



To: Madelyn Wils, President & CEO

From: Noreen Doyle as Internal Controls Officer

Re.: Required Internal Controls Assessment

CC: Dan Kurtz, Christine Fazio, Sikander Zuberi, Nicole Steele, Owen Davies

Date: June 29, 2018

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 the Trust's designated Internal Controls Officer, this statement certifies that the Trust has assessed and documented its internal control structure and policies for the year ending March 31, 2018.

The Hudson River Park Act provides all Trust employees and Board members with clear guidance and direction regarding our duties and scope. First and foremost, this includes 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. The Trust has established internal controls with the Act and its many requirements in mind.

The Trust's practices related to internal controls are distributed throughout the organization, with responsibilities shared by both the Board and many levels of staff.

The Trust's Board is actively involved in guiding the park vision and in ensuring that the organization satisfies its fiduciary and other obligations to the public. In addition to reviewing and approving budgets, corporate employee policies, all contracts of \$200,000 and greater, and investment and procurement policies, the Board takes a substantive role in advising staff on major property transactions, and policy and legislative initiatives. The full Board meets at least six times a year, with formal committee meetings also occurring throughout the year.

Executive staff (President, General Counsel and/or Deputy General Counsel, Executive Vice President, and Chief Financial Officer/Executive Vice President) works closely with

our Board on new initiatives, and makes decisions regarding staffing, policies, exceptions, budgeting changes, and sensitive political or community issues.

Additionally, the Trust is organized into departments which together function to implement and oversee the daily operational business of the planning, design, construction and operations of the park: Design and Construction, Operations, Facilities, Finance, Public Programs, Human Resources, Estuary Lab, Real Estate, Management Systems, 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 ensure that the Trust has the capacity to carry out its mission.

Throughout the year, Executive staff meets with Department Heads in weekly meetings to discuss initiatives and activities. As Internal Controls Officer, my role throughout the year is to consider these activities with regard to compliance and risk, both to the Trust itself and to the general public whom we serve, and to work with Executive staff and other members of the Trust to manage and improve conditions that could create compliance problems or risk.

As is our practice, our review of internal controls over the past year included reviewing the major risks identified last year and discussing these with you and involved staff:

- (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 coupled with the need for stronger controls
- (3) improved document retention policies and need for a successful computerized maintenance management system
- (4) back-up plans for IT infrastructure
- (5) emergency preparedness
- (6) parkwide safety issues

The first item— maintaining aging infrastructure, particularly at Pier 40, which generates a large percentage of the Trust's overall operating revenue, remains a major risk. However, the Trust, has mitigated some of that risk by entering into contracts to repair Pier 40's badly deteriorated piles using some of the \$100 million in funds generated from the sale of 200,000 square feet of unused development rights from Pier 40 to a nearby private developer. This work, that commenced in Spring 2018, will significantly decrease the pressure on Pier 40 to have large-scale development of the sort the community has long opposed, given that a future private developer would not have to repair the piles.

Trust staff also participated in a task force organized by Community Board 2 to develop consensus on an expanded array of potential uses and a longer lease term, both of which would have to be secured through an amendment to the Hudson River Park Act. In December 2017, that process resulted in a resolution from Community Board 2 supporting both amendment changes, but the resolution also strongly articulated the desire for controls and enhancements on development and of park designs in any potential redevelopment. More recently, Community Board 2 added new conditions to a second resolution; these conditions contain specific recommendations on height and other limitations and were not previously discussed with the Trust or community in the current specificity. Nevertheless, the Trust continues to meet with elected officials to discuss the need to amend the Act to allow for an office use and longer lease and to try to identify a process for moving ahead in a way that the community can support but which also results in a viable long-term solution for this pier. If the Act cannot be amended within the near future, the 15-acre Pier 40 remains perhaps the biggest recreational and financial risk facing the park.

Beyond Pier 40, the Trust is currently repairing a section of historic bulkhead in Greenwich Village at Morton Street. Funding for this project was provided by Governor Cuomo. In FY18, we also commenced a marine inspection program for park piers with the goal of identifying conditions that need to be addressed before they become more costly emergencies. Under water inspections were completed at multiple repairs, and a repair program for them is being developed. Inspections will continue next year, and thereafter. While a number of other infrastructure challenges remain, the Pier 40 air rights sale has significantly reduced the financial and operational risks we currently face at this location.

The Trust has also continued to make good progress on the second risk item: managing the difficulty of staying current with expanding governmental requirements regarding compliance for procurement, MWBE participation, archiving, reporting, insurance and oversight. The Trust Vice President of Management Systems, who reports directly to the Trust's two Executive Vice Presidents, has implemented procedures designed to streamline and systematize any number of internal HRPT systems. Specifically, procurement forms have been updated to meet all of the Trust's Procurement Guidelines and relevant staff have been trained on the Trust's procurement procedures. New measures to track participation by MWBE and SDVOB firms, including staff training and hiring a new member of the Legal department to assist with compliance, have also been pursued. Additionally, the Vice President of Finance and Vice President of Management Systems have been cooperating to enhance the Trust's financial software to capture more data, which will allow for better analysis and reporting. Aside from promoting the effective and economical operations of the Trust in a manner that adheres to laws, regulations and management directives, Trust management believes that improving our systems may also ultimately result in time efficiencies, and therefore greater productivity in certain areas.

Trust staff are also working on improved document retention policies and have successfully initiated clean-up of the archive room that stored hard copies of contracts, permits, drawings, and historic documents and mapping. Now that the hiring of attorneys and paralegals in the Legal Department is complete, Trust staff should continue to explore technological or other solutions to improved file management and document retention.

As noted in reports over the past few years, another area of identified risk related to the Trust's aged IT infrastructure. More recent Windows software has been installed on office computers, and HRPT's email systems are running faster and in a more stable environment. HRPT's IT staff also completed a WiFi project that allows for more efficient communication and work throughout HRPT's office and work areas, which are dispersed throughout Pier 40. In 2017-18, the servers supporting the Trust's BroadWorks phone system, which was installed in 2006 and which has been experiencing hardware and software issues, were replaced, allowing for an RFP to be prepared for a phone system upgrade that will allow HRPT to get modern functionality from our phone system.

Last year's report also identified a renewed effort to implement and sustain a computerized maintenance management system (CMMS) system to manage the many and varied types of infrastructure assets that the park maintains: scores of facilities, utilities, HVAC systems, stockrooms, equipment, vehicles etc. As noted last year, the original system purchased by the Trust proved unwieldy and incompatible with park operations. As a result, staff researched, and the Board approved, a new system that provides greater functionality. In 2017-18, staff made significant progress in migrating data to, and in using the new system, which identifies and records Park assets in need of repair, tracks preventive maintenance (PM) procedures, and manages work orders and staffing needed to address them, among many other functions. Staff must continue to work on full implementation of CMMS to ensure that the improvements to managing resources and maintaining the park are fully achieved.

In FY17/18, staff continued the progress it has made with the NYC Police Department and the community on implementing and enhancing a variety of public safety measures, such as stepped up enforcement of unauthorized use of motorized vehicles on the bikeway, anti-theft campaigns at public ballfields, and water safety. Given the park's size – 4-miles-long and 550 acres – and budget limitations, the park must develop smart tools and partnerships in order to continue to provide a safe environment for park visitors, particularly in view of ever greater attendance at park venues. For example, security cameras were installed as planned in Segments 3 and 4 – the Tribeca and Greenwich Village neighborhoods – and planning and funding efforts were advanced to expand to additional park areas to the north.

Staff has also continued its partnership with the US Coast Guard Auxiliary regarding promoting boating safety communications and best practices among the park's many

tenants and permittees conducting operations and programs involving motorized and non-motorized, and commercial and not-for-profit boating. Continued outreach, signage and coordination designed to educate the variety of boaters about each others' operations and requirements must continue in order to enable boating to thrive in a safe environment. Similarly, partnerships with the District Attorney's office, the various nearby police precincts, the community boards and the Hudson River Park Advisory Council must also continue, with education and enforcement working together to combat the continuing accelerated incidence of illegal motorized vehicles on the New York State Department of Transportation (NYSDOT) bikeway adjoining the park. Because motorized bikes and skateboards travel at a greater speed, they can cause greater injury. New York City is currently consider legalizing motorized bicycles, and the Trust is seeking information on whether such vehicles would be considered legal on the State-owned bikeway. The Trust staff and Advisory Council both believe that safety will be compromised if they cannot be prevented from using this crowded pathway.

A major new risk area for both public safety and park operations results from the October 31, 2017 terrorist attack on the NYSDOT Route 9A bikeway in the area located between Houston and Chambers Streets. As a result of this terrible incident, NYSDOT and the NYC Police Department have implemented temporary security measures, such as locating concrete barrier and concrete blocks along the bikeway to prevent vehicles from entering the bikeway. More permanent security measures are being designed by NYSDOT. The new barriers have created tremendous pressures on the Trust because the Trust's fleet, which includes golf carts, Toros and other vehicles needed to transport lawn mowers and all manner of other equipment along the park's length, cannot fit between the security barriers. This has resulted in the need to purchase new vehicles and equipment, and to change operating procedures as well. These changes will result in greater park maintenance costs, both in the short term and permanently. The Trust has been working with SDOT and other agencies to ensure that permanent designs of safety features consider the daily safety of bikers, pedestrians and other park users who must now navigate through very tight spaces, particularly during the peak spring, summer and fall months, in addition to protecting against future terrorist attacks. This effort must continue in 2018-19. Additionally, the Trust must also work internally to identify changes in operations and budget needs throughout several of its departments to continue providing a high level of park care and maintenance in more challenging and costly circumstances.

Given other challenges, particularly unanticipated work stemming from the terrorist incident and some staff transition, the Trust did not make sufficient progress in developing a formal "Business Continuity and Disaster Preparedness Plan" (BCDPP), nor in implementing an IT disaster recovery strategy. As noted last year, such plans have the goal of enabling recovery of critical business functions in the event of a facilities disruption or disaster, either short or long-term. While the Trust has historically functioned very well as a team and in service of the public during such emergencies as Super Storm Sandy, we believe a more formal system is necessary practice, since park

conditions and staff will always change, as will the nature of emergencies. The Vice President of Management Systems will work with the Vice President of Operations, the Chief Information Officer and other staff to help advance planning in these areas.]

Separate from the risk areas identified above, I have also reviewed the Audited Financials for the fiscal year ending March 31, 2018 prepared by the Trust's independent outside auditors. My review has included 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.