

To the Commissioners  
Albany Port District Commission  
Port of Albany  
Albany, NY 12201

In planning and performing our audit of the financial statements of Albany Port District Commission (the Commission) for the year ended December 31, 2009, we considered its internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening operating controls and efficiency in light of evolving auditing and reporting regulations. These matters and our recommendations are delineated here.

### **Segregation of Duties**

A good system of internal control provides for a proper segregation of the accounting functions. The Commission does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We noted that management and the Board have in the past implemented policies designed to help mitigate the risks associated with a lack of segregation of duties. We recommend that management and the Board continue to review the assignment of accounting duties and enhance oversight where appropriate.

### **Reconcile Accounts to Supporting Documents**

In order to make the internal financial reporting process as meaningful as possible, the Commission should adopt a policy requiring regular reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure that accuracy of the monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. While periodic reconciliations are currently performed for certain balance sheet accounts, we noted others, including certain accounts receivable, security deposit and accrued expense accounts that should be included in the reconciliation process. In addition, we recommend that all reconciliations be signed or initialed by the preparer as part of proper documentation practices.

### **Enhance Expense Re-imbursement Controls**

Based on current policy and staffing levels, certain high level management personnel at times authorize their own expense re-imbursement requests. We recommend that existing policy be revised to include a hierarchy that distinguishes who has the ability to authorize management level expense re-imbursements so that each re-imbursement is reviewed and approved by someone other than the individual requesting the re-imbursement.

### **Adopt a Records Retention Policy**

The preparation, storage and retention of all types of records and documents, and the direct and indirect costs related thereto, are matters requiring periodic review and evaluation. Retention dates should be appropriate for the various types of records. For instance, some records should be retained permanently, others until grant requirements are met, etc. A reasonable retention policy does the following:

- Provides for legal protection.
- Affords convenience and aids in records retrieval.
- Maximizes the use of limited storage space.

### **Develop an Accounting Procedures Manual**

We noted that the Commission does not have a current comprehensive manual of accounting policies and procedures. There may be an assumption that because the Commission's accounting system is relatively simple and accounting personnel have direct and easy access to the chief financial officer and general manager when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records

It will take some time and effort for management to develop a manual; however, we believe in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility.

Management should periodically review each department's compliance with standard procedures.

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This communication is intended solely for the information and use of management, Port Commission Board members, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

**UHY** LLP