



ALBANY PORT DISTRICT COMMISSION

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RICHARD J.HENDRICK
GENERAL MANAGER

TO: Board of Commissioners
FROM: Erik J. Smith
DATE: March 29, 2017
RE: 2016 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 2016 several internal control enhancements were developed to mitigate exposure of identified vulnerabilities of APDC business functions. Those enhancement are described in the following section.

2016 APDC Internal Control System Highlights:

- Compliance
 - Developed procedures for testing annual financial covenant compliance required under certain project financing
 - Conducted an audit of APDC's website for PAAA/PARA compliance and corrected non-compliant items

- Accounting Systems
 - Developed and tested procedures for fixed asset acquisition, disposal and retirement
 - Identified and corrected general ledger access vulnerabilities to restrict revenue/expenditure activity being recording in dormant or non-budgeted accounts
 - Identified and corrected unauthorized budget adjustments; established restricted user permissions to prevent future instances of this activity
 - Established monthly reconciliation of fixed asset sub-ledger with general ledger

- Financial Reporting
 - Developed and implemented approval process for journal entries with appropriate supporting documentation
 - Discontinued practice of non-finance staff coding procurement transactions with general ledger account information to reduce monthly adjusting journal entries
 - Identified and corrected discrepancies with respect to annual salary reporting for workers compensation insurance premium estimate
 - Established end-of-year review process resulting in a 100% reduction of external auditor-proposed adjusting journal entries

- FP & A
 - Developed greater accuracy in monthly allocation of budget to enhance accuracy of monthly budget performance evaluation
 - Developed and implemented quarterly financial forecasts and analysis

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 2016 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 2017. 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, 2016. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.