

## Hudson River Park Trust

### INTERNAL CONTROLS SUMMARY

For Fiscal Year Ending March 31, 2022

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

The Hudson River Park Trust (“Trust”) endorses the practice of strong internal controls. Components of the system include: (1) commitment to integrity and ethical values, (2) separation of roles to the degree possible given the Trust’s 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 (“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 patrons 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 the Board and numerous staff members holding responsibilities in this realm.

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, employee handbook, investment guidelines, all contracts of \$200,000 and greater value or with a term of over one year, and procurement policies. It also 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. The President, General Counsel, Chief Financial Officer, Executive Vice President for Park Management and Executive Vice President for Park Relationships and Programs, collectively known as the Executive staff, work closely with the Board on new initiatives, and make 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 has established detailed Procurement Guidelines, which govern the use, awarding, monitoring and reporting of contracts for goods or services. The Guidelines are modeled upon the New York State Procurement Guidelines published by the New York State Procurement Council and are subject to the annual review and approval of the Trust's Board of Directors. The document outlines the types, order and preference, and process for all procurements. Collectively, these controls are designed to ensure fair and open competition, guard against fraud and corruption, and provide checks and balances within procurement activities, while protecting the interests and minimizing risk to the Trust, as well as New York State and City and their taxpayers. Trainings on Procurement Guidelines are provided to relevant staff members one or more times each year.

Alongside the Procurement Guidelines, in accordance with the By-Laws, the Trust maintains a standing Delegation of Authority, which sets clear limits on which staff members are authorized to approve various levels and types of expenditures, enter into contracts or execute documents on behalf of the organization.

Both the Procurement Guidelines and the Delegation of Authority are shared directly with staff and are available on the Trust's internal intranet system through SharePoint. These controls are also reflected within the Trust's internal procurement tracking systems to ensure compliance.

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, Human Resources, Management Systems, River Project (Environment and Education), Public Programs, IT, Operations, Facilities, Property Management/Real Estate, and Design and Construction. Department Heads 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.

The Trust uses multiple communication systems to support its internal controls. These include weekly Executive team meetings, weekly Senior Staff meetings, department meetings, regular meetings and ad hoc communications with the Trust's Advisory Council, Community Boards, Elected Officials and other stakeholders. 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. Executive staff also regularly meet with Directors and Managers within their reporting areas to review projects and working operations in order to ensure alignment and compliance with Trust policies and practices. Where necessary, the Internal Controls Officer identifies areas of risk and works with other members of the Executive staff and management to manage and improve conditions that could create compliance problems or risk.

The Trust's President has communicated the importance of internal controls standards to Trust staff and Executives, and 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, staff policies, emergency response 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 to expand staff training, centralizing training materials and Trust policy documents on SharePoint in the coming year, as well as update and maintain the materials and documents already available.

**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 retains independent, outside auditors to examine the Trust's financial statements, records and certain key controls systems. The auditor's objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes opinion on financial statements and internal controls over financial reporting and compliance. The Auditor meets with the Board's Audit Committee, Executive staff, and Vice President of Finance 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 FY21-22, 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, State Department of Labor, City and State Comptrollers' Offices, and Mayor's Office of Contracts, may also conduct periodic reviews or audits of specific aspects of the Trust's finances in any given year. Within the Trust, the General Counsel and Ethics Officer monitors compliance with laws, policies, procedures, guidelines, the Act and the Trust's Corporate By-laws.

Further, throughout the year, Executive staff works with specific staff members to conduct and monitor various aspects of the agency's internal controls, ensuring the accurate application of the controls, as well as their alignment with performance objectives and compliance requirements.

A significant portion of the Trust's robust internal financial controls are centralized and reinforced through the use of SharePoint, in conjunction with SQL Services Reporting System (SSRS), and the internally developed Park Administrative Network for Data Analytics (PANDA) application. Trust procurement has been centralized in SharePoint and PANDA, which provide a step-by-step process for contracting, the issuance of purchase orders, and MWBE and SDVOB reporting and management, reinforcing compliance with the Trust's Procurement Guidelines. As noted above, this system also reflects the Trust's Delegation of Authority, ensuring that at each step, an authorized staff member has reviewed and approved the action. At any given moment, staff can see the status and process of an individual procurement in real time, including a record of individual actions in the approvals chain. The SSRS creates regularly generated reports for Senior Staff members regarding active procurements and contracts, providing consistent and on-going checks of the controls. This control system was introduced in 2020, and the Trust brings together departments multiple times a year to review the process and to identify refinements as well as additional areas that can be supported through centralization.

In 2022, the Trust expanded this system to include a module devoted to external funding sources such as grants, allowing staff across departments to monitor and track applications, reimbursement requests, reporting requirements and other obligations. Previously, this information was not centralized. The Trust is also developing a Capital Budget software app to integrate with Great Plains Dynamics and the internal PANDA procurement, contract tracking, and payment applications to assist staff in tracking the financing of capital projects from inception through project completion.

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 at least monthly 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 implementation of controls, addressing previously identified risks, and to consider any new risks that have emerged. Areas reviewed in the fiscal year included:

#### I. Funding Capital Maintenance

The Trust's primary unfunded liability is the substantial cost of future capital maintenance for marine structures, such as piers and bulkheads, given the park's defining characteristic of being located in and along the river. As additional areas of the park are completed, and physical assets continue to age, capital maintenance outlays are expected to grow and will eventually exceed annual surpluses. Failure to realize new revenue sources may eventually necessitate deferring essential capital maintenance, degrading the quality of Park physical assets, and/or diverting operating income to urgent repairs, resulting in reductions to key services such as sanitation, security and Park programs.

This challenge has been an ongoing topic of conversation among the Trust board and staff, City and State officials, community leaders and elected representatives. The Trust's principal funding source for the pier requiring the largest amount of this work – Pier 40 -- in recent years has been from the proceeds of air rights sales. Currently there are no such air rights sales nor opportunities pending. The Trust also seeks grants for certain projects, and must otherwise use some of its self-generated operating reserves to pay for necessary repairs and replacements. Staff continues to work with inland communities on potential receiving sites and opportunities to realize additional transfers.

Separately, since the Park's inception, Piers 40 and 76 have been intended to be redeveloped 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, including the funding of capital maintenance.

As noted in previous reports, Pier 40 has been the subject of several efforts to redevelop the pier for a combination of revenue generating uses and public open space, including failed two Requests for Proposal efforts. Additionally, through extensive engagement with the local community and elected officials, consideration has also been given to amending the Act to broaden the spectrum of permissible uses and lengthen the lease term, again without success. Due to the pier's poor physical condition when the park was created, it has required a very significant amount of investment to prevent further deterioration. The pier has its own active capital maintenance program, the largest being the repair of its 3,600 piles which is expected to be completed in 2022, although other structural deficiencies, like the mechanical systems, will continue to exist. The loading dock roof, which encircles the center of the pier, is deteriorating and recently required netting to protect park patrons and staff. This roof overhang will require removal or reconstruction in the next few years, and costly further roof repairs will be necessary. When added to the costs associated with other capital maintenance needs, there is insufficient funding available from existing sources to pay for all of these infrastructure concerns. Thus, there is a continued risk that the collective capital maintenance costs at Pier 40 will reduce or eliminate the current realized gains.

Pier 76 was opened to the public in June of 2021 and is the newest addition to the park. Since its opening, the pier has been available to the public for interim use as long term plans are developed. The pier has begun to generate modest revenue as an intermittent special event location, a use that is expected to grow should the pier's physical condition continue to support it. However, the pier's long-term use as a

future site to generate ongoing revenue while also providing permanent public open space is offset by the need for significant investment to construct both the park portions and any private facilities, a factor in the discussions for its future.

For both Piers 40 and 76, the Trust continues dialogues with its Board, City and State officials, community members, and elected officials about future development and revenue opportunities.

## II. Updating Occupancy Agreements

Part of the Trust's efforts to reduce its financial and legal risks entails periodic reviews of Occupancy Agreements with tenants within the park. These agreements, whether leases or permits, secure revenue, and outline risks/responsibilities, while providing legal protections to the Trust.

In 2021 the Trust's Board authorized a new lease with the Intrepid, which permits the operation of a historical, cultural, and educational museum by Intrepid and furthers the mission of the Park. Under the lease, the Intrepid will operate the Intrepid Sea, Air & Space Museum, which is listed on the National Register of Historic Places and is designated a National Historic Landmark. In addition to the museum operation, the Intrepid will be required to maintain free public access, subject only to security screening and issuance of pier passes, to the surface deck of Pier 86 and expand public areas. The Intrepid will also be obligated to maintain and repair all pier improvements. These include the welcome center, the pier piles, bulkheads and other marine structures. The new lease also provides additional controls and protections for the Trust, and clarifies financial responsibilities.

In February of 2022, the Trust opened a Significant Action period regarding a new long-term lease for Chelsea Piers, which was subsequently authorized by the Trust Board on May 19, 2022. The existing lease was originally executed in 1994, before the creation of the park, and would have expired in June 2043. The new lease extends the term to December 31, 2055, with one renewal option of 10 years and is anticipated to commence on October 13, 2022. The lease is expected to generate increased revenues while adding significant new use controls, updating business terms, and introducing modern legal and financial provisions and protections typical of other Trust leases. It also provides new public benefits, including improved pedestrian access, ensuring long-term sports uses, and long-term objectives for traffic reduction.

During the worst of the pandemic, the Trust worked with restaurant concessions to transition rent agreements to be based on revenue percentage to provide relief from base-rent burdens to the small businesses that were limited by to government mandates. Throughout the last year, as mandates lifted, the Trust has transitioned these agreements back to include base rent plus revenue percentage rent, a model which both ensures stable income to the Trust while allowing it to share in the success of the businesses.

The Trust has also begun reviewing and updating long-standing month-to-month permits at Pier 40, many of which predate the Trust's creation. Like Chelsea Piers, these permits lack modern legal and financial provisions and protections typical of other Trust agreements. The Trust anticipates this effort to be complete in the 2022-2023 fiscal year.

## III. Heliport Operations

The Trust is engaging with Amtrak and the Gateway Program Development Corporation regarding impacts to the park due to the construction of the proposed Gateway Tunnels. The proposed Gateway tunnels would necessarily pass through the park, and the current alignment under study would make landfall near W 30<sup>th</sup> Street, passing directly through the area currently used by the heliport.

During the 2021-2022 fiscal year, the New York State legislature introduced legislation (S7493A and A8473A) that would amend the Hudson River Park Act to limit heliport operations to permitted transportation uses as defined in that legislation. The legislation was subsequently approved by the legislature during the first week of June 2022. The legislation also creates a right of action against non-essential flights causing an unreasonable level of sustained noise from a rotorcraft that is not for a permitted transportation use. The Trust is currently evaluating the potential impact of the legislation on operations at the heliport should it be signed into law.

Historically, the State and City has considered the W 30<sup>th</sup> Street heliport to be an important part of the transportation infrastructure of the westside. In the absence of specific details regarding the timing and impacts of Gateway's construction, there is a risk to the Trust's ability to make cost effective decisions as it develops plans for the design and construction of this area of the park. The Trust has engaged New York State and City officials and its Board regarding potential changes to the heliport and the surrounding area.

#### IV. Sanctuary Management Plan

The Act requires the Trust to establish a sanctuary management plan, which provides methodologies and actions to protect and conserve the Estuarine Sanctuary, an important aquatic habitat, while also facilitating public access to, and fostering awareness and public education about, the river. In 2021 the Trust completed a multi-year effort update the previously established plan and to provide an action agenda enumerating particularly sanctuary goals from 2021-2030. In addition to providing an overview of progress to date under the original 2002 Estuarine Sanctuary Management Plan, the new plan also sets forth a 2021–2030 Action Agenda intended to guide the Trust and its partners in managing the Sanctuary through the current decade and has new commitments for reporting to the board and others about progress toward these goals.

#### V. E-Bikes and Greenway

The accelerated incidence of illegal motorized electric bikes and scooters on the New York State Department of Transportation (NYSDOT) bikeway/greenway located adjacent to the Park continues to be a risk. Due to the enhanced speed of these micro mobility vehicles, they increase conflicts at park entrances and pose a risk of greater injury to patrons entering or exiting the Park. The Trust enforces on Park property as feasible, and continues to seek support from NYPD, NYSDOT and other agencies to assist with this challenge, including working with tenants and community members on appropriate safety measures and inland opportunities to accommodate the motorized vehicles. The Trust has increased signage and enforcement patrols to try to curtail all bikes and scooter violations, motorized or not, within the park as well.

#### VI. IT Infrastructure & Security

As noted in the previous report, the Trust has been undertaking an effort to improve its aging information technology systems. Over the course of the 2021-2022 fiscal year, the Trust has implemented many of its previously identified improvements, including advancing its transition to the Cloud and completing the implementation of Two-Factor Authentication. In the coming fiscal year, the Trust expects to also advance the migration of Microsoft Dynamics GP (Great Plains), its accounting software, to the Cloud. Given the continuously evolving nature of cybersecurity threats and risk, additional improvements to data security are on-going. These changes will reduce the reliance on in-house server construction and computing power, as well as increase data recovery and resilience, reducing the risk of data loss and ensuring business continuity.

Progress has also 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 equipment.

#### VII. Record Retention & Archives

The New York State Archives determined that the Trust is now considered a New York State Agency for the purposes of record retention and archiving. This provided a new consideration to the Trust's previously noted effort of modernizing and restructuring its archives. While the Trust has made significant strides through SharePoint to digitize its paper document control systems for new records, such as contracts, leases and construction documents, the effort continues to digitize older records using a standardized naming convention to provide redundancy and ease access when files are needed.

#### VIII. Staff Training

Staff training, particularly for new hires or seasonal employees, is a vital aspect of ensuring internal controls are appropriately implemented. Safety trainings protect staff, prevent incidents, and ensure well-executed responses should an emergency or safety concern arise. New York State has also recently enacted new policies that require additional ethics training. As part of this enduring effort, the Trust's Human Resources Department is undertaking a review of its training protocols for all staff, with a particular focus regarding the onboarding process.

Begun in January of 2022 and expected to be implemented later this year, the Finance Department is updating training on procurement policies for staff engaged in purchasing and contracting to enhance the Trust's enforcement of its Procurement Guidelines and New York State policies. Members of the Executive team attended Procurement training in Albany as well.

#### IX. COVID-19 Pandemic

COVID-19 continued to be a risk throughout the entire fiscal year. The Trust was able to provide partial remote work where practicable and increased in-office safety measures, such as air scrubbers and HVAC filtration. Income from various tenants and concessionaries has nearly returned to pre-pandemic levels. The Trust has also reduced its financial risk as businesses that had entered into rent deferral agreements have had continued compliance and on-time payments. These deferrals allowed established businesses that were otherwise successful, in the absence of government closure restrictions and mandates, to maintain their presence in the park and quickly reopen once allowed. At the end of the fiscal year, payments for these deferrals were almost completed with no defaults.

### **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 Act provides clear guidance and direction to all Trust Board Members, Executive Staff and employees regarding the Trust's duties. The Trust's Board is provided information on their individual ethical requirements and legal duties and undergoes training on the same. The Trust maintains an Employee Handbook that is distributed to each employee; the Handbook outlines Trust policies and procedures, as well as employee requirements, expectations, and rights. The Trust provides ongoing access to employee guides and procedure documents to all staff on SharePoint. The Trust Executive Staff and Department Heads communicate with staff throughout the year on financial, ethical, and other duties and requirements. The Legal and Human Resources departments share information about ethics and other requirements with all staff members annually and as changes occur.

- 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 of Park Relationships and Programs has been designated as the Internal Control Officer. This individual has broad involvement in Trust operations and reports to the President/CEO 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 department's 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. 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.

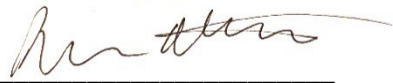
Further, the Trust disseminates information and conducts periodic training for all staff on New York State Ethics Requirements, Workplace Behavior, EEO requirements, Vehicle and Electronic Communications policies, and workplace culture. As noted above, the Trust's Human Resources Department has begun a larger review of training protocols which is expected to be completed in the coming year.

- 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.

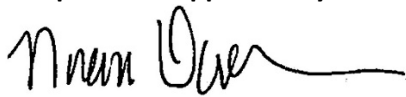
**Dated:** June 29, 2022

**Prepared By:**



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