

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, 2012, 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 revenue and the corresponding receivables
- Recording the capitalization of expenditures related to property and equipment
- Correction of the spreadsheet used to calculate fixed asset depreciation
- Recording transactions in appropriate general ledger accounts (capital improvements, insurance expenses)
- Recording an adjustment to reflect the change in the fair market value of investments

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

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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 25, 2013