

Hudson River Park Trust

INTERNAL CONTROLS SUMMARY

For Year Ending March 31, 2021

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's vision and in ensuring that the organization satisfies its fiduciary and other obligations to the public. Each year, the Board confirms the Trust's 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
- Establish an Estuarine Sanctuary Management Plan
- 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 value or with a term of over one year, and procurement policies and takes a substantive role in advising staff on major property transactions, Park design 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. Executive staff (currently, President, General Counsel, and Chief Financial Officer/Executive Vice

President) work 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.

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, Property Management/Real Estate, 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 and works with the President, Chief Financial Officer, and General Counsel 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 individual departmental meetings, makes information about the Trust's mission, priorities and other initiatives known to staff members. In addition, more detailed procedural guidance materials related to procurement, policies, and other topics are available to all staff through the Trust's SharePoint intranet site. Training on such systems is regularly provided by the Management Systems and Legal departments. The Trust will continue training staff and centralizing additional training materials and Trust policy documents 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 audit the Trust's books, records and certain key controls systems. The Auditor meets with the Board's Audit Committee, Executive staff, Vice President of Finance, and Internal Controls Officer to review the "Report on Internal Control Over Financial Reporting and On Compliance with Other Matters ..." as well as other components of the Audit. For FY20-21, the auditors have not identified any concerns regarding appropriate checks, balances and redundancies in place based on this review.

In addition, other outside parties, such as the State Insurance Fund, Worker's Comp regulators, City and State Controllers' Offices, and Mayor's Office of Contracts, also conduct periodic reviews or audits. Within the Trust, the General Counsel and Ethics Officer monitors compliance with laws, policies, procedures, guidelines, the Hudson River Park Act and the Trust's Corporate By-laws. The Trust's Finance Department has also established an internal functional directory of activities identifying which staff members are authorized and 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.

Within the Trust, specific staff members are assigned to conduct and monitor various aspects of internal controls procedures and their alignment with performance objectives and compliance requirements. The Trust's investment in SharePoint has been successful at centralizing and ensuring compliance with certain key systems related to government mandates regarding procurement and reporting in particular, along with other management functions. The Trust uses SharePoint, in conjunction with SQL Services Reporting System (SSRS) and its internally developed PANDA and PEPstat applications, to track and test systems related to procurement, contract execution and management, issuance of purchase orders, MWBE and SDVOB reporting and management, Park security incident reports, payments, and other internal systems. Park maintenance is managed separately through the Trusts' Cartegraph CMMS system. The Vice President of Management Systems meets periodically with the Finance, Legal, Public Safety and other departments to review and consider enhancements to the systems including as changes to exiting government mandates occur or new ones are issued. In addition, the Trust continues to update and add to these systems with additional applications anticipated.

In particular, in 2020, the Trust designed and implemented a new system, the PANDA Payment and Invoice application, to assist in meeting compliance goals associated with the Park's Prompt Payment Policy. The system centralizes receipt of all invoices and tracks and requires timely reviews and approvals by project managers and department heads. It also sends alerts to relevant staff and supervisors if a review step is stalled. The app also prevents closeout of a Purchase Order unless project managers sign that items have been received in good order or services rendered as intended, and that payment has been issued.

Also in 2020, the Trust worked with the NYC Parks Department's Park Enforcement Patrol (PEP) to design, develop, and implement "PEPstat," an internal application to formalize and track incidents and their associated resolutions throughout the Park. Reports generated by the system are prepared in a standard format including with respect to geography and key terminology. This allows the Trust to better analyze trends and establish solutions to identified issues. In addition, the Trust's incident reporting process was also improved through a standardized smart form and a formal process for routing, tracking and resolving the identified issues.

The Trust conducts procurement and SharePoint systems training sessions for involved staff throughout the year, and training documents are also distributed via email, stored centrally on the network server, and on the SharePoint Procurement Central site.

In addition to SharePoint, the Trust uses other management tools to track and share information. For example, Executive, Legal and Finance staff meet with Department Heads and project managers in the

Design and Construction, Facilities and Operations Departments every two weeks to track progress, budgets and other milestones for capital construction and other major capital maintenance initiatives as well as to ensure proper coordination and messaging across departments.

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 by the end of 2022. In this fiscal year, the Trust's contractors also made necessary repairs to the roof and façade and to other building systems. 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. In 2020, the

Trust convened a task force to discuss both Pier 40 and Pier 76 – until recently, the New York City tow pound – and how both piers could better contribute to the Park’s finances as well as with improved and additional public open space. The discussions ended during the COVID-19 pandemic before recommendations could be formalized, but had explored existing conditions, concerns and desires for both the piers as well as the possibility of amended legislation.

Given COVID-19 recovery is still very much in process, 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. Prior to 2020 and the COVID-19 pandemic, self-generated revenue 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, which New York State acquired from New York City to convert into an interim park use this year, 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. Further, the Trust also prepared a Continuity of Operations Plan for a State Disaster Emergency Involving a Communicable Disease pursuant to a new State requirement that took effect on April 1, 2021, which in many ways documents the protocols that were put in place over the fiscal year to ensure the safety of Trust staff and Park patrons during COVID-19. Ongoing training is required to ensure successful implementation for both plans and the Trust has tasked its 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 in greater numbers, particularly during the COVID-19 pandemic for commuting and recreational purposes. An effective enforcement solution against these 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, NYSDOT and other agencies to assist with this increasing challenge. As an example, the Trust advocated for NYSDOT implemented signage notifying the public that e-bikes and e-scooters are prohibited on the bikeway/greenway. However, even with the signage, e-bikes and e-scooters continue to use the bikeway/greenway. More persons are also biking on the esplanade within the park in violation of Park rules which also creates increased risk as the Park continues to be very crowded throughout the COVID pandemic. The Trust has increased signage and patrols to try to curtail this problem as well.

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). During COVID-19, Trust staff worked remotely and thus the Trust was able to move quickly to digitize certain documents and signatures, such that new contracts and procurements are now fully digital and on line on the SharePoint and PANDA systems. Trust staff also added many of the older active contracts to the SharePoint and PANDA systems and the Trust intends to have all active contracts on the SharePoint and PANDA systems during the next fiscal year. 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 has been experiencing hardware and software issues. A few years ago, the Trust issued an RFP to upgrade the phone system, but the RFP failed due to lack of response, so 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 has begun 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. The Trust also carries cybersecurity insurance and as part of that policy, the carrier requires that the Trust have a contract with a law firm that specializes in cybersecurity risks, which firm provided cybersecurity training to most Trust staff this past fiscal year. The Trust will work with the cybersecurity law firm to develop a written incident response plan to be completed next year. 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. In this fiscal year, the premium increased by an approximate \$1.9 million for the new policy that took effect on December 1, 2020, despite there being no increase in the number of claims (6) filed against the Trust over the previous year. While the State and City cover the Trust’s costs for the general liability coverage, the new increase resulted in no additional State funds committed to the Park from the Environmental Protection Fund being available for other Park purposes.

Finally, COVID-19 was an obvious risk to the Park during the entire fiscal year. The Trust 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, and increased cleaning. The Park itself never closed, and the Trust assumed an increased burden related to cleaning and education regarding social distancing and proper use of face coverings for the users of what became

a very crowded Park throughout the pandemic. Income from various tenants and concessionaires declined significantly as many businesses suffered total or partial closures during most of the fiscal year. The Trust took a combination of measures to reduce its operating budget spending and was able to work with individual tenants to defer partial rent or fees while still maintaining a reduced income stream. While seasonal hiring was largely eliminated, grants and donations allowed the Trust to employ several seasonal gardeners and the Trust was able to retain all of its existing staff throughout the pandemic.

- 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 two-way communications regarding personal and corporate accountability with staff at all levels, from the Board of Directors to frontline staff. The Trust is also constantly mindful of its obligations to the general public and Park “customers”; Trust Executives and staff frequently attend Advisory Council, Community Board, 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. Trust Executive Staff and Department heads 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 Legal and Human Resources departments share 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 Vice President of Management Systems has been designated as the Internal Control Officer. This individual also has broad knowledge of Trust operations, personnel and policy objectives, reports to both the President/CEO and CFO, and attends Trust Board meetings.

- 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 departmental 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. Trust Executives working with Human Resources and the Internal Control Officer 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.

Dated: June 29, 2021

Prepared By:



Owen Davies
Vice President of Management Systems

Accepted and Approved By:



Noreen Doyle
President & CEO