



ALBANY PORT DISTRICT COMMISSION

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RICHARD J.HENDRICK
GENERAL MANAGER

TO: Board of Commissioners
FROM: Erik J. Smith
DATE: March 26, 2018
RE: 2017 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:

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

Risk Assessment of Business Functions:

During 2017 several internal control enhancements were developed to mitigate exposure of identified vulnerabilities of APDC business functions. Those enhancement are described in the following section.

2017 APDC Internal Control System Highlights:

- Finance Function
 - Developed clear delineation between financial reporting, financial operations and financial planning & analysis and eliminated task overlap.
 - Retained outside consultant to assist in financial reporting and to realize greater efficiency in fiscal period end closes.
- Accounting Systems
 - Defined user permissions and reassigned tasks accordingly.
 - Developed transaction approval process to reduce journal entry reclassifications.
- Financial Reporting
 - Established new guidelines for the recognition of certain non-operating revenue.
 - Developed and implemented process to recognize grant receivables.
 - Implemented new process to record tenant rental receivables/payments.

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 2017 management utilized a combination of inquiry and observation, review of documents and records, and by replicating transactions to test the internal control system.

Certain internal control enhancements will be finalized and implemented during 2018. These 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 internal financial reporting.

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, 2017. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.