

Hudson River Park Trust

INTERNAL CONTROLS SUMMARY

For Fiscal Year Ending March 31, 2024

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, legal risk 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 concerns. 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, as published by the New York State Procurement Council, and are subject to the annual review and approval of the Trust's Board of Directors and reflect New York State policy and directives. 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 and procedures are provided to relevant staff members one or more times each year.

Alongside the Procurement Guidelines, 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 the appropriate staff and 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 improve conditions that could create compliance problems or risk.

The Trust's President has communicated the importance of internal controls standards 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 an opinion on financial statements and an opinion on 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 FY23-24, 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 Legal Department monitors compliance with laws, policies, procedures, guidelines, the Act and the Trust's Corporate By-laws, while Finance Staff reviews procurements and ensures compliance with all financial controls.

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), 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, issuing 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 first introduced in 2020, and the system is reviewed several times per year to identify refinements as well as additional areas that can be supported through centralization.

The Trust continues to regularly refine the SharePoint System to improve tracking and monitoring. The Trust introduced a Capital Budget software application to centralize contracts and payment tracking on a project-cycle level. The Trust also updated existing applications, including introducing tracking for Certificates of Insurance, including expiration dates, for contracts, allowing for certain forms containing Personally Identifiable Information to be restricted.

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.

The Trust's Operation and Facilities departments utilize Cartegraph CMMS to assist with the management and upkeep of Hudson River Park. The Cartegraph system is designed to allow all staff to report conditions that require attention within the Park using either their mobile device or desktop workstation. Requested items are filtered to appropriate department supervisors in real time, where they are triaged and assigned

directly to staff in the field for assessment and if needed, service or repair. Field staff are able to view the requests via mobile device, provide updates, close tasks, and create new requests or tasks as required. The system will automatically notify the requestor when the task has been completed. Data entered into the system may then be converted into reports for use by Trust staff to track inventory, schedule inspections, and determine staffing levels in order to keep the Park operating efficiently. In FY 24, the Trust enhanced Cartegraph to allow for tracking of maintenance by assets, aiding in the ability to track costs over time.

In addition to SharePoint and Cartegraph, 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. The Public Programs Department utilizes the Mayor's Office of Citywide Event Coordination and Management's E-Apply system to receive and track permit applications.

Beyond the focus on systems, the Trust has maintained its practice of conducting an internal assessment of progress made towards the 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 available resources. The addition of new and expanded park spaces will increase this risk in future years. 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 for many years. 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 one-time proceeds of a large sale of air rights. 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.

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 two failed Requests for Proposal efforts. The Trust continues to implement other capital maintenance at this pier to address other infrastructure needs, including extensive work on the Fire Suppression System and safety repairs in the parking garage. The loading dock roof, which encircles the center of the pier, is deteriorating and will require removal or reconstruction in the next few years. Similarly, the final roof section, which is over the Trust offices and under a Rooftop Field will need to be repaired in the coming years and will be a significant expense. 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.

Since becoming part of Hudson River Park in 2021, Pier 76 has functioned as interim public open space while long term plans for this large pier are developed. The pier has been able 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, recent pile inspections have shown that while currently safe for public use, the piles bear evidence of marine borer damage, and some areas of the Pier have restricted uses due to loss of load-bearing capacity. 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 before either the park portions or the future commercial uses can be constructed, a factor in the discussions for its future.

In FY24, the Trust formed the Pier 76 Task Force to begin discussions with key stakeholders on the future redevelopment of Pier 76 and to collectively develop some actionable ideas that can advance the dual goals of creating significant new, high quality public open space and generating revenue to help support the overall care of Hudson River Park, consistent with the Act. The Task Force met six times between July and November 2023 to discuss open space and revenue generating opportunities at the pier, engineering and cost assumptions, and Hudson River Park's long-term projected financial needs. The Trust continued those discussion with Manhattan Community Board 4, which in March 2024 adopted a resolution to support amending the Act to allow for a broader range of uses to be considered as part of the future redevelopment of Pier 76, with legislation expected to be introduced and approved by the legislature in the first quarter of FY25.

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 while also providing legal protections to the Trust. As an example, in FY 24, the Trust undertook a competitive Request for Proposal process, which lead to the selection of a new concessionaire for a marine operator at Pier 40. Staff in the Legal, Public Programs and River Project Departments annually review all permitting forms for use of Park property.

III. Heliport Operations

Historically, the State and City have considered the W 30th Street heliport to be an important part of New York's transportation infrastructure. Throughout 2023 and continuing through 2024, the Trust has actively engaged with Amtrak and the Gateway Program Development Corporation regarding impacts to the park due to the construction of a different transportation project, the proposed Gateway Tunnels, an important regional initiative. The proposed Gateway tunnels would necessarily pass through the park and will disrupt some operations at the heliport, including a reduction in operable helipads. In FY 24 the Trust completed the legislatively authorized easement for the tunnels, and significantly advanced the negotiations regarding a construction permit for Amtrak. Construction is slated to begin in the coming fiscal year and last approximately through 2027.

Further, the heliport remains a concern of the New York State legislature and New York City Council, with several local elected officials either introducing or requesting legislation to limit or eliminate heliport operations. Similarly, as the Trust advances design for the W 29th to W 46th Street area in 2024, public calls to alter the status of the heliport will likely increase.

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. Aspects of the Sanctuary Management Plan touch all parts of the Trust, and the Trust regularly reviews the goals as part of implementation. In 2023, the Trust engaged its scientific Technical Advisory Committee on research priorities as part of its annual meeting and provided its Board with its second annual update regarding the sanctuary goals outlined in the 2021-2030 Sanctuary Management Plan.

V. Utilities & Sustainability

As part of its environmental commitments, the Trust has long sought to improve its energy efficiency and reduce fossil fuel usage, through transitioning to LED lighting, maximizing use of electric vehicles, and more. The Trust continues to test light-duty electric equipment, and already largely relies on electric vehicles to move staff and supplies throughout the park. However, there remains a limited range of electric heavy-duty equipment available on the market. Although the industry is rapidly evolving, there is risk that there will continue to be a lack of high-quality, well-tested equipment that will allow the Trust to meet its electrification goals.

As part of the establishment of the Park, the Trust inherited a number of legacy utilities throughout the park. As part of the Trust's sustainability efforts, in FY 24, the Trust advanced ongoing efforts to clarify lines and accounts. Clarity about utility infrastructure will allow the Trust to better track, monitor and evaluate utility usage and locations going forward.

VI. 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 to persons entering and exiting the Park due to the enhanced speed and weights of these micro mobility vehicles in very crowded areas and to their prevalence throughout other areas of New York City including in New York City parks and streets where such electric vehicles are generally allowed. 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. NYSDOT has announced its intention to examine Route 9A, and the Trust will engage with the reevaluation as it advances.

VII. IT Infrastructure & Security

As noted in previous reports, the Trust has been undertaking an effort to improve its aging information technology (IT) systems. Given the continuously evolving nature of cybersecurity threats and risk, additional improvements to data security are on-going. In an acknowledgement that user error is often one of the weakest points in security efforts, the Trust performs staff training on IT security best-practices, including how to identify, avoid and report phishing attempts. In FY 24, the Trust completed the migration of Microsoft Dynamics GP (Great Plains), its accounting software, to the Cloud. This change reduced the

reliance on in-house server construction and computing power and increased data recovery capabilities, collectively leading to a reduction in the risk of data loss and ensuring business continuity.

The expansion of the wireless network within the Park continues to support Park security equipment and additional monitoring dashboards. In FY 24, the Trust created a Security Network application, which allows authorized staff to better analyze the scope of security camera coverage and their network connections. The Trust has also expanded its Geographic Information System (GIS), updating shape files, assets, including those for newly developed spaces.

VIII. Staff Training

Staff training, particularly for new hires or seasonal employees, is a vital aspect of ensuring internal controls are appropriately implemented. Safety training protects staff, prevent incidents, and ensure well-executed responses should an emergency or safety concern arise. The Trust continues to regularly evaluate its staff training needs and standardize training protocols wherever possible, based on job responsibilities and requirements. In FY 24, the Trust's Human Resources Department expanded the onboarding process for seasonal employees.

- 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, in consultation with Human Resources, 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.

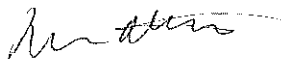
Further, the Trust disseminates information and conducts periodic training for all staff on New York State Ethics Requirements, Workplace Behavior, EEO requirements, Vehicle and Electronic Communications policies, cybersecurity, and workplace culture.

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 27, 2024

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Accepted and Approved By:



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