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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 27, 2013

Mr. Howard P. Milstein
Chairman
New York State Thruway Authority
200 Southern Boulevard
Albany, NY 12201

Re: Status of the Board-Approved
Capital Plan For 2005-2011
Report 2013-F-5

Dear Mr. Milstein:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution; and Article II, Section 2803 of the Public Authority Law, we have followed up on the actions taken by officials of the New York State Thruway Authority (Authority), to implement the recommendations contained in our audit report, *Status of the Board-Approved Capital Plan For 2005-2011* (Report 2008-S-48).

Background, Scope and Objective

The Authority is a public benefit corporation created in 1950 by Article 2, Title 9 of the New York State Public Authorities Law for the purposes of financing, construction, reconstructing, improving, developing, maintaining, and operating a 570-mile highway system known as the Thruway. By law, the Thruway is a self-supporting operation; its costs are fully covered by its tolls and miscellaneous income generated from its operations.

Since 1992, the Authority has also been responsible for the operation, maintenance, construction, and reconstruction of the New York State Canal System, a 524-mile navigable waterway consisting of various interconnected canals, canalized natural waterways, lakes, and reservoirs. A specially created Authority subsidiary, the New York State Canal Corporation, has the direct operation responsibility for the Canal System. The Canal System is not self-supporting; its costs are covered largely by revenue from Thruway operations.

The Authority is responsible for all aspects of its capital program. The Board approves the multi-year capital plan and the annual contract program. The Authority plans its capital project items, finances the project items, and oversees the project items. In September 2005, the Board approved the Authority's capital plan which extended through 2011. The capital plan in place

during our prior audit included 665 project items estimated to cost \$2.4 billion. As of April 2013, the Authority has completed 500 project items for \$1.65 billion and currently has 16 project items under construction estimated to cost \$347.4 million from the 2005-2011 capital plan. Overall, the Authority has cut projected spending estimates for the 2005-2011 plan by approximately \$472.9 million and completed, or is in the process of completing, 73.8 percent of the capital plan.

Authority staff develops the multi-year capital plan. Initially, engineers from each Division identify regional capital needs. They then prioritize these needs, identify projects to address them, and submit the proposed projects to Authority Headquarters. Next, Headquarters program managers review all of the proposed projects and develop a statewide capital plan based on funding levels and Authority priorities. This plan must be approved by the Capital Program Executive Steering Committee (whose four members include the Chief Engineer, the Chief Financial Officer, the Director of Maintenance and Operations, and one of the regional Division Directors on a rotating basis) and the Board. When implementing the multi-year plan, plan items are evaluated each year to ensure that they are still a priority, and new items are considered to address any newly identified needs.

Our initial audit report, which was issued on October 23, 2008, examined the actions taken by the Authority in monitoring and reporting on the status of the project items in the Board-Approved Capital Plan for 2005-2011. We also examined whether the project items on the capital plan were starting and finishing on time and remaining within budgeted costs. We found the Authority did not report whether the individual approved capital projects were starting and finishing on time and within budget. Furthermore, the Authority could not support its decision-making and prioritization of all capital project items. We also found that completing the plan as approved would take longer and cost significantly more than was originally forecast. The objective of our follow-up was to assess the extent of implementation as of May 9, 2013 of the five recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Authority officials have made progress in correcting the problems we identified. However, additional improvements are needed. We found that the Authority has partially implemented the five recommendations in our initial report.

Follow-up Observations

Recommendation 1

Develop reporting mechanisms to address both the Authority's effectiveness in implementing its capital plan and the effectiveness of the plan itself in keeping the Thruway safe and sound. Report the progress and status of the capital plan to State policymakers, customers and other stakeholders in the process, on an ongoing basis.

Status- Partially Implemented

Agency Action - The Authority's website reports whether construction contracts are let on time and awarded for the expected amounts. It also reports whether the capital plan's total expenditures for a period (month, quarter, and year) are within budget. However, these measures do not show whether the Authority is on track to complete all of the project items in the capital plan on time.

The Authority publically reports traffic safety measures, including the number of accidents and fatalities per million vehicle miles driven. These measures are not tied to specific capital plan projects and Authority officials stated that overall Thruway safety is affected by a number of factors besides road conditions such as policing and weather. In developing its 2012-2015 capital plan, Authority officials indicated they gave higher priority to projects addressing road safety.

The Authority provided the Governor's office with the quarterly reports describing the current conditions of highway sections and bridges from March 2008 until December of 2011. It has since stopped this practice.

Recommendation 2

Incorporate numerical bridge ratings into the capital plan monitoring process to determine whether bridges and highways are being kept at appropriate condition levels, and report them on an annual basis.

Status - Partially Implemented

Agency Action - The Authority does consider the anticipated road and bridge condition ratings when developing its capital plan. However, the Authority's website only contains aggregate information about bridge and highway ratings.

Recommendation 3

Subject the capital plan to a rigorous prioritization process and ensure that all decisions are thoroughly documented and communicated to the Board, the public, State policymakers, and the Thruway and Canal System customers.

Status - Partially Implemented

Agency Action - The Authority is in the process of developing a prioritization process using a data-driven Asset Management System. Authority management reports that this is substantially complete for highway projects, but is still being developed for the Authority's bridges. This new process was not used for the 2012-2015 plan, but the Authority reports they plan on utilizing this system to aid in the prioritization of future capital projects.

Recommendation 4

Review the capital reporting practices of other transportation agencies and adopt the best of those practices. At a minimum:

- *publish the Authority's capital plan and update the published plan when significant changes are made;*
- *prepare monthly progress reports comparing the actual start and end dates, and actual expenditures, for individual capital projects (along with project items) against the planned start and end dates and budgeted expenditures for those projects; and*
- *submit the plan and monthly progress reports to the Board and post the plan on the Authority's web site.*

Status - Partially Implemented

Agency Action - The Authority met with several other transportation agencies and has implemented or planned to implement some of the best practices they learned about during meetings and discussions with other transportation agencies. However, the Authority still does not publish a copy of the original Board-Approved Capital Plan on its website. In addition, the Authority does not publish a list of the projects that were deleted or deferred from the original Board-Approved Capital Plan.

The Authority prepares monthly and quarterly reports with contract letting dates and expenditures among other information. The Capital Program Executive Steering Committee meets monthly to discuss the capital plan. They discuss possible additions, deletions, or changes to the plan as well as any issues with current capital projects. Minutes of these meetings are maintained and are also shared with the Board. As with the quarterly reports, projects are discussed on an exceptions basis. Authority officials stated that if a project is not discussed during these meetings, it is assumed the project is on track without any significant changes or cost overruns.

Recommendation 5

Either create a Board committee that is responsible for reviewing the Authority's capital plan and monthly progress reports or ensure that the Capital Program Executive Steering Committee fully reports to the Board on the progress of individual capital projects (along with project items) and the status of the plan as a whole. The Board Committee or the Capital Program Executive Steering Committee should keep minutes of their activities, including project prioritization decisions.

Status - Partially Implemented

Agency Action - The Capital Program Executive Steering Committee meets monthly to discuss the capital plan. The progress of the capital plan as a whole is not discussed, only plan changes or issues with current projects or funding. Minutes of these meetings are maintained and shared with the Board.

Major contributors to this report were Robert Mehrhoff, Mark Ren, Brandon Ogden, Robert Horn and Sally Perry.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank New York State Thruway Authority's management and staff for the courtesies and cooperation extended to our auditors during this follow-up review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: H. Lennon, Director of Internal Audit
T. Lukacs, Division of the Budget