



Hudson River Park Trust

To: Madelyn Wils, President & CEO

From: Noreen Doyle as Internal Controls Officer

Re.: Required Internal Controls Assessment

CC: Dan Kurtz, Amy Jedlicka, Sikander Zuberi, Kate Yarhouse

Date: June 30, 2016

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, 2016.

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 \$100,000 and greater, 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, 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 to 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, Environment and Education, 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 assure 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, review of our internal controls over the past year included reviewing the major risks identified last year and discussing these with you and involved staff:

- (1) maintenance of aging park buildings/infrastructure, particularly at Pier 40 and other capital maintenance needs
- (2) compliance with procurement requirements and other governmental mandates coupled with the need for stronger controls
- (3) back-up plans for IT infrastructure
- (4) emergency preparedness

The first item— maintaining aging infrastructure, particularly at Pier 40, which generates a large percentage of the Trust's overall operating revenue, remains a major risk. However, the Trust, in association with New York City, has been taking concrete steps to try to resolve this very large problem. Through New York City's Uniform Land Use Review Procedure (ULURP), the local community board and elected officials will be considering a variety of land use actions related to rezoning and redevelopment of the St. John's building across Route 9A from Pier 40. As part of the series of actions under consideration, the Trust could sell 200,000 square feet of unused development rights from Pier 40 in exchange for \$100 million from the private developer. Such sale would have to be approved by the Trust's Board of Directors, which would not occur until after the ULURP process is successfully concluded. If the sale is ultimately approved, the proceeds would be used primarily to repair Pier 40's badly deteriorated piles. While in its own right, this action would not solve the long term use question for Pier 40, it would significantly decrease the pressure on Pier 40 to have large-scale development of the sort the community has long opposed, given that a future private developer would not have to repair the piles.

Beyond Pier 40, Governor Cuomo has fortunately provided funding to allow us to repair a length of historic bulkhead in Greenwich Village which, after approximately 150 years, is exhibiting visible signs of structural duress. In addition, the Trust succeeded this past year in signing the lease with a private developer for Pier 57. The developer will now be responsible for repairing and rehabilitating the historic Pier 57. In addition, the rent from the redevelopment will augment the Trust's income stream that can be used to help maintain the park and its buildings.

While a number of other infrastructure challenges remain, if the Pier 40 air rights sale plan can be achieved, the Trust will have significantly reduced the financial and operational risks we currently face at this location.

The Trust has also made progress on the second risk item, which remains a risk to the organization: managing the difficulty of staying current with expanding governmental requirements regarding compliance for procurement, MWBE participation, archiving, reporting and oversight. During the last fiscal year, we were able to hire a new employee to assist with compliance and other systems planning. This new “Manager of Systems and Procurement” reports directly to the Trust’s two Executive Vice Presidents, and, as part of his mandate, is charged with making recommendations and then implementing procedures designed to streamline the procurement process, address shortcomings in compliance, improve utilization, and meet auditing requirements. The updated process provides additional support to Procurement Originators in strategizing procurements, identifying potential contractors and subcontractors, and navigating the various aspects of contract compliance.

The Trust’s IT infrastructure is an increasingly large risk. Because the Trust relies heavily on email communications, there is a very high potential for impact if the aging and/or overcapacity infrastructure fails. Currently, most of our critical servers are running on Windows 2003 Server software, which is outdated. The Trust has purchased a new server and is in the process of planning for the upgrade to it. Once that is installed, the IT department will focus on the next, much more complicated issue: making additional infrastructure and file management changes to manage the high volume of email in active and stored use so that our Exchange servers run more efficiently, rather than over capacity as is currently the case.

Solving this issue requires a combination of IT work to install, configure, test and implement new servers so that stored emails can be migrated to them. Additionally, Executive staff needs to update the Trust’s email and archiving practices for staff with the goal of streamlining the databases of the Exchange server so that it can run optimally. HRPT may wish to explore new document storage technologies to assist in this effort.

Over the past year, the Trust has determined that the computerized maintenance management system (CMMS) system purchased some years ago is not optimal for managing the many and varied types of infrastructure assets that the park maintains: scores of facilities, utilities, HVAC systems, stockrooms, equipment, vehicles etc. Fortunately, by working with our colleagues at other government agencies including the City Parks Department, we have determined that most of the investment that has occurred to date in populating the current system can be transferred to an alternative system which will provide greater functionality. The Trust remains convinced that an effective CMMS can help us be more efficient in identifying and recording Park assets in need of repair; tracking preventive maintenance (PM) procedures; maintaining data on equipment, schedules, and downtime; providing one point of interaction with operational applications, processes, and people; maximizing limited resources; optimizing performance and maintenance schedules to maximize equipment uptime; and controlling costs by using existing resources more efficiently. In addition, CMMS can also be used to maintain a complete maintenance history of the repair significant items; monitor stockrooms and

inventory levels; track and monitor employee performance; justify manpower; analyze cost distributions and areas in which maintenance dollars are spent.

For all these reasons, the investment in a new system is warranted, subject of course to appropriate procurement and Board approval. In FY16-17, the Trust will complete its evaluation of alternate systems, make a final selection, secure all necessary contract authorizations and begin a CMMS phase-in.

Emergency planning and disaster preparedness has been a hot topic as a risk area since Tropical Storm Irene and Superstorm Sandy hit the park in consecutive years. While the Trust has historically functioned very well as a team and in service of the public during these emergencies, last year, we determined that a more formal "Business Continuity and Disaster Preparedness Plan" (BCDPP) should be implemented. Such plan would have the goal of enabling recovery of critical business functions in the event of a facilities disruption or disaster, either short or long-term.

Unfortunately, the Trust did not make as much progress on this plan as had been hoped over the past year, so this remains an area of risk. Creation and maintenance of the BCDPP is the primary responsibility of the Operations Department, specifically the Vice President of the Department and the Field Safety Manager, with input from the Executive, Legal, Real Estate/Finance, Human Resources and IT Departments who, combined, will constitute the Emergency Management Team. Once established, the BCDPP shall be reviewed periodically and redistributed to Executive Staff and Department Heads in the event of significant changes.

Also key to the success of the BCDPP is developing and implementing an IT disaster recovery strategy. If HRPT's data center is ever affected by a disaster or disruption, the Trust must have a means of recovering processing capacity at a pre-determined alternate site. Services to be restored by IT would include: computers, internet access, phones, cellular phones, and computer storage.

Finally, as the park increases in use and popularity, staff has documented increased theft and other security issues affecting public safety, such as unauthorized use of motorized vehicles on the bikeway. The Trust has been working closely with the NYC Police Department and the community on a variety of safety measures, and is particularly proud of the water safety equipment that was installed throughout the park to assist with water rescues. Staff also negotiated some staffing changes in the contract with the NYC Park Enforcement Patrol. However, more work needs to occur. Chief among our current priorities is a security camera program to be implemented throughout the park. This program is scheduled to roll out over the course of this fiscal year. Subsequently, the onus will be on staff and PEP to make effective use of the data provided by the cameras to improve safety.

Separate from the risk areas identified above, I have also reviewed the Audited Financials for the fiscal year ending March 31, 2016 prepared by the Trust's 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.