



## 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

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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

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### **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.

Reports from the Departments were separately provided.

Separately, Executive Staff (Acting President/Internal Controls Officer, CFO and General Counsel) met as a group to review the reports and to discuss their conclusions.

We agreed that the work was an extension of work begun last year, and that the Certified 2009/10 report remained useful as a reference and to outline the context of internal controls at the Trust.

Executive Staff agreed that three of the four priority risks identified by Department Heads last year remain the highest overall risk areas for the Trust: (1) maintenance of aging park buildings/infrastructure, particularly at Pier 40; (2) insufficient capital maintenance budget; and (3) managing and developing consistent Human Resources policies and programs. We also added a fourth need – hiring a property manager to assist at the intersection of property and finance.

The single largest risk to the operations of the Trust is the efficiency and reliability of its parking garage operations at Pier 40. Pier 40 Parking provides nearly half of the Trust's annual operating revenue, which is used to pay staff, operate public programs and maintain the park. Unfortunately, the garage that houses the Pier 40 Parking use and the Trust's offices is in deteriorated condition, due to the lack of routine and capital maintenance performed on the structure over the past 45 years. This State-owned building was inherited by the Trust 7 years ago after decades of occupancy by other public agencies, most notably the Port Authority of NY&NJ and NYS Dept. of Transportation. Very little capital maintenance was done on the facility over the last 35 years. Consequently, the Trust is faced with repairs of a magnitude that it cannot afford on its small budget. 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 the revenues that support the park's operations, maintenance and staffing. The Executive Staff has been intensively engaged with a subcommittee of our Board of Directors, elected officials and community leaders in trying to identify solutions to this problem. Since last year, we have authorized contracts for two essential design services that will allow us to better determine core safety problems and associated budgets on the roof and stairs/elevators in order to provide a recommendation to our Board regarding how to proceed.

An additional major risk area involved the capital maintenance of the waterfront structures and overall long-term maintenance of the new park. When the Hudson River Park Trust was established, the basis for the legislative agreement that created the park was that public capital funds from the State, City and Federal governments would be used for the creation of the new 550-acre park. The park's operations, maintenance and staffing would be supported by private revenues generated within the park itself through rents, leases, permit fees, sponsorships, grants and contributions, user fees, etc. Neither the capital budget nor the operating funds provided the resources necessary for capital maintenance once the park was constructed. This is a gap that has heretofore been filled by using excess Trust operating revenues for the past ten years. However, as the park is fully built out and the annual operating demands grow, the Trust will no longer have any excess revenues to devote to capital maintenance. This will result in deferred park maintenance and deterioration. A new source of revenue needs to be identified to meet this need in the next several years. We have again been working with our Board of Directors to explore solutions in this area including the possibility of independent fundraising as permitted by the Hudson River Park Act and are in the midst of a public comment period devoted to this topic and a formalization of a fundraising agreement with Friends of

Hudson River Park, with the expectation that we will be able to raise significant private income within the next several years.

Finally, the Trust continues to have some deficiencies in our Human Resources area. After reshaping the job description as the "Manager of Employee Relations and Benefits Administration," and then hiring someone to perform those duties, the employee left abruptly with no notice. This has again resulted in my needing to serve in an acting capacity for Human Resources. Despite being assisted greatly by staff from Legal and Finance in particular, I have not been able to focus on many of the HR goals we established for ourselves last year. The need for me to serve as the Acting President for several months has not helped either. Now that the new President is on board effective June 20, 2011, we will focus again on hiring a permanent employee for this important position.

Since last year, we were able to retain a new Chief Financial Officer/Executive Vice President of Property Management -- one of the corrective steps we identified in last year's risk assessment. However, we also lost the previous Vice President of Finance due to retirement. This creates more burden on the new CFO than originally anticipated last year. Since we do not anticipate having sufficient funds to replace that position, we have instead focused on hiring a property manager. Part of this person's duties will be to work at the intersection of Finance and Operations & Maintenance where we have observed some deficiencies in our operations.

In January 2010, the Trust conducted and submitted an Internal Audit evaluation in accordance with Budget Policy and Reporting Manual Item B-350, Attachment C, to determine whether an internal audit unit is needed. As reported (see attached), the determination was that the Trust is very small (58 full-time employees) and does not require this function. The Trust is already required to have an annual audit conducted by external auditors. It also already dedicates one staff position in the Finance Department to internally reviewing/auditing the Trust's accounts and making corrections or advising executive staff of weaknesses. In addition, the Trust's Executive Vice President is its formally designated Internal Control Officer; this function is one of a number of other responsibilities in her portfolio given the agency's small size. The function of the internal financial department auditor is also to review and balance financial statements; post final journal entries; reconcile general ledger accounts and prepare schedules for the annual year-end external audit. Recommendations made by the external auditors are then incorporated into the Trust's processes.



## Hudson River Park Trust

To: HRPT Department Heads

From: Noreen Doyle

Date: March 28, 2011

Re: Trust Internal Control Agency Statement

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The New York State Governmental Accountability, Audit and Internal Control Act of 1987 required State agencies and other organizations to promote and practice good internal control and to provide accountability for their activities. In October of 2007, the New York State Comptroller issued Standards for Internal Control in New York State Government. It states that “Internal control is defined as the integration of the activities, plan, attitudes, policies, systems, resources and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.”

The mission of the Hudson River Park Trust is to design, build, operate and maintain the 5-mile, 550-acre Hudson River Park. In order to succeed at this mission, Trust operations must be managed effectively and Trust managers must devote attention to internal controls and risk management in the functioning of their own departments and in their inter-departmental interactions. While all managers have a significant impact on our system of internal control, every Trust employee also has a responsibility and a role in ensuring that the organization is achieving its mission. Internal controls also help the organization to 1) Promote orderly, economical and effective operations, and produce quality products and services consistent with its mission; 2) Safeguard resources against loss due to waste, abuse, fraud, mismanagement, and errors; 3) Promote adherence to laws, regulations, contracts and management directives; and 4) Develop and maintain reliable financial and management data and present that data in timely reports.

The Trust strongly endorses the practice of good internal control. The Trust’s Executive Vice President serves as its Internal Control Officer. However, managers have the 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. While the Internal Control Officer has the responsibility of implementing and reviewing the Trust’s internal control efforts, the department heads are responsible for the adequacy and appropriateness of the control system within their individual areas of expertise and operation.

Two years ago, each department head completed a 4-step process for internal control recommended by the State Comptroller’s Office and the State Budget Director in conjunction with members of your departments. You also identified weaknesses from the Functional

Vulnerability Assessment. Then, last year, you provided an update on your department's progress towards addressing those weaknesses.

**It is time for each department to update its risk assessment for the coming year. This year, you are responsible for the following.**

1. Meet with your department to review the Trust's mission statement as recently reconfirmed at the Trust's March Board meeting, and ensure that everyone understands the mission and how we try to accomplish it as an organization and through your department (our objectives).
2. Review the list of weaknesses identified previously and your statement about progress towards addressing those weaknesses and provide a written update. Your staff members must participate in this exercise. If there are new risks identified based on new or changed duties, you should also identify them along with recommendations to address them.
3. Working with your department, identify the five most important functions facing your department against the Trust's overall mission.
4. Working with your department, identify the five most significant risks facing your department against the Trust's overall mission. Identify ways your department can work together to manage them, and provide a statement from the department describing these "internal controls" or corrective actions for each of the priority risk areas.
5. The deadline for accomplishing the above and submitting the results to me is April 15.

As you complete this task, please remember that the State considers it to be the entire staff's responsibility to understand and implement good practices supporting internal controls, and has identified five components of a good internal controls practice:

- a. The control environment – this includes communicating the shared values of integrity, ethical values and competence across all levels of the Trust; maintaining an organizational structure in which people understand and support each other's duties; and providing mechanisms to ensure that there are open channels for communications between staff and management at multiple levels.
- b. Risk assessment – all staff should understand how risks can get in the way of achieving the department's and Trust's objectives.
- c. Control activities – these are the policies and procedures we implement to minimize or address risks: for example, procedures requiring approvals, verifications, segregation of duties, etc.
- d. Information and Communication – Communications must flow across all levels of staff, and must cover both internal and external parties. If people do not or cannot talk to each other about duties and concerns, risks to the Trust about not achieving our mission increase.
- e. Monitoring and Evaluation: All staff and managers have an ongoing responsibility for considering how risk can occur during the normal course of business and for doing ongoing and targeted assessments to make sure systems are in place to monitor and evaluate risks.

With the above in mind, you should also arrange a time for me to meet with you and your staff members during the week of April 18<sup>th</sup> (or as soon as you have completed your department's risk assessment if you are able to accomplish it prior to April 15<sup>th</sup>) so that we can have a broader discussion about internal controls at the Trust and Trust priorities and challenges in the coming year.

If you did not keep a copy of your original submission to me, please let me know and you can pick up the submission you turned in and use it for your reference.





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Hudson River Park Trust:

We have audited the financial statements of Hudson River Park Trust (the Trust) as of and for the year ended March 31, 2012, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's 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 effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Trust in a separate letter dated June 25, 2012.

This report is intended solely for the information and use of the Board of Directors, management and appropriate officials of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 25, 2012