

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
AUDIT COMMITTEE MEETING
One World Financial Center – 24th Floor
New York, NY 10281
April 16, 2009

Members Present

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

Authority Staff in Attendance: James E. Cavanaugh, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Daniel Baldwin, Senior Development Counsel
Lauren Brugess, Administrative Assistant
Megan Churnetski, Assistant General Counsel and Assistant Corporate Secretary
Joy Granado, Comptroller
Carl D. Jaffee, Senior Development Counsel and Corporate Secretary
Wilson Kimball, Senior Vice President, Operations
Lisa Miller, Vice President, Internal Audit and Compliance
Stan Molinski, Director, Information Technology
Leticia Remauro, Vice President, Community Relations, Affirmative Action and Press
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer
Roy Villafane, Director, Internal Audit

Others in Attendance: Vince McGowan, Battery Park City Parks Conservancy
Brian Krapf, George Arzt Communications, Inc.
Julie Shapiro, Downtown Express

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:05 a.m.

The first item on the agenda was approval of the minutes of the January 29, 2009 meeting.

Upon a motion made by Mr. Urstadt and seconded by Mr. Mueller, the following resolution was unanimously adopted:

APPROVAL OF MINUTES OF THE JANUARY 29, 2009 MEETING

BE IT RESOLVED, that the minutes of the meeting of the Audit Committee of the Hugh L. Carey Battery Park City Authority held on January 29, 2009 are hereby approved.

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The next item on the agenda, presented by Mr. Serpico, was the introduction of the Authority's new Comptroller, Joy Granado. Mr. Serpico stated that Ms. Granado had an excellent background in public accounting, and had progressed through all the functions typically expected of a comptroller. Ms Granado said she was pleased to be at the Authority and was appreciative of the warm welcome she had received from Authority staff.

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The next item on the agenda, presented by Ms. Kimball, was a discussion of new internal controls and policies recently approved by the Internal Control Group (the "ICG"), as outlined in a memorandum from Ms. Kimball which had been distributed to the Committee members. Ms. Kimball explained that the ICG had been formed several years ago, at the suggestion of Lisa Miller (Vice President of Internal Audit). Its members come from the Finance and Internal Audit Departments. The three voting members are the Chief Financial Officer, the Vice President of Internal Audit, and the Internal Controls Officer. Typically, if the ICG feels that new or modified controls are in order, the ICG recommends them to the President; if he approves them, they are incorporated into the applicable documents (procurement guidelines, employee handbook, etc.).

Mr. Cavanaugh said that matters generally come before the ICG in one of two ways: (1) referral to the ICG of outside advisories from the State Comptroller or Attorney General, or from any of various regulatory agencies, so that the ICG can determine how these advisories can be integrated with the Authority's policies and procedures, and (2) perceived ambiguities in procedures, requiring clarification. Mr. Cavanaugh noted that while reporting of the ICG's activities to the Audit Committee is not mandated, it was deemed appropriate to initiate this first of anticipated periodic updates of the Committee regarding the ICG's activities, with a view that this could only serve to enhance the Committee's performance of its functions. The report is purely for informational purposes, and does not require any action by the Committee.

Mr. Mueller raised for discussion item 3 of the memorandum ("Parking and moving violation Tickets"), which states that "the new policy is that these expenses will not be paid by BPCA. However, an employee may appeal, where compelling circumstances exist, to the ICG for payment of a ticket received while conducting BPCA business." Mr. Mueller questioned why there have been any such reimbursements. Mr. Cavanaugh stated that, as an example of where such payments may be found appropriate, Parks Conservancy vehicles pick up trash three times a day, and must frequently double park in order to do so; therefore, it is appropriate that when the vehicles get ticketed, the Authority (rather than the employee) absorb the cost.

Mr. Mueller said his real concern was treatment of tickets when an Authority employee is driving his own or an Authority car. Mr. Cavanaugh said that, to his knowledge, the Authority has never paid for a moving violation when an employee receives the violation while driving his own vehicle while on Authority business, but that on occasion the Authority has paid for red

light violations when the employee is driving an Authority vehicle; this will no longer be permitted under the new policy.

Mr. Mueller also questioned why the Authority needs to own cars. Mr. Branchini said that the main point was to have a clear policy about proper use of BPCA-owned vehicles, but that it is not unusual for government agencies to own cars, and that this is an issue for the Committee to discuss after further assessment. Mr. Mueller said that he had been asking Internal Audit, for some months, for a report of T&E expenses (including car use). Ms. Miller said that the report would be complete by June 1st, at the latest, and will then be submitted to the Committee for review. Mr. Branchini suggested that if the report recommends any changes in policy, it should be presented to the full Board.

Mr. Urstadt then commented that, of the 13 items listed in Ms. Wilson's ICG memo, many result from an investigation of the Authority which had been commenced by the New York Inspector General ("IG"), and that no information had been supplied to the Committee regarding what is being investigated or supplied. Mr. Branchini said that all of the items addressed in the memo had arisen before the commencement of the IG proceeding and that the Committee's request for an audit of T&E also predates the initiation of the IG's review by a number of months.

Mr. Urstadt stated that the Committee should be aware of the charges that are being made by the IG, and how BPCA is responding to them. Mr. Gill stated that no "charges" are being made, and that it cannot be expected that the IG will keep the Authority up to date on everything it is doing, and that we must await the end of the inquiry to learn the result.

Mr. Cavanaugh stated that he had received a letter from the IG requesting the production of documents in essentially four categories: out-of-town travel, use of apartments owned or rented by BPCA, support of community organizations, and automobile usage. He said that none of the items in Ms. Kimball's ICG memo pertained to these areas.

Mr. Urstadt said that neither the Audit Committee nor the Board had received a list of the materials requested by the IG, and that the Committee is entitled to the letter. Mr. Cavanaugh said that the letter had been sent to him, and that it specifically stated that the IG wanted to deal with Ms. Altman, the General Counsel, as the point of contact for document production and scheduling of witness interviews. He said that, accordingly, he had passed the letter along to Ms. Altman to be dealt with.

Mr. Urstadt reiterated his view that the Committee is entitled to the letter. Ms. Altman said that she would ask Andrew Lankler (BPCA's counsel in the IG matter) to provide advice regarding dissemination of the letter. She noted that the IG's office had expressed concern over reports of the investigation appearing in the press.

Following a discussion of whether the letter should be produced to the Committee without further consultation with the staff of the IG, upon a motion made by Mr. Urstadt and seconded by Mr. Mueller, the following resolution was adopted by a vote of two to one, with Messrs. Urstadt and Mueller voting in favor of the resolution and Mr. Branchini voting against it:

RESOLVED, that the General Counsel immediately distribute to the members of the Audit Committee copies of the letter from the office of the Inspector General of the State of New York, regarding the undertaking of a review of the Authority.

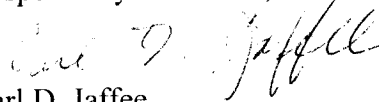
There was then a brief recess. Upon resumption of the meeting, Mr. Branchini asked Ms. Altman whether she had been able to establish contact with the IG. Ms. Altman reported that she had called Mr. Lankler, who had contacted the IG's office. After some consultation among themselves, IG staff approved the distribution of the letter to Authority Members, but noted that they did not want the letter to appear in the press. Mr. Branchini then asked Ms. Altman to distribute copies of the letter to the Members.

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The next item on the agenda, presented by Ms. Granado, was a report on the Authority/Conservancy Financial Systems Integration. She reported that the projected "go-live" date is November 1, 2009, and that the project is on schedule to meet this date.

There being no further business, the meeting thereupon adjourned at 11:40 a.m.

Respectfully submitted,


Carl D. Jaffee
Corporate Secretary