (\$41,742,000)
- PS/IS 102 Addition, Queens, 936 seats (\$56,222,000)
- PS/IS 113 Addition, Queens, 446 seats (\$38,975,000)
- PS/IS 128, Queens, 648 seats (\$49,450,000)
- PS/IS 237, Brooklyn, 1,154 seats (\$56,587,000)
- PS/IS 366, Brooklyn, 506 seats (\$34,444,000)
- PS/IS 49 Addition, Queens, 410 seats (\$33,220,861)
- Sunset Park High School, Brooklyn, 1,650 seats (\$77,425,000)
- Reverend James A. Polite Ave School Campus, Bronx, 723 seats (\$21,971,000)
- The Willie Ella Paschal Bowman Campus, Bronx, 416 seats (\$24,926,000)
- Achievement First Endeavor Charter School, Brooklyn, 696 seats (\$38,112,577)
- Crown Heights Charter School, Brooklyn, 1,600 seats (\$63,520,000)
- Early Childhood Center (ECC) 361 @ PS 94, Bronx, 490 Seats (\$33,670,000)
- Eagle Academy HS, Bronx, 577 seats (\$41,500,000)
- IS 259 Addition, Brooklyn, 433 seats (\$38,339,000)
- MS 114 (ECF), Manhattan, 544 seats (\$45,525,000)
- Metropolitan Avenue Campus, Queens, 1,911 seats (\$158,000,000)
- Mott Haven Educational Campus, Queens, 2,310 seats (\$157,820,000)
- New Gateway HS, Queens, 805 seats (\$70,877,000)
- PS 13 Addition, Queens, 707 seats (\$41,250,000)
- PS 273, Queens, 379 seats (\$22,850,000)
- PS 971, Brooklyn, 378 seats (\$25,495,000)
- PS/IS 263, Manhattan, 600 seats (\$50,721,000)

- PS/IS 338, Bronx, 642 seats (\$50,897,000)
- PS/IS 279 Addition, Bronx, 712 seats (\$45,737,000)
- PS/IS 665 @ PS 163, Brooklyn, 665 seats (\$59,834,000)
- Van Nest & Icahn North Charter Schools, Bronx, 911 seats (\$12,613,630)

Major projects awarded in FY10 and currently under construction include:

- IS/HS 404, Queens, 1,071 seats (\$61,098,000)
- PS 310, Brooklyn, 367 seats (\$26,400,000)
- PS 331, Brooklyn, 708 seats, (\$51,133,300)
- PS 59/Art & Design HS, Manhattan, 2,160 seats (\$170,931,000)
- PS/IS 177, Bronx, 640 seats (\$48,888,000)
- PS/IS 281, Manhattan, 640 seats (\$47,580,000)
- PS/IS 51, Manhattan, 640 seats (\$54,730,000)

## **Capital Plan Accomplishments**

### **In General**

- Overhauled design standards
- Simplified contractor qualification process
- Increased competition among top-tier firms
- Aggressive outreach to M/W/LBE community
- Project Labor Agreement (PLA)
- Developed and implemented Green Design Standards
- Improved SCA internal operating efficiencies

### **FY 2010 – 2014 Capital Plan Priorities**

- Address capacity need on a neighborhood basis
- Ensure the stability of out existing facilities
- Continue instructional enhancement program
- Allocate limited resources effectively

## **Other Accomplishments**

### **Restructuring**

Twenty (20) large high school campuses have been transformed into smaller learning campuses through multi-year projects in which individual schools are provided with independent learning spaces and share common facilities.

### **Enhanced Operational Efficiencies**

- Improved prequalification process
- Improved payment performance
- Improved change order and close-out
- Developed electronic consultant evaluation system
- Developed internet site that is more transparent and easier to navigate

### **Strategic Initiatives**

Development of a new centralized training function, improvements to the Primavera implementation for better project controls, a refined costing system for capital planning, and improved transparency and increased communication with stakeholders.

### **Labor Law Compliance**

An electronic certified payroll reporting system for contractors was developed and implemented.

Real Property Disposal Bulk Load Worksheet  
Version 1.6

In accordance with Public Authorities Law, please provide information on the following:  
Any real property of the authority having an estimated fair market value in excess of \$15,000 that the authority either acquired or disposed of during the reporting period.  
Columns whose names contain "FMV" are required and must have values for each record to be loaded. Do not enter blank lines, as a blank line (a line with no information) will be regarded as the end of the file. Do not enter commas, letters or \$ signs in numeric fields.  
This worksheet must be saved as type "csv" in order to be uploaded to PARIS. Select "Save As" from the "File" menu above and select "CSV (comma delimited)" as the file type.  
Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you selectively check validation in rows that you have copied data into.

Lease Data (if applicable)															
Address Line 1	City	State	Postal Code	Country	Property Description	Estimated Fair FMV Market Value	How was FMV determined?	Transaction Type	If Other, Explain	Transaction Date	Purchase/Sale Price	Market Rate	Lease Period (Months)	Competitively bid?	Was the real property acquisition/disposal transaction?
45-35 Van Dam Street	Long Island City	NY	11101	USA	Commercial Building	14,000,000.00	Appraisal	Acquisition		7/14/2009	13,000,000.00				N
368 88th Street	Brooklyn	NY	11206	USA	Vacant Lot/Undeveloped Land	1,500,000.00	Appraisal	Acquisition		7/28/2009	1,800,000.00				N
3177 Webster Avenue	Bronx	NY	10467	USA	Vacant Lot/Undeveloped Land	7,000,000.00	Appraisal	Acquisition		8/12/2009	7,200,000.00				N
364 Ovington Avenue	Brooklyn	NY	11209	USA	Vacant Lot/Undeveloped Land	7,100,000.00	Appraisal	Acquisition		9/11/2009	9,750,000.00				N
2126 Barnes Avenue	Bronx	NY	10462	USA	Commercial Building	4,125,000.00	Appraisal	Acquisition		12/8/2009	4,000,000.00				N
616 First Avenue	New York	NY	10016	USA	Vacant Lot/Undeveloped Land	26,000,000.00	Other	Acquisition	Market Analysis-\$/sf	12/23/2009	33,250,000.00				N
213 East 63rd Street	New York	NY	10155	USA	Commercial Building	32,215,579.00	Other	Acquisition	Lease w/Purchase Option	2/19/2010	32,315,579.00				N
1050 Tanager Street	Staten Island	NY	10304	USA	Mixed Use	5,960,000.00	Appraisal	Acquisition		3/19/2010	6,250,000.00				N
504 West 158th Street	New York	NY	10032	USA	Vacant Lot/Undeveloped Land	5,200,000.00	Appraisal	Acquisition		3/24/2010	5,200,000.00				N
323 East 91st Street	New York	NY	10128	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	7/1/2009	0	23	22.78		36
71-11 12th Street	Forest Hills	NY	11375	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	8/19/2009	0	29.5	24		120
108-43 Sutphin Boulevard	Jamaica	NY	11435	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	8/19/2009	0	18	18		60
112 Schermerhorn Street	Brooklyn	NY	11201	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	8/20/2009	0	25	31		60
27 Barrow Street	New York	NY	10014	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	8/25/2009	0	45	55.77		12
48-29 37th Street	Long Island City	NY	11101	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	9/15/2009	0	21	20.5		60
77 Clinton Avenue	Brooklyn	NY	11205	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	10/27/2009	0	25	19		120
33-39 West 13th Street	New York	NY	10011	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	12/23/2009	0	45	32		180
1150 East New York Avenue	Brooklyn	NY	11233	USA	Commercial Building	32,215,579.00	Other	Acquisition	Market Analysis-\$/sf	1/6/2010	0	17	16.5		180
80 Maiden Lane	New York	NY	10007	USA	Office Building	0	Other	Acquisition	Market Analysis-\$/sf	2/1/2010	0	35	34.47		120
26 Broadway	New York	NY	10004	USA	Office Building	0	Other	Acquisition	Market Analysis-\$/sf	2/3/2010	0	40	32		360
51 Astor Place	New York	NY	10019	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	3/24/2010	0	37.5	33.5		17
83-34 Kew Gardens Road	Kew Gardens	NY	11415	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	3/16/2010	0	25	18.25		180
93-15 35th Avenue	Jackson Heights	NY	11372	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	3/23/2010	0	19	17.3		480
34-34 94th Street	Jackson Heights	NY	11372	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	3/23/2010	0	22	20		480
63-25 88th Street	Middle Village	NY	11379	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	3/31/2010	0	24	16		180
45-18 Court Square	Long Island City	NY	11101	USA	Commercial Building	0	Other	Acquisition	Market Analysis-\$/sf	4/8/2010	0	23	21.75		120
371 Palmetto Street	Brooklyn	NY	11237	USA	Commercial Building	0	Other	Acquisition	Operating Expenses-\$/sf	4/15/2010	0	15.5	15.5		360
1474 Gates Avenue	Brooklyn	NY	11237	USA	Vacant Lot/Undeveloped Land	0	Other	Acquisition	Operating Expenses-\$/sf	4/15/2010	0	14.08	14.08		24
352 Park Ave South	New York	NY	10010	USA	Office Building	0	Other	Acquisition	Market Analysis-\$/sf	6/23/2010	0	32	32		180

Note: either Organization or Last Name/First Name are required.

Explain why a competitive bid process was not used for acquiring/disposing of the property.	Seller/Purchaser/Tenant Organization	Address Line 1	City	State	Postal Code	Country	Does the Seller/Purchaser/Tenant have, or had within the last two years, a personal or professional relationship with a Board member or senior management of the authority?
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Trust Under Arnold Levitin, ANL Properties, LP and NANLOU LLC	505 8th Avenue	New York	NY	10018	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	James Panielidis General Partner Adelphi Realty	14 West 23rd Street	New York	NY	10010	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	3177 Webster Avenue LLC	15 Verbena Avenue	Floral Park	NY	11001	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Bay Ridge United Methodist Church	364 Ovington Avenue	Brooklyn	NY	11209	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Young Israel of Pelham Parkway	2126 Barnes Avenue	Bronx	NY	10462	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	616 1st Avenue Realty	9 West 57th Street	New York	NY	10019	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	213 East 63rd Street LLC	950 Third Avenue	New York	NY	10095	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Staten Island University Hospital	470 Seaview Avenue	Staten Island	NY	10305	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	NYC Housing Authority	259 Broadway	New York	NY	10007	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Our Lady of Good Counsel Roman Catholic Church	230 East 90th Street	New York	NY	10128	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Reform Temple of Forest Hills	71-11 112th Street	Forest Hills	NY	11375	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	St. Joseph's Roman Catholic Church	153-00 Arlington Terrace	Jamaica	NY	11435	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	NY Quarterly Meeting of the Religious Society of Friends	15 Rutherford Place	New York	NY	10003	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Greenwich House, Inc.	224 West 30th Street	New York	NY	10001	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	St. Raphael's Roman Catholic Church	35-20 Greenpoint Avenue	Long Island City	NY	11101	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Clinton Association of Kings Inc.	1481 41st Street	Brooklyn	NY	11219	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Samson Associates LLC	37 West 13th Street	New York	NY	10011	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	1150 East Associates, LLC	285 Madison Avenue	New York	NY	10017	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	8090 Maiden New York, LLC	352 Seventh Avenue	New York	NY	10001	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Broadway 26 Waterview, LLC	404 Fifth Avenue	New York	NY	10018	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	JSM Associates c/o Edward J. Minskoff Equities, Inc.	1325 Avenue of the Americas	New York	NY	10019	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	CDI Development Inc.	525 Northern Boulevard	Great Neck	NY	11021	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of the Blessed Sacrament	34-43 93rd Street	Jackson Heights	NY	11372	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of the Blessed Sacrament	34-43 93rd Street	Jackson Heights	NY	11372	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Day-Mar Realty Ltd.	5414 New Utrecht Avenue	Brooklyn	NY	11219	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	45-18 LLC c/o Abro Management	734 West Broadway	Woodmere	NY	11598	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Ridgewood Bushwick Senior Citizens Council	217 Wyckoff Avenue	Brooklyn	NY	11237	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Ridgewood Bushwick Senior Citizens Council	217 Wyckoff Avenue	Brooklyn	NY	11237	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	352 Park Avenue Associates	352 Park Avenue South	New York	NY	10010	USA	N

# **Code of Business Ethics**

## ***Ethics Guidance for Working Partners of the New York City School Construction Authority***

### **Introduction**

The New York City School Construction Authority (the "Authority"), a public-benefit corporation, requires its members, officers and employees, as well as the contractors, consultants and vendors with whom the Authority interacts -- its Working Partners -- to adhere to the highest ethical standards.

The Authority is governed by Chapter 68 of the New York City Charter ("Conflicts of Interest"). The Authority also requires that all of its members, officers and employees perform their official duties consistent with the requirements of the New York State Public Officers Law, and other applicable laws, rules, and regulations, and comply with the Authority's own internal policies.

The Authority encourages and supports a fair, open and honest business relationship with its Working Partners based on quality, service, price, and business integrity. The Authority believes that this objective can be achieved only if the Authority's employees and its Working Partners adhere to a high standard of ethical business practices.

### **Conduct of Authority Members, Officers and Employees**

Authority employees are required to conduct business with our Working Partners in a fair and professional manner. Chapter 68 provides the legal framework governing the conduct of Authority employees. The Authority also has its own internal Code of Ethics to which the members of the Authority must adhere.

### **Ethics Programs**

In addition to considering technical competence and financial capability, the Authority assesses the corporate integrity of its Working Partners through its prequalification process. Contractors seeking to do business with the Authority must first successfully be screened through this prequalification in order to be able to participate in bidding on Authority contracts and projects.

The Authority encourages its Working Partners to advance and support ethical business conduct and practices among their respective directors, officers and employees, preferably through the adoption of corporate ethics awareness training programs and written codes of conduct, copies of which are available through the Authority.

To promote ethical business practices, our Working Partners are expected to:

- Furnish all goods, materials and services to the Authority as contractually required and specified;
- Submit complete and accurate documents to the Authority as required;
- Refrain from seeking, soliciting, demanding or accepting from the Authority any information, whether verbal, written or in electronic form, that gives them an unfair advantage over a competitor;
- Refrain from engaging in any activity or course of conduct that restricts open and fair competition on Authority-related projects and transactions;
- Refrain from engaging in any activity or course of conduct with Authority employees or its agents that constitutes a conflict of interest, in fact or in appearance;
- Refrain from offering any gifts, gratuities or anything of value to Authority employees in excess of \$1.00
- Refrain from engaging in any other conduct that violates Chapter 68, or any other laws, regulations, or Authority policies; and
- Report to the Authority any activity by an Authority employee or Working Partner that appears to violate Charter 68 or any other laws, regulations, or Authority policies.

### **No Gifts to Authority Employees**

Section 73(5) of the Public Officers Law expressly prohibits any firm or its agents, either doing or seeking to do business with the Authority, from directly or indirectly offering or giving any gift having more than a nominal value to an Authority employee under circumstances in which it:

- could be reasonably inferred the gift was intended to influence the employee in the performance of his or her official duties, or
- could reasonably be expected to influence the employee in the performance of his or her official duties, or
- was intended as a reward for the employee's official action.

Such prohibited gifts include, in addition to cash, a service, a loan, travel, lodging, meals, refreshments, entertainment, a discount, forbearance or a promise.

Because gifts from Working Partners can *per se* be inferred to be intended to influence or reward official action, gifts of greater than nominal value would be prohibited by Section 73(5). *See also Chapter 68 Section 2604(b)(5).*

Although Authority employees are governed by the New York State Public Officers Law and the Chapter 68 of the New York City Charter, the Authority has adopted a stricter standard in its own internal policy, prohibiting an Authority employee from accepting anything of value in excess of one dollar (\$1.00) from any individual or entity seeking to do business with the Authority. Our Working Partners should not offer to Authority

employees gifts of *any* value, and Authority employees are obligated to immediately report any such violation. Violations of the gift provisions may be grounds for contract termination and/or referral for civil action or criminal prosecution.

### **Employing Relatives of Authority Employees**

Although Working Partners may employ relatives of Authority employees, the Authority must be made aware of such circumstances as soon as possible, preferably in writing, to ensure a conflict of interest situation does not arise. The Authority reserves the right to request that its Working Partners modify the work assignment of an Authority employee's relative where a conflict of interest, or the appearance thereof, is deemed to exist. Under no circumstances should an Authority employee have an involvement in the solicitation for or hiring of a relative by a Working Partner.

### **Hiring of Authority Employees by a Working Partner**

Our Working Partners may hire former Authority employees; however, Chapter 68 prohibits the former employee from appearing before the Authority for a period of one (1) year following the employee's separation from Authority service. In addition, former Authority employees are subject to a "lifetime bar" which prevents them from working on or receiving compensation for services regarding any transaction in which they participated in a personal and substantial manner or which was under their active consideration during their tenure with the Authority.

### **Questions**

Questions relating to these guidelines should be directed to the Authority's Vice President & General Counsel at (718) 472-8220.

When in doubt, please seek guidance.

# **Assessment of the Effectiveness of Internal Control Structures and Procedures**

## **1. Describe the review process used by the Authority during FY10 to assure that internal controls were evaluated regularly**

- Departments complete self-evaluations based upon internal training and instruction. Departments identify key functions, potential risks, related controls, and recommended policy changes as appropriate.
- The SCA continuously assesses its risk management policies and procedures.
- The SCA continuously updates and improves its project and financial tracking systems.
- The SCA's Information Technology department continues to create and enhance its web site and computer operations to increase the information base to staff, contractors, and consultants,
- The SCA's Internal Auditor performs internal audits of business operations and programs.
- The financial statement audits are conducted by the SCA's independent certified public accounting firm which includes a review of major internal accounting controls.

## **2. List all high-risk activities and indicate which were evaluated during FY10**

- The SCA reviewed its internal financial and accounting controls which were also evaluated by the SCA's internal auditor and independent certified public accountants as part of the audit of the SCA's financial statements. The internal auditors performed audits of the SCA's accounting, project management, capital planning process, bid and award procedures, change order review, approval and payment processes, and audits of other programmatic activities based on perceived risk. In addition, the SCA prepares a Fraud Prevention Assessment each year that is submitted to the New York City Department of Investigation for its review. The SCA is also preparing an updated Disaster Recovery/Business Continuity Plan.

- 3. Identify the significant deficiencies revealed through the FY10 review process. Outline the actions taken or planned to eliminate the deficiencies. Highlight the most important internal control improvements made during the fiscal year.**
- Although no significant deficiencies were identified during FY10, Fraud Prevention Assessment highlighted areas of potential concern and set forth the improvements that had been made, including:
    1. Implementation of on-line ethics training program;
    2. Audit of controlled inspection firms;
    3. Implementation of electronic prevailing wage compliance system;
    4. Contract bid and award certification that contractor is not under criminal investigation or charged with crimes: and
    5. Electronic submission of prequalification application.
- 4. Describe the monitoring system installed by the SCA to verify that corrective actions are taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.**
- The SCA's Director of Internal Audit tracks the implementation of recommendations that have been accepted by management and reports to the Vice President & General Counsel and the Audit Advisory Committee. This report sets forth dates by which recommendations must be implemented, and any delay in doing so and the reasons therefore.
- 5. Summarize specific actions the SCA has taken to install a compliance testing program.**
- Formal compliance testing of internal controls is performed during internal audits within various departments. Controls are also reviewed through management's oversight of SCA business functions and operations. In addition, the SCA's actions are subject to audit by its outside auditor.

**6. Discuss the methods used in FY10 to provide internal control education and training to keep the SCA staff aware of the needs for internal controls.**

- Training sessions by each department are periodically conducted to highlight the nature and types of potential risks and the identification of internal controls in place. The involvement of SCA staff in the internal audit process serves as a reminder of the need to assess continually the adequacy of internal controls and compliance with them.

**7. Describe measures to sustain the effectiveness of the internal control program during FY10. Include information on reorganizations and other revisions in the program to enhance operations.**

- The recommendations contained in the internal audits of the SCA's operations and construction program assure the sustained effectiveness of the SCA's internal control efforts. The SCA maintains a continuous process to draft and revise policies and operational guidelines to insure that audit recommendations are implemented.

**8. For those agencies required by BPRM Item B-350 to have an internal audit function, demonstrate how that function complies with requirements of the Internal Control Act and professional IA standards.**

- Although it is not required by law to do so, the SCA maintains an internal control function. Cheryl Hood-Francis is the Director of Internal Audit and reports to the Audit Advisory Committee and administratively to the SCA's Vice President & General Counsel. Prior to her current position, Ms. Hood-Francis was the Director of Capital Planning for the New York City Department of Education.

The IA function is independent from the processing of transactions and other management activities that would impair its objectivity. Each of the members of the Audit Advisory Committee is independent of and has no employment relationship with the SCA. All controls and procedures recommended by the internal auditor must be implemented by the senior manager in the organization responsible for the specific issues addressed in a particular internal audit.

The IA department develops and follows a risk-based audit plan. When audits are conducted, internal controls are evaluated, weaknesses are identified, and recommendations for corrective action are made. The internal audit staff maintains adequate work papers and conducts repeat audits as appropriate for significant matters, functions, and processes.

**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**

- The IA function is independent from the processing of transactions and other management activities that would impair the independence of the IA Department and the Audit Advisory Committee. Further, any recommended controls and control enhancements are the responsibility of the managers in the organization that are responsible for the related functions. Those managers must implement the appropriate procedures and controls for all audit recommendations that are made.

**A demonstration of how the IA function conducts its operations in accordance with professional IA standards by responding to the following questions:**

- a. Does the IA function develop and follow a risk based audit plan? Yes**
  - b. When audits are conducted, are internal controls evaluated, weaknesses identified and recommendations made to correct those weaknesses? Yes**
  - c. Does the IA function maintain adequate work papers? Yes**
  - d. Does the IA function conduct follow-up audits? Yes, for significant where follow-up prior to a subsequent cycle is appropriate.**
9. **Outline the specific actions taken to implement recommendations included in the Internal Control Task Force report, *“The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.”***
- See responses above. In addition, Internal Audit is conducting a self-assessment and customer satisfaction survey to assure that its services are in compliance with SCA internal control policies and procedures.

# Internal Control Certification

**Authority Name:**

New York City School Construction Authority

**President & CEO:**

Lorraine Grillo

**Authority Address:**

30-30 Thomson Avenue, Long Island City, NY 11101

**Telephone Number:**

(718) 472-8000

**Internal Control Officer:**

Cheryl Hood-Francis

**Address:**

30-30 Thomson Avenue, Long Island City, NY 11101

**Telephone Number:**

(718) 472-8320

**Email address of Internal Control Officer:**

choodfrancis@nycsca.org

I hereby certify that the New York City School Construction Authority ("Authority") has complied with the following provisions regarding its internal controls:

- A. Establish and maintain guidelines for a system of internal controls for the Authority. Internal control guidelines communicate the management and programmatic objectives of the Authority to its employees and provide the methods and procedures used to assess the effectiveness of the Authority's internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the Authority. 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 Authority's internal controls.

- C. Make available to each officer and employee of the Authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of the Authority shall be expected to comply. Such statements shall emphasize the importance of effective internal controls to the Authority and the responsibility of each officer and employee for effective internal controls.
  - D. Designate an internal control officer, who shall report to the head of the Authority or her designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item.
  - E. Implement education and training efforts to ensure that officers and employees within the Authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
  - F. Periodically evaluate the effectiveness of the internal audit function.
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Lorraine Grillo  
President & CEO

March, 2011