



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: June 28, 2013

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 procedures. 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 conducted in 2011 in partnership with HRPT staff and Department Heads, and discussed the current state of the Park. As part of this discussion, we reviewed the five major risks identified last year:

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

If anything, the first two risks – maintaining aging infrastructure and inadequacy of capital maintenance budgets – have only grown since last year. This was demonstrated by the worsening condition of Pier 40 in 2012-13, resulting in closures of public restrooms, stairwells and elevators, and the continued poor condition of the roof and piles. Litigation with a major park tenant related to infrastructure is another key indicator of risk in this area. As has been discussed repeatedly with our Board and the public, the Trust does not have the financial capacity to make all of the needed repairs to Pier 40 and other “legacy assets”, nor is it likely that such funding will be provided by the State or City.

The Trust spent the entirety of last year exploring 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. Just this week, the Legislature passed an amendment to

the Act that will provide some immediate financial relief through cost savings as well as some new revenue generating opportunities. While we are all optimistic that these tools will help address our infrastructure and capital maintenance concerns, it seems unlikely that they will provide immediate relief at the scale needed. We will continue to work on other ideas that have emerged through our discussions including the Neighborhood Improvement District championed by Friends of Hudson River Park and various property owners. Like the legislation, 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.

Last year, we added 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, particularly as the requirements for compliance with M/WBE reporting and monitoring have become more onerous. To address this deficiency in part, we created a new Director of Finance position last year, which has improved our ability to provide a consistent level of financial oversight and enhanced our ability to create and implement coordinated new systems. We also transferred a long-term employee to the Finance Department to centralize more aspects of procurement, and are training additional staff in M/WBE reporting. However, even with these improvements, we are still struggling to stay on top of all the emerging requirements related to compliance. We should consider whether there are other staffing changes that we can implement to address this deficiency. Another area of concern has been that the Trust does not have adequate back-up plans or systems for either our phone or data. Last year, we reported that if a catastrophe were to happen to Pier 40, the Trust would have only limited ability to resume full functionality within a timely fashion. Hurricane Sandy was that catastrophe, and our staff including IT staff worked heroically to keep our systems running. Over a longer term, the hours they worked would simply not have been sustainable, and even with all the power and electrical failures from Sandy, the core IT structures were fortunately not damaged physically. The Trust must identify a financially viable solution to this problem. Once we have fully recovered from the power failures related to Sandy that are still requiring significant staff time, IT should turn its energies to researching options that would strengthen our disaster preparedness with respect to our IT systems.

Last, and related, the Trust has still not finalized its draft emergency staffing plan in the event of a citywide or major park infrastructure crisis at Pier 40. This must be addressed in the coming year. Leadership from our Operations & Management and IT Departments will take the lead in developing recommendations for Executive staff's review.

Separately, part of our outside auditor's scope entails assessing the Trust's internal controls. I have reviewed the Audited Financials dated June 28, 2013 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.