

September 24, 2020

The Members of the Board of Directors of
Governors Island Corporation (d/b/a The Trust for Governors Island)

In planning and performing our audit of the financial statements of Governors Island Corporation (d/b/a The Trust for Governors Island) ("TGI") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered TGI's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TGI's internal control. Accordingly, we do not express an opinion on the effectiveness of TGI's internal control.

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. A *material weakness* is 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management of Governors Island Corporation (d/b/a The Trust for Governors Island) and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Sincerely,



MARKS PANETH LLP

Date: September 24, 2020
To: The Audit File of Trust of Governors Island (the "Organization")
From: Marks Paneth LLP
Re: **Observations and Recommendations Resulting From the June 30, 2020 Audit**

We have issued a management letter under AU-C Section 265 indicating we did not observe any material weaknesses in internal control. The memo below represents other observations that are either minor in nature or represent best practices. Matters in this memo are as of the date above. If additional matters arise between this date and our audit report date, we will communicate them to you separately.

Exhibit I of this memo lists new comments that we noted during our audit of the Organization's June 30, 2020 combined financial statements. Management's responses to our observations and recommendations were not subjected to any auditing procedures and accordingly, we express no opinion on the responses.

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Exhibit I – Current Year New Observations and Recommendations

1. Review of SOC 1 Report for Extensis

Observation: During our review of internal control over payroll expenditures we noted TGI uses Extensis to provide payroll and HR services. Extensis is a professional employer organization or a “PEO” that handles a significant amount of transaction processing for both payroll and human resources for TGI. During the audit, it was noted that management does not obtain or review Extensis’ service auditor’s report on internal control.

Recommendation: We recommend that management obtain and document their review of Extensis’ Service Organization and Controls (“SOC”) report annually to determine if Extensis has an appropriate system of internal control. It is important for management to review SOC reports for the opinion and for deviations related to the service organization’s controls to ensure that data sent to Extensis is kept safe, complete, and accurate. It is also recommended that when TGI is contemplating engaging a new service organization management considers obtaining a SOC report for review prior to agreeing to new contracts. This will help limit risk or exposure to vendors who may not have proper internal control systems in place.

Management’s Response:

TGI will follow this recommendation and has already requested and reviewed Extensis’ most recent SOC report. We agree that Extensis’ internal controls are as important as our own and will continue to review its SOC reports annually. As you suggest, we will also use SOC reports as a tool in evaluating other PEOs and service organizations we may contract with in the future.

****END OF NEW OBSERVATIONS AND RECOMMENDATIONS****

****END****