

# Beacon City School District

## School District Website

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**MARCH 2021**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
**Thomas P. DiNapoli, State Comptroller**

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# Report Highlights

## Beacon City School District

### Audit Objective

Determine whether the Beacon City School District (District) used its resources to maintain a website that provided the public with transparent and comprehensive financial information.

### Key Findings

District officials maintained a website but certain financial information was not posted, resulting in a lack of transparency. Information that was posted was limited in comprehensiveness. This prevents taxpayers and other interested parties from readily accessing and reviewing documents to make informed decisions.

Officials did not post:

- The final annual budget.
- Budget-to-actual results, all original budget detail, audit reports and corrective action plans (CAPs) in an easily accessible location.
- Comprehensive appended property tax report card or CAP to the external audit.
- A completed internal audit report and CAP.

Officials also did not prepare a multiyear financial plan. Posting a prepared plan further enhances the transparency of the District's fiscal decisions.

### Key Recommendations

Must post required information to the District website:

- Final annual budget.

Should enhance transparency by:

- Posting the budget-to-actual results, all original budget detail, audit reports and CAPs in an easily accessible location.
- Preparing and posting a multiyear financial plan to help residents see the impact of fiscal decisions over time.

District officials did not respond to our audit.

### Background

The District serves the City of Beacon and Towns of Fishkill and Wappinger in Dutchess County.

The District is governed by a Board of nine elected members, which is responsible for the general management and control of financial affairs.

The Superintendent of Schools is responsible for day-to-day management under the Board's direction.

The Board, Superintendent and Deputy Superintendent are accountable to District taxpayers for the use of resources and are responsible for effective financial management of operations.

#### Quick Facts

Total Website Visits (2018-19)	490,964
Population (rounded)	27,000
Enrollment	2,947
2019-20 Budgeted Appropriations	\$73.6 million

### Audit Period

July 1, 2018 – June 30, 2019

As described in Appendix B, for certain financial information reviews we extended the audit period.

# School District Website

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A district operates to provide public education services for its students. The public's right to know the process of decision making and to review the documents leading to actions is basic. Access to such comprehensive information should not be difficult for the public to obtain.

To this end, various laws and regulations require certain information to be posted on districts' websites to help enhance the public's access to basic information. Further, districts following best practices and guidance should utilize the website as another tool to communicate their financial direction.

In a time when financial resources are limited, making well-informed decisions is critical. Therefore, it is important that the public have access to transparent and comprehensive district financial information. A district's transparency of comprehensive financial information allows the public to formulate questions for officials and ultimately make informed decisions that will impact district programming and the annual tax levy. If residents cannot locate necessary financial information on their district's website, they would have to contact their district directly.

## **How Should Officials Provide Comprehensive Financial Information Transparently to the Public?**

District officials can provide comprehensive financial records and other information to the public in a transparent manner by making the information available on the district website. While certain laws and regulations require a district's website to contain audit reports, CAPs, the original and final annual budgets and any board-adopted multiyear financial plan, other information should be shared with the public in a complete and clear manner. For example, financial reports should either appear prominently on the district's home page or be easy to locate on the website. In addition, voters may find other documents helpful in evaluating the budget and keeping them informed. Such documents include planning documents, budget-to-actual results, board minutes, newsletters, press releases or other materials on district operations.

## **Certain Financial Information Was Not Posted on the Website in a Transparent and Comprehensive Manner**

While District officials maintained a website, certain financial information was not posted to the website. As a result, the information was not transparent and information posted was limited in comprehensiveness.

Officials did not post the 2019-20 final annual budget to the District's website (Figure 1). In addition, while original budget detail, monthly budget-to-actuals, external audit reports, including the State Comptroller's audit, and their accompanying CAPs were posted, these documents were not in an easily

accessible transparent location. While not a requirement, preparing a multiyear financial plan is a way for officials to set long-term priorities and work toward goals, avoiding sudden changes in taxes, budgets and fund balance. This information is helpful to voters and can help them make an informed inquiry or decision.

**Figure 1: Financial Information on the Website**

Financial Information	Posted		Posting Required
	Yes	No	
Budget – Original, Board Adopted for Vote	X		Yes
Budget – Final Annual		X	Yes
Multiyear Financial Plan		X	No
Budget-to-Actual Reports	X		No
Audits	Posted		Posting Required
	Yes	No	
External Audit	X		Yes
External Audit - CAP	X		Yes
State Comptroller’s Audit (OSC)	X		Yes
OSC Audit - CAP	X		Yes
Internal Audit		X	No
Internal Audit - CAP		X	No

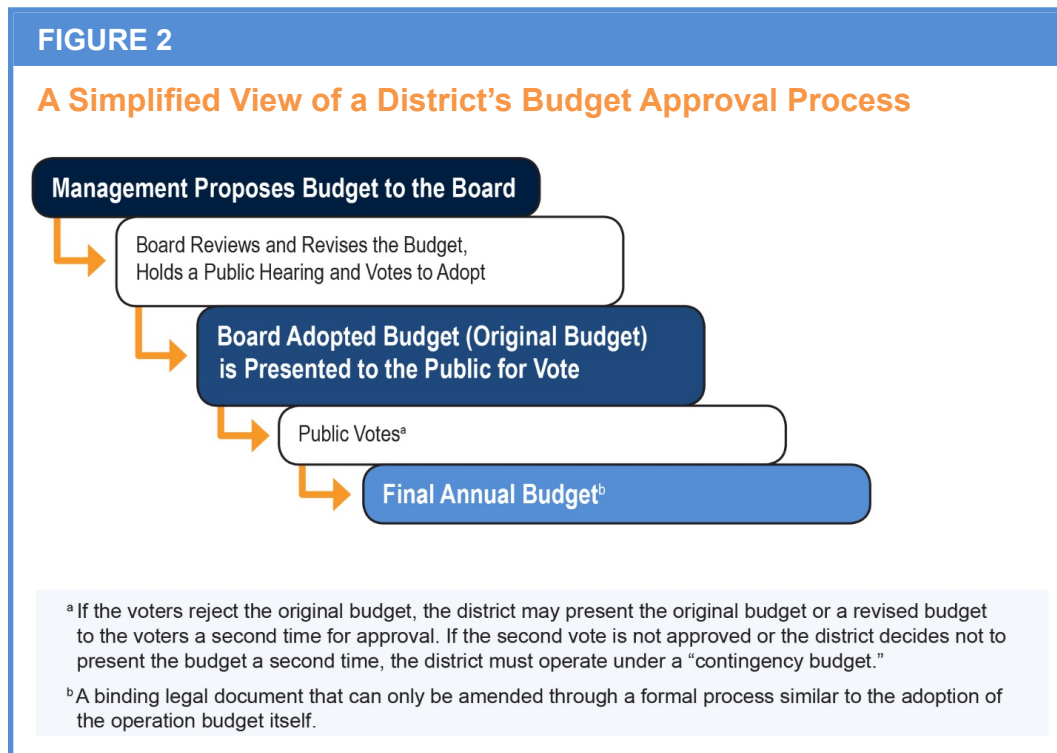
Although officials posted the Board’s original adopted budget and budget-to-actual reports on the website, these documents were located on separate web pages and not in transparent locations, making it difficult for interested parties to access and review the documents. Because these documents were not in a transparent location, budget assessments would be difficult to make by taxpayers and other interested parties.

For example, the District’s financial statements showed the Board’s actual revenue and expenditure amount was similar to the budgeted amount in 2017-18 and 2018-19. However, without year end budget-to-actual results posted in a transparent location, interested parties cannot determine whether the estimates were reasonable before voting.

The failure to provide and post information prevents the taxpayers and other interested parties from readily accessing and reviewing documents to make informed decisions.

## Which Budgeting and Financial Planning Documents Provide Transparency?

**Final Annual Budget** – A budget is a detailed financial plan of estimated expenditures (proposed spending) and means of financing (estimated revenues and appropriated fund balance and reserves<sup>1</sup>). Figure 2 shows the budget approval process. Budgets are developed, adopted and subjected to voter approval each year.<sup>2</sup> Ideally, amounts to be placed in reserves should be included in the annual budget to ensure taxpayers are aware of the board’s intent to fund reserves in the upcoming year. After the public vote, the final annual budget must be posted on to the district’s website, as required by law.



**Budget-to-Actual Reports** – Officials should provide support for their budgetary estimates using actual historical trends, including projections of current year spending and receipts based on year-to-date actual amounts, along with analyses of identified future needs and risks to compute budget items. Actual revenue and expenditure information should be made available to provide district taxpayers with an understanding of the budget’s status.

1 Planned use of unexpended surplus money from prior years’ operations

2 With the exception of the Big Five districts (Buffalo, New York City, Rochester, Syracuse and Yonkers)

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Original Budget – A comprehensive, board-adopted budget must be posted and include:

- A three-component presentation as follows: administrative, capital and program.
- Categories of revenues, expenditures and fund balance information and comparison data and changes from the prior year school budget.
- Appended documents, including the administrator salary disclosure and property tax report card with a schedule of reserves, among other items.

The appended administrator salary disclosure is a report of highest payroll for administrator titles and amount in the district (reported in 2019-20, all administrators with salaries exceeding \$138,000). The district's property tax report card includes details on the national consumer price index, district enrollment, fund balance, spending and tax levies for the current and future school year.

The appended property tax report card also includes information on each district's reserve fund balances as of March 31, including each reserve's name, a short description, and any planned use of the funds in the upcoming school year. Reviewers can use this information to assess whether the amount in each reserve fund is reasonable.

An unrealistic budget can result in a tax levy that is more than needed. The law restricts districts in the amount of unexpended surplus funds they can keep, so that they do not – intentionally or unintentionally – retain large sums of money unless it is intended for a specific purpose. Conversely, an unrealistic budget can also result in a tax levy that is insufficient to fund district operations.

Multiyear Financial Plans – District officials can set long-term priorities and work toward goals by using a multiyear financial plan. A plan can help stakeholders see the impact of the fiscal decisions over time. They can decide what funding choices to make in advance, avoiding sudden tax increases or dramatic budget cuts and accumulating excessive fund balance. If the board adopted a multiyear financial plan, it must be posted on the district website. Elements of a plan should include revenue and expenditure projections, annual surpluses/(deficits), reserves, fund balances and a fiscal improvement plan.

## **Officials Could Enhance the Transparency of Financial Information**

Final Annual Budget – Voters passed the original 2019-20 budget. However, officials did not post the final annual budget on the website, as required. The Deputy Superintendent told us she thought the posted Board-adopted budget documents would satisfy the requirement. Additionally, the Board President told us the District posted the public vote results to the website which, he felt, coupled

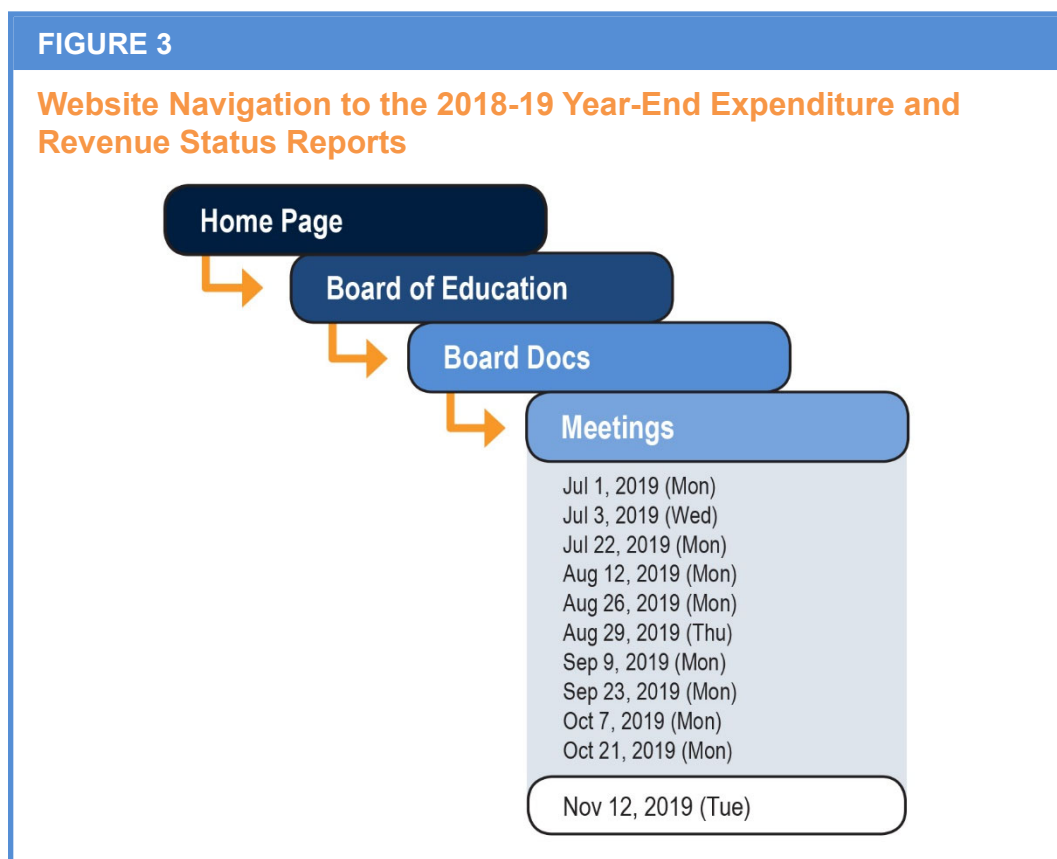
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An unrealistic budget can result in a tax levy that is more than needed.

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with the Board-adopted budget documents, made the budget status clear. However, the vote results and budget information were located on separate web pages.

Budget-to-Actual Reports – Generally, actual revenue and expenditure information for 2018-19 was located on the Board of Education web page within the meeting agendas. The year-end revenue and expenditure status reports were found in the November 12, 2019 agenda. Although posted, it would be difficult for interested parties to locate the information. Similarly, they would have to search through Board agendas by meeting dates to locate historical actual results. After finding the correct meeting date, the interested party would search through the agenda to locate the report. The Board of Education web page is located directly from the District's Home Page (Figure 3).



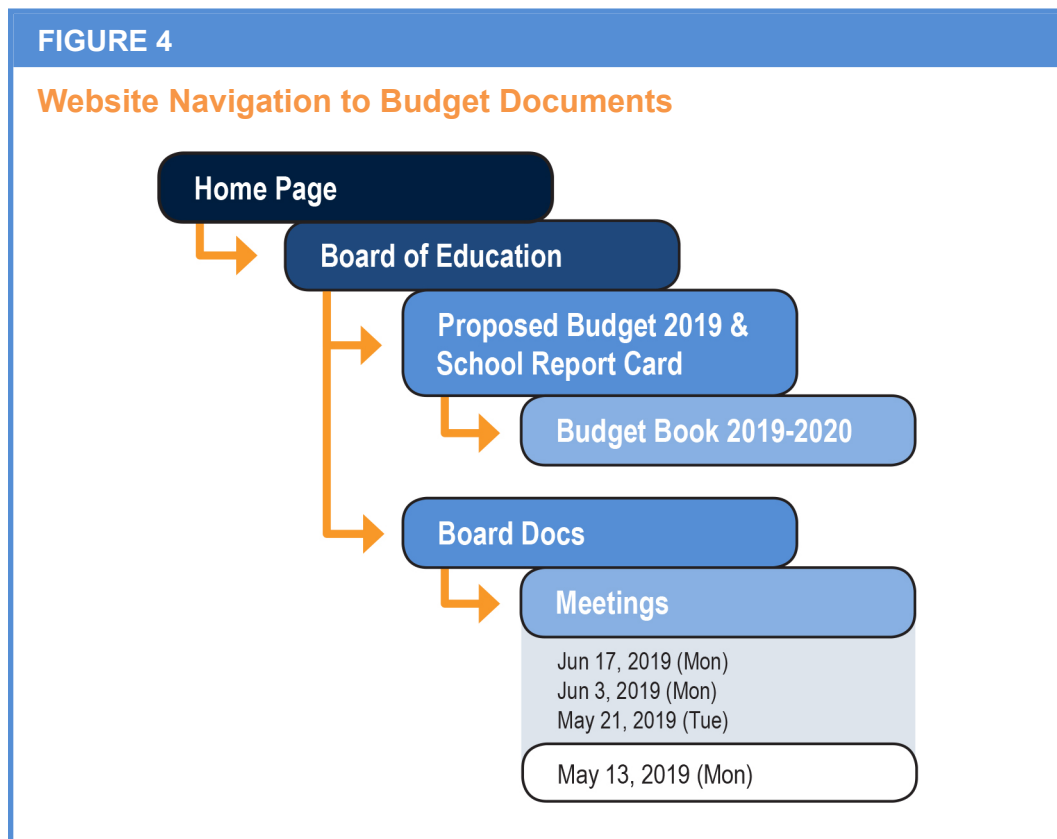
Providing historical and current year actual revenue and expenditure results on the same web page as budget information could have enhanced the transparency of financial information. To adequately evaluate budgets, the current budget must be compared to previous budgets and evaluated in comparison to actual spending



and receipts. Such comparisons help to identify any ongoing problems the District is having with its budgets.

The Deputy Superintendent told us that the reports had always been posted as attachments to the treasurer report in agendas. See Appendix A for a snapshot presentation of the District’s budget comparison.

Original Budget – The proposed budget and appended property tax report card and administrative salary disclosure were posted on the District’s website. The budget documents included categories for revenues, expenditures, fund balance, a comparison between the adopted and prior year final annual budget and schedule of reserves information. However, revenue details were located as an attachment to the May 13, 2019 Board agenda, separate from the Budget Book 2019-2020 document, which contained the appended property tax report card and administrative salary disclosure (Figure 4).



The Deputy Superintendent told us including revenues with the proposed budget information did not occur to her. Posting all budget information together on the same web page would have been more transparent. In addition, the property tax report card did not include a complete schedule of reserves, as it lacked the debt service reserve and the actual balance of the retirement contribution reserve.

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The Deputy Superintendent told us the retirement contribution reserve accidentally included the anticipated year-end reserve balance. She also said the reserve for debt located in the debt service fund was not reported because she thought the property tax report card only requires the reporting of general fund reserves. However, the law requires all reserves to be included in the property tax report card. There is no reporting exclusion for the reserve for debt.

Multiyear Financial Plan – District officials have not developed a Board-adopted multiyear financial plan. As a result, no plan was required to be posted to the website. The Deputy Superintendent told us there was not a lot of discussion around creating a plan. However, having a prepared, adopted and posted plan helps officials and the public see the impact of fiscal decisions over time and the effect on District priorities and goals.

### **How Do Posted Audit Reports and CAPs Provide Transparency?**

An audit (external or internal) is an integral part of a district's system of "checks and balances" and providing an objective review of stewardship and fostering accountability to taxpayers and the public. The board is required to secure an annual audit by an independent auditor including an annual audit of district federal award programs, if warranted,<sup>3</sup> and the extra-classroom activity fund.

Districts must post on their websites the annual external audit report that is issued by a certified public accounting firm and the CAP prepared in response to any findings contained in the annual external audit report or management letter, or any final audit report issued by OSC. Districts are required to post the final audit report from OSC on their internet websites for a period of five years.

CAPs provide an opportunity for the governing board to provide direction and communicate how audit findings and recommendations will be used positively to improve operations and internal controls. A CAP helps ensure corrections occur and should include a detailed description of what action has already occurred or is planned in response to each recommendation, who within the district is responsible for implementation, and the implementation date.

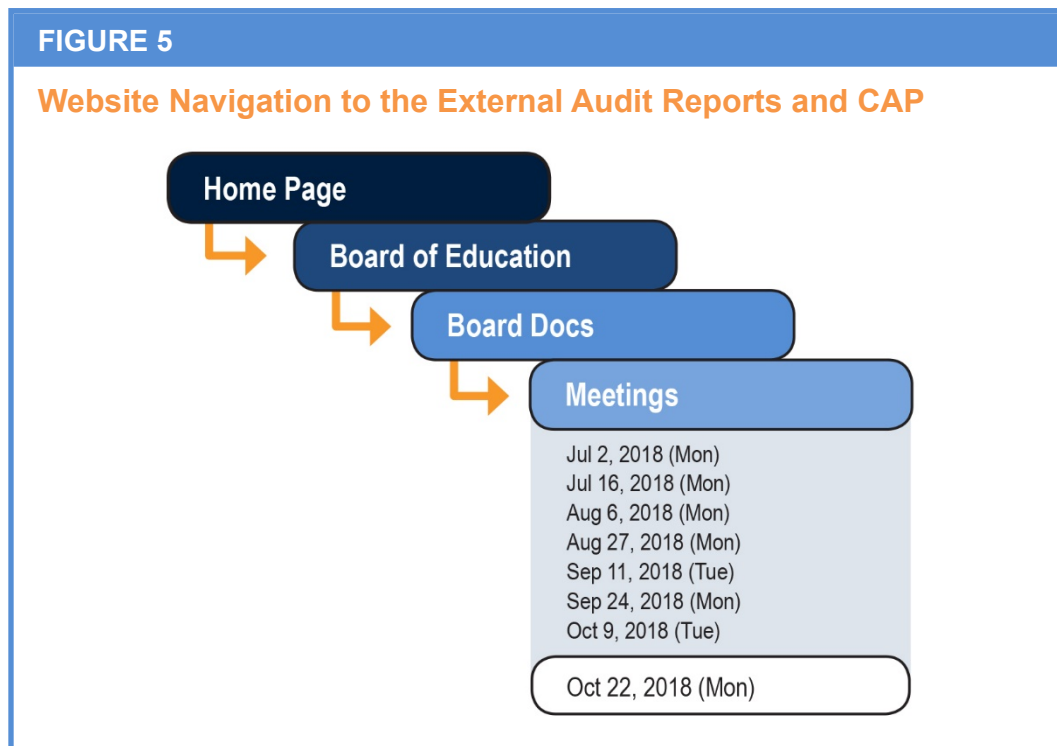
Further, districts are required to establish an internal audit function. The internal auditor's primary responsibility is to assist in ensuring that risks to district assets are identified and that appropriate internal controls are in place to address those risks.

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<sup>3</sup> The Uniform Guidance requires that an annual audit of the district's federal award programs be included with the annual school district audit if \$750,000 or more in federal aid was expended during the corresponding year.

## Audit Reports and CAPs Could Be More Transparent and Comprehensive

The District had an external audit and CAP posted to its website for 2017-18. The posted documents included the audit of financial statements, management letter, District’s federal award programs and the extra-classroom activity fund. The audit documents (i.e., reports) and CAP were linked from the Board agenda dated October 22, 2018 (Figure 5).



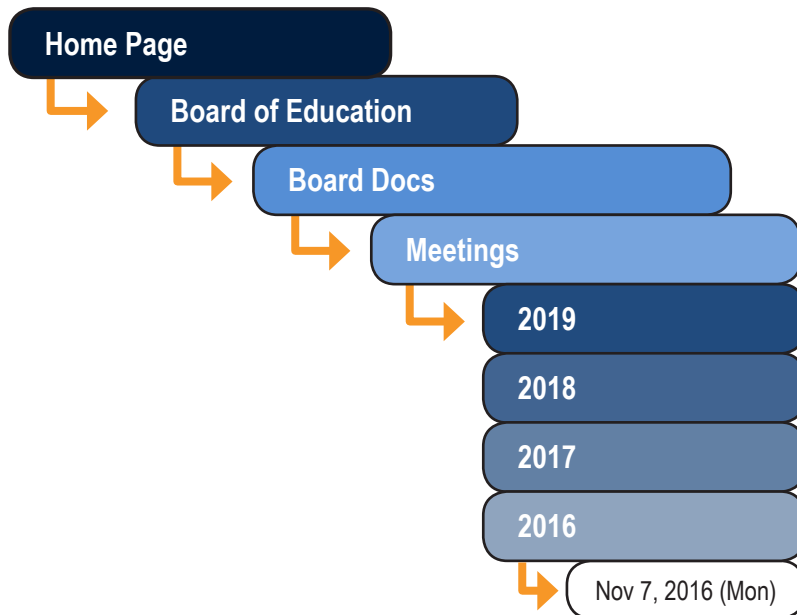
The CAP did not identify who within the District was responsible for implementing corrective action or an implementation date. Additionally, one audit recommendation was not addressed in the CAP. Including such information in the CAPs informs interested parties of who is responsible, what corrective measures will be taken and when. The Deputy Superintendent told us she was not provided guidance for details to include in the CAP and that it was an oversight not to include all recommendations in the plan.

The OSC audit report and CAP, issued within the last five years, were located on the Board of Education web page, attached to Board agenda dated November 7, 2016 (Figure 6).<sup>4</sup>

<sup>4</sup> Refer to *Beacon City School District – Claims Auditing (2016M-20)* released in June 2016.

FIGURE 6

Website Navigation to the OSC Audit Report and CAP



However, visitors to the website must search through meeting agendas to find all audit reports and CAPs. Posting the audit reports and CAPs more directly from the Home Page would have been more transparent. The Deputy Superintendent told us the documents were posted to make them accessible and that she did not consider that other locations may be more transparent.

The District's policy on the internal audit function requires annual testing and evaluation of one or more of the District's internal controls, and the preparation of a report that analyzes significant risk assessment findings, recommends changes and specifies timeframes for implementation of recommendations. District officials did not implement the internal audit function for 2018-19. The Deputy Superintendent told us changes in administration and the request for a proposal to have an internal audit conducted resulting in an unreasonably high cost estimate contributed to the internal audit function not being implemented. As a result, no internal audit information was posted to the District's website. Posting audit reports and CAPs to the website in a transparent manner could increase public understanding and oversight of the District.

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## What Do We Recommend?

The Board:

1. Must ensure that the final annual budget is posted to the website, as required.
2. Should provide further transparency by posting budget-to-actual results and all details of the original budget in a website location easy to access by the public.
3. Must ensure a comprehensive property tax report card is posted to the website that accurately reflects the District's financial status, as required.
4. Should prepare and post a multiyear financial plan to the website to help residents, taxpayers and the public see the impact of fiscal decisions.
5. Should post audit reports and CAPs in a transparent location, ensure the CAP addresses all audit findings, as required, and specify who is responsible for corrective action and when corrective action will be completed for all audit findings.
6. Must ensure that the internal audit is conducted in accordance with legal requirements and Board policy, and should post the report to the website in a transparent location.

# Appendix A: Revenues and Expenditures Comparison – Budget to Reported Actual

**Figure 7: Budget to Reported Actual Results**

Categories	2017-18		2018-19	
	Original Budget	Actual Results	Original Budget	Actual Results
<b>Revenues and Other Sources</b>	<b>\$70,025,272</b>	<b>\$67,366,807</b>	<b>\$71,909,800</b>	<b>\$69,812,571</b>
<b>Expenditures</b>				
General Support	\$7,230,694	\$5,936,434	\$7,145,177	\$6,700,696
Instruction	38,068,947	37,454,162	39,361,702	40,034,345
Pupil Transportation	3,272,672	2,972,198	3,270,500	3,244,440
Community Services	136,109	109,154	139,800	119,029
Employee Benefits	15,656,480	14,416,983	16,431,263	15,252,191
Debt Service – Principal	3,861,408	4,876,409	4,087,668	3,697,668
Debt Service – Interest	1,323,962	1,258,588	1,198,690	1,202,160
Other Financing Uses	475,000	461,624	275,000	475,274
<b>Expenditures and Other Financing Uses</b>	<b>\$70,025,272</b>	<b>\$67,485,552</b>	<b>\$71,909,800</b>	<b>\$70,725,803</b>
<b>Operating Results – Surplus (Deficit)</b>		<b>(\$118,745)</b>		<b>(\$913,232)</b>
<b>Tax Levy Increase Percentage from Prior Year</b>	<b>1.54%</b>		<b>3.87%</b>	

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We selected the District for audit using a random number generator applied to a list of districts (excluding NYC schools) not currently in the OSC audit process at the time of selection.
- We reviewed the 2019-20 budget documents (original proposed, final annual, appended property tax report card), multiyear financial plan, budget-to-actual revenues and expenditures, 2017-18 external audit and corrective action plan, most recent OSC audit and corrective action plan and internal audit and corrective action plan, if available. We selected this financial information to be included in our audit because of the historical risk related to lack of transparency of this financial information to the public. We reviewed the District's website on October 15, 2019 and March 9, 2020 to determine whether the District is providing the public with transparent and comprehensive financial information. We extended the scope forward to the November 12, 2019 Board document to capture the posting of the year end revenue and expenditure status reports.
- In addition to determining whether the item was located on the website at the time of testing, we reviewed the District's support showing the item's activity on the website, if available – a date of posting, updating and/or deleting. The District's website activity, when available, showed the last modify date, document upload date and user for financial information posted to the website. We determined reasonable reliability of the last modified date and document upload date on the reports for tested information by observing transactions being posted to the system on March 3, 2020 and by comparing dates of instructions communicated between District staff to post items to the website, and/or images captured of the web pages.
- We interviewed District officials to gain an understanding of the process for approving, finalizing, posting and maintaining certain financial information on the District's website.
- We reviewed District policies to gain an understanding of information required to be posted to its website.
- We reviewed Board minutes for 2018-19 to determine whether the Board took any action related to the 2019-20 budget work and appended property tax report card, 2018-19 reserve activity, multiyear financial plan, actual expenditures and revenue reports, most recent audit reports and associated CAPs. We reviewed Board minutes from July 1, 2014 through June 30, 2018 to determine whether the Board documented or discussed any actions

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related to the financial information audited during those years if we did not find it in the 2018-19 minutes.

- We collected screen shots of the District's website to provide a single date of reference during audit testing.
- We did not audit the accuracy of the financial information posted to the District website. However, we determined reasonable reliability of financial information by analyzing various documents on the District's website for consistency of information provided, adhering to the law and District policies, and transparency of posted documents and website location.
- We reviewed the administrative permissions of four employees, and the process of posting information through a visual review.
- We reviewed emails pertaining to our audit objective to gain an understanding of how employees are instructed to post financial information to the website.
- We included a comparison of revenue and expenditure results reported in the external audit reports to show budget-to-actual results for 2017-18 and 2018-19.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.



## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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