

Hudson River Park Trust
INTERNAL CONTROLS SUMMARY
For Year Ending March 31, 2020

1. Establish and maintain guidelines for a system of internal controls.

The Hudson River Park Trust strongly endorses the practice of good internal controls. Components of the system include: (1) commitment to integrity and ethical values, (2) separation of roles to the degree possible with its small staff, (3) establishing clear structure, authority, lines of responsibility and adherence to laws, regulations, contracts and management directives, (4) demonstrating a commitment to competent, economical and efficient operations, (5) safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud, and (6) establishing a culture in which communication can occur across all staff levels.

The Hudson River Park Act provides all Trust employees and Board members with clear guidance and direction regarding their duties and scope. First and foremost, this includes the Trust's 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. Each year, the Board confirms the Trust' mission statement and performance measurements in the following areas:

- Plan and Design the Park
- Construct the Park
- Operate and Maintain the Park
- Provide Free and/or Low Cost Public Recreational, Educational and Cultural Opportunities
- Promote environmental stewardship and enhance the estuarine sanctuary
- Promote economic development and tourism in the state of New York
- Operate on a model of economic self-sufficiency

In addition, the Board also reviews and approves budgets, corporate employee policies, investment guidelines, the employee handbook, all contracts of \$200,000 and greater or with a term of over one year, and procurement policies, and takes a substantive role in advising staff on major property transactions and important policy and legislative initiatives. The full Board meets at least six times a year, with formal committee meetings also occurring throughout the year. The Board's Governance Committee oversees matters related to good governance and employment, among other topics, and at its most recent meeting, this committee determined that it would be regularly reviewing additional matters that could potentially cause risk to the Trust and park as well.

Executive staff (President, General Counsel and/or Deputy General Counsel, Executive Vice President, and Chief Financial Officer/Executive Vice President) works closely with the Board on new initiatives, and makes decisions regarding staffing, policies, programming, budgeting changes, and sensitive community issues. Staff makes quarterly reports of financial and contractual information available to members of the State and City governments, its own Board of Directors, and on its website.

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: Executive, Legal, Finance, Management Systems, River Project (Environment and Education), Public Programs, IT, Operations, Facilities and Design and Construction. Department 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 and to consider these activities with regard to compliance and risk, both to the Trust itself and to the general public whom the Trust serves. Where necessary, the Internal Controls Officer identifies areas of risk to the President/CEO and works with the Chief Financial Officer, General Counsel and Vice President of Management Systems along with other members of the Trust to manage and improve conditions that could create compliance problems or risk.

The Trust uses multiple communication systems to support its internal controls. These include weekly Executive team meetings, weekly Senior Staff meetings, bi-annual all staff meetings, department meetings, regular meetings and ad hoc emails with the Trust's Advisory Council, Community Boards, elected officials and other stakeholders. The Trust prepares an annual Financing Plan and makes this document and other materials available on its website. The Trust's President has communicated the importance of internal controls standards to Trust staff and through all-staff meetings and internal newsletters and reports, makes information about the Trust's mission, priorities and other initiatives known to staff members. In addition, more detailed procedure guidance materials related to procurement and other topics are available to all staff through the Trust's intranet site, Sharepoint, and training on such systems is regularly provided by the Vice President of Management Systems. The Trust expects to increase its commitment to training staff and centralizing training materials on Sharepoint in the coming year.

- 2. Establish and maintain a system of internal controls and a program of internal control review for the authority. Include a description of the process for reviewing and testing controls and monitoring corrective action plans. Also, list all high-risk activities which were reviewed during the past year, and the results of those reviews.**

Each year, the Trust requires its independent outside auditors to review its primary internal controls. The Internal Controls Officer participates in meetings with the Auditor and the Trust

Board's Audit Committee and reviews the "Report on Internal Control Over Financial Reporting and On Compliance with Other Matters ..." as well as other components of the Audit. For FY19-20, the auditors have not identified any concerns regarding appropriate checks, balances and redundancies in place based on this review.

Within the Trust, staff members monitor internal controls to assess performance objectives and compliance. Increasingly, the Trust's investment in Sharepoint is demonstrating success in ensuring compliance with government mandates regarding procurement and other systems. The Trust uses Sharepoint to help track and test systems related to procurement, contract execution and management, MWBE and SDVOB reporting and management and other internal systems. A committee of Trust staff members comprising the Vice President of Management Systems, Vice President of Finance, General Counsel, CFO/Executive Vice President and Executive Vice President meet periodically to review performance and to consider enhancements to the systems. In addition, the Trust continues to update and add to this system with additional applications anticipated including purchase orders, contract administration, and contract closeout in various states of design and development. In addition, the Trust has also improved the integration of its Property Management system with its accounting software, again to have better and more timely tracking and analytics for income and lease compliance. The Trust also conducts Project Status Review meetings every two weeks to track progress, budgets and other milestones for capital construction and other major initiatives.

The Trust has conducted several staff wide procurement and Sharepoint training sessions for involved staff, and training documents have been distributed via email, stored centrally on the network server, and on the SharePoint Procurement Central site. As policies and procedures evolved, information is updated in real time by Management Systems, in collaboration with Legal.

Compliance is also monitored by the Trust's external auditors who annually audit the Trust's books and records, by regular auditing of the State Insurance Fund, Worker's Comp regulators, City and State Controllers Offices, Mayor's Office of Contracts, by the Trust's General Counsel and Ethics Officer who monitors compliance with laws, policies, procedures, guidelines, the Hudson River Park Act and the Trust's Corporate By-laws. In addition, Trust's Finance Dept. has established an internal functional directory of activities identifying which staff members are required to approve various levels of expenditures. It has also identified a staff accountant whose principal role is reviewing and auditing the Trust's accounts on a daily basis.

As a 50/50 partnership between the State and City of New York, the Trust is also required to comply with a number of additional local laws, policies and regulations of the City of New York. This results in an added layer of oversight and regulatory restrictions that provide supplementary operational controls over areas such as procurement, contracting and purchasing.

Beyond the focus on systems, the Trust has maintained its practice of conducting an internal assessment of progress made towards addressing risks identified in the previous year, and to consider any new risks that have since been identified. Last year's list included:

- (1) managing aging infrastructure, particularly at Pier 40
- (2) compliance with increasing governmental mandates
- (3) improved document retention policies
- (4) back-up plans for IT infrastructure
- (5) emergency preparedness
- (6) parkwide safety issues including access into the Park from the adjacent Route 9A bikeway
- (7) affordability and availability of insurance

For a number of years, the Trust has publicly discussed the continuing challenges associated with Pier 40. Pursuant to the Hudson River Park Act, Pier 40 is one of the designated "park/commercial" piers intended to generate revenue to support park operations. Because the pier was already in poor physical condition when the park was created, it has required a great deal of investment, such that it has required major commitments of capital funding over the past decade in order to repair deteriorated infrastructure.

As noted in previous reports, the Trust has been repairing the 3,600 piles that support the pier with \$100 million in funding the Trust received from the sale of 200,000 square feet of unused development rights from Pier 40 to a nearby private developer. Repairs are still in progress, but funding is available to complete the whole program. In addition, the Trust Board has recently approved additional contracts related to essential roof and façade repair, and to other building systems. The courtyard ballfields were also recently refurbished, ensuring that the pier can continue to serve the public's demand for recreational sports fields. The ability to undertake these critical structural improvements significantly abates some of the Pier 40 risk. Nevertheless, many other aspects of the pier remain in poor condition. Once the current repair program is complete, the resources made available from restricted funds such as air rights transfer will be depleted. Even then, the mechanical systems, i.e. plumbing and electrical, will still be functionally obsolete and the existing pier building will have other deficiencies.

As a designated "park/commercial" pier under the Act, Pier 40 has been intended since the Park's inception to be redeveloped privately for a combination of public open space and revenue generating uses that would help support the entirety of Hudson River Park's continuing care and operations.

Prior plans to rehabilitate Pier 40 considered through two separate RFP processes were abandoned due to a combination of restrictions on permissible uses, a short lease term and community concerns. In 2017, the Trust participated in a Pier 40 task force convened by Manhattan Community Board 2, and then continued discussions with elected officials and the community in 2018 and 2019. These discussions explored existing conditions, concerns and desires for the pier as well as the possibility of amended legislation to allow a longer lease term

and introduce commercial offices as a permissible use at Pier 40, subject also to achieving many community goals for Pier 40.

Governor Cuomo vetoed the subsequent legislation in December 2019, and directed the Trust to work with elected officials and the community on holistic park planning that would include Pier 40 and Pier 76. As with Pier 40, Pier 76 is intended in part to help support the Park's overall care, again through a revenue-generating use, but the New York City Police Department must first relocate the existing tow pound from this pier before it can become part of the Park. In early 2020, a Task Force convened by the Trust and including elected officials and community representatives devoted substantial effort towards considering a holistic plan that would create improved public open space and the necessary revenue to help support the whole park. Unfortunately, the process had to be halted due to COVID-19. Given the continuing health crisis as well as grave financial implications from COVID-19 on State and City budgets, the approach and timing of previously discussed concepts will need to be reconsidered.

Hudson River Park has been successful at generating sufficient revenue to pay for its own operating expenses such as horticulture, facilities, educational programs, public events, sanitation, security, and utilities. In recent years self-generated revenue has exceeded the Park's operating expenses to some degree. However, such surpluses do not cover the entire costs of annual capital maintenance, and no other source of funds has been earmarked to cover such costs in the future. For this reason, the Trust must cobble together a variety of funding sources in order to support the Park's capital maintenance program, with no guarantee of success from year to year. Long term solutions to Pier 40, and to Pier 76 as well, are needed to ensure that the entire park receives the care it will need as it continues to grow, but also as its physical assets age. This continues to be the biggest risk area for the overall health of Hudson River Park.

Emergency preparedness continued to be a major focus last year. Aside from continuing to install security cameras in additional park areas, the Trust also updated both its comprehensive Emergency Preparedness Plan and a Continuity of Operations Plan. Unless continuous updates and training in both of these systems occurs, the Trust will not realize the intended benefits. The Trust should implement a regularly recurring training schedule for this reason and has tasked its recently hired Senior Director of Public Safety with this responsibility.

Another risk stems from the continuing accelerated incidence of motorized e-bikes and e-scooters on the New York State Department of Transportation (NYSDOT) bikeway/greenway located adjacent to the park. Because motorized bikes and scooters travel at a greater speed, they can cause greater injury, and the public cannot enter Hudson River Park without crossing the bikeway. Even though they are not permitted on the bikeway/greenway, such vehicles continue to use the bikeway, and an effective enforcement solution against these speeding vehicles on a narrow property with security bollards and many exit and entrance points remains extremely challenging. The Trust continues to seek support from NYPD and other agencies to assist with this increasing challenge.

Beyond these “macro” mission-centric policy issues, the Trust has previously identified other vulnerabilities and inefficiencies in certain systems. For example, its paper and digital records are not stored as systematically as desired, leading to wasted time trying to find and retrieve required records and occasionally, redundant work efforts. In addition, certain paper records are not disposed of promptly (in accordance with State document retention schedules), resulting in very burdensome paper storage needs. In the past several months, COVID-19 and the requirement for staff to work remotely accelerated a move to digitize certain documents and signatures, such that new contracts and procurements are now fully digital and on line. The Trust recognizes a need to audit certain older paper contractual files, and has identified this as a task for staff once the busy summer Park season has concluded. In general, the Trust should continue making efforts to transition paper document control systems to digitized systems, and to improve and standardize file naming conventions.

Another area of systems risk relates to the Trust’s aged IT infrastructure. A primary example continues to be the Trust’s BroadWorks phone system, which was installed in 2006 and which has been experiencing hardware and software issues. Last year’s RFP for a phone system upgrade failed, and the Trust needs to prioritize finding and implementing a new system. Because the number of Park systems requiring servers and other hardware continues to expand, the Trust is now running out of room in its data center and has made the decision to move many of its systems to the cloud. Such solution will avoid the need to build out expanded space with associated power in the next several years, and should similarly address data recovery capacity and system concerns to ensure business continuity, but it must be a priority. In the meantime, progress has been made on various other IT-related projects, including the continued expansion of the wireless network within the Park to allow for continued roll-out of park security cameras and support and expansion of the Sharepoint system.

Because of the Park’s high risk characteristics, including the New York City venue, the ongoing construction work occurring in the park, the daily use of the Park by thousands of people, concerns with terrorism, the number of claims filed due to the 2017 terrorist attack on the adjacent Route 9A bikeway, and the uniqueness of procuring insurance for a park, it continues to be difficult to procure the \$100 million commercial general liability and excess/umbrella coverage each year. The premium increased 18 percent over last year’s costs for the new policy that took effect on February 28, 2020, even though only six claims were filed last year. The policy entered into was only for a 10 month period so that the Trust in future years will have information about the insurance costs prior to the State and City commencing their budget process. Unfortunately, the Trust has been informed that the trend of insurance carriers leaving the primary and secondary markets is expected to continue and the Trust expects it will be faced with another large increase when it seeks its \$100 million in general liability coverage to take effect December 1.

Finally, COVID-19 is an obvious and continuing risk for the Park. The Trust has managed the return to work process for staff members through implementation of staggered schedules, partial remote work where practicable, installation of physical separations in certain spaces, increased cleaning and other measures, and it must remain vigilant in all of these regards. The Park itself never closed, and the Trust has assumed increased burdens related to cleaning and

education regarding social distancing for park users. Income from various tenants has meanwhile declined, as many businesses suffered total or partial closures, many of which still continue today. Last, State and City financial contributions to the Park for construction will also likely be reduced due to the economic hardship stemming from the virus. The Trust has already taken measures to reduce its current operating budget and has frozen certain projects based on lack of funding. Staff has also worked with tenants and permittees to try to identify fair solutions for both them and the Park. Flexibility, creativity, partnerships and budgetary prudence will be essential as COVID and its financial impacts to the economy continue.

- 3. Make available to each officer and employee a clear and concise statement of the generally applicable management policies and standards with which the officer or employee shall be expected to comply along with detailed policies and procedures the employees are expected to adhere to in completing their work.**

The Trust places a high value on communications regarding personal and corporate accountability with staff at all levels: Board to Executive, Executive to Department Head, Department Head to Department Head, Peer to Peer, and Peer to Executive. The Trust is also constantly mindful of its obligations to the general public and park “customers”; the President, Executive Vice Presidents and – where appropriate, General Counsel and other Department Heads and Members – may all directly attend Advisory Council, Community Board, Working Group and other meetings with the public to ensure high-level access, information and service are provided in a transparent fashion. The Hudson River Park Act provides clear guidance and direction to all Trust employees regarding their duties and scope. The President, Executive Vice President, General Counsel and Vice President of Finance communicate with staff throughout the year on financial, ethical and other duties and requirements, including providing training in such matters as procurement, communications protocols, and property management protocols for all involved staff.

All officers and employees of the Trust have access to written policies, mission statement, employment manuals and procedures. The General Counsel shares information about ethics and other requirements with all staff members annually. Increasingly, training materials and information are centralized and stored on Sharepoint, and the Trust will continue to expand such centralization moving forward.

- 4. Designate an Internal Control Officer (ICO), who shall report to the head of the authority or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should be communicated to all employees.**

The Trust’s Executive Vice President has been designated as the Internal Control Officer. This position reports directly to the President/CEO of the Trust and has the authority to act on behalf of the Trust in implementing internal control program requirements. This individual also has broad knowledge of Trust operations, personnel and policy objectives and is authorized to work directly with the Board of Directors as necessary.

5. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.

At the Trust, training in internal controls occurs at both the department and "all staff" levels. Department Heads regularly assess their training needs based on the specific functions and levels of risks identified. For example, supervisors in the Operations & Maintenance Department identify relevant OSHA training for staff members who work in the field where the risk of injury is greater than for those at desk jobs. Training in the legal area might include new ethical requirements or opinions, contracting requirements or Executive Orders. Members of Legal Department serve on the NYS Council of Contracting Agencies. The Vice President of Finance receives and disseminates information from the State and City Comptrollers' offices and Budget Departments and participates in required agency trainings.

In addition, the Trust disseminates information and conducts periodic training for all staff on NYS Ethics Requirements, Workplace Behavior, EEO requirements, Vehicle and Electronic Communications policies, and workplace culture. Targeted trainings for involved staff occur frequently related to procurement. The President, Executive Vice Presidents and General Counsel will continue to identify areas where such training should occur.

6. Periodically evaluate the need to establish, maintain or modify an internal audit (IA) function.

The Trust is a small organization and does not require this function. The Trust is already required to have an annual audit conducted by external auditors. Recommendations made by the external auditors are then incorporated into the Trust's processes. As noted above, the Trust's Governance Committee will also assume a larger role related to considering risk moving forward.

In 2019, the Trust took an additional measure of retaining an outside consultant specifically to identify any significant weaknesses or emerging risks with respect to internal controls. Since then, the Consultant has been speaking with various department heads to evaluate risks associated with the operations in certain key functional areas to identify any areas of significant vulnerability in current operations and importantly, to provide preliminary recommendations to management on how to address any such areas. This work is in progress.

Dated: 8-31-2020

By:



Noreen Doyle, EVP