



Hudson River Park Trust

To: Madelyn Wils, President & CEO

From: Noreen Doyle as Internal Controls Officer

Re.: Required Internal Controls Assessment

CC: Dan Kurtz, Laurie Silberfeld

Date: July 3, 2012

Pursuant to Section 2800(1)(a)(9) of the Public Authorities Law, the Hudson River Park Trust (Trust) is required to complete an annual assessment of the effectiveness of our internal control structures and policies. As you know, I have been designated as the Trust's Internal Controls Officer.

This will confirm that to satisfy this requirement, Executive Staff (you, Laure Silberfeld, Dan Kurtz and I) met earlier this year in preparation for our Board Audit and Finance Committee meeting. We reviewed the risk assessment I conducted last year in partnership with HRPT staff and Department Heads, and discussed the current state of the Park. As part of this discussion, we reviewed the four major risks identified last year:

- (1) maintenance of aging park buildings/infrastructure, particularly at Pier 40;
- (2) insufficient capital maintenance budget;
- (3) managing and developing consistent Human Resources policies and programs.
- (4) hiring a property manager to assist at the intersection of property and finance.

In FY2011-12, the Trust was able to hire both a Director of Human Resources and a Property Manager. While both staff members are still receiving training, we agreed that with these new hires, coupled with the creation of the Assistant Vice President of Planning and Real Estate position, the potential risks identified last year in the human resources and property/finance coordination had been substantially mitigated. However, if anything, the first two risks – maintaining aging infrastructure and inadequacy of capital maintenance budgets – have only grown. This was demonstrated by the collapse of a portion of bulkhead near Circle Line, litigation with a major park tenant related to infrastructure, and by the continuing need to close additional portions of Pier 40.

The Trust has embarked on a process to explore possible changes to the Hudson River Park Act in order to improve our ability to remain financially self sufficient in view of our maintenance and budget challenges. This is a large issue involving multiple levels of governance and

community coordination, and the outcome cannot yet be predicted though initial signs have been hopeful.

As a result of our discussion, we also identified a new risk area related to procurement and adherence to our procurement guidelines. While the Trust's Finance, Legal and Executive staff monitor procurement carefully and have provided training to staff involved in procurement in all departments, some staff still make procurement errors. To address this deficiency, Legal and Finance are taking a joint lead in creating simplified forms, training and instructions to assist line staff moving forward.

Another area of concern is that the Trust does not have adequate back-up plans or systems for either our phone or data. If a catastrophe were to happen to Pier 40, the Trust would have only limited ability to resume full functionality within a timely fashion. The Trust must identify a financially viable solution to this problem. The approved budget for FY 2012-13 has some limited budget to begin pursuing some solutions in this area.

Last, and somewhat related, the Trust has not finalized its draft emergency staffing plan in the event of a citywide or major park infrastructure crisis at Pier 40. This should be addressed in the coming year.

Separately, part of our outside auditor's scope entails assessing the Trust's internal controls. I have reviewed the Audited Financials dated June 25, 2012 including the attached "Report on Internal Control Over Financial Reporting and On Compliance with Other Matters ..." and participated in the Audit Committee's review of this and other components of the Audit, and do not have any concerns regarding the safeguards for our financial procedures. The Trust appears to have appropriate checks, balances and redundancies in place.



Hudson River Park Trust

To: Madelyn Wils
From: Noreen Doyle as Internal Controls Officer
Re.: Required Internal Controls Assessment
CC: Dan Kurtz, Laurie Silberfeld
Date: July 2, 2011

Background:

Pursuant to Section 2800(1)(a)(9) of the Public Authorities Law, the Hudson River Park Trust (Trust) is required to complete an annual assessment of the effectiveness of our internal control structures and policies.

On March 28, 2011, I sent the attached memo to all Hudson River Park Trust Department Heads. The memo required each department head to meet with his or her staffs to review the Trust's mission statement, newly reconfirmed by the Trust's Board at our March 2011 Board meeting, and to ensure that all staff members understand the mission and how we seek to accomplish it (our objectives).

The next task for each was to review, in conjunction with their staff, the list of weaknesses identified in previous years and identify new risks or progress towards correcting those risks. If new risks were identified based on new or changed duties, Department Heads were responsible for leading a discussion about how to identify them along with recommendations to address them.

Finally, all Department Heads were asked to identify the five most important functions facing their departments against the Trust's overall mission, and then the five most significant risks for the department against the Trust's overall mission. Department heads were required to identify ways their departments could work together to manage them.

Subsequently, wearing both my Internal Controls and Acting President hats, I met with each Department individually to discuss their conclusions and to emphasize the principles identified in the memo regarding the Trust's values of integrity, ethics, competence and recognition of the importance of controls and communications across all levels of the organization. In each meeting, I emphasized the importance of good internal controls, and the need to respect and abide by the policies that have been established to protect the Trust and its assets on behalf of the public.