

**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, 2018**

**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, 2018**

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

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**INDEPENDENT AUDITORS' 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, 2018. 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, 2018.

## **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 2018-001 through 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

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

## **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 Uniform 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2018. We issued our report thereon dated October 12, 2018, 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.

*O'Connor and Duen, P.C.*

**Certified Public Accountants**  
**Braintree, Massachusetts**  
October 12, 2018



**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, 2018, 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 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Salem State 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 an 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University '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 Salem State 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.

O'Connor and Drew, P.C.

**Certified Public  
Accountants Braintree,  
Massachusetts**

October 12, 2018

**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, 2018**

	<b>CFDA Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Entity Award Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<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	\$ 409,638	\$ -
Federal Work-Study Program	84.033	N/A	N/A	396,834	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	1,433,891	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	146,566	-
Federal Pell Grant Program	84.063	N/A	N/A	12,142,284	-
Federal Direct Student Loans	84.268	N/A	N/A	49,009,163	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	20,072	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	573,197	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	140,750	-
Total Student Financial Assistance Cluster				64,272,395	-
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Student Support Services	84.042	N/A	N/A	455,312	-
Upward Bound	84.047	N/A	N/A	420,582	-
Total TRIO Cluster				875,894	-

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

**SALEM STATE UNIVERSITY**  
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**Schedule of Expenditures of Federal Awards - Continued**

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>National Science Foundation:</b>					
<b>Direct Awards:</b>					
Agricultural Research	47.076	N/A	N/A	30,360	-
Learning of Physics and Programing	47.076	N/A	N/A	11,572	-
Subtotal - Direct Awards				<u>41,932</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>					
<b>Pass- through Awards:</b>					
Title X Family Planning	93.217		N/A	5,708	-
Phonological Research	93.173		N/A	60,511	-
Subtotal - Pass-through Awards				<u>66,219</u>	<u>-</u>
Total Research and Development Cluster				<u>108,151</u>	<u>-</u>
<b>NON-CLUSTER</b>					
<b>U.S. Small Business Administration</b>					
<b>Pass-through Awards:</b>					
Small Business Development Center	59.037	University of Massachusetts	N/A	374,993	-
Subtotal - Direct Awards				<u>374,993</u>	<u>-</u>

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

**SALEM STATE UNIVERSITY**  
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**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

	<b>CFDA Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Entity Award Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
English as a Second Language	84.195	N/A	N/A	7,616	-
Subtotal - Pass-through Awards				<u>7,616</u>	<u>-</u>
<b>U.S. Department of Justice:</b>					
<b>Direct Awards:</b>					
Violence Against Women	16.525	N/A	N/A	70,195	-
Subtotal - Direct Awards				<u>70,195</u>	<u>-</u>
Total Non-Cluster				<u>452,804</u>	<u>-</u>
<b>Total Federal Funds</b>				<u><u>\$ 65,709,244</u></u>	<u><u>\$ -</u></u>

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

**SALEM STATE UNIVERSITY**  
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**Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

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, 2018. 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 to not use the 10-percent de minimis cost rate 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, 2018, \$146,566 of loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2018, loan balances receivable, under Perkins was \$1,363,700.

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. Fiscal year 2017 activity included loan funds disbursed of \$140,750. As of June 30, 2018, the loan balances receivable for this program was \$589,093.

**SALEM STATE UNIVERSITY**  
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**Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

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

*Direct Student Loan Program*

The University disbursed \$49,009,163 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, 2018. 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.

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**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2018**

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

**Year Ended June 30, 2018**

*Identification of Major Programs*

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Perkins Loan Program	<b>84.038</b>
Federal Pell Grant Program	<b>84.063</b>
Federal Direct Student Loans	<b>84.268</b>
Teachers Education Assistance for College Grant	<b>84.379</b>
Nursing Student Loans	<b>93.364</b>
Trio Cluster	
Student Support Services	<b>84.042</b>
Upward Bound	<b>84.047</b>
Small Business Development Center	<b>59.037</b>

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

\$750,000

Auditee qualified as a low-risk auditee?

  x   yes         no

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Section II – Financial Statement Findings:**

None



**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

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

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Criteria***

According to 34 C.F.R. Section 668.22(j)(1):

An institution must return the amount of Title IV funds from which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination 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 academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 14 students who were determined to have withdrawn from the University, we noted one student for whom funds were not returned within the required 45 days. Our audit disclosed that the funds were not returned until 85 days after the 45-day disbursement timeframe. The total amount to return was \$851.

***Cause***

The University has policies and procedures in place to perform this calculation for all students who withdraw. However, in this instance the student stopped attending and was placed on an administrative leave of absence (ADML) and notified of such by the University. This withdrawal code, ADML, was not included on the in-semester query performed by the University. As such, the R2T4 calculation was not performed until the University conducted their end of semester enrollment procedures to identify students who had unofficially withdrawn.

***Effect***

The University did not complete the R2T4 Form or return the unearned portion of aid within the established time frame.

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

***Questioned Costs***

None - Funds have been returned.

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of fourteen students selected for testing, aid for one student (7.1%) was not returned within the required 45 days.

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

See finding 2017-001 included in Management's Summary Schedule of Prior Audit Findings.

***Recommendation***

The University should review their current procedures to ensure students who are placed on ADML are captured on the withdrawn student listing.

***Views of Responsible Officials and Implementation Dates***

The University agrees with this finding. The source of the discrepancy was identified and has been corrected. All reporting for the purposes of identifying students requiring a return of Title IV funds has been altered to include the administrative leave of absence. All future changes in business process or coding regarding leaves and withdrawals will be developed in consultation with the institutional officer responsible for performing R2T4 calculations to ensure that any changes are properly incorporated into reporting moving forward.

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Criteria***

According to 34 C.F.R. Section 668.16(f):

An institution must develop and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

***Condition***

Federal regulations state that a school must designate a capable individual as the coordinating official whose responsibilities include, but are not limited to, resolving discrepancies between conflicting information received by offices within the institution. Our testing of forty students with enrollment status changes noted one instance where the withdrawal date reported to the National Student Loan Data System ("NSLDS") was inconsistent with the withdrawal date used by the University in the Return of Title IV Funds form ("R2T4") calculation.

***Cause***

The Financial Aid and Registrar's office were contacted by the student on different dates. Each office completed their respective tasks independent of one another. This lack of communication resulted in each office using a different effective date of withdrawal.

***Effect***

The University reported the student's status as withdrawn to the NSLDS with an effective date of March 5, 2018 while the R2T4 calculating the earned portion of the student's Federal Aid used February 20, 2018.

***Questioned Costs***

N/A

***Perspective***

Our sample was not, and was not intended to be, statistically valid. Of forty students selected for testing, one instance (2.5%) where the withdrawal date reported to the National Student Loan Data System ("NSLDS") was inconsistent with the withdrawal date used by the University in the Return of Title IV Funds form ("R2T4") calculation

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

*Identification as a Repeat Finding, if applicable*

Not applicable.

*Recommendation*

The University should review its current policies and procedures to ensure the various departments involved in reporting student status changes to the NSLDS and calculating the return of Federal aid appropriately address situations where conflicting information exists between the various departments of the University.

*Views of Responsible Officials and Implementation Dates*

The University agrees with this finding. This occurred due to very unusual circumstances in which a student directly contacted the school financial aid officer responsible for R2T4 calculations regarding their attendance status. The employee correctly calculated the R2T4 based on the verbal report from the student that they were no longer attending and the employee's direct knowledge of the student's situation. Typically, the financial aid office is not the initial recipient of the information from the student that they are no longer attending. The discrepancy arose as the official paperwork was not submitted by the student to another office until several days later. The paperwork was processed according to normal business processes based on the date of the official notification to the university of the withdrawal. It is very unlikely that this specific set of circumstances would arise in future, but to ensure that it does not, any R2T4 calculations performed as a result of a direct report to Financial Aid will also be reported to the responsible staff person in the Registrar's Office to ensure a consistent determination of the last date of attendance.

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Criteria***

According to 34 C.F.R. Section 668.22(E)(4):

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student as calculated under paragraph (e) (1) of this section from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

***Condition***

The Financial Aid Office is responsible for completing the Return of Title IV calculation to determine how much Title IV aid the student earned and how much the University must return to the Department of Education. Once the Return of Title IV calculation is completed, the University is responsible for adjusting the student's billing statement and returning unearned Title IV funds through the U.S. Department of Education's Grant Management System ("G5"). 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 of fourteen students we noted one student where the aid returned was different than the amount correctly calculated on the R2T4. The actual amount of aid returned was \$1,610 whereas the correct amount of aid that should have been returned was \$1,645.76. The University corrected this error in August 2018.

***Cause***

The University correctly completed the Return of Title IV Funds form ("R2T4") calculation. However, human error resulted in an incorrect adjustment amount entered into the University's student information system, PeopleSoft. This resulted in the University returning the incorrect amount of Title IV aid.

***Effect***

The amount of unearned Title IV funds removed from the student's account and returned to the Department of Education was incorrect.

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

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

**Year Ended June 30, 2018**

*Perspective*

Our sample was not, and was not intended to be, statistically valid. Of fourteen students selected for testing, one student (7.1%) had the incorrect amount of funds returned.

*Identification as a Repeat Finding, if applicable*

Not applicable.

*Recommendation*

The University should review their current procedures to ensure the amount of Federal aid returned agrees with the amount calculated on the R2T4 form.

*Questioned Costs*

None – proper amount of funds have been returned.

*Views of Responsible Officials and Implementation Dates*

The University agrees with this finding. This is a result of a key entry error in the manual piece of this process. We spot check on a daily basis as part of our quality control, but because the data varies so widely an error is difficult to detect. We will continue our quality control for the manual transfer of data between systems and also explore opportunities to automate this process.

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

<b>Finding number:</b>	2018-004
<b>Federal agency:</b>	U.S. Department of Education
<b>Programs:</b>	Trio Cluster
<b>CFDA #'s:</b>	84.042
<b>Award year:</b>	2018

***Criteria***

According to the U.S. Department of Education all grantees under the Student Support Services (SSS) Program must submit an annual performance report (APR) as a condition of the grant award. Specifically, Section II of the APR requires the detailed information on SSS participants as defined in 34 CFR 646.3 which states:

A student is eligible to participate in a Student Support Services project if the student meets all of the following requirements: (a) Is a citizen or national of the United States or meets the residency requirements for Federal student financial assistance. (b) Is enrolled at the grantee institution or accepted for enrollment in the next academic term at that institution. (c) Has a need for academic support, as determined by the grantee, in order to pursue successfully a postsecondary educational program. (d) Is— (1) A low-income individual; (2) A first generation college student; or (3) An individual with disabilities.

***Condition***

The Student Support Services department at the University is responsible for compiling the necessary information required to complete the APR, as well as preparing and filing the APR. During our testing of thirty SSS students we noted one instance where an individual was included as a continuing participant for the academic year after they had graduated from the University.

***Cause***

The University incorrectly included this former student and SSS participant in the listing of participants for year covered by the APR under audit.

***Effect***

The APR report listed an incorrect number of participants.

**SALEM STATE UNIVERSITY**  
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**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2018**

*Perspective*

Our sample was not, and was not intended to be, statistically valid. Of thirty SSS individuals selected for testing, one individual (3.3%) was noted to have not been a student at the University or received services from SSS during the period reported in the APR.

*Identification as a Repeat Finding, if applicable*

Not applicable.

*Recommendation*

The University should review its procedures and controls used to listings of SSS participants to ensure the information included on the ARP is accurate.

*Questioned Costs*

Not Applicable.

*Views of Responsible Officials and Implementation Dates*

The University agrees with this finding. Human error was the cause of this particular compliance issue.



**Management's Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2018**

**Finding number:** 2017-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #:** Multiple  
**Award year:** 2017

***Condition***

The Federal Government requires the University to report student enrollment changes to NSLDS within 60 days. Our testing of forty students with enrollment status changes had the following:

Three students' status changes were not reported to NSLDS within the 60-day required time frame. Reporting of this status change occurred between 61 and 107 days after the required deadline.

***Current Year Status:***

Corrective action was taken during the year.

## Management's Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2018

**Finding number:** 2017-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** Multiple  
**Award year:** 2017

#### *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 academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 12 students who were determined to have withdrawn from the University, we noted one student for whom funds were not returned within the required 45 days. Our audit disclosed that the funds were not returned until 227 days after the 45-day disbursement timeframe, respectively. The total amount to return was \$1,692.

#### *Current Year Status*

As noted in finding 2018-001 there was one student whose aid was not returned within the established timeframe.

**Management's Corrective Action Plan**  
**Year Ended June 30, 2018**

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Corrective Action***

The source of the discrepancy was identified and has been corrected. All reporting for the purposes of identifying students requiring a return of Title IV funds has been altered to include the administrative leave of absence. All future changes in business process or coding regarding leaves and withdrawals will be developed in consultation with the institutional officer responsible for performing R2T4 calculations to ensure that any changes are properly incorporated into reporting moving forward.

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

Corrective action was taken during the year.

***Contact Person:***

Judy Cramer  
Financial Aid Director

**Management's Corrective Action Plan**  
**Year Ended June 30, 2018**

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Corrective Action***

The discrepancy arose as the official paperwork was not submitted by the student to another office until several days later. The paperwork was processed according to normal business processes based on the date of the official notification to the university of the withdrawal. It is very unlikely that this specific set of circumstances would arise in future, but to ensure that it does not, any R2T4 calculations performed as a result of a direct report to Financial Aid will also be reported to the responsible staff person in the Registrar's Office to ensure a consistent determination of the last date of attendance.

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

Corrective action was taken during the year.

***Contact Person:***

Judy Cramer  
Financial Aid Director

**Management's Corrective Action Plan**  
**Year Ended June 30, 2018**

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Student Financial Assistance Cluster  
**CFDA #'s:** 84.063  
**Award year:** 2018

***Corrective Action***

This is a result of a key entry error in the manual piece of this process. We spot check on a daily basis as part of our quality control, but because the data varies so widely an error is difficult to detect. We will continue our quality control for the manual transfer of data between systems and also explore opportunities to automate this process.

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

Corrective action was taken during the year.

***Contact Person:***

Judy Cramer  
Financial Aid Director

**Management's Corrective Action Plan**  
**Year Ended June 30, 2018**

**Finding number:** 2018-004  
**Federal agency:** U.S. Department of Education  
**Programs:** Trio Cluster  
**CFDA #'s:** 84.042  
**Award year:** 2018

***Corrective Action***

The University will review all students who are included in the Student Support Service Annual Performance Report against their attendance records and University enrollment to ensure all active students are included.

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

Corrective action was taken during the year.

***Contact Person:***

Martine Francois  
Director Trio Student Support Services