



**To:** Madelyn Wils, President & CEO

**From:** Noreen Doyle as Internal Controls Officer

**Re.:** Required Internal Controls Assessment

**CC:** Dan Kurtz, Christine Fazio, Sikander Zuberi, Claudia McDade, Owen Davies

**Date:** June 24, 2019

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Pursuant to Section 2800(1)(a)(9) of the Public Authorities Law, the Hudson River Park Trust (the "Trust") is required to complete an annual assessment of the effectiveness of our internal control structures and procedures. As the Trust's designated Internal Controls Officer, this statement certifies that the Trust has assessed and documented its internal control structure and policies for the year ending March 31, 2019.

The Hudson River Park Act provides all Trust employees and Board members with clear guidance and direction regarding our duties and scope. First and foremost, this includes our obligations to the general public and park "customers" to design, build, operate and maintain the park as a public asset in accordance with the Act's principles and requirements. The Trust has established internal controls with the Act and its many requirements in mind.

The Trust's practices related to internal controls are distributed throughout the organization, with responsibilities shared by both the Board and many levels of staff.

The Trust's Board is actively involved in guiding the park vision and in ensuring that the organization satisfies its fiduciary and other obligations to the public. In addition to reviewing and approving budgets, corporate employee policies, all contracts of \$200,000 and greater or with a term of over one year, and investment and procurement policies, the Board takes a substantive role in advising staff on major property transactions, and policy and legislative initiatives. The full Board meets at least six times a year, with formal committee meetings also occurring throughout the year.

Executive staff (President, General Counsel and/or Deputy General Counsel, Executive Vice President, and Chief Financial Officer/Executive Vice President) works closely with

our Board on new initiatives, and makes decisions regarding staffing, policies, exceptions, budgeting changes, and sensitive political or community issues.

Additionally, the Trust is organized into departments which together function to implement and oversee the daily operational business of the planning, design, construction and operations of the park: Design and Construction, Operations, Facilities, Finance, Public Programs, Human Resources, Estuary Lab, Real Estate, Management Systems, Legal, and IT. These 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. As Internal Controls Officer, my role throughout the year is to consider these activities with regard to compliance and risk, both to the Trust itself and to the general public whom we serve, and to work with Executive staff and other members of the Trust to manage and improve conditions that could create compliance problems or risk.

As is our practice, our review of internal controls over the past year included reviewing the major risks identified last year and discussing these with you and involved staff:

- (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 (the "Act"), Pier 40 is one of the designated "park/commercial" piers intended to generate revenue to support Park operations. Because the pier is in poor physical condition, 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 last year's report, the Trust has begun 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. Last year, the Trust met its goal of repairing the first two phases of pile repairs, and awarded contracts for the next two phases in 2019-20. 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, such as a large portion of its roof, the existing ballfields, and portions of the Pier's façade, and the Trust does not have the funding to undertake all of these improvements.

As discussed last year, the Trust has been seeking a change to the Act that would enable an RFP that could successfully attract a private sector developer for this pier. If that can be achieved, the developer would become responsible for construction and maintenance of the deteriorated pier building, and the public would benefit from improved public open space as well as not needing to spend money annually to maintain the pier. In addition, the Trust could achieve its goal of Pier 40 contributing 25% of the overall Park's operating expenses in the future. Such funding is 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.

In 2018, in consultation with Board members, staff from the Trust provided detailed information on potential development costs, Trust's financial assumptions for the future, and engineering and construction assumptions in response to particular questions we received from elected officials in support of the Trust's request for legislative changes to the Act to allow for a longer lease term and commercial offices as a permissible use at Pier 40, subject also to achieving many community goals for Pier 40. The legislation that was just approved by the New York State Legislature in June 2019 provides for the requested 99-year lease term, but establishes limitations on commercial office space that will require a public subsidy – one not yet identified – in order to achieve all of the public open space that the Act also mandates.

The Trust will now commence more detailed engineering studies to try to better determine the effects of the new legislation's limitations. Until a developer has executed a lease to redevelop the pier and pay needed rent, Pier 40 remains the biggest recreational and financial risk facing the park.

Over the past year, the Vice President of Finance and Vice President of Management Systems have worked to integrate the Trust's financial software with the New York State Contracting System to eliminate repetitive manual data entry and reduce errors; this system is nearly ready to launch. Staff has also been integrating other financial data with SQL reporting services to run real time reports that will better track financial and procurement activity. If properly used, these systems will allow for better analysis and reporting. Aside from promoting the effective and economical operations of the Trust in a manner that adheres to laws, regulations and management directives, Trust management believes that improving its systems may also ultimately result in time efficiencies, and therefore greater productivity in certain areas. However, the success of these systems ultimately relies on a combination of system design, user buy-in and management analysis. The coming year will be the first test year of these effectiveness of some of these improvements.

The Trust continues to recognize that 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 retainage schedules), resulting in very burdensome paper storage needs. To begin addressing these issues, in 2018, the Trust hired a document management consultant with expertise in State document storage requirements to prepare a report on how the Trust can most cost efficiently improve its record systems. This report will include a recommendation on how to proceed with a comprehensive electronic document management system, which would need to be separately procured. Until the Trust can fully implement such systems, the Trust considers its record-keeping systems to be an area of risk.

As noted in reports over the past few years, another area of identified risk relates to the Trust's aged IT infrastructure. One example is the Trust's BroadWorks phone system, which was installed in 2006 and which has been experiencing hardware and software issues. The Trust recently issued an RFP for a phone system upgrade that will allow HRPT to get modern functionality from our phone system. In addition, over 2018-19, the Trust's IT Department purchased and implemented new SQL and Sharepoint servers to enable the Trust to use these collaboration tools to achieve the efficiencies described above. IT has also been expanding the wireless network within the Park to allow for continued roll-out of park security cameras. Because the number of Park systems requiring servers and other hardware continues to expand, the Trust is now running out of room in its data center and will need to identify expanded space with associated power in the next several years. Finally, the Trust must continue to ensure that its offsite data recovery capacity and systems are adequate to meet expanding technological storage needs to ensure business continuity.

Emergency preparedness was a major focus of activity in 2018-19. Aside from continuing to install security cameras in additional park areas, the Trust also collaborated with NYPD, US Coast Guard Auxiliary, and nearby parks to identify best practices, and to conduct situational information sharing and resource pooling. The Trust also developed a comprehensive Emergency Preparedness Plan and a Continuity of Operations Plan and conducted initial training for key personnel on the Emergency Preparedness Plan. However, unless continuous updates and training in both of these systems occurs, the Trust will not realize the intended benefits. The Trust should implement a regularly recurring training schedule for this reason.

Another risk stems from the continuing accelerated incidence of illegal motorized e-bikes and e-scooters on the New York State Department of Transportation (NYSDOT) bikeway located adjacent to the park. Because motorized bikes and skateboards travel at a greater speed, they can cause greater injury, and the public cannot enter Hudson River Park without crossing the bikeway. In 2019, the Trust successfully worked with elected officials and the Trust's Advisory Council to advocate for legislation, passed in

June 2019, that would prohibit such e-vehicles from using the NYSDOT bikeway. However, even though they are not legal, such vehicles continue to use the bikeway, and an effective enforcement solution against these speeding vehicles on a narrow property with security bollards and many exit and entrance points remains extremely challenging. The Trust continues to seek support from NYPD and other agencies to assist with this challenge.

Finally, the permanent security measures installed by NYSDOT along the bikeway has, as noted last year, resulted in greater park maintenance costs, both in the short term due to new equipment purchases and permanently due to the difficulty of accessing various park areas. The Trust must work internally to identify changes in operations and budget needs throughout several of its departments to continue providing a high level of park care and maintenance in more challenging and costly circumstances.

Because of the Park's high risk characteristics, including the New York City venue, the Trust's involvement with construction work, 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 was far more difficult to procure the \$100 million commercial general liability and excess/umbrella coverage this past year. While the insurance broker assigned to assist the Trust in procuring insurance reached out to 36 carriers for quotes, only five carriers provided quotes to cover the February 28, 2019 to February 28, 2020 policy period. The result is that the premium increased over \$1.1 million – from \$1.96 million in 2018 to \$3.06 million in 2019. The Trust remains concerned with the high cost to procure insurance; however, as there were no lawsuits filed in 2018, the Trust expects that the substantial increase in the cost to procure insurance this past year is unique and not reflective of a trend for future years.

Separate from the risk areas identified above, I have also reviewed the Audited Financials for the fiscal year ending March 31, 2019 prepared by the Trust's independent outside auditors. My review has included the attached "Report on Internal Control Over Financial Reporting and On Compliance with Other Matters ..." and participated in the Audit Committee's review of this and other components of the Audit, and do not have any concerns regarding the safeguards for our financial procedures. The Trust appears to have appropriate checks, balances and redundancies in place.