



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Mission Statement and Performance Measures

Thruway Authority



Report 2013-S-9

July 2014

Executive Summary

Purpose

To determine whether the New York State Thruway Authority is achieving its performance measures and properly reporting on the results. The audit covers from April 2010 through August 2013.

Background

The New York State Thruway Authority (Authority) is a public benefit corporation created by the State Legislature in 1950 to build, operate and maintain the Thruway System. The New York State Canal Corporation (Canal Corporation), a subsidiary public corporation of the Authority, was created by the State Legislature in August 1992 to accept jurisdiction and control over the New York State Canal System from the State. The Authority operates and maintains a 570-mile system of highways crossing New York State. The Canal Corporation is responsible for a 524-mile canal system. The Authority indicated that its mission statement was in the 1998-2002 Strategic Business Plan which was adopted by the Authority Board in December 1997. Annually the Authority submits a performance measurement report to the State and posts it to its website which included the combined results of the Thruway's and Canal Corporation's performance.

The 2009 Public Authorities Reform Act (Act) included requirements to increase transparency of operations of public authorities. Provisions in the Act require public authorities to develop a mission statement and performance measures for evaluating their operations.

Key Findings

- The Authority's 2011 and 2012 Mission Statement and Measurement Reports did not provide users of the Highway and Canal Systems with complete and accurate information about what has been achieved on their behalf. The Authority did not report on five of 15 performance measures and six of the 10 measures we reviewed were not accurately reported or were not transparent (did not fully disclose the results of the Authority's operations).
- The Authority has not set performance and accountability goals for 13 of the 15 performance measures in quantitative terms. For example, one measure to enhance efficiency and effectiveness does not define what percentage of budget growth is desired.
- The Authority's Board has not reviewed its mission statement and performance measures annually since April 2010, as required by the Act.

Key Recommendations

- Annually review the Authority's mission statement and performance measures, as required. The performance measures should include well-defined quantifiable targets for performance areas.
- Improve the accuracy and completeness of the measurement report by:
 - Instructing staff to report on all adopted measures.
 - Reporting performance results in alignment with the approved measure.
 - Implementing a review process to enhance the accuracy of the performance results being reported.

**State of New York
Office of the New York State Comptroller**

Division of State Government Accountability

July 11, 2014

Mr. Howard P. Milstein
Chair
New York State Thruway Authority
200 Southern Blvd.
Albany, NY 12201-0189

Dear Mr. Milstein:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Mission Statement and Performance Measures* for the New York State Thruway Authority. This audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

Table of Contents

Background	4
Audit Findings and Recommendations	5
Reporting Measures and Accomplishments	5
Recommendations	6
Achieving Performance Measures	6
Transparency/Accountability	6
Recommendations	8
Incomplete or Incorrect Reporting	8
Recommendations	10
Audit Scope and Methodology	10
Authority	11
Reporting Requirements	11
Contributors to This Report	12
Appendix - New York State Thruway Authority Performance Measures	13
Agency Comments	16

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Background

The New York State Thruway Authority (Authority) is a public benefit corporation created by the State Legislature in 1950 to build, operate and maintain the Thruway System. The New York State Canal Corporation (Canal Corporation), a subsidiary public corporation of the Authority, was created by the State Legislature in August 1992 to accept jurisdiction and control over the New York State Canal System from the State. The Boards of both the Authority and the Canal Corporation each consist of seven members, appointed by the Governor with the consent of the State Senate.

The Authority is responsible for a 570-mile system of highways crossing New York State. Operationally, the Authority is segmented into four regional divisions – Albany, Buffalo, New York and Syracuse – with the Administrative Headquarters located in Albany. The Canal Corporation is responsible for a 524-mile Canal System consisting of the Erie, Champlain, Oswego, and Cayuga-Seneca canals.

The Authority’s mission is “We offer a user-fee supported Highway and Canal System that delivers high levels of safety and service.” To accomplish this mission, the Authority’s Board has established three goals:

1. Maintain High Levels of Customer Service and Safety
2. Maintain Infrastructure in Good Condition and Deliver the Capital Plan
3. Enhance Efficiency and Effectiveness

For each of these goals, the Board has established performance measures. The Authority’s goals and performance measures as approved by the Board in December 1997 New York State Thruway Authority Performance Measures are provided in the Appendix. Annually the Authority submits a performance measurement report to the State and posts the combined performance results for the Thruway and the Canal Corporation on its website.

The 2009 Public Authorities Reform Act (Act) added a new Section 2824-a to the Public Authorities Law (Law) requiring public authorities to develop a mission statement and performance measures to assist the Authority in determining how well it is carrying out its mission. This was part of the continuing effort to increase transparency of operations of public authorities.

Audit Findings and Recommendations

Reporting Measures and Accomplishments

In April 2010 the Authority submitted its mission statement and performance measures to the Authorities Budget Office (ABO). This document states that the mission statement was in the Authority's 1998-2002 Strategic Business Plan which was adopted by the Authority Board in December 1997. According to the Secretary to the Board, the Board and the Governance Committee have taken no formal action related to the mission statement and performance measures submitted since April 2010. Our review of Board and Governance Committee meeting minutes for calendar years 2009 through 2012 did not find that the Board or Governance Committee annually reexamined the mission statement and performance measures, as required.

The Authority's measures did not have any criteria that could be used to determine whether it achieved the performance measure because they are not defined in quantitative terms. For 13 of the 15 measures the related objective contains terms such as "complete," "maintain," and "reduce" but these terms are not defined. The absence of clearly defined criteria that measure performance decreases the value of results reported by the Authority. It is also difficult to determine whether the Authority is achieving the "high" level of service in its mission statement.

Our review of the 2011 and 2012 Mission Statement and Measurement Reports (Reports) determined that the Authority did not report on five measures as follows:

- Overall experience as reported on the biennial Customer Satisfaction Surveys;
- Volume of material dredged compared to the annual target;
- Percentage of all structures with a General Recommendation of greater than or equal to 5;
- Percentage of locks and bridges rated good or excellent; and
- Percentage of planned inspections completed on Canal.

In 2012, the Authority did not report on its customer satisfaction survey because it was not in the 2011 Report. The Canal Corporation did not report on this measure in either year as the Authority has not assigned resources to survey its customers since 2007. We believe the Authority, as an entity that depends on user fees to support its Highway and Canal System, is doing itself a disservice by not acquiring feedback from its customers.

The four remaining measures related to the Canal. A Canal Corporation official stated that they stopped reporting on these measures in 2009. However, the 2012 report still lists them as part of the Authority's performance measures. A Canal Corporation official explained it does not report on the percentage of locks and bridges rated as "good" or "excellent" because these structures are included in another measure and in their opinion it would be redundant to include both. The other three measures are not reported because one was not viewed as significant and two do not have an annual target.

Recommendations

To the Board:

1. Annually review the Authority's mission statement and performance measures, as required. The performance measures should include well-defined quantifiable targets for performance areas.

To the Authority:

2. Improve the accuracy and completeness of the measurement report by:
 - Instructing staff to report on all adopted measures.
 - Reporting performance results that align with the approved measure.
 - Implementing a review process to enhance the accuracy of the performance results being reported.
3. Establish specific goals for the Thruway and Canal Corporation on the number of customer survey responses required to provide adequate feedback and determine how the survey will be conducted to obtain a representative number of responses.

Achieving Performance Measures

We reviewed ten of the performance measures and found that only four were accurately reported. These included:

- Annual fatality rate per 100 million vehicle miles traveled compared to the previous year.
- Average (highway) bridge rating on a scale from 0-7.
- Average pavement rating on a scale from 0-10.
- Percentage of planned (highway) bridge inspections that were completed as compared to the annual target.

For the remaining six measures, the data reported was not transparent for three measures or not reported correctly for three measures.

Transparency/Accountability

The information reported for three of the ten measures is not transparent (Percentage of funds expended as planned in the Contracts Program, percentage of budget growth measured in terms of comparing actual expenditures to the targeted budget, and linear feet of bank stabilized as compared with the annual target).

Dollars Spent As Planned

Dollars spent as planned measures if funds from the approved Contracts Program were expended during the year as planned. According to an Authority official the funding approved from the Contracts Program includes the estimated cash flow during the year from projects in progress that were let in prior years, the estimated cash flow during the year for projects planned to be let in the current year, construction inspection, design work for projects to be let in the future, as well as other costs including materials testing, survey, and railroad agreements.

The Authority's 4th Quarter 2011 Performance Measures Report showed it expended \$357.5 million. However, the Authority could not provide documentation to support these expenditures because the report created to provide the amount was not retained. The Authority provided a different report that showed it spent 99.8 percent of the total Contracts Program amount for 2011. For 2012 the Authority expended \$2.4 million more than was approved.

Although the Reports for both years state that all dollars were spent as planned, they do not disclose where the money was spent. This could lead to misinterpretation of the Authority's performance, that while the Authority spent the total funding, all dollars were not spent as planned on an individual project level. The Reports also do not state that the Authority did not complete the Board-approved Contracts Program. In 2011, while the Authority expended 99.8 percent of the total Contracts Program amount, the Authority did not let 22 projects valued at \$322.2 million that it had planned and let 9 others valued at \$18.9 million that were not planned. In 2012, the Authority did not let 27 projects valued at \$132.9 million and let 2 others valued at \$4.3 million that were not planned. Since all the projects were not let as planned, the money included in the Contracts Program for those projects was spent on other items. As a result, the Authority will need additional moneys for those projects in the Contracts Program that were not let.

Budget Growth

The Authority uses the performance measure "Maintain annual budget growth and reduce costs to meet mandates" as part of its goal of efficiency and effectiveness.

In the 2011 Performance Measures Report for the fourth quarter, the Authority reported that through November 2011, "total Thruway and Canal Corporation operating expenses came in at \$25 million or 6.2 percent below budget, reflecting the success of ongoing cost containment efforts." Operating expenses in 2011 were about \$426.6 million.

For the year ended December 31, 2012, the Authority reported that it had slightly over \$1 billion in total operating, debt service and capital expenses, which was \$5.4 million less than was anticipated in the revised 2012 budget plan and \$48.1 million less than 2011. Operating expenses were about \$413.1 million of the total reported for 2012.

Because the 2012 Measurement Report also included debt service and capital expenses, it is inconsistent with the prior year's report. This prevents year-to-year comparisons from being

made. It is therefore difficult to determine if the Authority has improved its efficiency and effectiveness over time.

Canal Banks Stabilized

To determine the Canal Corporation's progress in meeting its objective of maintaining the infrastructure in good condition, the Authority measures the linear feet of bank stabilized as compared with the annual target. However, a Canal Corporation official stated that while they report on whether or not the bank is good or better they do not establish an annual target to compare to linear feet stabilized. According to this official, such annual comparisons do not yield consistent results. Nevertheless, we believe the Canal Corporation should set a goal. Without a measurable goal, there is limited accountability for overall performance in this area.

In its 2011 Operations & Accomplishments Report, the Authority reported that about 52,000 linear feet of embankment - a raised bank or wall that is built to carry a roadway or hold back water - was reclaimed, but this was not reported on in the Measurement Report. They also reported that they "repaired 85,000 linear feet of embankment in 2012, which was up from 52,000 linear feet in 2011 in the 2012 Measurement Report." The Embankment Condition Reports and Bank Stabilization Reports supported the statements.

Recommendations

4. Revise Measurement Reporting related to the Contracts Program to disclose how the money was spent when the projects in the Contracts Program are not let or not let as planned. The Report should also disclose that additional moneys will be needed for the contracts that were not let when they are awarded. Information should also be provided regarding the projects that were impacted when the contracts were not awarded.
5. Report budget results from operations consistent with the performance measure and from year to year. Disclose changes in methods used to gather data for each performance measure.
6. Report on the linear feet of embankment reclaimed in the Measurement Report, including any improvements made between years to show the change.

Incomplete or Incorrect Reporting

The Authority reported incomplete or incorrect information for three out of ten measures as discussed next.

Percentage of Projects Let

The Authority did not report the number of projects let within 30 days of the planned letting date, as required in its performance measures. An Authority official stated that the days between planned and actual letting date is not specifically measured although the data is captured through

the Governor's initiative: NYPerforms. The Authority indicated it is updating the goals concerning project schedules and costs.

Our review of the 2011 Contracts Program found just 15 of the 31 projects were let within 30 days of the planned letting date. A review of the 2012 Contracts Program found 15 of the 21 projects were let within 30 days of the planned letting date. Contracts that are not started on time are at risk of also not being completed timely.

Customer Wait Time

The Authority defines customer wait time as the time from when a tow operator is dispatched to the time the tow operator arrives on the scene. The Authority's goal is to have the tow operators on the scene in 30 minutes or less.

For Authority management to make useful decisions, it is critical that they have accurate data. Our review of the 2011 and 2012 Annual Measurement reports found discrepancies in the roadside assistance call data reported by the Authority as discussed next.

The Authority's four quarterly measurement reports for 2011 showed that 42,843 roadside assistance calls were received and 76 percent of calls met the goal. The average wait time was 26.8 minutes. We determined, however, that there were 46,554 calls for assistance, 3,711 more than reported. Based on this data, the standard was met for 74.2 percent of the calls. The average wait time was 24.9 minutes.

In the 2012 Measurement Report, the average wait time was reported as 25.5 minutes for 42,565 calls. Based on our analysis of the 2012 data, the average wait time was 24 minutes for the same number of calls. The Authority reported that 73 percent of the calls were 30 minutes or less. The data provided showed that 77 percent arrived in that window.

The lack of a policy or procedure with clear criteria regarding the types of roadside assistance calls that are to be included in performance measure calculations as well as a change in management in 2012 are the primary reasons why we found the discrepancies in the roadside assistance call data. The Authority informed us that the wait time performance measure is based on disabled vehicles only and has historically excluded tow operator calls for accidents, vehicle fires, or impounded vehicles. Additionally, Authority management stated that "pick up" calls are excluded from their wait time calculations as well. In this case, the tow operator is calling the Authority's call center to notify them of the disabled vehicle and they show as "0" second calls, meaning the dispatch and arrival times are the same. Lastly, Authority management also indicated that the 2011 quarterly report run times (reports were run prior to the end of the quarter) were a reason for the discrepancies found in the 2011 Annual Measurement report data.

Critical Structures

The Canal Corporation structures are classified by importance categories as high, intermediate, and low. Structures such as dams and locks are classified as 'high' and 'intermediate' and are

considered critical. 'Low' classified structures include ditches, parking lots, and access roads.

The Authority's 2012 Measurement Report states that the percentage of critical structures rated as good or better is 52 percent, which was identical to the percentage reported in 2011. This was inconsistent with reports from the Authority's Canal Infrastructure Management System, which showed that 55 percent were rated as good or higher for 2012. Authority and Canal Corporation officials stated this was due to an oversight when compiling the information from various divisions. By not accurately reporting the increase in the performance results, it appears there was no change in the number of critical structures rated as good or better. It is important that Authority management be provided with accurate information in order to assess infrastructure condition and plan future improvements.

Recommendations

7. Report the number of projects let within 30 days of the planned letting date as stated in Authority Performance Measure.
8. Develop and implement policies or procedures with clear criteria regarding the types of calls to be included in the calculation of customer wait times.
9. Monitor staff to verify that the correct formulas are used when calculating performance measures.

Audit Scope and Methodology

Our audit determined whether the Authority is achieving its performance measures and properly reporting on the results. The audit covers from April 2010 through August 2013.

To accomplish our audit objective, we interviewed Authority officials, and reviewed Authority Board and Governance Committee meeting minutes, related management reports and memorandum, Authority policies and procedures, and relevant laws. We also reviewed vehicle accident reports, call data and vouchers for roadside assistance, Thruway and Canal Corporation infrastructure inspection reports, project letting reports, bid tabulations, budget reports and request forms to fill vacancies.

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 objective. We believe that the evidence 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.

Authority

Our audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of Public Authorities Law.

Reporting Requirements

A draft copy of this report was provided to Authority officials for their review and comments. Their comments were considered in preparing this final report and are attached in their entirety at the end of this report. In their response, Authority officials indicated that they created a new Office of Strategic Planning and Performance Management. According to officials, this Office will allow the Authority to improve the accuracy and completeness of annual performance management reporting.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the New York State Thruway Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees advising what steps were taken to implement the recommendations contained herein, and where the recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Appendix - New York State Thruway Authority Performance Measures

Goal: Maintain High Levels of Customer Service and Safety

Objective: Maintain percentage of customers/stakeholders satisfied with service

- * Measure: Overall experience as reported on the biennial Customer Satisfaction Survey, on questions related to ride quality, overall maintenance, safety and time processing through toll lanes, using an average

Objective: Reduce time customers wait for road service

- * Measure: Customer wait time, defined as the time between first notification and arrival of roadside assistance

Objective: Maintain a safe roadway

- * Measure: Annual fatality rate per 100 million vehicle miles traveled compared to the previous year

Goal: Maintain Infrastructure in Good Condition and Deliver the Capital Plan

Objective: Maintain infrastructure in good condition

Measure: Average rating of roads and bridges

- *1. Bridges – Average bridge rating on a scale from 0-7 (5-7 Good to Excellent)
- *2. Highways – Average pavement rating on a scale from 0-10 (7-10 Good to Excellent)

- * Measure: Percentage of planned bridge inspections that were completed as compared to the annual target

Objective: Complete the Board-approved Contracts Program

- * Measure: The percentage of projects let within 30 days of the planned letting date
- * Measure: Percentage of funds expended as planned in the Contracts Program.

Goal: Enhance Efficiency and Effectiveness

Objective: Maintain annual budget growth and reduce costs to meet mandates

- * Measure: Percentage of budget growth measured in terms of comparing actual expenditures to the targeted budget
- Measure: Percentage of E-ZPass transactions: the total number of E-ZPass transactions divided by all transactions as compared to the same time frame in the previous year
- Measure: Daily average Toll Collector hours – the total number of hours worked (excluding leave time) over total number of days for the quarter. Previous quarter will be defined as the same time period quarter from the previous year
- Measure: Number of position reductions achieved

New York State Canal Corporation Performance Measures**Goal: Increase Customer Service and Safety**

Objective: Maintain a high level of customer satisfaction with Canal experience

- *^Measure: Overall experience as reported on the biennial Boater and Trail Customer Satisfaction Surveys, on questions related to the availability of amenities and the quality of services and infrastructure

Goal: Maintain Infrastructure and Deliver the Capital Plan

Objective: Maintain current length of unrestricted navigable waterways

- * Measure: The volume of material dredged compared to the annual target

Objective: Maintain infrastructure in good condition

- * Measure: Linear feet of bank stabilized as compared to the annual target
- * Measure: Percentage of critical structures with General Recommendations of greater than or equal to 5
- * Measure: Percentage of all structures with a General Recommendation of greater than or equal to 5

Objective: Complete Board-approved Contracts Program

*^Measure: Percentage of projects let on time

*^Measure: Percentage of dollars spent as planned at end of year

Objective: Maintain infrastructure in good condition

* Measure: Percentage of locks and bridges rated good or excellent

* Measure: Percentage of planned inspections completed

Goal: Efficiency and Effectiveness

Objective: Maintain annual budget growth and reduce costs to meet mandates

*^Measure: Percentage of budget growth measured in terms of comparing actual expenditures to the targeted budget

Measure: Number of position reductions achieved

Key: * indicates the measures reviewed during this audit

^ indicates Canal Corporation measures that were combined with Authority measures

Agency Comments



Howard P. Milstein
Chairman

New York State Thruway Authority
New York State Canal Corporation

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Thomas J. Madison, Jr.
Executive Director

June 9, 2014

Ms. Carmen Maldonado, Audit Director
Office of the State Comptroller
Division of State Accountability
123 Williams Street, 21st floor
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Dear Ms. Maldonado,

On behalf of Chairman Howard P. Milstein, I am submitting a consolidated, general response to the following recommendations contained in the Office of State Comptroller's draft audit report 2013-S-9, *Mission Statement and Performance Measures*:

Recommendation 1: Annually review the Authority's mission statement and performance measures, as required. The performance measures should include well-defined quantifiable targets for performance areas.

Recommendation 2: Improve the accuracy and completeness of the measurement report by:

- Instructing staff to report on all adopted measures.
- Reporting performance results that align with the approved measure.
- Implementing a review process to enhance the accuracy of the performance results being reported.

Recommendation 3: Establish specific goals for the Thruway and Canal Corporation on the number of customer survey responses required to provide adequate feedback and determine how the survey will be conducted to obtain a representative number of responses.

The NYS Thruway Authority and Canal Corporation continue to be fully committed to our mission - to provide high levels of safety and service. This is evidenced by our ongoing efforts to establish best practices and preserve high standards of operational performance, which are cost effective and fiscally responsible, so we may continue to provide value to our customers.

The Authority's long-standing mission statement and performance metrics are available to the public and are utilized by staff and the Thruway Authority and Canal Corporation Boards to:

- Affirm and adjust our organization's strategic priorities and goals,
- Focus efforts and resources in a way that strengthens operations and service provision,
- Ensure our employees and stakeholders work toward common goals, and
- Assess our organization's response to changing environments.

Recognizing that performance-based reporting and management can be improved across the State, Governor Andrew Cuomo's SAGE Commission recommended the creation of "NY Performs", a new public online Performance Management System. This new system, based on national best practices, is being designed to improve the reporting of information to the public and is currently under development.

To assist us in meeting the goals established by the NY Performs initiative, the Authority created a new Office of Strategic Planning and Performance Management. We continue to work with the Governor's Office and our state transportation partners to develop new standardized performance targets to enhance public accountability and transparency and improve goal attainment operational decisions. This improved process will complement the enterprise-wide "NY Performs" process and lead to greater fiscal stability, improved customer service, and successful advancement of our major capital projects.

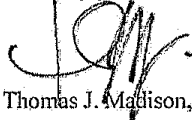
This new performance-based measurement and management system will also allow us to improve the accuracy and completeness of our annual measurement report by involving staff at all levels of our organization, ensuring performance results align with our measures, and creating a review process to ensure the accuracy of the performance results being reported.

In fact, at the most recent meeting of the Thruway Authority and Canal Corporation Boards held on June 6, 2014, staff provided a presentation on our newly recommended performance measures. At that meeting, the Authority Board's Governance Committee further agreed to work closely with staff to ensure that our performance measures and mission statement are periodically reviewed and approved to ensure they continue to reflect the changing needs of our employees and our customers. Upon completion of our work on the NY Performs initiative, we anticipate that the Thruway Authority and Canal Corporation Boards will take formal action to approve our performance measures and mission statement.

The members of the Thruway Authority and Canal Corporation Boards and our staff are equally committed to advancing the goals of the NY Performs initiative and we look forward to the improved reporting and planning that will result from this tremendous opportunity.

In closing, I would like to express our appreciation for the professional manner in which your audit staff has conducted this engagement. Thank you for the opportunity to comment on your report.

Sincerely yours,



Thomas J. Madison, Jr.