Budget Policy and Reporting Manual Item B-350
Attachment C

Internal Audit Evaluation Criteria
(To be used by agencies to determine whether an internal audit unit is needed)

AGENCY: Hudson River Park Trust

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AGENCY REPRESENTATIVE: Connie Fishman or Noreen Doyle

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I. Agency Overview/Organization

1. Briefly describe the agency’s mission and programs and, if applicable, identify the legal basis for the agency.

The Hudson River Park Trust was established by the NYS Legislature in 1998 (Hudson River Park Act) to plan, design, build, operate and maintain the 5-mile, 550-acre Hudson River Park, which stretches from Battery Place to 59th St. on the west side of Manhattan along the Hudson River. For the past 10 years, the Trust has been constructing and maintaining the new park and operating free public education, recreation and cultural programs. It is governed by a 13-member Board of Directors, five of whom are appointed by the Governor and eight of whom are appointed by locally-elected NYC officials: five by the Mayor of NYC and three by the Manhattan Borough President. As per the Hudson River Park Act, the Trust does not receive any operating funds from the State or City of New York. Park operations and maintenance are funded through private revenues. Design and construction of the new park is funded through city, state and federal capital appropriations. The park is currently more than half-way finished and roughly 80% will be complete and open to the public in 2010.

2. Describe the organizational structure of the agency. Discuss the organization in terms of span of control and separation of duties. (Attach agency and pertinent programmatic and organizational charts).

The Trust is broken up into the following departments and FTE staff numbers:

- Executive and Admin Support 6
- Design and Construction 4
- Environment and Education 3
- Finance 6
- IT 4
- Legal 5
- Maintenance and Operations 22
- Public Programs, Marketing and Events 8

Total 58
There are an additional 40 (+/-) college students who work as summer seasonal staff for the free public events and education programs that are run in the park from June – August. Hudson River Park Trust’s Organizational chart is located at: http://www.hudsonriverpark.org/pdfs/organization/staff/HRPT_Org2009pdf.pdf

3. Briefly discuss major organizational units in terms of major operating responsibility, decision-making processes and level of autonomy.

>Executive staff includes the President, Executive VP, HR and administrative support staff.
>Departments report to the Executive VP with the exception of the General Counsel and the VP of Finance who report to the President.
>Each Department is overseen by either a VP or a Dept. Director; each Department has a fair amount of autonomy over the day-to-day operations of their department but requires approval of the Exec VP or President for new initiatives, staffing, policies, exceptions, budgeting changes, and sensitive political or community issues.
>All contracts awarded by the Trust with a value of $100,000+ must be approved by the Board of Directors at a public meeting.

4. Number of Employees:

<table>
<thead>
<tr>
<th></th>
<th>Central Office Positions (FTE)</th>
<th>Regional/Field Office Positions (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial</td>
<td>14</td>
<td>NA</td>
</tr>
<tr>
<td>Professional/Technical</td>
<td>37</td>
<td>NA</td>
</tr>
<tr>
<td>Support/Clerical</td>
<td>7</td>
<td>NA</td>
</tr>
<tr>
<td>*Seasonal/Temporary</td>
<td>40</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Seasonal - college students June-August

5. How would you characterize the agency's public purpose? (Percentage of time spent on each function).

<table>
<thead>
<tr>
<th>Function</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocate</td>
<td></td>
</tr>
<tr>
<td>Provider</td>
<td>70%</td>
</tr>
<tr>
<td>Regulator/Control</td>
<td>20%</td>
</tr>
<tr>
<td>Support</td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>10%</td>
</tr>
<tr>
<td>Other (Specify)</td>
<td></td>
</tr>
</tbody>
</table>
II. Contract and Grant Management

1. Describe the agency's policies and procedures for awarding, managing, and monitoring grants and contracts, including labor management committee funds or other non-salary contractual items and legislative member items.

   The Trust does not award grants.

   The Trust issues contracts for capital and operating expenses. It has established procurement guidelines which have been approved by the Board of Directors and it issues its contracts accordingly. Departments generate contract requests that are reviewed and approved by the Legal Dept., Finance Dept. and Executive Dept. A small number of operating grants are received by the Trust's Environment and Education Department and managed by the VP of that department with the oversight of the Finance Dept. Less than $50,000 in operating grants was received by the Trust in the past fiscal year. The Trust receives capital construction funds through grants from the U.S. HUD and LMDC (Lower Manhattan Development Corporation). Such funds are managed by the Design and Construction Department and the Trust's construction management contractors, and reviewed and approved by the Finance Dept. and Executive Dept. An external audit of all the Trust's financial transactions including a federal "single audit" is conducted each and every year for HUD and LMDC grants.

2. Specify award/grant recipients by type: (Most Recently Completed Fiscal Year)

<table>
<thead>
<tr>
<th>Number of Recipients</th>
<th>Aggregate Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>NA</td>
</tr>
<tr>
<td>School Districts</td>
<td>NA</td>
</tr>
<tr>
<td>Not-for-Profits</td>
<td>NA</td>
</tr>
<tr>
<td>Labor Management</td>
<td>NA</td>
</tr>
<tr>
<td>Committees</td>
<td></td>
</tr>
<tr>
<td>Other (Specify)</td>
<td></td>
</tr>
</tbody>
</table>

3. Explain how the agency ensures that recipients spend funds in accordance with laws and regulations governing programs.

   NA
III. Agency Control Systems

1. Describe the basic control systems and the documents supporting those systems. Is documentation comprehensive, up-to-date and available for all functions?

Hudson River Park Trust is subject to all the terms and conditions of the Hudson River Park Act and Trust By-laws. The Trust has formally established Park Rules and Regulations, Procurement Guidelines, Investment Guidelines, an Employee Handbook, Estuarine Sanctuary Management Plan, Board-approved budgets, electronic timekeeping system with “Handscan” for field staff, and has designated its Executive VP as its internal controls officer. Senior staff meets bi-weekly as a group with the President and Executive Vice President to review and evaluate interdepartmental issues and to identify agency and staff training needs as necessary. Each department head also meets weekly with either the President or Vice President, or both, to discuss all active issues and matters that require executive input. The Finance Dept. has established an internal functional directory of activities outlining which staff are required to approve various levels of expenditures and assigned a staff accountant the role of reviewing and auditing the Trust’s accounts on a daily basis. These laws, policies, rules, regulations, guidelines and practices are all up-to-date. 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. Following is a list of these additional legal requirements imposed by New York City:

Local Law 34 of 2007- limits municipal campaign contributions from principal officers, owners and senior managers of entities that do business with the City and mandates the creation of a Doing Business Database to facilitate enforcement of the law. With the exception of non-prequalified competitive, sealed bids (i.e., any contract entered into pursuant to a sealed RFP where the lowest qualified bidder is selected is excluded) all Trust procurements over $5,000 (including purchase orders, sole and single sourcing, piggybacking, centralized contracts, and government lists), are subject to the requirements.

VENDEX – all capital construction contracts in excess of $100,000 are required to go through the City’s vendor review process, known as VENDEX, prior to contract execution to confirm that the proposed contractor is responsible. A responsible contractor is defined as one that has the technical capability and financial capacity to fully perform the requirements of the contract, as well as the business integrity to justify the award of public tax dollars.

The Trust is also subject to the requirements of the New York City Human Rights laws, the NYC Uniform Land Use and Review Procedure, and the NYC Design Commission [on NYC-owned property only].

The Hudson River Park Act and all Hudson River Park Trust policies referenced here are available online at www.hudsonriverpark.org
2. How is compliance with these control systems monitored?

Compliance is 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, and by the Finance Dept., including a staff person dedicated to internally reviewing and auditing Trust accounts through their internal processes and procedures. In addition, all department heads are required to complete the 4-step process for internal controls recommended by the OSC and Budget Office, with review and action items identified by the President and Executive Vice President.

3. What training is in place for agency personnel on agency policies, procedures and control systems? What is the structure and frequency of this training?

Staff training is provided by inside and outside counsel, state ethics staff, safety, EEO and Organizational Development consultants, HR, legal and finance staff on a regular basis. The Trust endeavors to provide all necessary trainings annually with supplemental training to new staff at the time they're hired. Additionally, one-on-one sessions and small group trainings are conducted as needed throughout the year. The Executive VP currently attends downstate meetings of the NYS Internal Control Association for training updates and additional ideas, and the EVP and Finance Dept. head participate in the bi-weekly sessions of all agency heads with the Office of Tax Payer Accountability.

4. How often are the agency's internal control policies and procedures reviewed and revised? What is the structure of the review process and who is responsible for these activities (e.g., supervisor, managers, committees, task forces)?

The agency's internal controls and procedures are reviewed twice annually: once by department managers through the 4-step internal control process and once at the end of each fiscal year by the Trust's external auditors. The internal review process is conducted by department heads and overseen by the Executive VP and the President. The external audit is conducted by qualified public accountants through contracts that are competitively bid and awarded in conformance with Trust Procurement Guidelines.

5. Does the agency have a formal planning process which includes risk analyses? If so, explain the specifics of the risk analyses process.

The Trust uses the risk analysis tools provided by the 4-step process recommended by the OSC and Budget Office. In 2010 the Trust will also supplement this process through an outside "economy and efficiency" audit.

6. Describe the agency's monitoring process for correcting identified control weaknesses.
The agency’s President and Executive VP review the 4-step internal control assessments generated by the Trust’s department heads and work with them to evaluate and repair weaknesses. In 2010 the Trust will also supplement this process through an outside “economy and efficiency” audit.

IV. Internal Audit

1. Does the agency currently have an internal audit unit? If so, what is its function?

No. The Trust is very small and does not have an internal audit unit. It dedicates one staff position in the Finance Department to internally reviewing/auditing the Trust’s accounts and making corrections or advising executive staff of weaknesses. The Trust’ Executive VP is its formally designated Internal Control Officer; due to the small size of the staff, this function is one of a number of other responsibilities in her portfolio. The function of the internal financial department auditor is also to review and balance financial statements; post final journal entries; reconcile general ledger accounts and prepare schedules for the annual year-end external audit. Recommendations made by the external auditors are then incorporated into the Trust’s processes.

2. Describe the internal audit unit’s organization, staffing and operation.

NA

3. Does the unit have an annual audit plan? If so, how is it developed?

NA

V. Fiscal

1. Describe the agency’s procedures for receiving, recording, depositing and managing cash and checks.

Cash Receipts:

HRPT receives checks through normal mail services from lease payments, the sales of bid documents, fees for property permits, and occasionally small donations. On occasion HRPT also receives cash (event sales, ID replacement fees, classrooms donations, etc.)
2. Describe the agency’s highest risk, highest vulnerability program areas. (Attach additional pages if necessary)

**Program Area**

The single largest risk to the operations of the Trust is the efficiency and reliability of its parking garage operations at Pier 40. Pier 40 Parking provides nearly half of the Trust's annual operating revenue, which is used to pay staff, operate public programs and maintain the park.

**Reason for High Vulnerability**

The garage that houses the Pier 40 Parking use and the Trust's offices is in deteriorated condition, due to the lack of routine and capital maintenance performed on the structure over the past 45 years. This State-owned building was inherited by the Trust 5 years ago after decades of occupancy by other public agencies, primarily the Port Authority of NY&NJ and NYS Dept. of Transportation. Very little maintenance – capital or otherwise – was done on the facility since the 1970s. Consequently, the Trust is faced with repairs of a magnitude that it cannot afford on its small budget. The lack of funds to improve this facility's poor condition, if not addressed, will ultimately result in the closure of portions of the building that are used to generate the revenues that support the park's operations, maintenance and staffing.

**Program Area**

Capital maintenance of the waterfront structures and overall long-term capital maintenance of the new park.

**Reason for High Vulnerability**

When the Hudson River Park Trust was established, the basis for the legislative agreement that created the park was that public capital funds from the State, City and Federal governments would be used for the creation of the new 550-acre park; but the park's operations, maintenance and staffing would be supported by private revenues generated within the park itself through rents, leases, permit fees, sponsorships, grants and contributions, user fees, etc. Neither the City/State capital budgets nor the Trust's operating funds provided the resources necessary for ongoing capital maintenance once the park was constructed. This is a gap that has heretofore been filled by using excess Trust operating revenues over the past ten years. However, as the park is fully built out and the annual operating demands grow, the Trust will no longer have any excess revenues to devote to ongoing capital maintenance. This will result in deferred park maintenance and deterioration. A new source of revenue will need to be identified to help meet the demands of the park in the coming year.

**VII. Summary Evaluation**

Based on the preceding information and other management considerations deemed appropriate, provide a conclusion as to whether the agency requires an internal audit function. Fully explain the major factors that lead to this conclusion either to have or not have an internal audit function.
The Trust is a small single-purpose organization governed by special legislation without the staffing available to create an "internal audit unit". The current structure allows us to use the resources of individuals in various departments, principally Executive, Legal and Finance staff, to add aspects of internal audit and control functions to their current portfolios. In addition to the financial auditing done within the Finance Department itself, the Trust is required by law to conduct an external financial audit every fiscal year which is performed by qualified external auditors contracted by the Trust; in the coming 12 months the Trust plans to conduct an additional outside Economy and Efficiency Audit as well. This will be on top of the DOB-recommended annual 4-step internal control process that department heads have conducted, which is reviewed by the President and Executive Vice President. On top of these yearly internal and external audit measures, the Trust is subject to periodic audits by the City and State Controllers and HUD/LMDC who are responsible for approving and monitoring various capital projects that the Trust has underway.

Approved by: [Signature]
(Agency Head)

Date: 1-28-10