



Hudson River Park Trust

MEMORANDUM
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TO: Tom Lukacs, Division of Budget
FROM: Connie Fishman
DATE: April 30, 2009
RE: **Hudson River Park Trust: INTERNAL CONTROLS POLICY**

INTRODUCTION

This memorandum sets forth the Hudson River Park Trust's (the "Trust") system of internal controls. The 2008/09 year is the first requiring the Trust to complete the State's Internal Control assessment and file the DOB's Internal Control Summary and Certification.

Internal controls are the procedures and policies implemented by the Trust to ensure compliance with its established mission and objectives, in a manner that:

- Promotes orderly, economical, efficient and effective operations,
- Safeguards resources against loss due to waste, abuse, mismanagement, and fraud,
- Promotes adherence to laws, regulations, policies, and management directives, and
- Develops and maintains reliable financial and management data, and accurately presents that data in timely reports.

Mission and Objectives

The Hudson River Park Act (the "Act") is the primary document responsible for the establishment of the Trust's mission and objectives. As stated in the Act, the Trust's overriding mission is to plan, design, build, operate and maintain the five-mile Hudson River Park, from Battery Place to W. 59th Street. Specific objectives and organizational purposes are further set forth in the Act and include:

- Encourage, promote and expand public access to the waterfront;
- Alleviate the blighted, unsanitary and dangerous conditions that characterize Manhattan's Hudson River waterfront area;

- Promote the health, safety and welfare of the people of the state;
- Increase the quality of life of the adjoining community and the state as a whole;
- Protect the Hudson River and promote stewardship of the environment;
- Boost tourism and stimulate the economy;
- Encourage limited commercial uses consistent with the objective of being an operationally self-supporting entity;
- Enhance the natural, cultural, and historic aspects of the Hudson River; and
- Promote recreation, education, and culture.

Utilization of the policies and procedures outlined below should be accomplished in a manner that promotes these objectives. In assessing the effectiveness of the Trust's internal controls, the importance assigned to each of these policies and procedures shall be weighed against the established objectives and mission they are intended to promote.

Standards for Internal Control in New York State Government

The Trust's internal control policy is based on and guided by the [Standards for Internal Control in New York State Government](#). This standard divides internal controls into five primary components:

Control Environment – The internal control consciousness established and maintained by the management and employees of an organization. Maintaining a positive control environment requires: effective governance exercised by the executive body; commitment to ethical values and integrity; and ensuring that employees are skilled and competent.

Communication – Exchanging useful information between and among people in a timely and efficient manner. Establishing communication channels that: provide accurate and timely information; inform employees of their duties and responsibilities; enable the accurate reporting of sensitive matters; enable employees to provide suggestions for improvement; and provide the information necessary for all employees to carry out their responsibilities effectively.

Assessing and Managing Risk – Evaluating and monitoring events that could threaten the accomplishment of the organization's mission.

Control Activities – Establishing manual and automated tools and procedures that help identify, prevent, or reduce risk. Such activities include: documentation, approval and authorization, verification, supervision, separation of duties, safeguarding assets, and reporting.

Monitoring – Review of the organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, risk tolerance levels and their own responsibilities.

HUDSON RIVER PARK TRUST'S INTERNAL CONTROLS

The Hudson River Park Act – A Framework for the Trust's Internal Controls

The Hudson River Park Act, passed by the New York State Legislature in 1998, provides the framework for the Trust's system of internal controls. The Act delineates the physical boundaries of the Trust's jurisdiction; mandates use restrictions over that property; and sets forth multi-layered processes of decision-making, oversight and review. The Act also authorizes the Trust to adopt, amend or rescind such rules, regulations and orders as may be necessary for the performance and exercise of its duties.

Additional legislative mandates, such as those found in New York State's Public Authority Accountability Act and the Public Officers Law, add to the Trust's system of internal controls through the creation of increased accountability and reporting requirements.

General Control Environment

Establishment of Organizational Structure – The Act, together with the Trust's By-laws, set forth the Trust's core organizational structure defining the positions of Board of Directors and Officers. Staff is divided into the following management categories: Senior Staff, Staff, and Seasonal/Temporary Staff. Along with the Officers, the Trust's Human Resources Department is responsible for updating the Trust's organizational structure.

Oversight and Review of Trust Decision-Making – The Act, together with the Trust's By-laws, delineate the system by which decision-making authorization is granted. With limited exceptions, decision-making authority rests with the Board of Directors and the Officers of the Trust. The Board of Directors consists of 13 members including five appointees of the Governor; five appointees of the Mayor of New York City; and three appointees of the Manhattan Borough President. The Act formulated the voting structure of the Board in such a way so as to guarantee cooperation between the Governor and the Mayor. Neither partner can pass a resolution without at least one vote from an appointee of the other, in addition to two votes from the appointees of the Borough President. In this way, all decisions of a nature requiring Board Approval must be reviewed and approved to the satisfaction of both city and state officials.

As established through the Act and the By-laws, the Trust's citizen Advisory Council provides additional community input, monitoring and review of the Trust's decision-making as well as a regular forum for open discussion any issues affecting the general public.

Staff Competence Assessment – Regular senior staff assessments are conducted by the President and the Executive Vice President of the Trust. Each Departmental Head conducts yearly evaluations of her or his own staff. Periodic human resources training is offered to ensure effective management and compliance with EEO/SH, safety, management and technical competence and other requirements for all staff.

Compliance with Applicable Laws and Regulations – The General Counsel along with legal staff ensure compliance with all applicable laws, policies and regulations.

Ethics Policy – The Trust’s own Ethics Policy, adopted by its Board of Directors, establishes ethical obligations applicable to all directors, officers, and employees of the Trust. The Trust is also subject to the NYS Ethics Laws affecting all state employees.

Computer/IT Operations

Physical Protection – Trust IT systems are stored in a temperature controlled room with access restricted to personnel with programmed electronic swipe/ID cards. Back-up tapes of electronic data are stored off-site. The Trust’s design and construction data system is web-based, stored off-site, and accessible only by licensed users.

System Controls – Trust data systems are subject to user codes, frequently changed passwords, and an auditable trail of data communications. Phone systems are integrated into overall data capabilities as well. Certain data storage is subject to SARA archiving requirements and the development of an implementation plan for subject data is in process.

Disaster Recovery Plan – A tape back-up system is currently used to store all data except design and construction data, which is web-based and operated off-site. Redundancy is planned into several data server functions but the Trust is currently estimating the cost of an off-site server facility with total data redundancy as a permanent back-up solution to a catastrophic event.

Personnel/Payroll

Payroll Processing – Payroll distribution and payout as well as leave accrual reporting and recordkeeping is processed by ADP electronic payroll system. The Trust’s Vice President of Finance, Controller and Payroll Administrator oversee and audit timesheets, leave accruals and payroll processing. Trust office staff fills out electronic time-sheets which must be approved by their supervisors; Trust maintenance and other outdoor staff have their time recorded by an electronic hand-scan system which communicates directly to the payroll computer system. All Trust employees are eligible for direct deposit into their bank accounts once they have completed their probationary period. Confidential payroll records are stored in locked files and have blacked out identifying information to the extent possible.

Employee Handbook – The Trust’s Employee Handbook is distributed to all Trust employees at the onset of their employment. (They are required to sign a form indicating that they have reviewed the Handbook.) The Handbook is an extensive document that sets forth, among other things, the standard operating employee policies and procedures, acceptable conduct and dress, employee’s rights and benefits, the disciplinary process, and Trust internal procedures for reviewing employee misconduct.

Procurement

Procurement Policy – In accordance with Article 9 of the Public Authorities Law, the Trust Board of Directors adopted a comprehensive set of Procurement guidelines that govern its procurement of goods and services. Such guidelines, which are regularly updated, establish specific criteria and procedures to be followed and authorizations to be obtained when goods and services are sought. Trust General Counsel also sits on the NYS Council of Contracting Agencies.

Property Control

Surplus Property – The Trust has established policy guidelines that provide instruction to Trust staff regarding the designation, transfer, sale and/or disposal of Trust surplus property.

Property Security – The Trust’s Maintenance and Operations Department oversees securing most property with inventory security tags. The IT Department secures IT equipment with serial numbers and other inventory verification devices. The inventory is audited on an annual basis. Sensitive inventory is stored in locked facilities accessible only to staff with the appropriate electronic swipe/ID cards or by restricted key access. Video monitoring of Trust offices, maintenance facilities and certain other sensitive locations is performed with a CACC camera system which is monitored by park security staff.

Reporting requirements for lost/stolen/damaged property – Internal procedure requires the completion of a Property Management Report (PMR) for all incidents involving Trust property. PMRs are submitted to and reviewed by the Trust’s Legal Department.

Document Management

Foil Regulations– In accordance with the State Freedom Of Information Law (FOIL) requirements, the Trust has promulgated FOIL rules respecting disclosure and availability of documents and records maintained by the Trust (21 NYCRR Part 750). General information regarding the New York State FOIL policies can be found at the New York State Department of State Committee on Open Government web site.

Archival System/ Document Retention Guidelines – The Trust is an active participant in the New York State Archives and Records retention and management system. Staff regularly attends SARA training and consultations for compliance with State Archiving requirements and is in the process of archiving several decades worth of documents from the previous “Westway” project, the predecessor to HRPT.

Revenue Management - Finance

In accordance with applicable statutory requirements, the Trust completes a detailed annual financial plan, audited financial statements, as well as quarterly financial reporting. These reports are distributed to numerous governmental entities for review as well as posted online. In 2009 the Trust also began posting its annual operating budget on its website.

Auditing – The Act, as well as the New York State Public Authorities Accountability Act set forth mandates for periodic independent audits of the Trust’s finances. Results of audits are available through the State Comptroller’s office and linked to the PARIS information system in addition to being posted on the Trust’s own site. These independent audits of the Trust’s financial records are conducted annually.

Prompt Payment Policy – The Trust’s Prompt Payment Policy, promulgated in accordance with the requirements of section 2880 of the Public Authorities Law, sets forth the policy of the Trust for the making of prompt payments to its vendors and contractors. Included in the policy are the payment request procedure, prompt payment schedule and the method of interest computation.

Investment Guidelines – The Trust’s Board of Directors has approved guidelines for the investment of Trust funds. Funds available for investment by the Trust include capital and operating revenues, both restricted and unrestricted, and are managed by the Empire State Development Corporation (ESDC) on behalf of the Trust. ESDC funds are subject to the same investment guidelines and restrictions as Hudson River Park Trust funds. By pooling the investments with ESDC’s, the Trust is able to reap higher rates of return because of the larger volume of funds.

Property/Public Space Management

HRPT Rules and Regulations – To enhance and provide for the safety, well-being and enjoyment of the public, and to assure to each park patron the opportunity to use and enjoy upland park and water, the Trust has promulgated Park Rules and Regulations that govern activities within the Park. The rules, modeled after many of the existing park rules for New York City and State parks, outline permitted and prohibited uses and activities in Hudson River Park. In addition, they set forth the process for submitting permit applications needed to conduct certain uses, activities or events, as well as the criteria for review of such applications.

Lease Regulations – The Trust has developed Lease regulations in accordance with Hudson River Park Act requirements. The regulations outline the criteria to be used by the Trust in determining whether a lease, license, concession agreement or other agreement for facilities and properties under the jurisdiction of the Trust should be granted. In addition, these regulations outline the public consultation and review process to be used by the Trust prior to entering into a lease, license, concession or other agreement.

Kayak and Canoe Policy – The Kayak and Canoe Policy identifies practical measures to be followed to promote both safety and fun on the Hudson River. While in Hudson River Park’s designated boundaries, boaters should be mindful of this policy as well as obey all federal, state and local boating rules and regulations.

Natural, Cultural, and Historical Mandates

Conservation Planning Principles of the Act – The Hudson River Park Act mandates the preservation and enhancement of the Park’s upland shoreline and water areas for future

generations to enjoy. Prohibited throughout the entire project area are residences, hotels, commercial office buildings, manufacturing, casino and riverboat gambling vessels, some types of motor boats and jet skis, and certain governmental facilities. Commercial development is prohibited on all but a few designated piers. The Hudson River Park Act also designates the Park's 400 acres of water as a marine sanctuary and establishes strict limits on the types of activities that can occur on the water. More than 70 fish species have been reported in the Hudson River estuary, and the Park is designed to enhance their critical habitat.

Estuarine Sanctuary Management Plan – The Hudson River Park Act requires the preparation of a sanctuary management plan to address the park's 400 acres of estuary waters and supporting upland habitat. The initial plan, formally adopted in 2003, was prepared in consultation with the public, government agencies, and other cooperating organizations. Under the direction of the Hudson River Park Trust, the Estuarine Sanctuary Management Plan (ESMP) identifies management policies for the sanctuary in the areas of resource protection, public access and recreation, education, and research. It also provides guidance on balancing the needs of various park uses, and identifies procedures for monitoring and enforcing park policies, laws, and regulations.

Historic Vessel Policy – The Trust's Historic Vessel Policy encourages and strengthens the historic and educational components of the developing Park and waterfront. The Trust researched a variety of information and policies from other maritime parks and museums throughout the country and gave consideration to the Act as well as legal and other concerns in developing Hudson River Park's policy. The policy identifies selection criteria for long-term and short-term docking of historic vessels within the Park. In addition to being listed or eligible for listing on the State or National Register of Historic Places, the Trust will give consideration to various criteria including, but not limited to, the vessel's condition, public access and programming needs, and the relationship of the vessel to NYC maritime history.

IMPLEMENTATION OF INTERNAL CONTROLS

To comply with the State's Internal Control process, the Trust is utilizing the "*Four-Step Process for Internal Control*" and "*Manager's Guide to Testing Compliance with Internal Control Requirements*" provided by the Division of the Budget. These documents will form the basis of our risk evaluation, documentation, strategic planning, monitoring and continuing education and training activities. Each of the Trust's functional departments has just completed the Four-Step Process and begun to identify both the various areas of risk or vulnerability associated with their major internal functions and the initial recommendations to address them. Over the next 12 months, Trust executive staff will monitor the progress on internal control implementation to address the identified risk areas using the Manager's Guide. For that reason, and given the fact that this is the initial year of compliance with the State's Internal Control requirements, we will be identifying in the 2008-09 Internal Control Summary and Certification that the corporation is in "Partial Compliance" as of April 30, 2009 with the goal of being "Fully Compliant" by the end of FY2010.

Steps to Achieve Internal Control Compliance

In order to achieve full compliance in the future, the Trust will provide the agency's staff and managers with: a statement of support from the President/CEO of the corporation; identify the agency's primary responsibilities and objectives [currently in compliance]; explain the organization and management internal controls [currently in compliance]; define the specific responsibilities of managers, supervisors and staff; acknowledge the adherence to accepted standards [currently in compliance for Finance]; and describe the process for evaluating internal controls.

The establishment and maintenance of an internal control system and a program of control review will be undertaken immediately following the completion of the Four-Step Process currently underway. As soon as this process is complete, the Trust will create a list of high-risk activities and identify the deficiencies revealed from the review. The basis for our future compliance will be formed by:

- outlining the actions to be taken to eliminate the deficiencies, prioritized by level of risk;
- creating a monitoring system to track and verify corrective actions;
- creating a program of testing compliance;
- recommending reorganization and/or other organizational revisions to enhance performance;
- documenting and reporting internal control activities such as performance evaluations, strategic planning efforts and internal audits; and
- giving feedback to managers and staff on the efforts that have been taken to improve operations and communications through the Internal Controls reporting process.

Each Trust employee has a handbook, job description, and easy access to agency policies and procedures. In 2009 the Trust will approve a new Employee Handbook as well as amended Procurement Guidelines. Trust Board of Directors' sub-committees for Governance and Audit/Finance will review, comment and approve each of these, respectively.

The Trust has designated its Executive Vice President the Internal Control Officer. This position has broad knowledge of the corporation's operations, personnel and policy objectives as well as sufficient authority to act on behalf of the agency head.

Staff evaluations are currently in-progress and will recommend the training necessary for each employee to address content, communications, and other skill deficiencies, as required.

Although the Trust does not require an Internal Audit function to be formally established according to the Division of Budget, it does have an internal financial Comptroller to effectively monitor all revenue, spending, accounting and internal financial activities. This position was established in 2006 and has proven very effective in helping address previously identified deficiencies that were raised during the course of our annual external financial audits.

Other Non-New York State Governing Requirements

As a fifty/fifty partnership between the State and City of New York, the Trust is also required to comply with a number of local laws, policies and regulations of the City of New York. This results in an added layer of oversight and regulatory restrictions that provide supplementary operational controls over areas such as procurement, contracting and purchasing. Following is a list of these additional legal requirements imposed by New York City:

Local Law 34 of 2007- limits municipal campaign contributions from principal officers, owners and senior managers of entities that do business with the City and mandates the creation of a Doing Business Database to facilitate enforcement of the law. With the exception of non-qualified competitive, sealed bids (i.e., any contract entered into pursuant to a sealed RFP where the lowest qualified bidder is selected is excluded) all Trust procurements over \$5,000 (including purchase orders, sole and single sourcing, piggybacking, centralized contracts, and government lists), are subject to the requirements.

VENDEX – all capital construction contracts in excess of \$100,000 are required to go through the City's vender review process, known as VENDEX, prior to contract execution to confirm that the proposed contractor is responsible. A responsible contractor is defined as one that has the technical capability and financial capacity to fully perform the requirements of the contract, as well as the business integrity to justify the award of public tax dollars.

The Trust is also subject to the requirements of the New York City Human Rights laws, the NYC Uniform Land Use and Review Procedure, and the NYC Design Commission [on NYC-owned property only].

***The Hudson River Park Act and all Hudson River Park Trust policies referenced here are available online at www.hudsonriverpark.org**