

NYC School Construction Authority

**Public Authorities
Accountability Act
Annual Report**

Fiscal Year 2012

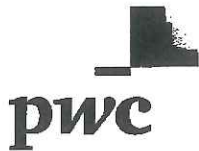
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**New York City School
Construction Authority**
Financial Statements
June 30, 2012 and 2011

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June 30, 2012 and 2011

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Report of Independent Auditors

To 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 Statement of Activities present fairly, in all material respects, the financial position of the New York City School Construction Authority (the "Authority") at June 30, 2012 and June 30, 2011, 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, 2012 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

September 14, 2012

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

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, 2012 and 2011.

Overview of Financial Performance

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") 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.

The Authority is in the third year of the five-year capital plan for the fiscal years 2010 through 2014. The total appropriation for this five-year capital plan is \$11.01 billion. Commitments for contractual obligations increased by \$861 million from fiscal year 2011 to fiscal year 2012. This increase resulted from the Authority awarding more construction contracts in fiscal year 2012. The Authority processed \$1,787 million in construction payments and payments related to general and administrative expenses during fiscal year 2012 as compared to \$1,863 million in fiscal year 2011. 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 2011, the Authority committed over \$1,742 million in total contract obligations for school construction projects as compared to \$2,258 million in fiscal year 2010. The Authority processed approximately \$1,863 million in construction payments and payments related to general and administrative expenses during fiscal year 2011 as compared to \$2,728 million in fiscal year 2010. The largest portion of the Authority's assets is in construction in progress, which is eventually transferred to the ("DoE") for capitalization once the project is completed.

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 control 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 DoE, 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 discrete 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. Revenue in fiscal year 2012 compared to fiscal year 2011 was substantially unchanged.

For fiscal year 2012, the Authority awarded construction contracts for 24 new schools and additions with a construction value of \$812.5 million and 416 capital improvement or renovation projects with a construction value of \$619.1 million. The Authority completed 13 new schools and additions September 2012, which created 9,453 seat openings for the 2012/2013 school year.

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

For fiscal year 2011, the Authority awarded construction contracts for 6 new schools and additions with a construction value of \$190.7 million and 454 capital improvement or renovation projects with a construction value of \$617.7 million. The Authority completed 8 new schools and additions as of September 2011, which created 3,684 seat openings for the school year.

The decrease in revenue from fiscal year 2010 to fiscal year 2011 was \$830 million or 27%. This decrease resulted from a decrease in capital project expenses.

The Authority's operating expenses decreased \$871 million from fiscal year 2011 to fiscal year 2012. In fiscal year 2012, the decrease in operating expenses resulted from a decrease in completed contracts transferred to the DoE.

The Authority's operating expenses decreased \$886 million from fiscal year 2010 to fiscal year 2011. This decrease resulted from a decrease in the value of completed contracts transferred to the DoE for capitalization as fixed assets.

Financial Highlights

The Authority's total assets and fund balance increased during fiscal year 2012. The factors driving this increase are an increase in construction in progress and a decrease in total liabilities.

The Authority's net assets in the Government-wide financials increased by \$175 million from fiscal year 2011 to fiscal year 2012. This increase in net assets is principally due to an increase in construction in progress and a decrease in total liabilities.

Completed contracts transferred to the DoE decreased from \$2,538 million in fiscal year 2011 to \$1,668 million fiscal year 2012. This decrease is consistent with the decrease in capital project expenditures during the last two fiscal years. All projects transferred were determined by the Authority's Project Management Division to be substantially completed or occupied as of June 30, 2012. 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 net assets in the Government-wide financials decreased by \$642 million from fiscal year 2010 to fiscal year 2011. This decrease in net assets is principally due to the higher volume of completed contracts transferred to the DoE in fiscal year 2011.

The assets of the Authority exceeded its liabilities at the close of fiscal year 2012 and 2011 by \$2,667 million and \$2,492 million, respectively. 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.

Total Government-wide assets from fiscal year 2011 to fiscal year 2012 increased by \$59 million. The increase in total assets in fiscal year 2012 was primarily due to an increase in construction in progress offset by a decrease in the receivable due from the City for accrued expenditures. From fiscal year 2010 to fiscal year 2011, total Government-wide assets decreased by \$744 million. The decrease in total assets in fiscal year 2011 was principally due to the transfer of completed projects to the DoE for capitalization as fixed assets.

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

Cash and Temporary Investments increased by \$27 million from fiscal year 2011 to fiscal year 2012. The increase is principally due to contributions received from Partnership Agreements between the Authority, the Lower Manhattan Development Corp. and the New Settlement Community Campus Corp. for the construction of public schools. This cash is collateralized through JP Morgan Chase with the Federal Reserve of Boston and invested in U.S. Treasury Notes. The cash is held temporarily by the Authority for capital project expenditures.

Cash increased by \$26 million from fiscal year 2010 to fiscal year 2011. The increase is principally due to the maturity of US Treasury Bills of \$25 million. The amount of \$25 million was reinvested in US Treasury Bills in July 2011 and has a maturity date of January 12, 2012.

Liabilities decreased \$115 million from fiscal year 2011 to fiscal year 2012, principally as a result of a decrease in accounts payable, accrued liabilities, and retainage held for construction projects. The decrease is a result of lower volume of construction expenditures in fiscal year 2012.

Liabilities decreased \$103 million from fiscal year 2010 to fiscal year 2011, principally as a result of a decrease in accounts payable, accrued liabilities and retainage held for construction projects. The decrease is a result of lower volume of construction expenditures in fiscal year 2012.

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. For the fiscal year 2012, the Authority has classified \$88 million as expenditures incurred for pollution remediation costs. For the fiscal year 2011, the Authority classified \$119 million as expenditures incurred for pollution remediation costs (Note 10 to the Financial Statements).

Funding for all Capacity Projects in fiscal years 2013 and 2014 is anticipated to be a combined \$2.2 billion. Approximately \$1 billion is anticipated for fiscal years 2013 and 2014 for Capital Improvements to existing facilities including a lighting replacement program. The total number of seats created by the current five-year capital plan is projected to be 33,888.

Reconciliation of Net Assets and Change in Net Assets

The change in "fund balance/ net assets" is calculated based on the change from prior year between assets and liabilities of 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 and pollution remediation expenditures. The transfers to the DoE 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, 2012 and 2011

(in thousands)

	2012		2011	
	Capital Project Fund	Adjustments (Note 1)	Government Wide	Capital Project Fund
Assets				Adjustments Government Wide
Cash	\$ 37,117	\$ -	\$ 37,117	\$ -
Temporary investments	35,000	-	35,000	-
Due from The City of New York	450,973	32,325	483,298	28,861
Prepaid expenses & other assets	27,609	-	27,609	-
Other assets	21,716	-	21,716	-
Securities in lieu of cash retainage	9,755	-	9,755	-
Fixed assets, net	-	4,069	4,069	-
Construction in progress, assets held for The City of New York	-	2,654,915	2,654,915	6,280
Total assets	582,170	2,691,309	3,273,479	2,567,298
Liabilities				
Accounts payable and accrued liabilities	\$ 348,214	\$ 25,726	\$ 373,940	\$ 23,492
Retainage payable	146,918	-	146,918	-
Pollution remediation payable	-	74,167	74,167	107,266
Accrued annual leave obligation	5,157	-	5,157	-
Accrued sick leave obligation	-	4,099	4,099	4,268
Accrued claims and contingencies	-	2,500	2,500	1,100
Total liabilities	500,289	106,492	606,781	136,126
Fund balances/net assets				
Total fund balances - restricted	81,881	2,584,817	60,955	2,431,172
Total net assets			\$ 2,666,698	
Total liabilities and fund balances	\$ 582,170	\$ 2,691,309	\$ 646,769	\$ 2,567,298

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

New York City School Construction Authority
Statements of Activities
Years Ended June 30, 2012 and 2011

(in thousands)

	2012		2011	
	Capital Project Fund	Adjustments (Note 1) Government Wide	Capital Project Fund	Adjustments (Note 1) Government Wide
Revenues				
Operating revenues from or due from The City of New York	\$ 1,902,106	\$ -	\$ 2,009,489	\$ -
Operating revenues for payments made on behalf of DOE	207,130	207,130	178,046	178,046
Total revenues	<u>2,109,236</u>	<u>2,109,236</u>	<u>2,187,535</u>	<u>2,187,535</u>
Expenditures/expenses				
Capital projects	1,786,849	(1,786,849)	1,867,982	(1,867,982)
Fixed assets	1,685	(1,685)	(2,179)	2,179
Pollution remediation costs (GASB 49)	121,456	(33,098)	131,755	(12,800)
Transfer of completed contracts to the Department of Education		1,667,987		2,537,522
Operating transfers on behalf of the Department of Education	207,130	207,130	178,046	178,046
Total expenses	<u>2,117,120</u>	<u>(153,645)</u>	<u>2,175,604</u>	<u>658,919</u>
Net revenues	(7,884)	153,645	11,931	(658,919)
Other revenues and expenses, net	28,810	-	5,399	-
Excess of revenues over expenses	<u>20,926</u>	<u>153,645</u>	<u>17,330</u>	<u>(658,919)</u>
Fund balances/net assets				
Beginning of year	60,955	2,431,172	43,625	3,090,091
End of year	<u>\$ 81,881</u>	<u>\$ 2,584,817</u>	<u>\$ 60,955</u>	<u>\$ 2,431,172</u>

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

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(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 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. 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 2010 through 2014 is \$11.01 billion.

The Authority carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of \$119,557 and \$123,769 were made in fiscal 2012 and 2011, respectively, by the City Council and Borough Presidents 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 Adjustments column of the financial statements represent the operational accounts of the Authority, which when combined with the funds held in the Capital Project Fund form the overall Government-wide Financials.

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. Certain long-term liabilities, such as annual leave, sick leave, and claims, are not accrued for in the fund financial statements.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

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 DoE, 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 2012" and "fiscal 2011").

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. 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.

Due from the City of New York

Due from The City of New York represents amounts expended by the Authority for construction projects pursuant to appropriations made by the City. This amount is related to liabilities, net of certain assets, that have been incurred by the Authority for construction activities prior to June 30, 2012.

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 in accordance with the provision of GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" ("GASB No. 49"). Refer to Note 10.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

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. 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. All employees are required to take annual leave. If circumstances preclude an employee from taking annual leave the excess at the end of the year is paid out.

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, 2012 and 2011 uninsured cash balances total \$37,017 and \$29,764, respectively. Cash accounts are collateralized through JP Morgan Chase with the Federal Reserve of Boston and invested in U.S. Treasury Notes.

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 \$53,098 and \$69,537 as of June 30, 2012 and 2011, respectively.

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.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

Investments consist of the following:

	<u>June 30, 2012</u>	
	Amortized Cost	Fair Market Value
US Treasury Bills, 0.16%, due on 03/07/13	\$ 34,961	\$ 35,000
	<u>\$ 34,961</u>	<u>\$ 35,000</u>
	<u>June 30, 2011</u>	
	Amortized Cost	Fair Market Value
US Treasury Bills, 0.04%, due on 09/08/11	\$ 14,989	\$ 15,000
	<u>\$ 14,989</u>	<u>\$ 15,000</u>

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:

	<u>June 30,</u>	
	2012	2011
Securities retainage payable	\$ 9,755	\$ 7,346
Cash retainage withheld	137,163	162,145
Total retainage payable	<u>\$ 146,918</u>	<u>\$ 169,491</u>

The fair market value of the securities retained payable is \$12,375 and \$10,820 in fiscal 2012 and 2011, respectively.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

6. Fixed Assets

Fixed assets consist of the following:

Asset Category	Estimated Useful Lives	2011	Additions	Dispositions	2012
Computer hardware/equipment	3	\$ 16,829	\$ 738	\$ -	\$ 17,567
Computer software	3	6,307	81		6,388
Leasehold improvements	12	18,620	69	(8,254)	10,435
Furniture & fixtures	5-7	5,166	18		5,184
Automobiles	5	4,121	613	(258)	4,476
Office equipment	3-5	4,112	166	(2,411)	1,867
		<u>55,155</u>	<u>1,685</u>	<u>(10,923)</u>	<u>45,917</u>
Less: Accumulated depreciation		<u>(48,875)</u>	<u>(3,896)</u>	<u>10,923</u>	<u>(41,848)</u>
Fixed assets, net		<u>\$ 6,280</u>	<u>\$ (2,211)</u>	<u>\$ -</u>	<u>\$ 4,069</u>

Depreciation expense transferred to the DoE in the Government-wide financial statements totaled \$3,896 and \$4,972 for fiscal 2012 and 2011, respectively.

7. Construction in Progress

Expenditures for construction in progress for fiscal 2012 and 2011 include:

	2012	2011
Outside construction costs	\$ 1,657,006	\$ 1,730,816
Authority payroll and related fringe benefits	93,971	91,357
Authority general and administrative costs	<u>39,768</u>	<u>45,808</u>
Total expenditures, including depreciation expense of \$3,896 and \$2,986, respectively	1,790,745	1,867,981
Construction in progress		
Beginning of year	<u>2,532,157</u>	<u>3,201,698</u>
Total before transfer to DoE during the year	4,322,902	5,069,679
Costs transferred to the DoE during the year	<u>(1,667,987)</u>	<u>(2,537,522)</u>
Construction in progress - End of year	<u>\$ 2,654,915</u>	<u>\$ 2,532,157</u>

During fiscal 2012, the Authority transferred \$1,667,987 to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$28,474 during fiscal 2012 for work performed by the Capital Task Force, a division of the DoE. This resulted in the DoE additions to fixed assets for the fiscal 2012 of \$1,696,461. During fiscal 2011, the Authority transferred \$2,537,522 to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$33,844 during fiscal 2011 for work performed by the Capital Task Force. This resulted in the DoE additions to fixed assets for the fiscal 2011 of \$2,571,366.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

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 is transferred directly to the DoE. For the years ended June 30, 2012 and 2011, pass-through purchases totaled \$161,410 and \$125,809, 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:

	2012	2011
Skilled trades, minor capital projects	\$ 36,593	\$ 43,495
Lead paint abatement	1,819	2,279
DOE admin staff	7,308	6,463
	<u>\$ 45,720</u>	<u>\$ 52,237</u>

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

9. Commitments and Contingencies

Rent

The Authority executed a lease modification agreement effective October 2011 for office space. This lease agreement expires in 2021 with an option for an extension through September 30, 2026. 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.

Years Ending June 30,	Amount
2013	\$ 5,891
2014	5,891
2015	5,891
2016	5,891
2017	6,375
2018	6,539
2019	6,538
2020	6,539
2021	6,539
2022	1,635
Total	<u>\$ 57,729</u>

Rent expense, in the Fund financial statements, totaled \$5,140 and \$6,100 in fiscal 2012 and fiscal 2011, respectively.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

Purchase Orders

Purchase orders, contracts and other commitments at June 30, 2012 and 2011 totaled \$2,784 and \$2,417, 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 for the policy years 2003 through 2004 of \$17,325 and \$15,140 as of June 30, 2012 and 2011, respectively, based on the insurance contract's terms and conditions and an actuarial assessment of OCIP loss activity.

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, 2013.

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, 2012 and 2011 to be \$2,500 and \$1,100, respectively.

From time to time the Authority is involved in various litigations, claims and assessments. The Authority records those claims which are believed 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 are disclosed.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

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. 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 2012, the Authority has classified \$88,358 as expenditures incurred for pollution remediation costs. For the fiscal year 2011, the Authority classified \$118,955 as expenditures incurred for pollution remediation costs. The Authority does not anticipate recovering any of these costs from other parties or agencies.

Open Commitments	2012	2011
Beginning of year	\$ 107,265	\$ 120,066
Pollution remediation costs	88,358	118,955
Payments made on open commitments	<u>(121,456)</u>	<u>(131,756)</u>
Total expenditures	<u>\$ 74,167</u>	<u>\$ 107,265</u>

11. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The fund balances reported by the Authority in the financial statements are considered restricted under the definition in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition", for the purpose of capital improvements to NYC Public Schools in accordance with our enabling legislation.

12. 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 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 \$10,998 and \$10,966 for fiscal year 2012 and 2011, 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

New York City School Construction Authority
Notes to Financial Statements
June 30, 2012 and 2011

(in thousands)

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 of 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. 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. The Authority has recorded net obligations of \$25,726 and \$23,492 with respect to its post-employment welfare fund benefits as of June 30, 2012 and 2011, respectively.

13. Subsequent Events

The Authority has performed an evaluation of subsequent events through September 14, 2012 the date the financial statements were available for issuance.

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*New York City
School
Construction
Authority*

December 14, 2012.....

Report to
Management

pwc



December 14, 2012

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, 2012, 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.

As agreed in our engagement letter, we are providing you with a report of all deficiencies, operational, business and other observations.

If you would like any further information or would like to discuss any of the matters raised, please contact David Mandelbaum, (646) 471-6040.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

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I. Significant Deficiency

1. Proper accounting for self-insurance receivable/liability

Observation:

During 2011, the Authority extended its 2008 - 2010 policy through 2013. The SCA continues to account for the activity within each respective three-year period; 2008-2010 and 2011 - 2013.

During the course of the current year audit, we proposed and Management recorded an adjustment related to the Authority's accounting for self-insurance.

The Authority did not properly assess the impact of actual and estimated claims on the ultimate premium related to the 2008-2013 policy, resulting in premiums being underestimated by approximately \$7 million as well as being applied to incorrect policy years. The impact on the financial statements was an overstatement of the prepaid insurance asset and the related estimated liability for the ultimate premium of \$25 million and \$22 million, respectively. The net impact resulted in an increase to the Construction in Progress account of \$3 million. As revenue Due from the City of New York is directly related to liabilities incurred, the revenue and related receivable from the City were overstated by the same \$22 million as the liability.

The adjustment is indicative of a need to improve the Authority's review and analysis of its accounting for self-insurance, which was also identified as a significant deficiency in 2011.

Implication:

Failure to appropriately review and analyze the accounting for self insurance policies may result in a misstatement of the Authority's financial statements. Because of the relatively small amount of the potential misstatements compared to total fund balance and net assets, such risk is not deemed a material weakness, however we believe the risk is such that it merited communication to the Audit Advisory Committee and therefore qualifies as a significant deficiency.

Recommendation:

We recommend ensuring the Authority has a formal process to evaluate the financial implications of all provisions of its self-insurance policies. We recommend that Management works directly with the actuary to update information on claims and construction values which will impact that financial reporting. Management should utilize Willis of NY, NYCSCA Insurance Program Manager, to review their calculations and ensure they are in line with the all policies.

Management's Response - 2011:

Management agrees with this recommendation. A process will be put in place to review all of the financial implications of the terms of the contract if the current insurance carrier is selected to continue to provide insurance services. This process will ensure that all financial provisions are clearly defined and that any prior period adjustments included in the premium costs are accounted for properly in the current period.

Management's Response - 2012:

Management agrees with this recommendation. Based on the actuarial report prepared by Willis of NY for the 2012 financial statement audit, it was determined that the SCA loss experience for the 2008 - 2013 years had deteriorated. This deterioration required

additional entries for premium adjustments to be recorded in the financial statements. The SCA will work with Willis of NY to create an executive summary report, based on the actuarial report that will provide an overall performance analysis of the current insurance program. This will enable the SCA to determine the adjustments necessary earlier in the close process.

II. Control Deficiencies

1. Financial close process

Observation:

We note that the Authority does not maintain a formal financial reporting closing process whereby all necessary and recurring adjustments and reviews are completed according to a predetermined schedule of book close procedures. As a result, Management double counted two of their accruals during the financial close process. There was also a deficiency relating to the financial close process in 2011.

Implication:

Failure to maintain a formal schedule of book closing can result in delays in posting all necessary journal entries, thereby reducing the amount of time available for management review. This can result in a failure to identify errors. This can also impact the efficiency of the financial statement audit. In the current year, we identified several errors in schedules and balances that had not been thoroughly reviewed prior to presentation to the auditors. In most cases, the control environment as designed, including the preparation and review of reconciliations, would have identified the adjustments had there been sufficient time available to allow for secondary Management review.

Recommendation:

We recommend that Management revise the process for reviewing accrual reports and the Due from the City of New York reconciliation schedules to allow sufficient time for Management's review to eliminate these double counting errors.

Management's Response 2011:

Management agrees with this recommendation. The financial close process for year-end will be revised to include key dates for the final submission of reconciliation schedules and accrual reports to the Comptroller for review prior to presentation to the auditors. These schedules and reports will be due no later than the end of the 1st week in September.

Management's Response 2012:

The financial close process for fiscal year 2012 was accelerated at the request of the NYC Comptroller's Office by two weeks and completed by September 14, 2012. The submission of reconciliation schedules and accrual reports for the financial statement audit review were done timely.

In order to avoid double counting the accruals for the payments on behalf of the DoE, management has enhanced its review procedures over the accrual, which includes expanded sample testing of the accrual report which will now include review of vendor names. Additionally, the Due from New York City reconciliation schedule has been revised to eliminate the error in double counting the sick leave accrual.

III. Information Technology Observations

1. Enhance security controls within Primavera Expedition and Oracle 11.5.9

Observation:

The detective controls for appropriate user access for Primavera Expedition and Oracle are not designed effectively in order to detect inappropriate users:

- Access for Primavera Expedition users is not reviewed periodically to ensure that access is appropriate.
- The recertification of Office of the Inspector General ("OIG") Oracle users was not performed until after the fiscal year end and therefore the review was not performed in a timely manner. It was noted that Management requested the recertification of users from the "OIG" group prior to year end, however, the confirmation that Oracle end user access was appropriate, was not confirmed until August 2012, which is subsequent to period end.
- In addition, we noted that the proper documentation was not maintained to support new user access to Oracle for one user. This user was granted access to a responsibility within Oracle without receiving a formal documented approval from his supervisor. While the preventive control did not operate, it should be noted that this responsibility was evaluated as part of the annual Oracle access revalidation and determined to be appropriate.

Implication:

The lack of a timely and effective recertification increases the risk of inappropriate access to systems and data. In addition, a lack of documented approval during the user provisioning process creates the risk that an end user retains access privileges that may not be necessary to perform his job function.

Recommendation:

NYCSCA should consider implementing a formal periodic review and recertification of access to Primavera Expedition for all users. The recertification process should include a review of the following elements:

- All active user IDs from the application and their associated access rights
- Analysis of access rights to ensure duties are properly segregated
- A unique user ID is assigned to each individual. If generic IDs are used, individual accountability should be maintained.
- All user IDs belong to a current employee.

For this review, management should ensure that there are set timelines for the reviews, require positive confirmation from each business owner, and retain formal documentation for each review, including the initial user ID listing, evidence of the business owners' response, and corrective action taken as a result of the review.

Management Response:

Management agrees that periodic review of CM13 access is necessary and prudent, including: whether a person's duties require access to CM13 or Oracle, the rights assigned that person are appropriate for their position, and that access to any system required 'generic' IDs be narrowly restricted and traced back to a responsible party.

By end of FY2013, management will scope reports and procedures listing security template (level of system access) for all active users by function. Additionally, management will

consider methods for reporting and accepting feedback for project-level access and present to affected parties for their concurrence. The reports and procedures will be developed together to balance the competing requirements for access review and control with the limited resources assigned to the primary mission of the SCA.

In terms of comment regarding inactive Window users, management notes that access to Primavera Contract Manager v13 (CM13) is integrated with Windows Active Directory. As such, an inactive Windows user, having no ability to log in to the network, will be unable to access the CM13 application. Therefore, management believes it is unnecessary to check whether CM13 IDs belong to a current employee, as there is no ability for a user to 'switch' their currently logged in ID to another user.

2. Enhance change management controls within Oracle 11.5.9

Observation:

One developer retained access to the 'System Administrator' responsibility within Oracle. This responsibility grants the user the capability to create a change and migrate that change to production, circumventing existing change controls. At the time of PwC's testing, no compensating controls were in place to address this segregation-of-duties issue within the change management process.

Implication:

Lack of segregation of duties within the change management process between developers and individuals with the capability to implement changes creates the risk that a user could create a change and migrate it to production while circumventing change management controls.

Recommendation:

If sufficient resources are available, we recommend that Management segregates Oracle developers from capabilities that would allow them to implement changes. However, understanding that resource constraints could prevent the appropriate segregation of developer or implementer functions, we would recommend formalizing a review of changes that have occurred within the Oracle environment to ensure that all changes have an appropriate business purpose.

Management Response:

Management agrees with this recommendation. Oracle developers do not have the ability to move changes into the production environment themselves. Production changes are actually implemented by IT Operations through a ticketing process, so a separation of duties is in place. In the case outlined above, both the primary and secondary function approvers of system changes were out of office at the same time. A temporary assignment was created granting the Oracle developer with functional approval of system changes. To avoid this situation from occurring, by the end of October 2012, Management shall implement tracking of temporary responsibility assignments by generating and tracking two HEAT tickets: one for the assignment of responsibility and another HEAT ticket for its removal, which shall remain open until the temporary assignment is over.

Status as of December 2012

Changes have been implemented in December, 2012.

IV. Site Visit Observations

1. On-site security and supervision

Observation:

Two of the four sites that we visited had findings in relation to the security at the construction site and one of these two schools also had a finding in relation to supervision by the general contractor.

One of the schools did not have a security guard on site as per the SCA's standard policy of having security 24 hours, 7 days a week. The SCA project officer noted that the requirements on this project are different from standard policy and provided a copy of the project specification section S01500 - Article 1.02 - Para. 2 states "The Contractor shall provide security guards during all non-working hours including holidays, weekends, and, but not limited to, after 3:00pm thru 7:00am weekdays."

Additionally, at this same location, the general contractor's project manager was not on site as the project manager is managing the project remotely and is only on site on a bi-weekly basis. This is inconsistent with the SCA's standard policy to have a project manager on site every day.

At the second site, there was a security guard in the guard booth at one of the points of entry into the site; however, the guard on duty was not very diligent remaining in the guard booth as we approached the site and we were not challenged as we walked onto the site. In addition, there were three other points of entry into the building from various locations around the site that were not in view of where the guard booth was positioned, which allowed unauthorized access into the building. All points of entry that are not being used and out of site of the security guard should remain secured and locked.

Implication:

Failure to comply with the SCA's standard policies regarding on-site security could result in inappropriate individuals accessing the site. Failure to comply with the SCA's standard policies regarding supervision by the general contractor could result in safety risks as well as lower quality or inappropriate work being performed.

Recommendation:

We recommend that the SCA ensure that security and the on-site presence of the general contractors is in line with the standard policy and, if not, that any differences from the policy are appropriate for the job.

Management's Response:

Management agrees with this recommendation. Construction Management has instructed the contractor to ensure that the security subcontractor be vigilant in the performance of their duties regarding the safety and security of the worksite. The project manager for the project visits the site on a regular basis and will address these issues with the contractor as needed. The contractor will be reminded to ensure continued compliance with the contract requirements.

V. Status of Prior Year Observations

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 site visited.

Implication:

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

Management's Response - 2011:

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.

Status:


Still applicable. We noted that the required poster was not present at any of the four sites visited in 2012.

Management's Response - 2012:

Management agrees with this recommendation. A letter to all General Contractors and SCA Project Officers advising them of the requirement to post the prevailing wage schedule at the construction sites for the benefit of contractors and subcontractors will be sent out by December 31, 2012.

Public Authorities Accountability Act Officer's Certification

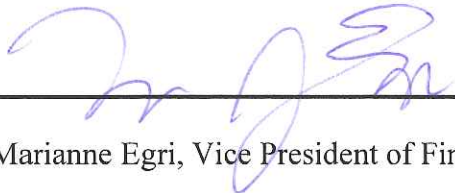
I, Lorraine Grillo, President and CEO, and I, Marianne Egri, Vice President of Finance & Information Technology, to the best of our knowledge and beliefs, make the following certifications regarding the financial reports included in the New York City School Construction Authority's Public Accountability 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, 2012.



Lorraine Grillo, President & CEO

1-25-13

Date



Marianne Egri, Vice President of Finance & Information Technology

1-25-13

Date

FY2012 Projects and Key Accomplishments

Design and Construction Accomplishments

Total expenditures were \$2.1 billion in FY 2012. As of June 30, 2012, the SCA had 358 projects worth \$2.4 billion in construction. There were 367 projects in scope and design with an estimated construction value of \$815 million. In FY 2012, the SCA awarded 21 contracts for new schools and additions valued at \$765 million. The SCA also awarded 416 projects for Capital Improvement totaling \$628 million. Total capital commitments in FY 2012 exceeded \$2.6 billion.

Among the major projects completed in FY 2012 (September, 2011 and September, 2012 school openings) are:

- Ampark Neighborhood School, Bronx, 461 seats
- Broadway Educational Campus, Manhattan, 651 seats
- PS 196 Addition, Queens, 408 seats
- PS 42 Addition, Queens, 410 seats
- PS 8 Addition, Brooklyn, 172 seats
- Spruce Street Educational Campus, Manhattan, 630 seats
- William Wordsworth Educational Complex, Queens, 611 seats
- Art & Design HS, Manhattan, 2,160 seats
- HS 585, Queens, 1,119 seats
- HS @ Spring Creek, Brooklyn, 1,202 seats
- Middle College HS, Queens, 820 seats
- New Settlement MS/HS, Bronx, 1,087 seats
- PS 160 Addition, Brooklyn, 410 seats
- PS 29 Addition, Queens, 232 seats
- PS 310, Brooklyn, 367 seats
- PS 264, Brooklyn, 476 seats
- PS/IS 277, Queens, 665 seats

Major projects awarded in FY 2012 and currently under construction include:

- IS 814, Manhattan, 572 seats
- IS/HS 404, Queens, 1,071 seats
- IS 285, Bronx, 391 seats
- PS 133, Brooklyn, 935 seats
- PS 287, Queens, 420 seats
- PS 331, Brooklyn, 708 seats
- PS 51, Manhattan, 640 seats
- PS 71, Staten Island, 844 seats
- PS 87 Addition, Queens, 140 seats
- PS/IS 281, Manhattan, 640 seats

- PS/IS 312, Queens, 578 seats
- IS 311, Queens, 785 seats
- PS 320, Queens, 472 seats
- PS 339, Queens, 472 seats
- PS 343, Queens, 712 seats
- PS 35 Addition, Queens, 352 seats
- PS 892, Queens, 379 seats
- PS 96 addition, Bronx, 408 seats
- PS/IS 338, Brooklyn, 757 seats

Capital Plan Accomplishments

In General

- Continued to streamline business operations of the Industrial & Environmental Hygiene Department and developed new policies and operating guidelines
- Continued review and assessment of the Change Order Unit and its operations
- Increased competition among top-tier firms
- Aggressive outreach to M/W/LBE community
- Continued to implement Project Labor Agreement (PLA)
- Continued to develop and implement Green Design Standards
- Improved SCA internal operating efficiencies
- Commenced Value Management Review of the design process

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

Real Property

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.

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 "M" 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.

Address Line 1	Address Line 2 - City	State	Postal Code	Country	Property Description	Estimated Fair Market Value	How was FMV determined?	Transaction Type	If Other, Explain	Transaction Date	Purchase/Sale Price	Market Rate	Lease Rate	Lease Period (Months)	Was the real property acquisition/ disposal transaction competitively bid?
90-07 101st Avenue	Ozone Park	NY	11416	USA	Commercial Building	4000000.00	Appraisal	Acquisition		7/19/2011	4000000.00				N
521 West 43rd Street	New York	NY	10036	USA	Commercial Building	4500000.00	Appraisal	Acquisition		8/17/2011	4500000.00				N
1 Peck Slip	New York	NY	10038	USA	Commercial Building	2540000.00	Appraisal	Acquisition		9/19/2011	1350000.00				N
701 Calton Avenue	Brooklyn	NY	11218	USA	Vacant Lot/Undeveloped Land	9000000.00	Appraisal	Acquisition		12/6/2011	8800000.00				N
42 Kermit Place and 161 East 7th Street	Brooklyn	NY	11218	USA	Vacant Lot/Undeveloped Land	2000000.00	Appraisal	Acquisition		1/18/2012	2350000.00				N
45-46 42nd Street	Sunnyside	NY	11104	USA	Vacant Lot/Undeveloped Land	3300000.00	Appraisal	Acquisition		2/15/2012	5700000.00				N
640 Bloomingdale Road	Staten Island	NY	10309	USA	Residential Building	1100000.00	Appraisal	Acquisition		2/22/2012	1300000.00				N
96-18 43rd Avenue	Corona	NY	11368	USA	Commercial Building	9900000.00	Appraisal	Acquisition		5/3/2012	11200000.00				N
82-01 Rockaway Blvd.	Ozone Park	NY	11416	USA	Office Building		Other	Acquisition	Market Rental Analysis	7/13/2011		21.00		60	N
98-07 38th Ave.	Corona	NY	11368	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	8/6/2011		20.00	18.50	12	N
168 Morningside Ave.	New York	NY	10027	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	8/15/2011		27.00	25.00	180	N
75-40 Parsons Blvd.	Flushing	NY	11366	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	8/31/2011		25.00	23.50	180	N
695 E. 182nd St. & 2239 Crotona Ave.	Bronx	NY	10457	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/1/2011		25.00	22.00	120	N
561 Grand Ave.	Brooklyn	NY	11238	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/7/2011		25.00	18.87	360	N
321 E. 111th St.	New York	NY	10029	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/20/2011		30.00	8.06	10	N
4222 4th Ave.	Brooklyn	NY	11220	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/27/2011		20.00	19.00	360	N
367 43rd St.	Brooklyn	NY	11220	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/27/2011		16.00	19.00	360	N
287 E. 10th St.	New York	NY	10009	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	9/28/2011		25.00	44.44	10	N
350 Coney Island Ave.	Brooklyn	NY	11218	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	1/8/2012		15.00	14.22	180	N
720 Livonia Ave.	Brooklyn	NY	11207	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	1/23/2012		25.00	23.00	60	N
3223 Henry Hudson Pkwy.	Bronx	NY	10463	USA	Residential Building		Other	Acquisition	Market Rental Analysis	3/7/2012		30.00	23.75	180	N
90-27 Sulphur Blvd.	Jamaica	NY	11435	USA	Office Building		Other	Acquisition	Market Rental Analysis	5/2/2012		25.00	21.00	120	N
3880 Sedgwick Ave.	Bronx	NY	10463	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	5/11/2012		20.00	20.00	240	N
300 Richmond Terrace	Staten Island	NY	10301	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/4/2012		35.00	19.50	240	N
26-25 98th St.	East Elmhurst	NY	11369	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/8/2012		21.00	21.00	240	N
512 Carroll St & 215 1st St.	Brooklyn	NY	11215	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/8/2012		35.00	34.00	180	N
323-329 E. 91st St.	New York	NY	10128	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/11/2012		25.00	16.50	60	N
2315 Washington Ave.	Bronx	NY	10458	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/29/2012		25.00	23.00	240	N
171-10 Linden Blvd.	Jamaica	NY	11434	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	6/29/2012		25.00	23.00	240	N

Lease Data (if applicable)

Property Address

Note: either Organization or Last Name/First Name are required. Entry of both is not pe

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?

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
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The Roman Catholic Church of St. Stanislaus, Bishop and Mayr, Borough of Queens	88-10 102nd Avenue	Ozone Park	NY	11416 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The New York Public Library, Astor, Lenox and Tilden Foundation	Fifth Avenue and 42nd Street	New York	NY	10018 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	United States Postal Service	475 L'Enfant Plaza SW, Room 6670	Washington	DC	20280 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	701 Caton Ave Realty, LLC	1943 East 3rd Street	Brooklyn	NY	11223 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Kernit 7 Realty, LLC	1203 59th Street	Brooklyn	NY	11218 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Condo Units LP & Jackson Senate, LLC	72-14 72nd Street	Woodside	NY	11377 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Join and Phyllis Catania	640 Bloomingdale Road	Staten Island	NY	10309 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Montague-Lee Limited Partnership	PO Box 750311	Flushing	NY	11375 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Wallach Realty Co. LLC	175 North Central Avenue	Valley Stream	NY	11580 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Hellenic Orthodox Community Church of Corona	38-05 98th Street	Corona	NY	11368 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Parish of St. Joseph of the Holy Family	405 West 125th Street	New York	NY	10027 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The Solomon Schoeder School of Queens	76-16 Parsons Boulevard	Flushing	NY	11366 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The Roman Catholic Church of St. Martin of Tours	664 Grote Street	Bronx	NY	10457 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	561 Grand Associates, LLC	48 Liberty Avenue	New Rochelle	NY	10805 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Boys Club of New York	237 East 10th Street	New York	NY	10009 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	St. Michael's Roman Catholic Church in the City of Brooklyn	352 42nd Street	Brooklyn	NY	11220 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	St. Michael's Roman Catholic Church in the City of Brooklyn	287 East 10th Street	Brooklyn	NY	11220 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Boys Club of New York	30 Broad Street, 4th Floor	New York	NY	10004 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Meiro Company	PO Box 670	Fairfield	FL	32634 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Whitehall Tenants Corp.	3333 Henry Hudson Parkway	Bronx	NY	10463 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Sutlin LLC	445 Central Avenue	Cedarhurst	NY	11516 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Van Cortlandt Jewish Center	3880 Sedgwick Avenue	Bronx	NY	10463 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of St. Peter's	53 St. Marks Place	Staten Island	NY	10301 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of St. Gabriel at East Elmhurst	26-26 98th Street	East Elmhurst	NY	11369 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Our Lady of Peace Roman Catholic Church	522 Carroll Street	Brooklyn	NY	11215 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The Roman Catholic Church of Our Lady of Good Counsel	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.	The Church of Our Saviour, Bronx, N.Y. City	2317 Washington Avenue	Bronx	NY	10458 USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Allen Christian School c/o The Greater Allen A.M.E. Cathedral of New York	110-31 Merrick Boulevard	Jamaica	NY	11433 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 Executive 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 FY12 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 FY12

- 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 FY12 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 FY12, Fraud Prevention Assessment highlighted areas of potential concern and set forth the improvements that had been made, including:
 1. The SCA now requires both in-house and on-line ethics training programs for all full-time and contingent staff;
 2. The SCA has hired an independent consultant to comprehensively review the internal process for both submitting, negotiating, and approving change orders and the dispute resolution process;
 3. An audit of the electronic prevailing wage compliance system revealed flaws in the system originally implemented. The SCA and its outside system programmer are working to correct the flaws and enhance security of the prevailing wage compliance system;
 4. The failure of some contractors to adhere to contract specifications and/or improperly substitute inferior products or materials has compelled the SCA's Architecture & Engineering Department to issue written notice to all of its technical staff and consultants;
 5. Contract bid and award certification that contractor is not under criminal investigation or charged with crimes; and
 6. The upgrade of security at the SCA's headquarters.
- 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 Executive 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 FY12 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 FY12. 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 Executive 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

January, 2013