



ALBANY PORT DISTRICT COMMISSION

ALBANY-RENSSELAER

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ROBERT F. CROSS
CHAIRMAN

RICHARD J. HENDRICK
GENERAL MANAGER

TO: Board of Commissioners
FROM: Erik J. Smith
DATE: March 18, 2015
RE: 2014 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
Operations
Security and Threat Assessment
Finance & Accounting
Information Technology
Business Development
Marketing

Risk Assessment of Business Functions:

During 2014 several internal control enhancements were developed to address risks faced by APDC business functions. Those enhancement are described below.



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2014 APDC Internal Control System Highlights:

- During 2014, the APDC established new policies and procedures and enhanced existing policies and procedures to strengthen the APDC Internal Control Program. Including in these policies is the APDC Conflict of Interest Declaration Policy. This policy requires all staff and Commissioners to provide to the APDC Governance Committee on an annual basis information used to identify potential conflict of interests.
- Established and filled the position of Director of Internal Controls & Enterprise Analysis. This position has been designated by the Board of Commissions to be the APDC's Internal Control Officer ("ICO"). This position is empowered with broad authority to analyze existing APDC business processes and drive improvement to APDC operations, both from an internal control and efficiency/effectiveness perspective.
- Establishing written resolutions documenting actions taken by the Board and clearly correlating those actions to the APDC mission.
- Development of the APDC Board Orientation Guide to provide a comprehensive overview of the APDC and its operations to assist both new and existing Commissioners in the discharge of their duties. This Guide is updated/revised as necessary and re-distributed to the Commissioners.
- Development of an internal control overview training presentation and "tone from the top" memorandum that was distributed to all staff for purposes of conveying the importance, seriousness, and significance of the APDC Internal Control Program.

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 structure.

During 2014 management utilized a combination of inquiry and observation, review of documents and records, and by replicating transactions to test the sufficiency of the control system. Out of these reviews, several enhanced policies, procedures, and protocols were designed and implemented in 2014.

- Design, development, and implementation of a dashboard to disseminate financial and operational data to senior management on a monthly basis. As often as necessary, though not less than monthly, management meets to review, discuss, and respond accordingly based on this information.
 - The dashboard provides information regarding:



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- Real-time budget and operational cash flow performance
 - Revenue and expense activity trending
 - Current maritime activity
 - Monthly required compliance tasks
 - Collection performance on outstanding invoices
- Established annual process to review terminal operator payment submission in accordance with existing agreement.
 - Design and testing of new APDC automated billing system application. During 2014 the APDC contracted with a third-party software developer to design, install, and support an application to eliminate redundancies and create efficiencies within the APDC billing and collection processes and related accounting work by consolidating and standardizing existing APDC billing practices, providing enhanced reporting and analytic capabilities and internal controls, and interfacing directly with the existing accounting system. The application will provide users with real time information regarding vessel traffic, billing status, and transactional review capabilities

As part of the independent audit of the APDC 2014 financial statements, certain recommendations were made by the APDC independent auditor that will be implemented during 2015 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, 2014]. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.