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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 5, 2015

Ms. Georgette Steffens
Commissioner
Albany Port District Commission
106 Smith Boulevard
Albany, NY 12202

Re: Select Financial Management Practices
Report 2015-S-55

Dear Commissioner Steffens:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Chapter 192 of the Laws of 1925 as amended by Chapter 556 of the Laws of 1958, we audited select financial management practices of the Albany Port District Commission (Commission), including capital planning activities and delinquent accounts receivable collection and reporting for the period January 1, 2013 through September 30, 2015.

Background

In 1925, the Commission was established through an act of the New York State Legislature. The enabling legislation granted broad authority to the Commission to develop, construct, and manage a maritime facility. During the succeeding decades, the Commission developed into a year-round, 24-hour operation encompassing nearly 300 acres within two municipalities.

The Commission indicates that it strives to responsibly and effectively manage the publicly owned maritime Port of Albany-Rensselaer, contributing to the economy of the Capital Region and beyond while emphasizing transparency and public stewardship. The Commission's mission consists of three main tenets:

- Effective management of the public's asset
- Economic contribution to the region
- Integrity, professionalism, and customer service

The Commission's 2014 annual report shows an increase in tonnage shipped, from 390,414 in 2013 to 572,946 in 2014. The increased shipping drove a surge in operating revenues in these same years, from \$4.8 million to approximately \$6 million. More than half of the revenue is from

property rentals, approximately \$3.2 million per year.

The Commission's accounts receivable balance grew from \$503,430 in 2012 to over \$1.7 million in 2013 (a 250 percent increase). In 2014, the balance decreased to \$1 million and, as of May 31, 2015, was \$260,524. In addition, the Commission provided its capital planning spending figures in three capital plan reports - the State of New York Ten-Year Capital Plan, the Public Authorities Reporting Information System (PARIS), and its own Capital Projects Plan; spending figures differed among the three plans, which covered different periods of time.

Results of Audit

We found the Commission's capital planning and delinquent accounts receivable collection practices to be generally in compliance with Commission procedures and laws and regulations. We found some minor improvements that can be made in each area, which we conveyed to the Commission separately.

Capital Project Planning

The Public Authorities Act of 2009 requires all public authorities to develop four-year financial plans that detail capital spending. The Commission also provides capital spending information for the State of New York Ten-Year Capital Plan (2013-14 through 2022-23) and annually to the State's Authorities Budget Office. The Commission also prepares a capital budget each year. Its capital budget for 2015 is \$1.78 million.

The Commission has developed a Capital Projects Plan for the years 2015 to 2020. While individual projects are outlined in this plan, there is no overall estimated amount to be spent. The 2015–2020 Capital Projects Plan contains projected allocations for improvements or renovations of the existing facilities and lands located in the Port of Albany and Rensselaer. The Capital Projects Plan is designed to guide the Commission in taking a proactive approach in the maintenance and preservation of Port-owned property.

The 2015–2020 Capital Projects Plan consists of eight projects involving facility improvement and repairs and the purchase of three equipment items. We verified the items in the Capital Projects Plan. At the time of our audit, the Commission had begun work on two of the projects (wharf improvements and street repairs) and had not purchased any of the equipment.

In 2013, the Commission was awarded grants from the New York State Department of Transportation for an approximate \$8.5 million reconstruction project of the Rensselaer wharf. These grants account for the spike in its accounts receivable to over \$1.7 million in 2013.

The Commission also provided capital spending amounts to the Governor's Office (Ten-Year Capital Spending Plan) and to PARIS. These amounts were different than those reported in its own Capital Projects Plan. According to Commission officials, the three reports were not intended to reconcile: the amounts were different because the plans were estimates for different

time periods and were reported at different times for different purposes. The Commission's five-year Capital Projects Plan compiles annual capital budgets determined from meetings with management. The projects are prioritized by safety, asset life cycle, or business continuity, and the spending is authorized by the Commission's Board of Commissioners. The information in the Ten-Year Capital Plan (\$27.2 million) was an estimate for a ten-year period, and the PARIS information (\$15.4 million) covered estimates for the period 2013 through 2018.

Delinquent Accounts Receivable

The Division of the Budget's Policy & Reporting Manual states that effective debt collection requires systemic follow-up to issued bills. This follow-up depends on the type and level of debt. The collection practices for most debts involve some combination of written and telephone contact with the debtor. Although the Commission is not required to follow these policies, they form a baseline of good business practices that should be followed by all entities. Commission policy states all charges shall be due and payable upon presentation of an invoice. Invoices not paid within thirty (30) calendar days of the invoice date will be subject to a fee of 18 percent per annum prorated on the outstanding balance.

We found the Commission makes reasonable efforts to collect delinquent accounts receivable. It sends out monthly statements with balances due to vendors who owe balances. Further, the Commission reserves the right to deny anyone the use of any part of the facilities until all past due accounts are paid and to apply any payment received against the oldest outstanding invoices.

We sampled ten vendors who had delinquent accounts (balances owed more than 31 days) as of May 31, 2015. These ten vendors had a total of 25 invoices that collectively accounted for \$58,534 in delinquent balances; the largest outstanding account was approximately \$42,000. However, subsequent payments have reduced the overall delinquent total to approximately \$4,810 as of September 30, 2015.

Commission officials provided evidence (emails showing correspondence with vendors) of five attempts to collect these amounts from four of the ten vendors. Commission officials told us that they mailed copies of the invoices to all ten vendors, as they do for all vendors with a balance.

Overall, the Commission has relatively few delinquent accounts and amounts. As of May 31, 2015, the Commission had a total of 38 customers with 49 outstanding invoices totaling \$260,524. Of this amount, only 20 customers had accounts that were delinquent, totaling \$65,231.

Audit Scope, Objective, and Methodology

We audited the Commission's capital planning process and collection and reporting of delinquent accounts receivable and related internal controls to determine if they are in compliance with the Commission's procedures for the period January 1, 2013 through September 30, 2015. To achieve our objective, we interviewed Commission officials and reviewed Commission procedures.

We reviewed Division of the Budget regulations related to accounts receivable, as well as relevant laws and regulations related to capital project planning. We reviewed the Commission's capital plan, the State of New York Ten-Year Capital Plan, and the Commission's capital amounts reported through PARIS. We also tested delinquent accounts receivable to determine if the Commission's practices comply with its procedures.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We discussed the results of our audit and shared a preliminary version of this report with Commission officials, who agreed with our conclusions. Their comments were considered in preparing this report.

Major contributors to this report include Brian Reilly, Todd Seeberger, Mike Cantwell, Matt Luther, Andrew Philpott, and Mary McCoy.

We wish to thank the Commission's management and staff for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

John Buyce, CPA, CIA, CFE, CGFM
Audit Director

cc: Division of the Budget