



Hudson River Park Trust

To: Madelyn Wils, President & CEO

From: Noreen Doyle as Internal Controls Officer

Re.: Required Internal Controls Assessment

CC: Dan Kurtz, Bill Heinzen, Sikander Zuberi, Sharmila Baichu

Date: June 30, 2015

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

The Trust is fortunate in that our enabling legislation, the Hudson River Park Act, provides all Trust employees and Board members with clear guidance and direction regarding our duties and scope. Internal controls have been established with the Act and its requirements in mind, including our obligations to the general public and park "customers" to design, build, operate and maintain the park as a public asset in accordance with the Act's principles and requirements.

This statement certifies that the Trust has followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending March 31, 2015. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

As an overview, internal controls at the Trust are organized and managed at multiple levels, starting with our Board, which reviews and approves budgets, corporate employee policies, all contracts of \$100,000 and greater, investment and procurement policies, major property transactions, and legislative initiatives. It meets at least six times a year as a full Board, with supplemental committee meetings as necessary throughout the year. Executive staff works closely with our Board on new initiatives, and makes decisions regarding staffing, policies, exceptions, budgeting changes, and sensitive political or community issues.

At the staff level, the Trust is organized into departments which together oversee the daily operational business of the planning, design, construction and operations of the park:

Executive, Design and Construction, Operations, Facilities, Finance, Public Programs, Environment and Education, Legal, and IT. These managers have the primary responsibility for making sure that the individuals performing the work of each department have the skills and capacity to do so, and to provide their employees with appropriate supervision, monitoring and training to reasonably assure that the Trust has the capacity to carry out its mission. This memo confirms that Executive Staff (you, Bill Heinzen, Dan Kurtz and I) have met to review last year's risk assessment, and the discussions we have had with Department Heads over the last several weeks regarding both the state of our Internal Controls and the current state of the Park. As is our practice, our discussions included reviewing the major risks identified last year:

- (1) maintenance of aging park buildings/infrastructure, particularly at Pier 40 and other capital maintenance needs
- (2) compliance with procurement requirements and other governmental mandates
- (3) back-up plans for IT infrastructure
- (4) emergency preparedness

We have concluded that although progress has been made in some of these areas, each of the items identified above remains a continued substantial risk to Hudson River Park and the Trust.

One of the greatest risks facing the Trust is maintaining aging infrastructure and the inadequacy of capital maintenance budgets. Last year, we reported that an in-progress pile inspection of Pier 40 indicated that conditions had continued to deteriorate since the previous inspection. Pier 40 is the primary generator of revenue to the Trust, serves as the Trust's central administrative and operational headquarters, and is the mostly heavily used recreational facility in the Park. Most of the Trust's major business functions take place at Pier 40. During the past year, the Trust finalized the inspection of Pier 40 and posted a report on its website. The report indicated that the piles supporting Pier 40 require approximately \$104.6 million in repairs; this comprehensive estimate, which includes design, surveys, dives, and escalation, assumes that repairs commence within two years and take place over a period of seven years. To manage this risk, the Trust will continue to monitor conditions at Pier 40 and will procure a marine engineering firm to develop a repair program.

The lack of funds to improve this facility's poor condition, if not addressed, will ultimately result in the closure of portions of the building that are used to generate revenues that support the park's operations, maintenance and staffing. The Trust's Executive Staff has been intensively engaged in trying to identify solutions to this problem. At present, aside from continuing to monitor the pier condition, the Trust has been working closely with the Department of City Planning to advance planning for the potential sale of some of Pier 40's unused air rights in accordance with the 2013 amendment to the Hudson River Park Act. While the Trust does not control its own destiny with respect to such potential sale, either in terms of creating the mechanism for the potential sale (the Department of City Planning holds such responsibility) or creating the market for a potential sale, the level of engagement by stakeholders including the City and elected officials at both the State and City levels has been high, with all parties aligned in the acknowledgment that the pier's condition must be addressed.

The Trust's ongoing investment in our computerized maintenance management system (CMMS) system is another means of assessing the risk of deferred capital maintenance in the

park. The system was purchased some years ago, and training, customizing the system, and entering data from scores of park facilities, utilities, HVAC systems etc. proved to be very time consuming for our small staff. In addition, data entry is becoming more systematic, such that useful data can be recovered and interpreted more easily. However, in the interim, aside from tracking work orders for repairs and other problems within the park, the system has not yet functioned to its full capacity. Staff recognizes that properly installed and used, the eventual reward will be multifold. CMMS can help the Facilities and Operations departments of HRPT become more efficient in: identifying and recording Park assets in need of repair; tracking preventive maintenance (PM) procedures; maintaining data on equipment, schedules, and downtime; providing one point of interaction with operational applications, processes, and people; maximizing limited resources; optimizing performance and maintenance schedules to maximize equipment uptime; and controlling costs by using existing resources more efficiently.

Beyond these benefits, a CMMS can help the Facilities and Operations departments: maintain a complete maintenance history of the repair significant items; monitor stockrooms and inventory levels; track and monitor employee performance; justify manpower; analyze cost distributions and areas in which maintenance dollars are spent.

To expedite useful implementation of our CMMS system, during the past year the Trust has centralized CMMS within its Operations Department and developed a CMMS Implementation Plan for assets, inventory spaces and work stations. The plan includes: Park asset data collection; inventory organization and data collection; defining and implementing PMs; reviewing barcoding CMMS module for implementation; creation of reports; integration of CMMS with the Trust's Construction department's Constructware program; and integration of CMMS with the Trust's Finance department's Great Plains program. Staff is now focused on entering information for one particular geographic segment of Hudson River Park -- Segment 7 - because it is the smallest but has many of the same features as the other segments of the Park. CMMS staff will be using segment 7 as its template for the remaining Park segments. This will allow staff to keep its asset hierarchy uniform from segment to segment and make it easier for staff to navigate the assets when creating work orders and establish CMMS as an internal controls system. The assets are the backbone of CMMS, so staff needs to collect the data accurately.

Another ongoing risk facing Hudson River Park is the potential for weather-related disasters. To fully assess and mitigate this risk, the Trust has commenced drafting a Business Continuity and Disaster Preparedness Plan (BCDPP). The overall objective of the BCDPP is to enable recovery of critical business functions in managing and supporting HRPT's business in the event of a facilities disruption or disaster, either short or long-term. Maintenance of the BCDPP is the primary responsibility of the Operations Department, specifically the Vice President of the Department and the Field Safety Manager, with input from the Executive, Legal, Real Estate/Finance, Human Resources and IT Departments who, combined, will constitute the Emergency Management Team. Once established, the BCDPP shall be reviewed periodically and redistributed to Executive Staff and Department Heads in the event of significant changes.

Also key to the success of the BCDPP is developing and implementing an IT disaster recovery strategy. If HRPT's data center is ever affected by a disaster or disruption, the Trust must have a means of recovering processing capacity at a pre-determined alternate site. Services to be

restored by IT would include: computers, internet access, phones, cellular phones, and computer storage.

Last year, the Trust identified the difficulty of staying current with expanding governmental requirements regarding compliance for procurement, MWBE participation, archiving, reporting and oversight. Over the past year, we were able to hire a new attorney with particular expertise in public procurement. However, we are still working towards remaining current with the emerging requirements related to compliance. The operating budget approved by our Board of Directors for FY15-16 includes an allocation for a new employee to assist with compliance and other systems planning.

Finally, the audit from the New York State Comptroller last year highlighted the need for stronger controls in a number of areas, including procurement, revenue collection, property management, M/WBE procurement and budgeting processes. While the Trust has already implemented most of the commitments made in our response to the Comptroller's findings, our Finance and Legal Departments continue to work together on revising policies and procedures and then on training staff to ensure these commitments are systematized across the Trust.

Separately, part of our outside auditor's scope entails assessing the Trust's internal controls. I have reviewed the Audited Financials dated June 30, 2015 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.