

December 9, 2016

Andrew M. Cuomo, Governor  
Thomas Dinopoli, Comptroller  
John J. Flanagan, President of the Senate  
John A. DeFrancisco, President Pro Tem of the Senate  
Andrea Stewart-Cousins, Minority Leader of the Senate  
Carl E. Heastie, Speaker of the Assembly  
Joseph D. Morelle, Majority Leader of the Assembly  
Brian M. Kolb, Minority Leader of the Assembly  
Catharine Young, Chair, Senate Finance Committee  
Liz Krueger, Ranking Minority Member, Senate Finance Committee  
Herman "Denny" Farrell, Jr., Chair, Assembly Ways & Means Committee  
Bob Oaks, Ranking Minority Member, Assembly Ways and Means Committee

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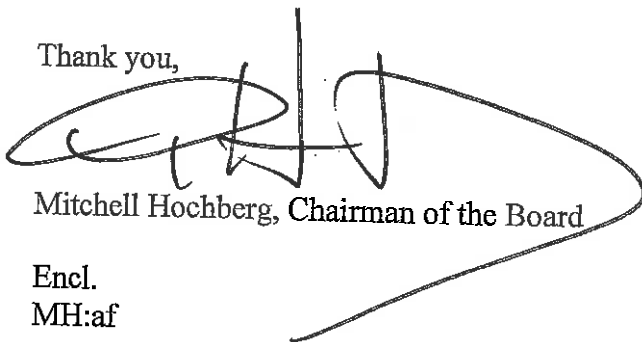
OFFICE OF THE STATE COMPTROLLER  
THOMAS P. DINAPOLI  
COMPTROLLER

Re: Follow-up Report to OSC Final Audit Report 2015-S-77

Dear Honorable Sirs and Madams:

Pursuant to §170 of the Executive Law, enclosed please find the follow-up Report of the Westchester County Health Care Corporation to the State Comptroller's Audit Report 2015-S-77.

Thank you,



Mitchell Hochberg, Chairman of the Board

Encl.  
MH:af

**FOLLOW-UP REPORT OF THE WESTCHESTER COUNTY HEALTH CARE  
CORPORATION  
TO THE OFFICE OF THE STATE COMPTROLLER'S  
FINAL AUDIT REPORT 2015-S-77**

**Background**

The Office of the State Comptroller ("OSC") conducted an audit of the Westchester County Healthcare Corporation ("WCHCC") and issued its Final Audit Report ("OSC Report"), 2015-S-77, "Supplemental Payments to Executive Employees" ("OSC Report"), on September 12, 2016. In accordance with the Executive Law §170, WCHCC is providing this follow-up report to the OSC's recommendation to the parties listed below.

The OSC Report contained three main recommendations. In sum, it asks WCHCC to (i) establish a formal, well-documented program for the payment of supplemental compensation to executives; (ii) review certain specific payments that were made to executives during the audit period and determine if such payments comport with the relevant OSC and Attorney General opinions (the "Opinions"); and (iii) ensure that all ABO/PARIS reports contain accurate data regarding such supplemental payments going forward. Each recommendation in the OSC Report is addressed below.

**WCHCC'S Bonus Program for Executives**

Prior to the OSC audit, WCHCC had a "salary withhold" program, rather than a true bonus program, for its senior executives. As a result of the OSC audit, WCHCC replaced its "salary withhold" program for senior executives with a Senior Executive Bonus Plan (the "Plan"). In fact, this Plan was approved by the WCHCC Board of Directors on July 20, 2016, two months prior to the issuance of the final OSC Report.

Among other things, the Plan contains specific criteria and timetables for the awarding of bonuses to executives based on a well-documented review by the CEO of each executive's annual accomplishments as measured against his or her previously submitted annual goals.

WCHCC is confident that its recently implemented Senior Executive Bonus Plan fully comports with the relevant OSC and Attorney General Opinions and wholeheartedly meets the OSC's expectations for programs that provide supplemental payments to executives.

## **Review of Specific Payments Made**

WCHCC has acknowledged that a small number of isolated bonus payments made to certain executives during the period that was the subject of the OSC's audit could be seen as not in strict conformity with the Opinions. There was one instance of a sign on bonus and one instance of a performance bonus being provided outside the "salary withhold" process. It is important to stress, however, that unlike other public authorities in New York, WCHCC is a major academic medical center that must compete for talent with the other, non-public authority, non OSC-regulated, academic medical centers in the region. In order to stay competitive, and hence ensure WCHCC's economic and operational survival as the only tertiary and quaternary medical center in the Hudson Valley region, it also has had to compete with those academic medical centers with respect to compensating, retaining, and maintaining talented, experienced senior executives.

WCHCC does maintain that its payment of certain retention bonuses conforms with the Opinions.

Lastly, WCHCC is comfortable that the Board of Directors' amendment of the President and CEO's and CFO/COO's employment agreements a number of years ago with respect to additional compensation payments was wholly appropriate. Such amendments replaced other compensation arrangements, and were made after careful review and with the advice of outside benefits counsel.

## **ABO/PARIS Reports**

WCHCC is confident that its transition from a "salary withhold" to a bonus program for its executives will cure the problems it previously encountered in ensuring consistent, accurate ABO/PARIS reporting. The process for reporting compensation in the PARIS system was inconsistent with WCHCC's former processes, which led to certain confusion and inconsistencies in its reporting. By switching from a "salary withhold" to a bonus process the issues that led to some of WCHCC's reporting inaccuracies should be eradicated.