

HUGH L. CAREY BATTERY PARK CITY AUTHORITY  
AUDIT COMMITTEE MEETING  
One World Financial Center – 24<sup>th</sup> Floor  
New York, NY 10281  
February 4, 2008

Committee Members

Frank J. Branchini, Chairman  
Robert J. Mueller, Member  
Charles Urstadt, Member  
James F. Gill, Member

Authority Staff in Attendance: James Cavanaugh, President and Chief Executive Officer  
Alexandra Altman, Senior Vice President, General Counsel  
Debra Bogosian, Controller, Finance  
Lauren Brugess, Administrative Assistant  
Megan Churnetski, Assistant Corporate Secretary  
Antigona Hajdaraj, Special Assistant to the President  
Wilson Kimball, Senior Vice President, Operations  
Robert M. Serpico, Senior Vice President, Finance and  
Treasurer/Chief Financial Officer  
Lisa Miller, Vice President, Internal Audit and Compliance  
Roy Villafane, Director, Internal Audit  
Elisha Rodriquez, Senior Accounting Manager, Finance  
Katie Slack, Accounting Manager, Finance

Others in Attendance: Tessa Huxley, Battery Park City Parks Conservancy Corporation  
Matthew Fenton, Battery Park City Broadsheet  
Jamie Cote, KPMG LLP  
Stephen Langowski, KPMG LLP  
Brendan Kennedy, KPMG LLP  
Michael Galeucia, Macdonald Page & Co. LLC  
Christian Smith, Macdonald Page & Co. LLC  
Neil Williams, Mitchell & Titus

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 11:37 a.m.

The first item on the agenda was approval of the minutes of the June 12, 2007 meeting.

Mr. Urstadt inquired about an issue raised during the June 12, 2007 minutes regarding whether internal controls were an appropriate topic for an executive session. Ms. Altman explained that the Public Officers Law allows the Members to discuss issues pertaining to acquisition or disposition of real property; personnel matters; and matters relating to a criminal investigation,

among other topics, during an executive session. Internal control does not fall within any of these categories, she concluded.

Upon a motion made by Mr. Urstadt and seconded by Mr. Gill, the minutes of the June 12, 2007 meeting were unanimously adopted.

\* \* \*

The next item on the agenda was a report from MacDonald Page on Authority internal control processes. Ms. Miller began the presentation by reminding the Members that the Authority advertised in the Contract Reporter to hire an outside auditor to evaluate the Authority's internal controls and processing environment, to document the associated workflows that impact the Authority's internal reporting and processing, and to provide recommendations for improvement in these areas. In June 2007, the Authority, after receiving responses from several qualified firms, selected MacDonald Page, she stated.

Ms. Miller then introduced Michael Galeucia, of MacDonald Page who presented a summary of his firm's findings. He presented a total number of 45 findings. Of the information technology process findings, Mr. Galeucia made particular note that the complexity of the Authority's IT infrastructure, which has outpaced its ability to internally support it. Mr. Galeucia then recommended several structural changes.

First, because of the complexity of the IT infrastructure, he recommended hiring a Chief Information Officer ("CIO") to manage the MIS department and all third-party related IT contracts. Secondly, he continued, the State now requires that the Authority appoint an Information Security Officer ("ISO"). Finally, he advised the Members that the State also now requires the establishment of an IT Steering Committee.

Ms. Kimball recommended including the Authority's Chief Financial Officer, the Controller, the Vice President, Internal Audit and Compliance, the Internal Control Officer, and the President, as Chairman, on the IT Steering Committee. In response to an inquiry from Mr. Mueller, Mr. Cavanaugh explained that he will be responsible for ensuring that MacDonald Page's findings are addressed. In response to a further inquiry from Mr. Branchini, Mr. Galeucia explained that the ISO will report to the CIO. Mr. Cavanaugh agreed to create a table of organization once the new positions are firmly established.

Mr. Branchini, upon agreement from Mr. Galeucia, stated that these matters are significant enough to request that the Audit Committee receive a quarterly report on the progress of their implementation from the Vice President, Internal Audit and Compliance and the President, until the CIO position is filled. Mr. Galeucia explained that the CIO should have a high level of skills because that person will be responsible for managing more complex information and adhering to higher compliance standards than in the past.

Upon a motion made by Mr. Urstadt and seconded by Mr. Mueller, the report on Authority internal control processes was unanimously accepted.

\* \* \*

The next item on the agenda was the presentation of the Authority's financial statements for fiscal year 2007-2008. Mr. Serpico began by describing to the Committee some of the highlights of the audited statements presented to the Members on February 19, together with summaries of cash holdings, credit ratings and the cost of capital, outstanding debt and capital funds on hand.

Mr. Serpico then introduced Stephen Langowski, Engagement Partner of KPMG LLP, and the Authority's certified public accountant. Mr. Langowski in turn introduced Jamie Cote, Senior Manager and Brendan Kennedy, Manager and presented an extensive report on his firm's services covering the following subjects: Standards Used, Scope of Services, Deliverables and Results; and Required Communications. Mr. Serpico explained that Mr. Langowski has been the lead partner for the Authority for the last five years, but pursuant to the Public Authorities Accountability Act of 2005, another partner must now serve in that capacity.

Upon a motion made by Mr. Mueller and seconded by Mr. Gill, the report on the Authority's financial statements for fiscal year 2007-2008 was unanimously accepted.

\* \* \*

The next item on the agenda was the presentation of the Conservancy's financial statements for fiscal year 2007-2008, together with Public Accountant's letter and other required communications. Mr. Serpico began by describing to the Committee some of the highlights of the audited statements for fiscal year 2007-2008.

Mr. Serpico then introduced Neil Williams, Partner from Mitchell Titus. Mr. Williams presented the audit findings of fiscal year 2007-2008 to the Board including the Standards Used and Required Communications. He explained that no fraud or material weaknesses were present. There was no disagreement with the previous audit and no significant adjustments were made, he added.

Upon motion made by Mr. Mueller and seconded by Mr. Gill the report on the Conservancy's financial statements for fiscal year 2007-2008 was unanimously accepted.

\* \* \*

Mr. Serpico then noted that Management is considering consolidating the financial statements of the Authority and the Parks Conservancy. Mr. Cavanaugh explained that the new CIO's responsibilities regarding the Conservancy have not yet been determined. Mr. Branchini recommended that serious consideration should be given to having a CIO who can oversee both organizations, particularly if the financial statements are consolidated.

Mr. Branchini then requested that the next Committee meeting take place in approximately ninety days and include a report on Internal Control issues on its agenda.

There being no further business, the meeting thereupon adjourned at 1:05 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Megan Churnetski", with a long horizontal flourish extending to the right.

Megan Churnetski