



ALBANY PORT DISTRICT COMMISSION

GEORGETTE STEFFENS
CHAIR, BOARD OF COMMISSIONERS

ALBANY-RENSELAER
106 Smith Blvd.
ALBANY, N.Y. 12202 – (518) 463-8763
FAX NO. (518) 463-8767
EMAIL: portofalbany@portofalbany.us

RICHARD J.HENDRICK
GENERAL MANAGER

TO: Board of Commissioners
FROM: Erik J. Smith
DATE: March 24, 2016
RE: 2015 Assessment of the Effectiveness of Internal Controls

Background:

Section 2800 (1) (a) (9) and Section 2800 (2) (a) (9) of Public Authorities Law require all public authorities to complete an annual assessment of the effectiveness of their internal control structures and procedures. Additionally, public authorities with a majority of the members appointed by the Governor must establish and maintain a system of internal control and a program of internal control review as provided in Title 8 of Public Authorities Law.

APDC Internal Control System Objective:

The objective of the APDC internal control system is to advance the APDC mission through:

- Promoting effective and efficient APDC operations
- Safeguarding APDC resources
- Developing, maintaining, and reporting reliable and accurate APDC financial and management data in a timely manner
- Compliance with laws, regulations, and APDC policies

APDC Major Business Functions:

Legal
Economic Development
Facilities & Operations
Security and Threat Assessment
Finance & Accounting
Information Technology

Risk Assessment of Business Functions:

During 2015 several internal control enhancements were developed to address risks faced by APDC business functions. Those enhancement are described in the following section.

2015 APDC Internal Control System Highlights:

- Decentralized the budget development process to enhance the relationship between operational requirements and resource allocation. Highlights of this process include:
 - Documented non-personal service budget requests are solicited from department heads.
 - To ensure accuracy in the development of the salary budget, a reconciliation process was developed to test budgeted salaries. This reconciliation is prepared and reviewed independent of the finance function.
 - Empower departmental ownership of the budget through budget performance reporting at the departmental level.
- Tested and established written procedures related to the Maritime Billing System that was developed and deployed in 2015. The testing identified certain additional development needs that were not identified during the initial testing prior to deployment. Specifically, programming enhancements are being created to address inconsistencies that exist related to billing activity and related revenue recognition for services rendered in one month and billed in a subsequent month.
- Designed and implemented a process to apply finance charges to those customers with invoices more than 30 days outstanding as stated in the APDC Tariff. Developed related written procedures.
- Identified inconsistencies with respect to delinquent account receivable follow up and collection. Developed a formal procedure to direct the follow up/collection of delinquent accounts receivable. The procedure establishes communication protocols and creates a documented system for review.

Internal Control System Effectiveness:

The assessment of internal controls is a structured and monitored process to identify and report any weaknesses of the internal control system.

During 2015 management utilized a combination of inquiry and observation, review of documents and records, and by replicating transactions to test the internal control system.

As part of the independent audit of the APDC 2015 financial statements, certain recommendations were made by the APDC independent auditor that will be implemented during 2016 to enhance internal controls. These recommendations include greater reliance on electronic

solutions for managing account records and creating a layer of transactional review to further reduce year-end accounting adjustments and ensure the accuracy of intra-year financial performance.

Statement of Internal Control Assessment:

To satisfy the requirement of Sections 2800 (1) (a) (9) and 2800 (2) (a) (9) of Public Authorities Law, authorities should incorporate, either within their annual report or as a separate document, a statement explaining that the authority has conducted a formal, documented process to assess the effectiveness of their internal control structure and procedures, and indicating whether or not the internal controls are adequate.

This statement certifies that the Albany Port District Commission followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending December 31, 2015. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.