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**SUBJECT:** Risk Management and Audit Committee Meeting Report for May 25, 2022

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In accordance with the General Laws of the Commonwealth of Massachusetts, Chapter 30A and amended by Executive Order No. \_\_, issued March 13, 2020, suspending parts of the Open Meeting Law to allow public remote participation and participation by the public body remotely the Risk Management and Audit Committee of the Board of Trustees met remotely on Wednesday, May 25, 2022. All votes taken during this meeting were by roll call vote.

Present for the Committee: Trustees Contreras (chair), Butts (vice chair), Maldonado and Mattera; President Keenan (ex-officio), Vice President House (committee co-liaison), Associate Vice President Labonte (committee co-liaison), Vice President and General Counsel Colucci and staff associate Beaulieu.

Trustee Contreras, committee chair, called the meeting to order at 5:54 pm.

**Acceptance of FY21 Uniform Guidance report** (Attachment A)

David DiIulis and Zachary Laflash, auditors from O'Connor & Drew presented the university's Independent Auditors' Reports as Required by the Uniform Guidance and Government Auditing Standards and Related Information for the year ended June 30, 2021, the report on compliance of Federal award expenditures. A clean report is issued with no noted material weaknesses, significant deficiencies, or noncompliance material to the financial statements. For the federal awards, there were no material weaknesses or significant deficiencies that are not considered to be material weaknesses noted. There was one finding required to be reported and it did not contain questioned costs.

Trustee Butts **MOVED**, and Trustee Mattera **SECONDED** a motion

**MOTION**

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion:

**Recommended motion**

The Board of Trustees hereby accepts the Salem State University Independent Auditor's Report as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2021.

A roll call vote was taken.

**Voting in the affirmative:** Trustees Butts, Contreras, Maldonado, Mattera

**Voting against:** None

The motion passed unanimously.

**FY22 audit entrance discussion** (Attachment B)

Auditors for O'Connor & Drew discussed the FY22 audit including timing, planning, fieldwork and audit approach. Trustees were encouraged to reach out to either David DiIulis or Zachary Laflash regarding any fraud or allegations of fraud or other questions or concerns regarding the annual audit. Both auditors' contact information can be found on the O'Connor & Drew website. The GASB 87 lease accounting standard will be reflected in the FY22 financial statements.

**Status of implementation of the GASB 87 lease**

Controller Russell Bethoney and his team have been gathering and analyzing leases that fall under the GASB 87 pronouncement in preparation for the FY22 audit.

**COVID mitigation efforts update**

Associate Vice President Gene Labonte reported on recent positivity rates of COVID of employees and students on campus and state-wide. Planning for the next year is ramping up and monitoring of COVID conditions on campus and state-wide will continue.

**Executive session – litigation strategy**

Trustee Mattera **MOVED**, and Trustee Butts **SECONDED** a motion to enter into executive session in accordance with General Laws, Chapter 30A, for discussing litigation strategy. A roll call vote was taken at 6:24 pm and it was unanimous to enter into executive session.

**Voting in the affirmative:** Trustees Butts, Contreras, Maldonado, Mattera

**Voting against:** None

Trustee Butts **MOVED**, and Trustee Contreras **SECONDED** a motion to exit executive session in accordance with General Laws, Chapter 30A. A roll call vote was taken at 6:44 pm and it was unanimous to exit executive session.

**Voting in the affirmative:** Trustees Butts, Contreras, Maldonado

**Voting against:** None

There being no further business to come before the committee, Trustee Maldonado **MOVED**, and Trustee Butts **SECONDED** a motion to adjourn.

**MOTION: to adjourn the meeting**

**Voting in the affirmative:** Trustees Butts, Contreras, Maldonado

**Voting against:** None

The meeting adjourned at 6:45 pm.

Prepared by: D. Beaulieu, staff associate, finance and facilities

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**REQUEST FOR TRUSTEE ACTION**

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**Date:** May 18, 2022  
**To:** Risk Management and Audit Committee  
**From:** Karen P. House, vice president for finance and facilities  
**Subject:** Independent Auditor's Report as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2021  
**Request action:** Discussion/Acceptance

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The Independent Auditor's Report as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2021 statements are due for submission to the Department of Education (DOE) by September 30, 2022.

**MOTION**

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion:

**Recommended motion**

The Board of Trustees hereby accepts the Salem State University Independent Auditor's Report as Required by the Uniform Guidance and Government Auditing Standards, June 30, 2021.

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Committee Assigned: Risk Management and Audit

Committee Action: Accepted

Date of Action: May 25, 2022

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Trustee Action:

Trustee Approval Date:

Effective Date:

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Signed: \_\_\_\_\_

Title: Secretary of the Board of Trustees

Date: \_\_\_\_\_

**SALEM STATE UNIVERSITY**  
(an Agency of the Commonwealth of Massachusetts)

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**INDEPENDENT AUDITORS' REPORTS AS REQUIRED  
BY THE UNIFORM GUIDANCE AND *GOVERNMENT  
AUDITING STANDARDS* AND RELATED  
INFORMATION**

**JUNE 30, 2021**

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Independent Auditors' Reports as Required by the Uniform Guidance and  
*Government Auditing Standards* and Related Information**

**June 30, 2021**

**C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of  
Salem State University  
Salem, Massachusetts

### **Report on Compliance for Each Major Federal Program**

We have audited Salem State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's responses to the noncompliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

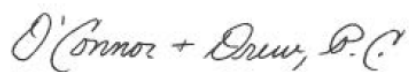
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2021-001.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University, as of and for the year ended June 30, 2021. We issued our report thereon dated October 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Certified Public Accountants  
Braintree, Massachusetts**

May 20, 2022

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 8, 2021)





## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
Salem State University  
Salem, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem State University (the "University"), which comprise the statements of net position as of June 30, 2021 and 2020, the related statements of revenues, expenses and changes in net position, cash flows, the combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise Salem State University's basic financial statements and have issued our report thereon dated October 8, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

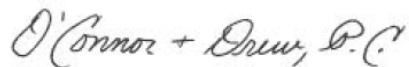
material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants  
Braintree, Massachusetts**

October 8, 2021

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**SALEM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2021**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 584,939	\$ -
Federal Work-Study Program	84.033	N/A	N/A	299,111	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	1,011,980	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	10,337,839	-
Federal Direct Student Loans	84.268	N/A	N/A	35,512,419	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	8,488	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	576,741	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	-	-
Total Student Financial Assistance Cluster				48,331,517	-
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Student Support Services	84.042	N/A	N/A	556,859	-
Upward Bound	84.047	N/A	N/A	254,581	-
Total TRIO Cluster				811,440	-

*See accompanying notes to the schedule of expenditures of federal awards.*

**SALEM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2021

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	5,683	-
UVM-NSF	47.076	N/A	N/A	170	-
Subtotal - Direct Awards				<u>5,853</u>	<u>-</u>
U.S. Department of the Interior					
Direct Awards:					
USGS EHP	15.807	N/A	N/A	12,303	-
Organization of American Historians	15.946	N/A	N/A	13,986	-
Subtotal - Direct Awards				<u>26,289</u>	<u>-</u>
U.S. Department of Health and Human Services					
Direct Awards:					
Title X Family Planning Program	93.217	N/A	N/A	6,215	-
Phonological Research	93.173	N/A	N/A	79,427	-
Subtotal - Direct Awards				<u>85,642</u>	<u>-</u>
Total Research and Development Cluster				<u>117,784</u>	<u>-</u>

See accompanying notes to the schedule of expenditures of federal awards.

**SALEM STATE UNIVERSITY**  
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2021

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>NON-CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
COVID-19 Higher Education Emergency Relief Fund I (HEERF) Student Aid Portion	84.425E	N/A	N/A	\$ 139,159	\$ -
COVID-19 HEERF I Institutional Portion	84.425F	N/A	N/A	139,159	-
COVID-19 HEERF I SIP	84.425M	N/A	N/A	323,659	-
COVID-19 HEERF II Institutional Portion	84.425F	N/A	N/A	7,454,223	-
COVID-19 HEERF II Student Portion	84.425E	N/A	N/A	3,256,409	-
COVID-19 HEERF III Institutional Portion	84.425F	N/A	N/A	9,124,563	-
Subtotal - Direct Awards				<u>20,437,172</u>	<u>-</u>
<b>Pass-through Awards:</b>					
COVID-19 Governor's Emergency Education Relief Fund	84.425C	Massachusetts Department of Education	N/A	<u>463,750</u>	<u>-</u>
Subtotal - U.S. Department of Education				<u>20,900,922</u>	<u>-</u>
<b>U.S. Small Business Administration</b>					
<b>Pass-through Awards:</b>					
SBDC - Core	59.037	University of Massachusetts	N/A	379,134	-
SBDC - CARES	59.037	University of Massachusetts	N/A	128,986	-
SBDC - Sponsorship	59.037	University of Massachusetts	N/A	166	-
Subtotal - Pass-through Awards				<u>508,286</u>	<u>-</u>
<b>National Oceanic and Atmospheric Administration</b>					
<b>Direct Awards:</b>					
NOAA Sea Grant	11.417	N/A	N/A	\$ 18,060	-
Center for Sponsored Coastal Ocean Research	11.478	N/A	N/A	<u>42,916</u>	<u>-</u>
Subtotal - Direct Awards				<u>60,976</u>	<u>-</u>
<b>U.S. Department of Justice:</b>					
<b>Direct Awards:</b>					
Violence Against Women	16.525	N/A	N/A	<u>90,054</u>	<u>-</u>
Subtotal - Direct Awards				<u>90,054</u>	<u>-</u>
Total Non-Cluster				<u>21,560,238</u>	<u>-</u>
<b>Total Federal Funds</b>				<u>\$ 70,820,979</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2021**

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Salem State University (the “University”) under programs of the Federal Government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

*Perkins Loan Program*

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2021, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2021, loan balances receivable, net under Perkins was \$1,011,980.

There was no federal capital contribution or match by the University during the current year.

*Nursing Student Loans*

The Nursing Student Loan Program is administered by Salem State University. There were no loans disbursed during fiscal year 2021. As of June 30, 2020, the loan balances receivable for this program was \$576,741.

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Notes to the Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2021**

Note 4 - **Federal Student Loan Programs - Continued**

*Direct Student Loan Program*

The University disbursed \$35,512,419 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2021. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.



SALEM STATE UNIVERSITY
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
• Material weaknesses identified? \_\_\_ yes \_\_\_x no
• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes \_\_\_x no
Noncompliance material to the financial statements noted? \_\_\_ yes \_\_\_x no

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified
Internal control over major programs:
• Material weaknesses identified? \_\_\_ yes \_\_\_x no
• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes \_\_\_x no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_x yes \_\_\_ no

**SALEM STATE UNIVERSITY**  
(an Agency of the Commonwealth of Massachusetts)

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2021**

*Identification of Major Programs*

Name of Federal Program or Cluster	Assistance Listing Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 3)	84.268
Nursing Student Loans	93.364
TRIO Cluster	
Student Support Services	84.042
Upward Bound	84.047
Non-Cluster	
Economic Stabilization Fund (ESF):	
COVID-19 Higher Education Emergency Relief Fund ("HEERF") - Student Aid Portion	84.425E
COVID-19 HEERF - Institutional Portion	84.425F
COVID-19 HEERF - Strengthening Institutions Portion	84.425M
COVID-19 Governor's Emergency Education Relief Fund	84.425C

Dollar threshold used to distinguish between  
type A and type B programs:

\$2,124,629

Auditee qualified as a low-risk auditee?

yes     no

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2021**

**Section II – Financial Statement Findings:**

None.

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2021**

**Section III – Federal Award Findings and Questioned Costs:**

**Finding number:** 2021-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.268  
**Award year:** 2021

***Criteria***

According to 34 CFR 668.22(j)(1):

*Timeframe for the return of title IV funds.* An institution must return the amount of title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (1)(3) of this section.

According to 34 CFR 668.173(b):

*Timely return of Title IV, HEA program funds.* In accordance with procedures established by the Secretary or Federal Family Education Loan (“FFEL”) program lender, an institution returns unearned Title IV, HEA program funds timely if –

- (1) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Sections 668.163 no later than 45 days after the date it determines the student withdrew;
- (2) The institution initiates an electronic funds transfer no later than 45 days after the date it determines that the student withdrew;
- (3) The institution initiates an electronic transaction no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower’s loan account for the amount returned; or
- (4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if –
  - (i) The institution’s records show that the check was issued more than 45 days after the date the institution determined the student withdrew; or

**SALEM STATE UNIVERSITY**  
**(an Agency of the Commonwealth of Massachusetts)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2021**

- (ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

***Condition***

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The University has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted one student, out of a sample of twenty-five, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date. Our audit disclosed that the funds were not returned until 200 days after the 45-day disbursement timeframe.

***Cause***

The University did not consistently follow the procedures in place to monitor student withdrawals related to Title IV funds that must be returned to the Department of Education within 45 days due to a staff member mistakenly marked that the R2T4 calculation had been completed. This appears to be an isolated incident.

***Effect***

The University did not return unearned Title IV funds within the required 45-day time frame.

***Questioned Costs***

None

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of the twenty-five students selected for testing, one student, or 4% of our sample, had unearned Title IV funds that were not returned to the Department of Education within the 45-day required time frame.

***Identification as a Repeat Finding, if applicable***

Not applicable

***Recommendation***

The University should strengthen their controls surrounding the review Return of Title IV calculations in a timely manner.



## Management's Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2021

**Finding number:** 2020-001  
**Federal agency:** U.S. Department of Education  
**Program:** Federal Work-Study Program  
**Assistance Listing Number:** 84.033  
**Award year:** 2020

#### *Condition*

Federal regulations require an institution to monitor and ensure that a work-study student is not working during his/her designated class time. Out of a sample of seven students, we noted one student who worked during class time.

#### *Current Year Status:*

Corrective action was taken during the year.

**Management's Summary Schedule of Prior Audit Findings - Continued****Year Ended June 30, 2021**

**Finding number:** 2020-002  
**Federal agency:** U.S. Department of Education  
**Program:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.063  
**Award year:** 2020

***Condition***

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The University has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted 2 students, out of a sample of 25, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date, by 130 days. The total amount to return was \$4,681.

***Current Year Status:***

As noted in finding 2021-001, there was one student whose aid was not returned within the established timeframe.



## Management's Corrective Action Plan

Year Ended June 30, 2021

**Finding number:** 2021-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**Assistance Listing Number:** 84.268  
**Award year:** 2021

### *Corrective Action Plan:*

The financial aid office continues to enhance queries to identify what R2T4 calculations need to be performed, additional staff will be assigned to work on R2T4 calculations and double check the accuracy of each other's work. The funds in question have been returned.

### *Timeline for Implementation of Corrective Action Plan:*

Additional staff have been assigned to this process; training will take place over the spring of 2022 in order to be prepared for the start of the 2022-2023 academic year.

### *Contact Person*

Scott Jewell Director of Financial Aid



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# Salem State University

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Audit Meeting  
May 25, 2022

# Key Audit Staff

- David A. Dilulis, CPA, Engagement Partner
- Zachary Laflash, CPA, Audit Partner
- Ruth Wamala, CPA, Audit Senior
- Steven J. Cohen, CPA, Quality Control
- Michael Hammond, Partner, IT Audit & Security
- Lauren Carnes, CPA, Tax Director

# Current Year Topics

- Timing of Audit
- Audit Approach
- Accounting Pronouncements

# Timing of Audit Planning/Fieldwork

- Internal Control Systems Testing Week of May 30<sup>th</sup>
- Uniform Guidance Fieldwork June-July
- Start of Audit Fieldwork Week of August 1<sup>st</sup>
- End of Audit Fieldwork August 31<sup>st</sup>
- Review and Acceptance of Finalized Reports by RMA Committee October 12<sup>th</sup>

# Audit Approach

- Internal Control Systems Testing:
  - Cash disbursements
  - Student revenue & cash receipts
  - Payroll- walkthrough
  - General journal entries
- Uniform Guidance Fieldwork:
  - Student Financial Aid Eligibility Testing
  - Single Audit Compliance Testing
  - Higher Education Emergency Relief Fund (HEERF)
  - Any additional required Federal Programs
- Audit Fieldwork:
  - Risk based audit of June 30, 2022 financial statement account balances based on results of interim control testing.

# New GASB Pronouncements

- GASB Statement 87 – *Leases* is effective for periods beginning after **June 15, 2021**. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement.

# Questions/Concerns

- Other items to be discussed which might have an effect on the annual audit-
  - Fraud or allegations of fraud
  - Settled, pending or threatened legal action
- Other questions/concerns regarding the annual audit