
Certified Public Accountants

August 12, 2022

To Management and the Board of Supervisors
County of Warren, New York

In planning and performing our audit of the basic financial statements of the County of Warren, New York (the "County") as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we identified certain matters involving the internal control, other operational matters and future reporting requirements that are presented for your consideration. This letter does not affect our report dated August 12, 2022 on the financial statements of the County. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

August 12, 2022

Distribution of Occupancy Tax

During the year ended December 31, 2021, the County passed Resolution No. 382 of 2021 – Adoption of the Municipal Supplemental Funding Evaluation Strategy, Grading Criteria and Scoring Sheet and Application for Warren County Occupancy Tax Grant Funding. The resolution establishes a standard set of criteria and processes to follow for the distribution of occupancy tax funding to entities. During our audit, we noted that the following processes were not being consistently performed:

- Application scoring sheet to be completed by the Tourism Occupancy Tax Coordination Committee
- After action report to be completed by the recipient after the funds have been expended

We noted that there is currently no standard follow up action if a recipient of the occupancy tax funds does not complete and submit the after action report. Currently, the informal practice being performed is to hold future funding until such report is submitted, however, this has resulted in a fiscally challenging situation when funding crosses between multiple years.

We recommend that the County ensure the processes for distribution of occupancy tax as outlined in Resolution No. 382 of 2021 are being consistently followed and documented. Funds should not be disbursed unless all procedures are performed and criteria are met. In addition, we recommend that the County implement a standard process to ensure the after action report is being submitted.

Infrastructure Investment and Jobs Act

On November 15, 2021, the Infrastructure Investment and Jobs Act (P.L. 117-58) was signed, formally enacting the Bipartisan Infrastructure Law (“BIL”). The BIL provides \$973 billion to counties over five years, beginning in 2022 through 2026, and includes \$550 billion for new investments in all modes of transportation, water power and energy, environmental remediation, public lands, broadband and resilience.

The National Association of Counties Executive Summary of the law states that counties will be able to access transportation funds in the following ways:

- Meeting certain eligibility criteria for formula funds to public transit systems and airports
- Receiving sub-allocations from state governments
- Applying directly to a federal or state agency for competitive grant opportunities
- Federal financing through loans and loan guarantees.

Although this new grant program provides additional opportunities to the County, it also presents unfamiliar and differing compliance requirements. Identifying and documenting compliance responsibilities will be critical to the County’s success with this program. We recommend that the County identify the individual(s) responsible within the County to oversee this new grant opportunity in an effort to maximize available funding and identify applicable compliance requirements.

Cybersecurity Risks

The public sector continues to be one of the most vulnerable industries to cyberattacks.

In February 2022, the New York State Association of Counties, the New York State Conference of Mayors, the Association of Towns of the State of New York, and the Center for Technology in Government at the University of Albany, State University of New York released the “Cybersecurity Primer for Local Government Leaders” (the “Primer”).

According to the Primer, the number of local government cyber events reported to the New York State Intelligence Center in 2020-2021 included:

- 46 County Governments
- 22 Municipal Governments
- 11 School Districts
- 6 Emergency Services Organization

The Primer provides resources and information to help local leaders keep pace with growing cybersecurity risks. The Primer also describes a cybersecurity framework developed by the National Institute of Standards and Technology (the “NIST”) that can be used by local leaders to understand and manage cyber risk in their government.

Implementing and maintaining cybersecurity best practices has become a significant challenge for local governments with the growing risks described above. We recommend that the County review the Primer with their information technology management to compare their current cybersecurity framework to the framework developed by the NIST and consider utilizing the resources and best practices described in the Primer.

Lease Policy

Governmental Accounting Standards Board (“GASB”) Statement No. 87, *Leases*, is required to be implemented for the fiscal year ending December 31, 2022. GASB Statement No. 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

Given the future implementation of GASB Statement No. 87, we recommend that the County implement a formal lease policy based on GASB Statement No. 87 guidelines to ensure a standard set of guidelines are followed for the reporting of leases.

Future Reporting Requirements

The Governmental Accounting Standards Board (“GASB”) has adopted new pronouncements, which may have a future impact upon the County. These should be evaluated to determine the extent the County will be impacted in future years.

GASB Statement No. 87—The County is required to implement GASB Statement No. 87, *Leases*, effective for the fiscal year ending December 31, 2022. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments.

GASB Statement No. 94—The County is required to implement GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issued related to public-private and public-public partnerships arrangements (“PPPs”).

GASB Statement No. 96—The County is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending December 31, 2023. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users.

GASB Statement No. 99—The County is required to implement GASB Statement No. 99, *Omnibus 2022*, effective for the fiscal year ending December 31, 2022, while other elements become effective during the fiscal years ending December 31, 2023 and 2024. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100—The County is required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the fiscal year ending December 31, 2024. The objective of this Statement is to improve financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101—The County is required to implement GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending December 31, 2024. The objective of this Statement is to improve financial reporting by addressing issues related to the recognition and measurement for compensated absences.