



## Hudson River Park Trust

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

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

**Re.:** Required Internal Controls Assessment

**CC:** Dan Kurtz, Nicole Cuttino, Sikander Zuberi, Kate Yarhouse, Owen Davies

**Date:** June 29, 2017

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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, 2017.

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, 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, Environment and Education, 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 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, 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) 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) implementing a successful computerized maintenance management system
- (5) emergency preparedness
- (6) parkwide safety issues

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, succeeded in mitigating some of that risk over the past year as the result of a successful sale of 200,000 square feet of unused development rights from Pier 40 in exchange for a payment of \$100 million from a nearby private developer. This sale and related zoning actions by New York City occurred following completion of a “significant action” process by the Trust. The Trust is obligated to use the funding primarily to repair Pier 40’s badly deteriorated piles. As a result of commitments made during the City’s Uniform Land Use Review Procedure (ULURP), New York City has also committed another \$14 million in funding for other necessary capital repairs at Pier 40 that will need to be made over the next few years, such as critical repairs to the building’s sprinkler system. While in their own right, these actions do not solve the long term use question for Pier 40, they 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.

Trust staff is currently participating in a task force organized by Community Board 2 to try to develop consensus on an expanded array of potential uses and a longer lease term, both of which would have to be secured through an amendment to the Hudson River Park Act. If the Act cannot be amended within the near future, the 15-acre Pier 40 remains perhaps the biggest recreational and financial risk facing the park.

Beyond Pier 40, the Trust is currently repairing a section of historic bulkhead in Greenwich Village which, after approximately 150 years, is exhibiting visible signs of structural duress. Funding for this project was provided by Governor Cuomo. In FY18, we will also commenced a marine inspection program for park piers with the goal of identifying any conditions that may need to be addressed before they become more costly emergencies. While a number of other infrastructure challenges remain, the Pier 40 air rights sale has significantly reduced the financial and operational risks we currently face at this location.

The Trust has also continued to make good progress on the second risk item: managing the difficulty of staying current with expanding governmental requirements regarding compliance for procurement, MWBE participation, archiving, reporting, insurance and oversight. During the last fiscal year, we were able to create a new position, Vice President of Management Systems, to work with last year's hire, the Manager of Systems and Procurement. The Vice President 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 and systematize any number of internal HRPT systems. 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 our systems may also ultimately result in time efficiencies, and therefore greater productivity in certain areas.

As noted in last year's report, another area of identified risk related to the Trust's aged IT infrastructure. Over the past year, a number of upgrades have been implemented to mitigate this risk. This includes upgrading servers and the Active Directory to enable HRPT to upgrade to more recent Windows software. As a result of these upgrades, HRPT's email systems are running faster and in a more stable environment, not to mention within capacity. For the current Fiscal Year, our next challenge is to upgrade our BroadWorks phone system, which was installed in 2006 and has been experiencing hardware and software issues that sometimes results in dropped phone calls. In addition, the age of the system means that HRPT cannot get modern functionality from our phone system. As a result, the budget adopted by our Board of Directors for FY18 includes an allocation for upgrading aspects of the phone system.

Last year's report also identified a renewed effort to implement and sustain a computerized maintenance management system (CMMS) system to manage the many and varied types of infrastructure assets that the park maintains: scores of facilities, utilities, HVAC systems, stockrooms, equipment, vehicles etc. As noted last year, the original system purchased by the Trust proved unwieldy and incompatible with park operations. As a result, staff researched, and the Board approved, a new system that provides greater functionality. Staff is actively phasing in the new system, which is being used to identify and record Park assets in need of repair, to track preventive maintenance (PM) procedures, and to manage work orders and staffing needed to address them, among many other functions. Staff must continue to work on full implementation of CMMS to ensure that the improvements to managing resources and maintaining the park are fully achieved.

In FY18, staff will also continue the progress it has made with the NYC Police Department and the community on implementing and enhancing a variety of public safety measures, such as stepped up enforcement of unauthorized use of motorized vehicles on the bikeway, anti-theft

campaigns at public ballfields, and water safety. Given the park's size – 4-miles-long and 550 acres – and budget limitations, the park must develop smart tools and partnerships in order to continue to provide a safe environment for park visitors, particularly in view of ever larger attendance at park venues. For example, last year, security cameras were installed as planned in the Tribeca area, with a second phase planned in FY18. Recently, staff has been working on a partnership with the US Coast Guard Auxiliary regarding boating safety, and held a meeting at which motorized and non-motorized boating tenants all participated in discussion regarding ways to share more crowded park and channel waters. Continued outreach, signage and coordination designed to educate the variety of boaters about each others' operations and requirements must continue in 2018 in order to enable boating to thrive in a safe environment. Similarly, partnerships with the District Attorney's office, the various nearby police precincts, the community boards and the Hudson River Park Advisory Council must also continue, with education and enforcement working together to combat the accelerated incidence of illegal motorized vehicles in the park.

Unfortunately, the Trust has not made sufficient progress in developing a formal "Business Continuity and Disaster Preparedness Plan" (BCDPP), nor in implementing an IT disaster recovery strategy. As noted last year, such plans have the goal of enabling recovery of critical business functions in the event of a facilities disruption or disaster, either short or long-term. While the Trust has historically functioned very well as a team and in service of the public during such emergencies as Super Storm Sandy, we believe a more formal system is necessary practice, since park conditions and staff will always change, as will the nature of emergencies. The Vice President of Management Systems will work with the Vice President of Operations, the Chief Information Officer and other staff to help advance planning in these areas.

As a final area of risk, Executive staff members have been discussing the need for improved file management and file back-up systems. After nearly two decades in operation, the Trust's archives are enormous, encompassing construction documents, historical photos, and countless emails and written correspondence. The Trust's Legal Department has had a number of transitions over the past several years, and the archives have not been maintained as actively as they once were. In FY18, the Trust should explore technological or other solutions to improved file management.

Separate from the risk areas identified above, I have also reviewed the Audited Financials for the fiscal year ending March 31, 2017 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.