
SUBJECT: Risk Management and Audit Committee Meeting Report for May 20, 2026

The committee met remotely in accordance with the General Laws of the Commonwealth of Massachusetts, Chapter 30A and An Act Relative to Extending Certain State of Emergency Accommodations, which, among other things, extended the expiration of the provisions pertaining to the Open Meeting Law. All votes taken during this meeting were by roll call vote.

Present for the Committee: Trustees Billings (vice chair), Kezer and Morales. Also, present and participating: President Keenan (ex-officio), Vice President Lopez (co-committee liaison), Vice President Colucci (co-committee liaison), and executive support specialist Fiore.

Absent for the Committee: Trustees Davis

Trustee Billings, committee vice chair, called the meeting to order at 5:15 pm.

Independent Auditors' FY26 audit entrance discussion (Attachment A)
Zachary LaFlash, audit partner of Withum, discussed the timing and approach of the university's FY26 audit.

AY2025-2027 Risk Assessment Report (Attachment B)

A review of the university's current risks and the risk assessment report was presented and discussed.

There being no other business a motion was made to adjourn.

Trustee Kezer **MOVED** that the Risk Management and Audit Committee meeting adjourn, **SECONDED** by Trustee Morales.

The meeting adjourned at 6:00 pm.

Prepared by B. Fiore, executive support specialist, finance and facilities.

Salem State University

Audit Meeting- May 20, 2026

Key Audit Staff

- Zachary Laflash, CPA- Audit Partner
- Steven J. Cohen, CPA- Technical Review Partner
- Andy Kenderdine, CPA- Audit Manager

Current Year Topics

- Timing of Audit
- Audit Approach
- Accounting Pronouncements

Timing of Audit Planning/Fieldwork

- Internal Control /Systems Testing Week of May 25th
- Uniform Guidance Testing Week of July 20th
- Start of Audit Fieldwork July 27th
- End of Audit Fieldwork August 28th
- Review and Acceptance of Financial and
Uniform Guidance Reports by RMA Committee October 14th

Audit Approach

Major Internal Control Cycles:

- Cash disbursements
- Student revenue & cash receipts
- Payroll
- General journal entries

Single Audit (Uniform Guidance) Compliance Testing:

- Student Financial Assistance (SFA) Cluster
- Potential additional programs – subject to determination once Federal Expenditure amounts are available.
- Major program threshold for FY2026 is \$1 million (increase from prior year amount of \$750,000).

Internal Control Systems:

- Risk based audit of June 30, 2026 financial statement account balance.

New GASB Pronouncements

GASB 103- Financial Reporting Model Improvements

- Effective for FY2026
- The objective is to improve key components of the financial reporting model. Key impact areas are;
 - Management Discussion and Analysis (MD&A)
 - Statement of Revenues and Expenses
- Impact to the Colleges and Universities is expected to be in the contents and formatting of the MD&A and the grouping of revenues and expenses on the Statement of Revenues and Expenses

New GASB Pronouncements

GASB 104- Disclosure of Certain Capital Assets

- Effective for FY2026
- The objective is to improve and expand on disclosures for capital assets.
 - Focus is on more informative disclosures on value and accumulated depreciation for each asset classification.
 - Additional disclosures for capital assets held for sale.
- Impact to the Colleges and Universities is expected to be additional/expanded financial statement disclosures.

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*
- *Potential reduction or elimination of Federal grants.*



2025 – 2027 Risk Report

April 29, 2026

Prepared by: Rita P. Colucci, Vice President and General Counsel

I. Summary

This report presents a high level assessment of risks impacting the university's ability to serve students, the financial health of the institution and its operational effectiveness.

The analysis identifies enrollment and retention, aging physical and technological infrastructure, and financial sustainability as the most significant risk domains. These areas are highly interconnected and collectively contribute to sustained institutional pressures.

The following factors represent the greatest points of vulnerability for the university:

- Maintaining sufficient enrollment
- Financial security and sustainability
- Aging infrastructure

Other high risks identified included student mental health impacts, employee satisfaction and artificial intelligence challenges.

II. Risk Assessment Approach

To ensure a structured and inclusive evaluation process:

- Risks were pre-identified by institutional working groups based on prior assessments
- Stakeholders evaluated risks through a structured survey process
- Responses were aggregated to provide a balanced, institution-wide perspective
- PEC reviewed outcomes and prioritized the identified risks

Each risk was evaluated using two core dimensions:

- **Likelihood** – the probability that a risk will occur

- **Impact** – the severity of consequences if the risk materializes

These dimensions were used collectively to determine overall priority and focus areas.

III. Risk Overview by Category

1. Enrollment & Retention

Objective: Maintain a strong and sustainable enrollment base to support institutional stability.

Declining Enrollment Trends

Fewer students enrolling or staying enrolled due to demographic shifts, economic conditions, and changing perceptions of higher education value.

- **Impact:** Revenue loss, adjustment to portfolio of programs, lower graduation rates, staffing pressures.
- **Drivers:** Declining birth rates leading to fewer college-going students, increased competition (UMass and Community Colleges), students choosing alternative pathways/credentials, rising tuition sensitivity, skepticism about return on investment (ROI), federal immigration policy, academic, social and/or personal challenges impact progression and degree attainment.

Mitigation Strategies

- Implement Strategic Enrollment Management (SEM) Plan
- Apply NISS-informed strategies
- Expand partnerships:
 - High Schools (direct admissions/early college)
 - Community colleges
 - Transfer pipelines
 - Community-based organizations
- Focus on improving outcomes in high DFW (Drop/Fail/Withdraw) courses

2. Financial Sustainability

Financial pressures amplify and influence risks across all categories and limit the university's ability to be innovative.

Rising Operational Costs and Decreased Revenue Sources

Increasing expenses related to labor, utilities, compliance, and technology.

- **Impact:** Budget strain, deferred investments, lack of investment in infrastructure
- **Drivers:** Inflation/rising costs, labor market pressures, regulatory requirements

Mitigation Strategies

- Align budgeting with institutional strategic priorities
- Strengthen enrollment and housing strategies
- Expand fundraising and revenue diversification efforts
- Manage labor costs

3. Deferred Maintenance and Aging Infrastructure

This area represents the highest concentration of critical operational risks, largely driven by historical underinvestment.

Deferred Maintenance and Systems' Backlog and Aging Infrastructure

Delayed repairs and upgrades to facilities and information technology systems.

- **Impact:** Safety risks, higher long-term costs, temporary infrastructure closures
- **Drivers:** Budget limitations, aging assets, lack of lifecycle planning

Operational Disruptions

Facility failures impacting academic and residential operations.

- **Impact:** Class interruptions, student dissatisfaction, relocation costs
- **Drivers:** Insufficient preventive maintenance, lack of contingency planning

Inefficient Space Utilization

Inefficient or misaligned use of campus facilities.

- **Impact:** Financial inefficiencies and missed modernization opportunities
- **Drivers:** Lack of space planning data, inflexible layouts

Mitigation Strategies

- Formalize facilities project request processes
- Establish a project prioritization committee
- Implement proactive maintenance programs
- Commitment to Master Plan priorities
- Information technology refresh plan

4. Student Resiliency and Mental Health

Student well-being has become a core institutional risk with direct implications for retention and success.

Rising Mental Health Needs

Increased prevalence of anxiety, depression, and crisis situations.

- **Impact:** Strain on services, academic disruption, retention challenges
- **Drivers:** Academic pressure, financial stress, social isolation

External Pressures and Stressors

External conditions affecting student health and stability.

- **Impact:** Ongoing increases in support demand
- **Drivers:** Economic instability, housing and food insecurity, global uncertainty

Mitigation Strategies

- Ensure adequate counseling and wellness services
- Integrate mental health considerations into academic support systems
- Enhance early identification and intervention efforts
- Train faculty and staff to recognize and respond to concerns
- Strengthen partnerships with external providers

5. Artificial Intelligence

AI presents both emerging risks and strategic opportunities.

Misinformation & Deepfakes

AI-generated content used to mislead or impersonate.

- **Impact:** Reputational damage, confusion, crisis response challenges
- **Drivers:** Social media proliferation, lack of media literacy

Ethical and Governance Gaps

Lack of clear institutional frameworks for AI use.

- **Impact:** Inconsistent practices, reputational and compliance risks
- **Drivers:** Rapid technological change, limited policy development

Mitigation Strategies

- Establish an AI governance framework
- Form a University AI Steering Council
- Develop institutional guidelines for AI use
- Provide training for faculty, staff, and students
- Monitor regulatory and technological developments

6. Faculty and Staff Satisfaction (Workforce Stability)

Faculty and Staff Burnout

Sustained stress and workload pressures across campus roles.

- **Impact:** Reduced productivity, diminished student experience
- **Drivers:** Workload imbalance, decentralized and inconsistent professional development

Mitigation Strategies

- Rebalance workloads and prioritize staffing investments
- Implement targeted compensation adjustments where feasible
- Expand professional development and career pathways
- Invest in employee engagement initiatives
- Leverage Campus Climate Survey insights to guide improvements

Conclusion & Strategic Priorities

To effectively manage enterprise risk, the institution should prioritize:

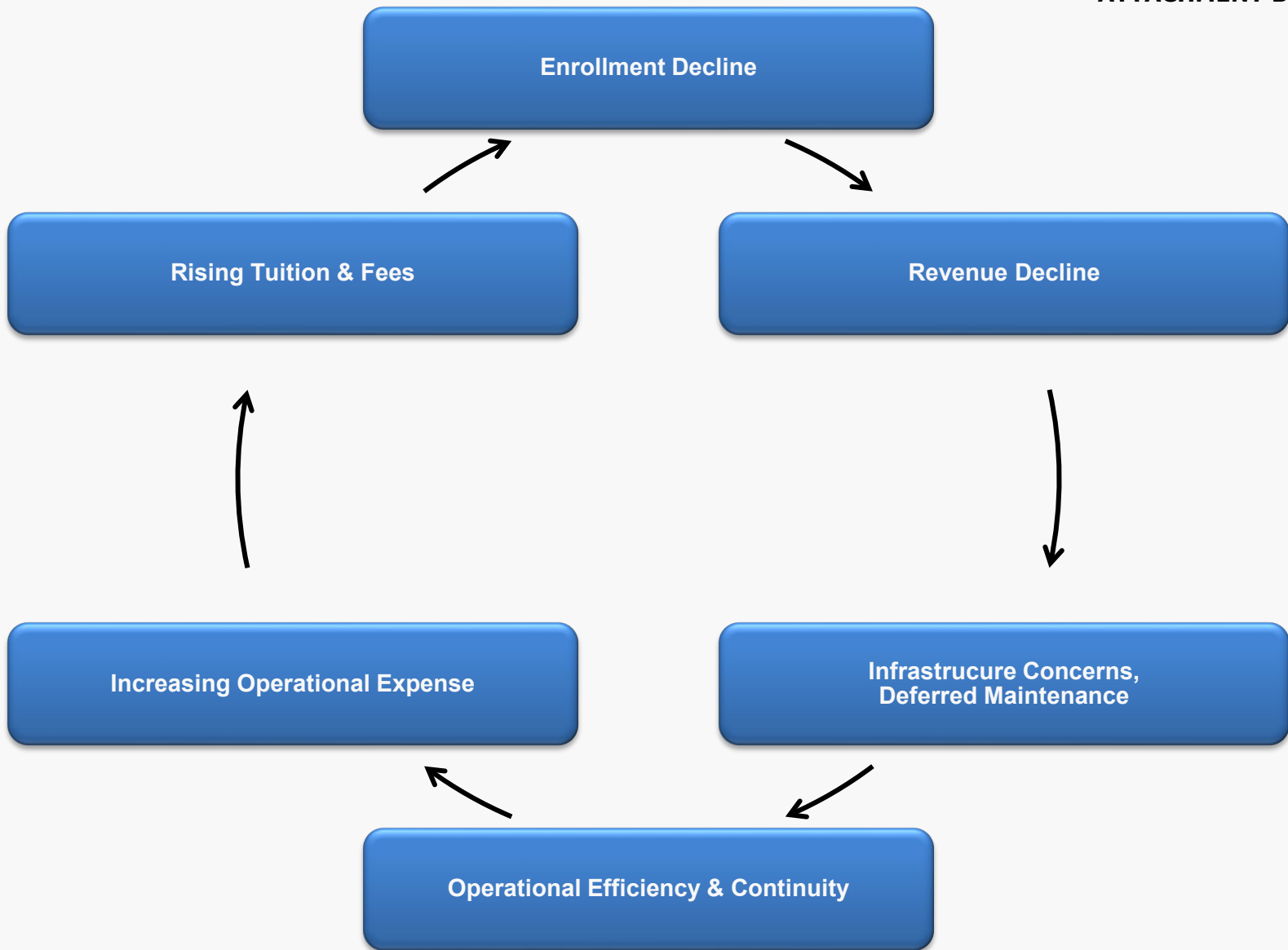
- Aligning financial planning with deferred maintenance and infrastructure needs
- Strengthening and stabilizing enrollment through strategic initiatives
- Investing in workforce sustainability and student support systems
- Advancing governance and preparedness in emerging areas such as artificial intelligence

2025–2027 Risk Assessment and Mitigation Report

Prepared by Rita P. Colucci

Summary

- **High-level assessment of risks impacting:**
 - Student success
 - Financial health
 - Operations
- **Top risks:**
 - Enrollment & retention
 - Aging infrastructure
 - Financial sustainability



Risk Assessment Approach

- Risks identified by working groups
- Stakeholder survey input
- Aggregated institutional perspective
- PEC prioritization

Enrollment & Retention

Declining enrollment trends

- **Impacts:**
 - Revenue loss
 - Lower graduation rates
- **Drivers:**
 - Demographics
 - Competition
 - ROI concerns

Enrollment Mitigation

- Strategic Enrollment Management Plan
- NISS-informed strategies
- Partnerships (schools, colleges, transfer pipelines)
- Address high DFW rates

Financial Sustainability

Rising costs & reduced revenue sources

- **Impacts:**
 - Budget strain
 - Deferred investments
- **Drivers:**
 - Lower enrollments
 - Inflation
 - Labor pressures
 - Regulatory requirements

Financial Mitigation

- Align budget with priorities
- Strengthen enrollment & housing occupancy
- Diversify revenue streams
- Manage labor costs

Infrastructure Risks

Deferred Maintenance and Systems' Backlog and Aging Infrastructure

- **Impacts:**
 - Safety risks
 - Closures
 - Higher long-term costs
- **Drivers:**
 - Budget limitations
 - Aging assets
 - Lack of lifecycle planning

Infrastructure Risks

Operational Disruptions

- **Impacts:**
 - Class interruptions
 - Student dissatisfaction
 - Relocation costs
- **Drivers:**
 - Insufficient preventive maintenance
 - Lack of contingency planning

Infrastructure Risks

Inefficient Space Utilization

- **Impact:**
 - Financial inefficiencies
 - Missed modernization opportunities
- **Drivers:**
 - Lack of space planning data
 - Inflexible layouts

Infrastructure Mitigation

- Formalize Project Request Process with prioritization
- Preventive maintenance
- Master Plan commitment
- IT refresh plan

Student Mental Health

Rising Mental Health Needs

- **Impact:**
 - Strain on services
 - Academic disruption
 - Retention challenges
- **Drivers:**
 - Academic pressure
 - Financial stress
 - Social isolation

Student Mental Health

External Pressures and Stressors

- **Impact:**
 - Ongoing increases in support demand
- **Drivers:**
 - Economic instability
 - Housing and food insecurity
 - Global uncertainty

Mental Health Mitigation

- Counseling services
- Integrate Mental Health considerations into academic support systems
- Early intervention
- Faculty/staff training
- External partnerships and services

Artificial Intelligence

Misinformation & Deepfakes

- **Impact:**
 - Reputational damage
 - Confusion
 - Crisis response challenges
- **Drivers:**
 - Social media proliferation
 - Lack of media literacy

Artificial Intelligence

Ethical and Governance Gaps

- **Impact:**
 - Inconsistent practices
 - Reputational and compliance risks
- **Drivers:**
 - Rapid technological change
 - Limited policy development

AI Mitigation

- Governance frameworks
- AI Steering Council
- Training & guidelines
- Monitor developments

Faculty and Staff Satisfaction (Workforce Stability)

Faculty and Staff Burnout

- **Impact:**
 - Reduced productivity
 - Diminished student experience
- **Drivers:**
 - Workload imbalance
 - Decentralized systems
 - Inconsistent opportunities for professional development

Faculty and Staff Satisfaction (Workforce Stability) Mitigation

- Rebalance workloads
- Compensation adjustments
- Professional development
- Engagement initiatives
- Campus Climate Survey guided improvements

Strategic Priorities

- Stabilize enrollment
- Align finances with infrastructure needs
- Invest in workforce & student support measures
- Strengthen AI governance