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EXHIBIT AND SCHEDULE DIRECTORY

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I. BACKGROUND AND DESCRIPTION OF ASSIGNMENT

1. The County of Warren (the "County") is located in New York State with a population of approximately 65,000 residents. The County operates under a Board of Supervisors form of government and provides a wide range of governmental services, including public safety, public works, health and human services, economic development, and administrative functions. The County maintains numerous departments, offices, and special purpose functions and operated with an annual budget of approximately $200 million in 2025.

2. SAX Advisory Group ("SAX"), formerly FAZ Forensics, was selected by the County to conduct a forensic accounting review of the County's 2025 financial and operational matters. Our analysis was conducted for this purpose only. No other purpose is intended or should be inferred.

3. Through discussions and interviews with the County staff, it was determined that there were a few key areas to focus on in our review:
   - ACH payments to Peckham Industries, Inc that occurred in December of 2025;
   - Payroll budget and anomalies with County employees' timesheets;
   - Transfers of budgeted funds without appropriate approvals;
   - Capital projects and bond issuance; and
   - Management of the County's financial systems and practices in 2025.

4. The following sections of this report outline our findings and opinions based on our review. We also include recommendations for improvements to the County's policies and procedures that should be implemented by the County to help strengthen controls going forward.

II. QUALIFICATIONS

5. SAX (formerly FAZ Forensics) is an accounting firm that specializes in forensic accounting, business valuation, litigation support, and business advisory services. Registered to do business in New York, we are committed to delivering high-quality forensic accounting expertise and strategic insights. With a proven track record of assisting clients in resolving complex financial matters, SAX has earned a reputation for excellence in forensic analysis, fraud investigations, and financial dispute resolution.

6. SAX is led by a team of Certified Public Accountants, Certified Fraud Examiners and professionals Certified in Financial Forensics that are supported by highly credentialed staff. SAX provides forensic, investigative, and litigation services to a wide array of clients including governmental agencies (federal, state, and local), school districts and higher education institutions, law firms, insurance companies, and businesses across multiple

industries. Our professionals are frequently recognized as expert witnesses in state and federal courts.

7. SAX has no present or contemplated financial interest in the County, and our fees for this engagement are based upon the hourly rates as represented in our proposal.

III. PROFESSIONAL STANDARDS AND OBJECTIVITY

8. This engagement has been performed in accordance with the American Institute of Certified Public Accountants' Statements on Standards for Forensic Services. These standards specifically require integrity, objectivity, impartiality, and independence of judgment in the performance of forensic engagements.

9. Throughout this engagement, documentation we requested was provided through the Warren County Attorney's Office as part of a centralized document production process.

10. County officers, employees, and other individuals interviewed during the engagement were not permitted to direct or influence the procedures performed by our team, or the conclusions reached.

11. SAX conducted interviews as we deemed necessary to obtain information relevant to the issues identified during our review.

12. Where clarification or additional context was required, SAX asked targeted follow-up questions based on the documentation and information identified during the course of our procedures.

13. The observations and findings contained in this report are based upon our independent review and analysis of the information obtained during the engagement and were developed in accordance with the objectivity and professional standards applicable to forensic accounting services.

IV. ASSUMPTIONS & LIMITING CONDITIONS

14. Our procedures do not constitute an audit, review, or compilation of the information provided, and, accordingly, we will not express a conclusion or provide any other form of assurance on the completeness or accuracy of the information.

V. SOURCES OF INFORMATION AND INTERVIEWS

15. I, and other SAX personnel working under my direction (collectively, "we" throughout this report) performed the analysis discussed herein based on the documentation and information available to date. A complete listing of documents relied upon for this report is attached as **Exhibit 1**. We also had read access to the County's financial system, New World ERP.

16. In addition to documents reviewed, we met with the following County staff:

Sheriff's Department

- [redacted] Senior Account Clerk
- [redacted] Senior Account Clerk
- [redacted] County Sheriff
- [redacted] Undersheriff
- [redacted] Correction Captain

County Auditor

- [redacted] County Auditor

Treasurer's Office

- [redacted] Senior Account Clerk
- [redacted] Deputy Treasurer
- [redacted] Treasurer
- [redacted] Head Accountant

Department of Public Works

- [redacted] Superintendent of Public Works

Office of the County Administrator

- [redacted] County Administrator
- [redacted] Assistant County Administrator

IT Department

- [redacted] Senior Programmer Analyst

17. As part of our procedures, we requested an interview with [redacted] the County's former Deputy Treasurer. [redacted] was not interviewed, as he declined our request.

18. SAX has not independently verified the information, nor has it audited, reviewed, or compiled any of the financial information provided to us. Accordingly, we do not express an audit opinion or any other form of assurance on this information. We have not performed any procedures to evaluate the reliability or completeness of any of the information obtained. Accordingly, we express no opinion or any other form of assurance on historical or perspective financial information.

19. We reserve the right to amend this report should additional or updated information become available.

VI. EXECUTIVE SUMMARY

20. Through interviews conducted and documents reviewed during our engagement, SAX identified a general lack of formalized financial written policies and procedures across several County departments and financial processes. As a result, County staff frequently relied upon institutional knowledge and guidance from more experienced employees rather than formalized written and documented procedures.

21. We noted that specifically, the Treasurer's Office had no formal documented policies and procedures that had been approved by the Board of Supervisors.

22. This reliance on institutional knowledge rather than formalized written and documented policies and procedures increases the risk of inconsistent practices, control breakdowns, or operational issues, specifically when staff are unfamiliar with a process or when new technologies and procedures are implemented. SAX believes these conditions contributed to several of the issues identified during our review, including the ACH fraud incident.

23. As a result, many of our recommendations focus on the development, implementation, and enforcement of formalized written and documented policies and procedures. We believe strengthening the County's formal control environment will improve consistency across departments, provide clearer guidance and communication to personnel, and enhance safeguards over County financial processes and assets.

24. Since the County had not adopted formalized financial policies and procedures, operational decisions depended on informal practices rather than documented guidelines. Best practices in local government financial management emphasize that written policies governing employee activities strengthen the control environment and ensure consistent, accountable decision-making across the organization.

25. Formal financial policies and procedures were not fully developed and implemented during the current Treasurer's tenure, despite the Treasurer's office having primary responsibility for the oversight of these functions.

26. We have provided a complete listing of the areas of improvement identified in our review in the section of this report entitled: "X. SAX Recommendations"

27. At the request of the County, SAX can conduct an additional review six months from the issuance of this report to confirm our recommendations have been successfully incorporated and to confirm the documented and adopted policies and procedures are being followed by all staff.

VII. FINANCIAL POLICIES AND PROCEDURES OF COUNTY DEPARTMENTS

28. As mentioned previously, our review identified a consistent lack of formal, written policies and procedures governing the key financial and operational processes across the County.

29. This issue was not limited to a single department but rather appeared to exist across multiple departments.

30. Formal policies and procedures are essential to an effective internal control environment because they establish standardized processes, clearly define responsibilities, and reduce the risk of errors, fraud, and other irregularities going undetected. A key control principle is maintaining segregation of duties, which ensures that the authorization, execution, and recording of transactions are completed by different employees. This segregation significantly reduces the risk of undetected errors or fraud.[1]

31. Based on our review of the circumstances surrounding the ACH fraud and other areas of concern identified in this report, we believe that the lack of formalized policies and procedures contributed to control weaknesses that allowed a preventable fraud to occur.

32. We understand that the County has taken steps to address these deficiencies following the ACH fraud incident.

33. Specifically, the County's Risk and Safety Committee has implemented several policies since the fraud occurred, including the following:[2]
    - County Computer Use Policy
    - Redraft of the County Electronic-Wire and E-banking Policy
    - County First Amendment Audit Protocol
    - Redraft of the Red Flags Identity Theft Prevention

34. In addition, we understand that the Risk and Safety Committee is in the process of developing and intends to implement additional policies that align with NYS Comptroller's best practices. The policies under development include the following:
    - County Capital Project Planning
    - County Cash Management Strategies
    - County Investments
    - County Reserve Funding

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[1] The Practice of Internal Controls, New York State Comptroller's Office, Division of Local Government and School Accountability (January 2016), pg. 6.

[2] Implemented and policies and policies in development were determined from a document provided by the Risk and Safety Committee.

35. While these actions represent a positive step, we believe additional policies and procedures, as well as updates to certain policies and procedures, are necessary to address the broader control deficiencies identified throughout this report.

36. As described in the sections that follow, there are multiple areas where formalized policies and procedures should be established or enhanced to improve consistency, oversight, and controls against fraud risks.

VIII. SAX ANALYSIS AND FINDINGS

37. This section of our report describes our analysis and findings related to each key area of our review.

A. Peckham Industries, Inc., ACH Issues

38. We understand that the primary matter that led to us being engaged by the County was the County's 4th quarter 2025 financial loss, and subsequent insurance claims made as a result of two fraudulent ACH payments.

39. Based on the documentation reviewed and interviews conducted during our investigation, SAX identified several control deficiencies and process failures that we believe contributed to and enabled the fraud scheme to occur.

40. In this section of the report, we provide background for the transactions, including an overview of the events leading up to and after the transactions occurred, as well as providing recommendations to mitigate the chance of this occurring in the future.

<u>Background</u>

41. We understand through interviews conducted that there are disputes between County personnel over specific facts regarding events surrounding the ACH fraud. These disputes were heightened by a number of public statements made at Board of Supervisors and county committee meetings, which contributed to negative interpersonal interactions and added difficulty to the process of investigating and preparing this report.

42. We also note that neither we nor the County have been provided with the findings of the law enforcement investigation into this matter as of the date of this report. As a result, certain facts surrounding the events remain unresolved and outside the scope of information available to us.

43. Notwithstanding these limitations, our objective was to identify opportunities to improve the County's practices and controls, align those practices with best practices, and mitigate the risk of similar frauds occurring in the future. The disputes among County personnel and the absence of the law enforcement findings are therefore not material to our findings,

nor do they impact our objective opinions, which are based on the practices and controls we were able to observe and evaluate.

44. In this section we briefly describe our understanding of the general facts surrounding the ACH fraud based on our interviews with County staff, the Sheriff's notes on the events, as well as documents provided by the County.

45. We understand that in November of 2024, the County Treasurer's Office without Board of Supervisor authorization implemented a new process allowing vendors to elect payment via ACH through an online authorization form hosted on the County Treasurer's website that went directly to Treasurer Office employees. Per correspondence reviewed between the County's prior Deputy Treasurer and Senior Programmer Analyst in the IT department, the authorization form was implemented because a few vendors of the County had recently expressed interest in making payments to the County via ACH.

46. The correspondence reviewed indicates that the ACH online authorization form took the IT department only two days to create in late November of 2024 and was posted to the County website shortly after this.

47. It is important to note that the County's prior Deputy Treasurer left the County on June 30, 2025. At the time of their departure, there were still no formalized policies or procedures in place to control usage of the ACH form. We also understand from correspondence reviewed and interviews with County staff that the prior Deputy Treasurer had been most involved in the creation of the ACH vendor form and would have been the most qualified to field a request.

48. Furthermore, it is important to note that the ACH form was only utilized a few times prior to the ACH fraud that occurred in December of 2025, and none of the forms that were submitted prior to the ACH fraud resulted in the County successfully making a payment to a vendor using ACH due to extraneous issues.

49. Therefore, at the time of the ACH fraud in December of 2025, the County Treasurer Office employee with the institutional knowledge of the ACH form was no longer working at the County, no one at the County had extensive experience with the process that occurs after a form is submitted, and most importantly, there were no formalized written policies and procedures regarding the steps to take after a form was submitted that Treasurer Office staff could refer to.

50. In mid-November 2025, an individual posing as a representative of Peckham Industries, Inc., ("Peckham"), contacted County staff in the Treasurer's Office and inquired about changing the County's payment method for Peckham from check to ACH. We understand that Peckham has a long-standing vendor relationship with the County's Department of Public Works.

51. The County Treasurer Office staff directed this individual to the publicly accessible ACH authorization form on the County Treasurer Office's website that had been implemented in November of 2024.

52. On November 13, 2025, an ACH authorization form was submitted by the fraudster posing as a representative of Peckham requesting payment to a bank account not associated with Peckham. The submitted ACH authorization form contained information of an individual not employed by Peckham and contact information not associated with the Peckham vendor information the County had on file. This information was never verified with purchasing or Peckham.

53. At that point, the only department that had knowledge of the fraudulent ACH form was the Treasurer's Office.

54. The banking information submitted through the ACH authorization form was entered into the County's financial system by the Treasurer's Office without independent verification with the Department of Public Works and the County's contact at Peckham.

55. On December 12, 2025, the County issued an ACH payment in the amount of approximately $2.1 million to the bank account provided on the ACH authorization form.

56. Prior to the release of the ACH payment, representatives from the County's financial institution, Arrow Bank, contacted the County Treasurer's Office to confirm the transaction, because the transaction exceeded the ACH daily limit of $2 million as specified in the banking agreement between the County and Arrow Bank dated January 4, 2024. The ACH transaction was confirmed by the current Deputy Treasurer within the County Treasurer's Office and at that point, was paid by Arrow Bank.

57. During the April 2026 Board of Supervisors meeting, the County Sheriff, who we understand has been working with Arrow Bank personnel and Federal law enforcement to investigate this matter, stated that during the call with the Deputy Treasurer, Arrow Bank identified the payment as potentially fraudulent.

58. On December 23, 2025, a second ACH payment in the amount of approximately $1.2 million was initiated to the same bank account.

59. The County Sherriff stated that the second ACH transaction was also flagged by Arrow Bank as potentially fraudulent and thus required approval from the Treasurer's Office. Therefore, Arrow Bank called to confirm the transaction and the current Deputy Treasurer again confirmed and approved the transaction.

60. We understand that during the processing of these transactions, the Treasurer Office did not request or receive any independent confirmation of the vendor's banking information directly from Peckham.

61. On December 23, 2025, Peckham contacted the County regarding unpaid invoices, at which time the County became aware that the ACH request and related banking information were fraudulent.

62. After discovery, the County contacted its financial institution and law enforcement authorities.

63. The second ACH payment was subsequently frozen and returned to the County; however, as of the date of this report, the initial payment of approximately $2.1 million was not recovered.

Additional Factors Related to ACH Fraud

64. The prior section provided a brief background surrounding the ACH fraud. However, there are a few specific factors that we believe are important to expand upon as they contributed to the conditions that allowed the fraud to occur.

County Banking Agreements with Arrow Bank

65. First, it is important to note that the Treasurer's Office lacked the authority to conduct ACH transactions with vendors without prior Board approval.

66. We understand that the County has historically used electronic payments for payroll for County staff and certain tax payments, but it has not paid vendors, such as Peckham, using ACH. Based on our interviews with Treasurer Office staff, the Office mistakenly believed that this historical usage of ACH allowed them to issue payments to vendors without Board approval.

67. It is believed that the County's authority for electronic banking arrangements may have been based on a resolution adopted by the County in 1998 (attached as **Exhibit 2**), more than 25 years prior to the ACH fraud occurring, with significant technological changes in electronic banking occurring during this period.

68. This lack of County Board approval besides a resolution dating back to 1998 for the Treasurer's Office to make ACH payments to vendors is further compounded by the fact that the County's electronic banking agreements with Arrow Bank that were in place in 2025 were signed by Treasurer Office personnel without Board approval.

69. As confirmed by NYS Comptroller legal opinions 72-163 and 86-31, contracts made for, or on behalf of the County, must be approved by the County Board unless a statute specifically states otherwise.

70. It is unclear whether the County's Board would have rejected the Treasurer Office's ability to make ACH payments to vendors, or whether the Board approving the County's electronic banking agreements with Arrow Bank would have any effect on the fraud that occurred, however, in a technological landscape that changes so often, this is further support that County policies need to be regularly reviewed and updated on a more periodic basis.

Lack of Formalized Policies and Procedures Surrounding ACH Vendor Setup

71. At the time the ACH form was added to the County's web page in November of 2024, formalized written financial policies and procedures governing ACH vendor setup, validation, and processing had not been fully established or documented by the Treasurer's Office. Without appropriate policies and procedures in place as adopted by the Board of Supervisors, the Treasurer's Office should not have made any ACH transactions to vendors.

72. Internal correspondence dated May 20, 2025, reflects that the County's prior Deputy Treasurer identified the need to develop formalized written procedures for handling ACH requests after receiving the first ACH payment request.

73. With the departure of the prior Deputy Treasurer from the County in June of 2025, the suggestion of a policy and procedure for ACH requests was not completed. As a result, this important suggestion, which was never tracked or cultivated by the Treasurer's Office, could have been critical in mitigating the ACH fraud.

74. The written financial policies may have prevented the ACH fraud from occurring as the policies would have required checks and balances for changing vendor payment information, as is recommended by guidance issued by the NYS Comptroller.

Lack of Formalized Policies and Procedures Surrounding a Potential Fraud Warning

75. In July 2025, Peckham Industries issued a notice to customers and business partners advising of attempts to impersonate Peckham for fraudulent purposes and recommending that any changes to payment instructions be independently verified using known contact information. We have attached a copy of this letter as **Exhibit 3**.

76. We understand that this fraud notice may have been sent to select individuals within the County, but it is evident that it was not circulated within the County.

77. Furthermore, we understand that the County does not currently have any centralized system for tracking or flagging vendors that have issued fraud notices. Therefore, even if this letter had been circulated at the time of receipt (several months prior to the ACH fraud

occurring), we are unsure if this would have mitigated the fraud risk because formalized policies and procedures were not in place to ensure an independent verification of vendor payment information.

SAX Findings Related to ACH Fraud

78. Based on our review of documentation and interviews conducted to date, we identified several contributing factors that facilitated the ACH fraud. We have summarized these factors below:

- The online ACH vendor enrollment form was made publicly available on the County Treasurer's website prior to the establishment of formal policies and procedures governing its use. As a result, the Treasurer's Office had no standardized requirements for verifying requests. Publication of the Treasurer's Office ACH vendor enrollment form created forum for fraud to occur.

- During 2025, there was turnover within the Treasurer's Office, including the departure of the County's prior Deputy Treasurer, the staff member that was most familiar with the online ACH form. This transition resulted in a loss of institutional knowledge and may have contributed to the lack of understanding, potential process regarding the form's usage, and the suggested need for a formalized procedure.

- The County did not maintain a centralized process or policy requiring fraud alerts received by County personnel to be circulated and communicated across departments. As a result, there was no process for sharing potential fraud risks with relevant personnel. However, it is evident that the notification sent by Peckham is not a primary contributor to the ACH fraud that occurred since the main failure was the Treasurer Office's failure to have formalized policies and procedures that would have identified the fraud with regard to the review and submission of the fraudulent vendor change submitted.

- In addition, the County's financial system (New World ERP) did not include a control or notification mechanism to alert users that a fraud warning or vendor-related risk had been identified and exists.

79. As a result of the ACH fraud, on March 20, 2026, the County adopted an updated Electronic-Wire Transfers and E-Banking Policy through Resolution No. 118 of 2026, which established formal procedures, internal controls, and segregation of duties requirements for electronic payments. We have attached this policy as **Exhibit 4**.

80. The updated policy includes requirements for vendor onboarding and validation, dual authorization of electronic payments, independent verification of changes to vendor banking information, and documentation of approvals prior to the release of funds.

81. Additionally, we reviewed flowcharts that were created by the County to walk through the following processes:
- Department Receives a Vendor Change Request (see **Exhibit 5**)
- Department Receives a Potential Fraudulent Vendor Inquiry (see **Exhibit 6**)
- Department Receives a Vendor Payment Inquiry (see **Exhibit 7**)

82. Based on our review of the newly formed policy and process flowcharts, we believe they will enhance controls within the County but recommend periodic reviews of these to be sure they are, and continue to be, effective.

SAX Recommendations Related to ACH Fraud

83. We believe the new policies and processes are a step in the right direction. However, based on our review, we have further recommendations related to the ACH fraud that we believe should be implemented by the County:
- We understand that County staff in the Treasurer's Office completed online fraud training prior to the ACH fraud. We believe the County should initially implement in-person periodic fraud awareness training for finance personnel to provide a forum to interact and ask questions with the training personnel. Such training should include current fraud schemes, vendor impersonation risks, and appropriate response protocols. In addition, the County should provide online fraud training to all personnel on a more regular basis to keep fraud top of mind within the County.

- The Risk and Safety Committee should encourage all County staff to recommend formal policies and procedures for key departmental processes where such policies or procedures do not currently exist. The Risk and Safety Committee should provide a clear avenue for staff to raise concerns regarding policies and procedures (or lack thereof). These suggestions should be maintained, reviewed, and considered by the committee for potential implementation based on the review.

- The County should establish a policy requiring management to notify the Risk and Safety Committee before implementing any new technologies or processes. The committee should then evaluate whether formal written policies and procedures are needed before implementation. The ACH fraud most likely could have been prevented if formal policies were implemented prior to ACH vendor payments taking place.

- The County should evaluate the implementation of transaction limits or enhanced controls for ACH and wire transfers, particularly for new vendors or changes to existing vendor payment information. In particular, for larger payments, confirmation of bank account information and dollar amounts should be made with the vendor. Consideration should be given to aligning such transaction limits with applicable insurance coverage thresholds and fraud risk tolerance. Based on the volume of applicable transactions, we do not believe this additional control would impose a significant administrative burden on the County. During 2025, the County processed 35 electronic payments of more than $500,000, including 21 ACH transactions and 14 wire transactions.

- The County should establish centralized procedures for documenting and communicating fraud alerts across departments and consider implementing a process that creates a system of controls or flags within the financial system to identify vendors associated with known risks.

B. Payroll Budget and Anomalies with County Employees' Timesheets

Background

84. Based on interviews and documents reviewed to date, the County faced issues in 2025 regarding timekeeping and payroll entries in the Public Defender's Office and the County Clerk Office. We also noted there have been overages in the Sheriff's Department payroll budget in recent years.

85. It is our understanding that prior to issues identified in the Public Defender's Office, there were two resolutions that governed timekeeping in the County:
    - In 2011, Warren County adopted Resolution No. 637 to implement the County Time Clock Policy and Procedure for the Time and Attendance System (resolution attached as **Exhibit 8**). This policy established procedures for employee time management, requiring employees to record actual work hours to ensure compliance with federal and state wage laws. The policy divided employees into two categories: non-exempt (hourly) and exempt (salaried) employees, with different protocols for time entry.

    - In 2019, Resolution No. 75 (resolution attached as **Exhibit 9**) updated the timekeeping procedures, revising the handling of exempt employees' work hours and the approval process for overtime. This resolution further clarified departmental duties for managing time and attendance.

86. To address payroll issues identified in the Public Defender's office, the County Board of Supervisors passed Resolution No. 294 in 2025 (resolution attached as **Exhibit 10**), revising the Employee Time, Attendance, and Approval Policy. The main additions we identified in the new policy are:
    - Department Head's Designee shall have the authority to grant an employee within their department flex time within any payroll week only if the employee in question satisfies their regular weekly payroll requirement.
    - Employees shall record their own time and attendance.

- Employees are prohibited from altering, falsifying, or tampering with time and attendance records for themselves and/or other employees. This includes making a time keeping system entry for a fellow co-worker regardless of the system in place.
- A Department Head's request to assign a Department Head Designee under their supervision with authority to approve the department's timekeeping must be done in writing to the Human Resource Department, the County Treasurer's Office, and the County Administrator's Office PRIOR to the responsibility being tendered using the form provided by the Treasurer's Office.

87. Furthermore, during our review, we found that the Sheriff's Department had established its own timekeeping policies since it does not use the same time management system as the rest of the County. We have attached the Sheriff's Department's policies, which went into effect on December 23, 2024, as **Exhibit 11**. The Directive 011 (Reporting for Duty) and Directive 012 (Employee Time Sheets) outlined specific rules for employee work hours, including procedures for clocking in and out using the County's biometric time clock system. These directives also implemented approval requirements for overtime and time-off requests.

88. We understand the Sheriff's Department currently uses a time management system that is separate from the system used by the rest of the County. As a result, other County departments do not have direct access to the Sheriff's Department's timekeeping records. We believe this lack of shared access appears to contribute to the current Treasurer's concerns regarding the transparency of the Sheriff Department's time entries. We understand, however, that the County is in the midst of transitioning to a new timekeeping system that will be used by all County departments, including the Sheriff's Department. We believe the implementation of a County-wide system should improve transparency and may help reduce disputes regarding timekeeping practices between departments.

SAX Analysis and Findings Related to Public Defender's Office Timesheet Issues

89. The Public Defender's Office was one of the County departments in which we identified timekeeping and payroll-entry concerns during 2025. Many of these concerns came to our attention through a County-led review of the Public Defender's Office conducted under the supervision of the County Attorney during 2025.

90. During 2025, we understand the administrative functions within the Public Defender's Office, including timesheet approvals, payroll batch processing, purchasing, and budgeting were concentrated in a single administrative job position rather than being performed and approved by the Public Defender or First Assistant Public Defender. The result was an absence of segregation of duties over timekeeping and payroll, with one individual able to create, approve, and process time and attendance for the department. This concentration of authority is itself a significant internal control weakness and elevates the risk of inaccurate time reporting and misuse of County funds.

91. As part of the 2025 County-led review, it was determined and reportedly substantiated through the County's timekeeping system that an administrative staff member had the ability to punch-in from home and then use commuting time to the office as compensated work time. This practice is inconsistent with the County's policy that employees accurately record actual hours worked and that timekeeping be subject to independent supervisory approval.

92. We reviewed a summary of manual payroll changes made within the Public Defender's Office during 2025. During the period of January 1, 2025, through May 4, 2025, the summary reflects 47 manual timesheet adjustments concentrated in a single employee's records, including recurring missed punches, flex-time entries, lunch overrides, and field work entries.

93. Based on our review, throughout 2025, the County's timekeeping approval policies within the Public Defender's Office were not followed. Multiple individuals were reported to hold timekeeping approval authority, which is inconsistent with the County's policy that timekeeping and payroll approval be exercised by department leadership with appropriate independence from the individuals preparing the entries.

94. These control deficiencies create a risk to the County. The ability of an administrative staff member to adjust time records, approve those adjustments, and process payroll creates an environment in which both errors and intentional misrepresentation of hours worked can occur.

<u>SAX Analysis and Findings Related to County Clerk's Office Timesheet Issues</u>

95. The County Clerk's Office was another County department in which we identified timekeeping and payroll concerns during 2025. These concerns came to our attention through a County-directed workplace investigation conducted under the supervision of the County Attorney during 2025.

96. We understand there was an employee within the County Clerk's Office that held approved FMLA status (Family and Medical Leave Act) during 2025 that was regularly arriving to work late and was unable to begin assigned duties for a period of time after arriving at work.

97. Rather than requiring the employee to use available leave time or unpaid time for these absences, the employee's timesheet was adjusted so that recorded hours appeared complete for the work week. The investigation found that these adjustments were inconsistent with the County's FMLA policy and the work requirements of the applicable CSEA union contract. In substance, the employee was compensated for time during which they were not present and working, with portions of that time attributed to FMLA in a manner that did not conform to the County's FMLA rules.

98. These adjustments resulted in the County paying for hours not actually worked. More broadly, the practice undermines the County's timekeeping system and policies and creates a precedent for preferential treatment.

SAX Analysis and Findings Related to Sheriff's Department Payroll Budget

Budget-to-Actual Analysis by Department

99. During our interviews with County staff, it was explained that there have been consistent payroll budget overages in the Sherriff's Department.

100. As part of our review, we analyzed a report that compared the County's 2025 budget-to-actual salary expenditures for all departments. We obtained this report from the County's New World ERP system.

101. Based on our analysis, which is summarized in **Schedule A**, while there were other departments in which payroll budgets were exceeded, the Sheriff's Department had the largest variances. The Sheriff's Department exceeded their adopted payroll budgets significantly across its three divisions: communications, law enforcement, and corrections.

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102. In 2025, the Sheriff's 911 Center exceeded its salary budget by approximately $80,932.04. The Sheriff's Law Enforcement Division exceeded its salary budget by approximately $507,015.27, while the Sheriff's Corrections Division exceeded its salary budget by approximately $470,954.75. Therefore, across the three divisions, the Sheriff's Department exceeded its payroll budget by a total of $1,058,902.06 ($80,932.04 + $507,015.27 + $470,954.75) These overages are summarized in the table below:

Sheriff's 911 Center

Expense Category	Budgeted	Actual	Variance	Percentage of Budget Used
Regular Time	1,583,291.00	1,682,222.56	(98,931.56)	106.2%
Overtime	60,000.00	72,000.48	(12,000.48)	120.0%
Part Time	30,000.00	-	30,000.00	0.0%
	1,673,291.00	1,754,223.04	(80,932.04)	104.8%

Sheriff's Law Enforcement

Expense Category	Budgeted	Actual	Variance	Percentage of Budget Used
Regular Time	8,579,831.00	8,562,873.03	16,957.97	99.8%
Overtime	325,000.00	607,748.00	(282,748.00)	187.0%
Part Time	268,339.00	509,564.24	(241,225.24)	189.9%
	9,173,170.00	9,680,185.27	(507,015.27)	105.5%

Sheriff's Correction Division

Expense Category	Budgeted	Actual	Variance	Percentage of Budget Used
Regular Time	6,740,925.00	6,878,916.60	(137,991.60)	102.0%
Overtime	300,000.00	617,390.09	(317,390.09)	205.8%
Part Time	156,025.00	171,598.06	(15,573.06)	110.0%
	7,196,950.00	7,667,904.75	(470,954.75)	106.5%

103. Given the significance and consistency of these budget overages across the Sheriff's Departments divisions, this analysis confirmed that we should focus our review on the Sheriff's Department to assess the factors contributing to the recurring budget overages.

<u>Sheriff's Department Payroll Budget Analysis</u>

104. Based on our discussions with County staff and review of historical budget reports, we understand that the Sheriff's Department has exceeded its payroll budget for several years.

105. However, it should be noted that although the Department exceeded its payroll budget in 2025, it did not exceed its overall budget for the year. This indicates that the payroll overage was offset by underspending in other budget categories.

106. The table below demonstrates that the Sheriff's Department experienced budget overages each year from 2023 through 2025, and there was a similar level of Warren County Sheriff's Office call activity through these years. Furthermore, we understand from interviews with Sheriff Department staff that there has been an increase in jail occupancy since COVID that has resulted in an increase in the corrections division's payroll.

Category	2023	2024	2025
Sheriff's Department Payroll Budget	15,516,935	18,048,597	18,043,411
Sheriff's Department Payroll Actual	17,656,862	18,675,137	19,102,313
Sheriff's Department Payroll Overage	(2,139,927)	(626,540)	(1,058,902)
Warren County Sheriff's Office Calls	29,183	27,795	26,343

107. Please note that County budgets are supposed to reflect a realistic estimate of the expected expenditures. Per page 3 of the NYS Comptroller budget guidance attached as **Exhibit 12**:

A good annual budget begins with sound estimates and well-supported budgetary assumptions. Spending levels and financial resources must be accurately gauged at budget preparation time to ensure that planned *services are properly funded. To develop sound estimates, budget officers should avail themselves of as much pertinent data as possible. While valuable information is available from a number of sources, the budget officer should also work closely with department heads to develop a realistic annual budget*

108. Based on the consistent overages shown in the Sheriff's Department, with limited changes in call activity, it appears the County's adopted budget is not aligned with actual activity.

109. To confirm the budget inconsistencies, we spoke with those involved in generating the Sheriff's Department budget, which includes staff from the Sheriff's Department and the County Administrator's office.

110. Based on these interviews, we understand there are a few key points for consideration when generating the Sheriff's Department:

- Firstly, we understand that the regular time allocated to the Sheriff's Department is largely established by union contracts with the County. As a result, regular time is mostly fixed, and the overtime budget is the most flexible component of the Department's payroll budget and the category most capable of being adjusted from year to year to reflect operational needs.
- Next, we understand that the Sheriff's Department can request increases to their budget, but it does not necessarily mean they will be adopted.
- Lastly, we understand that across the County, departments are budgeted for their vacant positions as well as filled positions. Therefore, if a department exceeds its payroll budget, it is likely that the budgeted amounts for vacant positions in other departments can offset the areas where the actual spend exceeds the budget.

111. Based on our interviews and understanding of the budget development process, it became clear that those involved in the budget process expect the Sheriff's Department to exceed its payroll budget, but it is also expected that the Sheriff's Department (or another department at the County) will have excess budget that can offset the overage.

112. Therefore, we conducted an analysis to confirm whether the Sheriff's Department had a large enough budget to cover its expenditures and we have determined that it does not. To do this, we reviewed comparable counties within New York State to evaluate the percentage of budget provided to the Sheriff's Department, as well as the percentage of payroll allocated to regular and overtime expenses within other counties' sheriff's departments.

113. Please note that our analysis focused on budgeted amounts for different sheriff departments, not their actual spending. It is possible that other sheriff departments in New York State are also exceeding their budget similar to the County of Warren. However, this was the data that was available to us.

Selection of Comparable Counties

114. In determining comparable counties, we considered several factors, including estimated population, county size in square miles, average daily jail population, and other considerations such as tourism activity. Based on these factors, we identified Washington County, Otsego County, Saratoga County, and Clinton County as comparable counties. The table below presents the estimated population, county size, and average daily jail population for each county reviewed.

County	Population Estimate	Size in Square Miles	Average Daily Jail Population
Warren	65,000	932	110 - 140
Washington	60,000	846	80 - 110
Otsego	60,000	1,006	60 - 90
Saratoga	240,400	844	180 - 230
Clinton	78,000	1,118	160 - 210

(intentionally left blank)

Percentage of Overall Budget Allocated to Regular Time, Part Time, and Overtime Budget

115. Given that a significant portion of the Sheriff's Department's overages relate to overtime, we did some specific analysis pertaining to the proportioning of the Sheriff's Department's payroll budget between regular time and overtime.

116. For each county, we reviewed the 2025 adopted budget allocations for regular payroll, part-time payroll, and overtime payroll within the Sheriff's Department.[3] The table below summarizes the amounts allocated to each category, along with the percentage of total payroll allocated to overtime expenditures. Based on our review, Warren County had the lowest overtime budget allocation percentage among the counties analyzed at approximately 3.8%, compared to the average overtime percentage for the four comparable counties of 10.4%.

County	Regular Time	Part-time	Overtime	Overtime Budget Percentage
Warren	16,904,047	454,364	685,000	3.8%
Washington	8,011,213	25,000	1,135,000	12.4%
Otsego	4,167,923	100,000	578,000	11.9%
Saratoga	20,300,369	-	1,700,000	7.7%
Clinton	8,380,413	350,000	928,800	9.6%

117. This analysis implies that the County may not be allocating a sufficient percentage of its payroll budget to overtime.

118. Furthermore, when comparing Warren County's Sheriff's Departments actual payroll expenditures, the percentage of the payroll budget ultimately spent by the County on overtime was 7.4% in 2025, which is more comparable to the 10.4% average of the other counties reviewed. This may indicate that the County's overtime budget allocations are lower than what is operationally necessary to meet staffing demands within the Sheriff's Department.

119. In addition to the above analysis, the New York State Comptroller's Office published guidance and workforce trend data regarding overtime usage within New York State agencies.[4] This guidance has been attached as **Exhibit 13**. According to the publication, total payroll expenditures amounted to approximately $22.4 billion, while overtime expenditures totaled approximately $1.627 billion, resulting in an overtime percentage of approximately 7.3%. This percentage is comparable to Warren County's actual overtime spending levels in 2025 of 7.4% and is additional support that the County is not budgeting a sufficient amount of its payroll budget to overtime.

[3] Please note that this analysis focused on budgeted expenditures, rather than actual expenditures because the budgeted expenditures were publicly available.

[4] Office of the New York State Comptroller, New York State Agency Use of Overtime and State Workforce Trends, 2016–2025 (April 2026).

120. The Comptroller's publication also noted that overtime hours and earnings increased statewide in 2025, with the Department of Corrections and Community Supervision accounting for approximately 43.6% of all overtime earnings statewide, representing the largest share among state agencies. The report further stated that overtime usage within corrections facilities accelerated significantly after 2020, with average annual overtime hours per employee in 2025 tripling compared to 2020 levels. This increase occurred simultaneously with a 29.8% decline in the corrections workforce since 2020.

121. These trends indicate that a reduced number of corrections employees has resulted in increased overtime demands necessary to maintain operational staffing requirements. Between 2024 and 2025, the corrections workforce reportedly declined by more than 2,700 employees, while overtime hours per employee increased by approximately 32.7%, reaching an average of 432 overtime hours per employee. The report also noted that these conditions were further impacted by the 2025 corrections officer strike.

122. Based on our research of comparable counties and guidance from the NYS Comptroller, we prepared the tables below to compare Warren County's 2025 budget-to-actual payroll results for the Sheriff's Department. The top chart shows the actual payroll results. The second chart illustrates what the results would have looked like if straight-time and part-time payroll amounts had remained unchanged, but overtime had been calculated using the 7.3% overtime proportion observed in other New York State counties, consistent with the Comptroller's guidance.

Original Budget vs Actual Expenditures

Description	Budget	Budget Percentage	Actual	Actual Percentage	Variance
Striaght Time	$16,904,047	93.69%	$17,124,012	90.56%	($219,965)
Part Time	$454,364	2.52%	$487,609	2.58%	($33,245)
Overtime	$685,000	3.80%	$1,297,139	6.86%	($612,139)
Total	$18,043,411	100.00%	$18,908,760	100.00%	($865,349)

Adjusted Budget vs Actual Expenditures

Description	Adjusted Budget	Adjusted Budget Percentage	Actual	Actual Percentage	Variance
Striaght Time	$16,904,047	90.27%	$17,124,012	90.56%	($219,965)
Part Time	$454,364	2.43%	$487,609	2.58%	($33,245)
Overtime	$1,366,951	7.30%	$1,297,139	6.86%	$69,813
Total	$18,725,362	100.00%	$18,908,760	100.00%	($183,398)

123. As demonstrated in the above tables, if the Sheriff's Department's overtime budget reflected 7.3% of the payroll budget, there would have been no overage in the Sheriff's

Department payroll, and instead, the Sheriff's Department's actual spend would have been under its overtime budget.

Conclusion of Sheriff's Department Budget Analysis

124. Based on our comparison of similar counties within New York State, as well as statewide overtime and workforce trends published by the New York State Comptroller's Office, it appears that the amounts allocated within Warren County's Sheriff's Department budget for salaries and overtime may be insufficient to meet the Department's operational demands.

125. Specifically, Warren County allocated a lower percentage of payroll toward overtime expenditures than the comparable counties analyzed, despite actual overtime expenditures occurring at levels more consistent with those counties and broader statewide trends.

126. Taking into account that regular time is largely set by union agreements, if regular salaries are expected to represent approximately 92.7% of the Sheriff's Department payroll budget in order to align with the 7.3% overtime level identified in the New York State Comptroller's report, then the County would necessarily need to increase the overtime budget for the Sheriff's Department.

127. Furthermore, it should be noted that significant recurring overages of budgets must be addressed by the County Board. Per Page 13 of the attached OSC guidance related to budgeting (see **Exhibit 12**), it is:

> *the responsibility of the governing board, budget officer, and department heads to see that services are delivered within the limits provided in the budget.*

However, based on our discussions with County staff, it seems expected that the Sheriff's Department will have an overage related to its payroll budget.

128. To address recurring departmental budget overages, we recommend that the Board receive an annual report summarizing material budget variances. This would allow the Board to review these areas in greater detail and help incorporate corrective measures into the next budget cycle.

C. Transfers of Budgeted Funds Without Appropriate Approvals

Background

129. From interviews conducted with County staff, we understand that there were concerns that budget transfers were not receiving appropriate approval prior to the Treasurer's Office processing the transfers.

130. In addition, during our review of documents provided by the County, we identified email correspondence indicating that County Treasurer Office personnel processed manual overrides to budgets process expenditures. The correspondence included discussions regarding the transfer of approximately $20,000 from a Community College chargeback fee account to cover deficits within the Medical Examiner budget.

131. Specifically, the correspondence reviewed by SAX reflected discussions regarding manually overriding budget deficits and transferring funds across departmental budget codes in order to process payments related to the Medical Examiner budget.

132. These transactions were referenced in our interviews conducted with County staff and based on the discussions, the County's exact policy regarding budget transfers was not clear. Furthermore, we understand that the County does not have a formalized written policy regarding budget transfers.

133. Based on our research, we identified at least two resolutions that apply to budget transfers:
   - Warren County adopted Resolution No. 637 of 2014 (**Exhibit 14**), which authorized the County Administrator to approve transfers within existing departmental budgets to cover deficits in various budget codes without requiring committee approval. Interestingly, we did not find any County policy that required committee approval for transfers within departmental budgets in the first place. This resolution also required the County Administrator to provide monthly reports of approved transfers to the Finance Committee.

   - We also found Resolution No. 282 of 2017 (**Exhibit 15**), which amended Resolution No. 637 of 2014. Resolution No. 282 of 2017 limited the County Administrator's authority by explicitly excluding transfers involving salary object codes (.1) and project object codes (.280) from the administrative approval process.

134. In addition to the resolutions described above, Resolution No. 368 of 2017 describes the duties of the County Administrator, and it does not provide for the approval of budget transfers. Therefore, the argument could be made that this resolution revoked the County Administrator's budget transfer approval powers provided by Resolution No. 637 of 2014

and Resolution 282 of 2017. If this is the case, all budget transfers would require approval from the Board of Supervisors.

135. Based on our research and discussions with County Staff, it is difficult to confirm the County's actual policy related to budget transfers as SAX did not identify comprehensive written policies or procedures governing the County's overall budget transfer process, including the approval, documentation, and monitoring requirements for budget transfers. NYS Comptroller guidance emphasizes that effective internal controls depend on clearly defined policies and procedures that establish expectations and support consistent oversight.

136. The absence of formalized policies and procedures increases the risk of inconsistent practices across departments and may contribute to situations where budget transfers are processed without oversight, documentation, or approval controls.

SAX Analysis and Findings Related to Transfers of Budgeted Funds

137. Given that there appears to be no formal process for budget transfers, we conducted an analysis that provides a comprehensive overview of the budget transfers that occurred in 2025 to determine which budget transfers had resolutions and which did not.

138. To conduct our analysis, we reviewed the budget transfer report from New World and determined that transfers for which a resolution was received, had a note in the description of the transfer with the resolution that authorized the transfer to occur.

139. The table below summarizes our overall findings of which transfers had a resolution and which did not in 2025:

Budget Transfer Category	Increase	Decrease	Net Change	Transfer Count	Percent %
With a Board Resolution	56,716,149	14,050,509	42,665,640	837	29.54%
Without a Board Resolution	6,410,467	6,644,632	(234,164)	1996	70.46%
Total Transfers	**63,126,616**	**20,695,141**	**42,431,476**	**2833**	**100.00%**

140. As demonstrated in the table, more than 70% of the budget transfers that occurred in 2025 did not have an associated Board resolution listed in the description column of New World.

141. Furthermore, we reviewed which of the budget transfers that occurred in 2025 were between accounts within the same department's budget, and which transfers were between different department's budgetary accounts.

Budget Transfer Category	Increase	Decrease	Net Change	Transfer Count	Percentage %
Transfers within Department Budget	12,604,749	12,321,521	283,228	1709	60.32%
Transfers from one Department to another with Resolution	46,991,814	4,578,174	42,413,640	661	23.33%
Transfers from one Department to another without Resolution	3,530,053	3,795,445	(265,393)	463	16.34%
Total Budget Transfers	**63,126,616**	**20,695,141**	**42,431,476**	**2833**	**100.00%**

142. As shown in the table, 60.32% of the budget transfers in 2025 were transfers between accounts within a department's budget.

143. Of the remaining budget transfers that were between accounts in different departments, 23.33% had a resolution and 16.34% did not. Please note that the values in the table do not exactly total 100% due to rounding.

144. As mentioned previously, based on our review of the relevant resolutions, the argument could be made that all budget transfers require a resolution and therefore, the more than 70% of transfers that occurred in 2025 without a resolution would be in violation.

SAX Recommendations Related to Transfers of Budgeted Funds

145. SAX recommends the County consolidate its budget transfer policies and procedures into a single, centralized governing document. These policies should provide clear guidance regarding which budget transfers are allowable and which are not.

146. Furthermore, the policies should provide proper segregation of duties and document retention. For example, the County Treasurer's Office should not be able to manually override the budget without the documented approval of the Board of Supervisors.

147. Such written policies can be carefully developed in accordance with applicable laws and guidelines and formally adopted as local laws governing budget transfers. These policies should provide clear guidance regarding the following:

- Define the types of budget transfers permitted with and without a Board resolution
- Define any allowable thresholds, amounts, and limitations applicable to such transfers
- Define the procedures for requesting, reviewing, approving, and documenting allowable transfers
- Define authorizing State laws and regulations governing these transfers
- Define recordkeeping procedures for allowable transfers

148. We further recommend that the County adopt more specific language and a defined dollar threshold for transfers requiring Board action.

149. In our research, we found policies of other counties in New York that we recommend the County use as a template to generate their own policy. We have attached the following county policies as exhibits:

- Albany County Charter (see **Exhibit 16**)
- Onondaga County (see **Exhibit 17**)

150. The two sample county policies attached as exhibits illustrate the more centralized and specific approach SAX recommends. Albany County's policy requires that transfers between departments, units, or funds, and any change that increases a total appropriation by more than $10,000 annually, require County Legislature action. The Onondaga County budget transfer policy has a similar threshold, stating that the County Executive has the authority to approve transfers into an account up to $7,500 annually.

151. In both counties, the transfer policy lives in one document that defines the categories of transfers permitted at each authority level and sets the threshold at which a transfer must be escalated rather than approved administratively.

152. Adopting a comparable framework and consolidating Warren County's policy into a single centralized document would align the County's controls with the practices observed at both sample counties.

D. Bond Issuance Related to Capital Projects

Background

153. During the course of our review, SAX identified concerns related to the County's processes surrounding capital project planning, the issuance of bonded debt, and the monitoring and use of bond proceeds.

154. One of the primary concerns noted is that the County never utilized their bond counsel in 2025. Resolution No. 508 of 2024 authorized an agreement with Fitzgerald Morris Baker Firth, P.C. for bond counsel services for the term commencing January 1, 2024 and terminating December 31, 2025. However, we understand that bond counsel was never utilized in 2025.

155. Additionally, our review identified a lack of policies and procedures surrounding the usage of bond funds in 2025.

156. Based on interviews conducted and documentation reviewed, the County historically utilized a capital planning process in which departments submitted proposed projects for consideration as part of a multi-year capital plan.

157. The Superintendent of Public Works for the County, stated that his department prepares a rolling five-year capital plan identifying anticipated projects and infrastructure needs. Proposed projects are presented through committee, then to the Finance Committee, and ultimately to the full Board of Supervisors for approval.

158. The Superintendent of Public Works further stated that once projects are approved, funding and budget transfers are processed through the Treasurer's Office and that he could not independently move bonded funds without Board approval.

159. During interviews, the Superintendent of Public Works indicated that the County had historically used bond proceeds for Department of Public Works capital projects and infrastructure purchases, but that he was not aware of formal written policies governing the handling of unused bond proceeds or compliance with bond-related requirements.

160. We understand the Risk and Safety Committee drafted a Capital Project Planning Policy in April 2026 (attached as **Exhibit 18**), which proposed the adoption of New York State Comptroller protocols for multi-year capital planning and established formal procedures for identifying, prioritizing, approving, and monitoring capital projects and bond-funded expenditures.

161. The draft Capital Project Planning Policy specifically references the adoption of New York State Comptroller guidance related to capital planning and includes procedures requiring:

- formal capital project request submissions;
- supporting documentation for proposed projects;
- periodic reporting of bonded projects and bonding capacity; and
- centralized review through a Capital Project Planning Committee.

162. The draft policy moves the County closer to compliance with NYS Comptroller best practices.

163. Prior to the drafting of this policy, it appears that formalized procedures governing capital planning and bond management were not previously established in a comprehensive written format.

SAX Analysis and Findings Related to Bond Issuance for Capital Projects

164. Based on documentation reviewed and interviews conducted, SAX identified concerns regarding the County's oversight and monitoring of bond proceeds and long-term bonded project obligations.

165. Specifically, it does not appear that the County historically maintained comprehensive written policies and procedures governing:
    - the tracking and monitoring of bond proceeds;
    - the use and reassignment of unused bond funds;
    - compliance with bond expenditure timing requirements; or
    - periodic review of outstanding bonded project balances and obligations.

166. On top of not maintaining formalized policies and procedures, the County did not leverage their bond counsel's expertise in 2025.

167. SAX further identified concerns that certain bonded funds may have remained unspent for extended periods of time following issuance, which can lead to violations of IRS regulations.

168. Unspent bond proceeds may create financial and compliance risks, including risks associated with federal tax and arbitrage requirements applicable to municipal bond issuances. As explained in **Exhibit 19**, IRS arbitrage rules generally restrict the ability of municipalities to retain and invest unspent tax-exempt bond proceeds for extended periods. The IRS notes that bonds may lose their tax-exempt status if they become "arbitrage bonds".

169. The potential financial consequences can be significant. **Exhibit 19** explains that arbitrage earnings may be required to be rebated to the U.S. Treasury and that issuers must generally compute and pay any required rebate at least once every five years. The IRS example included in **Exhibit 19** illustrates the magnitude of the issue: for a $49.0 million bond issue, the calculated rebate amount was $452,432, with an additional yield reduction payment of $325,632. Although these figures are just an example, they demonstrate why unspent bond proceeds must be actively monitored to avoid repayment obligations and additional compliance filings.

170. During interviews, the Superintendent of Public Works indicated that the County maintained multi-year capital plans and project prioritization processes; however, there appeared to be limited oversight regarding the monitoring of bonded funds after issuance, including the timeline for spending remaining balances.

171. To address this gap in oversight, we recommend the County should consider establishing a dedicated Capital Projects Committee charged with ongoing oversight of capital project budgets and post-issuance compliance, including compliance with applicable IRS arbitrage requirements. Such a committee should be specifically tasked with reviewing capital project budgets, monitoring the timely expenditure of bonded funds against applicable spending deadlines, tracking unspent bond proceeds, coordinating with bond counsel and the County Treasurer on required arbitrage rebate calculations and filings, and reporting periodically to the Board of Supervisors. Formalizing this oversight function would help ensure that bond proceeds are expended within the timeframes necessary to avoid arbitrage liability and to preserve the tax-exempt status of the County's obligations.

172. We understand the County's draft April 2026 Capital Project Planning Policy appears to address several of the deficiencies identified during our review by establishing formalized planning, and reporting procedures aligned with New York State Comptroller guidance, however, based on our review, it is somewhat general in the requirements. We understand the County is continuing to work on this policy and is working on draft policies on multi-year capital budgeting.

173. While the development of policies represents a positive step toward strengthening the County's control environment, we also recommend that the County establish a Capital Projects Committee to provide formalized oversight procedures and report to the County's Board of Supervisors. We noted that other counties in New York State have a Capital Projects Committee and believe this would be beneficial for Warren County.

E. Other Areas of Concern

174. In addition to the matters discussed above, several other areas of concern surfaced during our interviews and investigation. We have identified and provided recommendations for each area of concern in the section below.

Culvert Repair Bond Funds Not Earning Interest

175. During our review of the County's bank account records, we identified that approximately $12,000,000 in proceeds from the County's Culvert Repair Bond were held at Arrow Bank in a standard account that did not maximize interest income during 2025. Analysis conducted by a consultant hired by the County (three+one) identified this $12,000,000 as an opportunity to generate approximately $300,000 in additional revenue by moving the funds into a higher interest yielding account.

176. The Treasurer's Office should have taken steps to invest these bond proceeds in this manner to maximize the return on these idle funds.

177. As discussed previously, Federal IRS arbitrage restrictions applicable to tax-exempt bond proceeds limit the Treasurer's ability to invest those funds without tracking potential arbitrage liability. This is a recognized constraint for municipalities holding proceeds of tax-exempt bonds. However, this concern does not preclude investment of bond proceeds entirely, it just requires that the investment be monitored against the applicable yield restriction. Despite this, we understand that bond counsel was not engaged or consulted with in connection to the investment of the Culvert Repair bond proceeds during 2025. The bond counsel could have provided guidance on permissible investment options while managing arbitrage compliance.

178. The failure to invest $12,000,000 in bond proceeds in higher-yielding instruments while those funds were available represents a missed revenue opportunity for the County.

Departmental Bank Accounts Opened Without Centralized Oversight

179. During our review of the County's bank account records, there were concerns raised that there were bank accounts that had been opened by departments without approval from the Board of Supervisors.

180. The absence of a clear, centralized record of all County bank accounts and the authorization under which each was opened represents a control deficiency. Without a complete and authoritative inventory of all bank accounts and the corresponding authorization for each, the County cannot ensure that all accounts are being managed consistently with the County's Investment Policy and Guidelines, that all accounts are properly reconciled and reported, or that accounts are being opened and closed pursuant to appropriate Board or administrative authorization. This creates risk of unauthorized financial activity occurring outside the view of the Treasurer's Office and County oversight structures.

Timeliness and Storage of Bank Reconciliations

181. During our review, we noted that bank reconciliations for 2025 were completed by the Treasurer's Office; however, the reconciliations were not maintained in electronic format, and they were at times delayed months in their completion. SAX recommends that the County develop a formal policy regarding document retention and electronic storage of key financial records such as bank reconciliations. In particular, departments should identify documents associated with higher-risk financial processes, including bank reconciliations and other critical accounting or approval records, and ensure such documentation is maintained in a centralized and accessible electronic format. Furthermore, there should be a standard policy for completing bank reconciliations in a timely manner as reconciliations can impact financial reporting that is provided to the Board.

Encumbrances Policy

182. During our review, SAX did not identify a formal County-wide policy governing the use of encumbrances. Additionally, during our review of the County's New World ERP system, we found only sporadic usage of encumbrances. The New York State Comptroller has noted

that "encumbrance accounting provides budgetary control over purchases and services. When an encumbrance system is in place, it will help prevent budgetary line items from becoming overexpended"[5] SAX recommends that the County develop and implement a clear written policy regarding when encumbrances are required, how they should be processed and monitored, and which departments are responsible for oversight and review.

Remote Work

183. The Warren County Board of Supervisors adopted a formal Remote Work Policy pursuant to Resolution No. 307 of 2023, which superseded the prior policy under Resolution No. 96 of 2021.

184. A specific concern arose related to the County's policy in connection with the processing of electronic financial transactions from remote locations. Our review identified correspondence related to an instance in which the County Auditor processed an ACH batch from their personal residence.

185. The New York State Comptroller's Cash Management Technology guide addresses the internal controls that local governments should have in place when processing electronic transactions, including ACH. The guide identifies as a best practice the use of a virtual machine on a single dedicated computer with a pre-registered IP address for online banking activity and recommends using a wired rather than wireless network for financial transactions whenever possible.[6] Processing ACH batches from a personal residence on equipment outside the County's controlled network environment, is inconsistent with these best practices.

186. The County should adopt a written policy that addresses whether and under what conditions the initiation, authorization, or transmission of electronic financial transactions may be performed from remote locations, consistent with the internal control framework described in the NYS Comptroller's guidance.

IX. TREASURER'S OFFICE INTERNAL CONTROLS AND OVERSIGHT

187. Section 550 of the New York County Law defines the County Treasurer position stating that "the county treasurer shall perform the duties prescribed by law as the chief fiscal officer of the county" and that the Treasurer "shall receive and be the custodian of all money belonging to the county or in which the county has an interest" and "shall keep a true account of all receipts and the expenditures."

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[5] The Practice of Internal Controls, New York State Comptroller's Office (Updated January 2016), Page 24.

[6] Cash Management Technology, New York State Comptroller's Office (Updated December 2021), Page 7.

188. As the County's chief fiscal officer and the custodian of County funds, the Treasurer is responsible for ensuring that the receipt, custody, and disbursement of County money is carried out under appropriate financial controls. During 2025, several conditions existed within the Treasurer's office that were inconsistent with the responsibilities associated with this statutory role.

189. We have highlighted areas of concern that relate to functions overseen by the Treasurer's office. In the following paragraphs, we summarize some deficiencies within that office in 2025:

- Formal written financial policies were not maintained and approved by the Board of Supervisors. Operations within the Office relied heavily on institutional knowledge and the experience of individual staff members rather than documented, standardized procedures. This reliance on institutional knowledge rather than formalized written policies and procedures increases the risk of inconsistent practices, control breakdowns, and operational issues, particularly when experienced staff depart or when new technologies and processes are introduced. The risk associated with this gap was realized during 2025, as the lack of formalized policies and procedures was a contributing factor to several of the issues identified during our review, including the ACH fraud.

- In November of 2024, the Treasurer's Office implemented a new process that allowed vendors to elect payment by ACH through an online authorization form hosted on the County Treasurer's website, without authorization from the Board of Supervisors. The process was implemented without the required authority needed by the Board to establish a new method of paying vendors by ACH. Compounding this, the County's electronic banking agreements with Arrow Bank were signed by Treasurer's Office personnel without Board approval. Because the online ACH vendor enrollment form was made publicly available on the County's website before any formal policies and procedures governing its use had been established, there were no standardized requirements for verifying requests submitted through it. In effect, the publication of the form without formal Board authorization and without supporting controls increased the County's exposure to fraud.

- Adequate segregation of duties was not established over the processing of electronic financial transactions. Segregation of duties is a key internal control principle that ensures the authorization, execution, and recording of transactions affecting the same assets are performed by different individuals, which significantly reduces the risk of undetected errors or fraud. As the custodian of County funds, the Treasurer's Office is responsible for maintaining this division of responsibilities over the receipt and disbursement of County money. During 2025, banking information submitted through the ACH authorization form was entered into the County's financial system by the Treasurer's Office without independent verification, and the same Office that received the request was able to set up and process the resulting payment. As a result, the control environment lacked independent verification procedures that may have improved the likelihood of detecting or preventing the fraudulent vendor change that occurred in December 2025.

- It was identified that approximately $12,000,000 in proceeds from the County's Culvert Repair Bond were held at Arrow Bank in a bank account that did not maximize interest income during 2025. CashVest analysis conducted by consultant three+one, identified this $12,000,000 as an opportunity to generate approximately $300,000 in additional revenue by moving the funds into a higher interest yielding account. However, this analysis was completed in April of 2026, almost 9 months after the initial contract date with three+one in July of 2025. We are unaware of why this delay took place however, the County apparently missed out on interest income during this period.

- The Treasurer's Office executed banking agreements with Arrow Bank without County Board of Supervisors approval. NYS County Law 450 requires such contracts to be authorized and executed by the Board Chairman.

- The Treasurer's Office holds statutory responsibility for all County funds. Bank accounts opened and operated outside the Treasurer's Office create unnecessary custodial risk.

190. Taken together, these conditions highlight areas where the Treasurer's office control environment and oversight framework could have been strengthened through more formalized and documented policies, clearer authorization protocols, and enhanced segregation of duties. Beyond the missed interest revenue on current assets, the absence of these controls created the environment in which the fraud occurred and continues to expose the County to risk of undetected errors and irregularities unless remedial actions as recommended in the next section are promptly implemented.

X. SAX RECOMMENDATIONS

191. Based on our review, we have the following recommendations:

Recommendations Related to ACH Payments to Peckham Industries in December of 2025

- The Risk and Safety Committee should encourage all County staff to recommend formal policies and procedures for key departmental processes and provide a clear avenue for raising concerns where such policies or procedures do not currently exist.

- We understand that County staff currently have required online fraud training, however, we believe the County should implement in-person periodic fraud awareness training for personnel, particularly for staff in front-facing roles who may receive external communications. Such training should include current fraud schemes, vendor impersonation risks, and appropriate response protocols.

- The County should establish a policy requiring management to notify the Risk and Safety Committee before implementing any new technologies or processes. The committee should then evaluate whether formal written policies and procedures are needed before implementation.

- The County should evaluate the implementation of transaction limits or enhanced controls for ACH and wire transfers, particularly for new vendors or changes to existing vendor payment information. Consideration should be given to aligning such limits with applicable insurance coverage thresholds and fraud risk tolerance.

- The County should establish centralized procedures for documenting and communicating fraud alerts across departments and consider implementing system-based controls or flags within the financial system to identify vendors associated with known risks.

Recommendations Related to Anomalies with County Employees' Timesheets;

- The Board should receive an annual report that summarizes material overages in budget that can be discussed and rectified in the following budget.

- The County should adopt a clear policy for handling departments that materially exceed their budget in certain areas that involves additional review and discussion with department heads and the budget committee.

- The County should consider whether they are sufficiently budgeting for the Sheriff's Department payroll expense based on the analysis presented in this report.

- The County should prepare and adopt a clear policy regarding timekeeping procedures specific to the new time management system as soon as possible. This policy should include clear disciplinary measures for failing to follow the policy as it appears policy violations are currently occurring without any repercussions.

Recommendations Related to Transfers of Budgeted Funds Without Appropriate Approvals

- The County should prepare and adopt a policy regarding transfers of budgeted funds similar to the counties presented in this report. The policy should define the following key items:
    - Define the types of budget transfers permitted with and without a Board resolution
    - Define any allowable thresholds, amounts, and limitations applicable to such transfers
    - Define the procedures for requesting, reviewing, approving, and documenting allowable transfers
    - Define authorizing State laws and regulations governing these transfers
    - Define recordkeeping procedures for allowable transfers

Recommendations Related to Capital Projects and Bond Issuance

- The County should establish a Capital Projects committee to review capital project budgeting and spending, as well as ensuring the County maintains compliance with IRS arbitrage regulations.

- The County should prepare and adopt a policy regarding the issuance of bonds and usage of funds on capital projects. The policy should include the following key items:
    - the tracking and monitoring of bond proceeds;
    - the use and reassignment of unused bond funds;
    - compliance with bond expenditure timing requirements; or
    - periodic review of outstanding bonded project balances and obligations.

Recommendations Related to Other Areas of Concern

- Based on our interviews, there appears to be interpersonal friction among certain County department heads. The County may benefit from holding regular department head meetings to address concerns constructively and promote more effective collaboration. If these meetings do not lead to meaningful resolution, the County should consider engaging an outside consultant to assist in addressing the underlying issues.

- The County should engage with bond counsel to discuss ways of maximizing interest income for idle bond funds without violating IRS arbitrage regulations.

- The County must ensure all bank accounts are opened with approval of the Board of Supervisors and that there is a centralized record of all County bank accounts.

- Bank reconciliations need to be maintained electronically, in case of the paper copies destruction.

- The County should develop a formal policy pertaining to encumbrances and their use. Encumbrances are important for budgeting and understanding what expenditures each department expects to make in the future.

- The County should adopt a written policy that addresses whether and under what conditions the initiation, authorization, or transmission of electronic financial transactions may be performed from remote locations.

Respectfully submitted this 25th day of June 2026.

[redacted]

Partner Senior Manager