

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, 2011, 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. 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, property and equipment and accrued expense accounts that should be included in the reconciliation process. During the current year audit, adjustments related to these accounts included:

- Recording capital grant expenditures and the corresponding receivables and payables
- Correction of the spreadsheet used to calculate fixed asset depreciation (placing completed wharf reconstruction projects in service)
- Recording transactions in appropriate general ledger accounts (capital improvements, insurance expenses)
- Adjusting certain expenses accruals to accurately reflect liabilities (compensated absences and other liabilities)

In addition, we recommend that all reconciliations be signed or initialed by the preparer as part of proper documentation practices

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Revenue Recognition

During our audit work it was noted that one ship which arrived at the Port facility during the month of October was not charged for wharfage fees which should have been charged and collected. It appears that this oversight was caused by a lack of coordination between internal departments in which information that is normally passed from the Security Staff to the Accounting Staff was overlooked. We recommend that each month the log maintained by the Security Staff which details the arrival and departure of all ships be provided to and reviewed by the Accounting Staff in order to insure that all ships which receive services at the Port are appropriately invoiced for those services and that a copy of the log be maintained as supporting documentation for all wharfage fees charged.

Insurance Proceeds and Involuntary Conversion of Assets

Occasionally the Commission experiences the loss or impairment of property or equipment based on an involuntary event, such as a fire or unexpected collapse. When this occurs, the net book value of the associated assets should be identified, removed from the asset and depreciation roster and recorded as a loss. Any insurance proceeds received as a result of the loss should be netted against that loss in the accounting records. Alternately, if the net book value of the asset cannot be identified, the cost of repair should be recorded as an expense, and any insurance proceeds received used to reduce that expense. In addition, we recommend that the asset and depreciation roster be periodically reviewed for assets which have been disposed of or are no longer of value to the Commission and that those assets be removed from the roster accordingly.

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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

Albany, New York
March 20, 2012