

SALEM STATE UNIVERSITY

**REPORT PURSUANT TO THE
MASSACHUSETTS OFFICE OF STUDENT
FINANCIAL ASSISTANCE AUDIT GUIDE**

JUNE 30, 2014

SALEM STATE UNIVERSITY

Report Pursuant to the Massachusetts Office of Student Financial Assistance Audit Guide

June 30, 2014

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Independent Accountants' Report on Compliance with Specified Requirements Applicable to the Massachusetts Office of Student Financial Assistance Program Cluster

Board of Trustees
Salem State University
Salem, Massachusetts

We have examined Salem State University's compliance with the following requirements as specified in the Massachusetts Office of Student Financial Assistance (MOSFA) *Student Financial Assistance Attestation Guide, Fourth Edition* for the year ended June 30, 2014:

- Institutional eligibility
- Student eligibility
- Reporting
- Disbursements
- Refunds

Management is responsible for Salem State University's compliance with those requirements. Our responsibility is to express an opinion on Salem State University's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Salem State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. The sufficiency of the procedures is the responsibility of the Massachusetts Office of Student Financial Assistance and Salem State University. Consequently, we make no representation regarding the sufficiency of the procedures described in the *Student Financial Assistance Attestation Guide, Fourth Edition* either for the purpose for which this report has been requested or for any other purpose. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Salem State University's compliance with specified requirements.

In our opinion, Salem State University complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2014. However, our examination disclosed an instance of nonmaterial noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as reference number 14-01.

We were not engaged to, and did not, conduct an audit or examination, the objective of which would be the expression of an opinion on the Massachusetts Office of Student Financial Assistance Program cluster. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Massachusetts Board of Higher Education, the Office of the State Auditor and the Office of the State Comptroller, the Board of Trustees, the Audit Committee, and management of Salem State University, and is not intended to be, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This restriction is not intended to limit the distribution of this report if this report is a matter of public record.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2014

SALEM STATE UNIVERSITY

Summary of Findings and Questioned Costs

For the Year Ended June 30, 2014

Finding number: 14-01
Program: Massachusetts Grant

Condition

Massachusetts regulations require that when a student withdraws, drops, terminates, or is on a leave of absence from an institution that any refunds due to the Office of Student Financial Assistance (“OSFA”) are repaid in a timely manner. Out of our sample of 5 students with Massachusetts aid who had withdrawn from the College, we noted one student for whom a refund of \$450 was not processed until the subsequent semester.

Criteria

According to the Massachusetts Office of Student Financial Assistance Attestation Guide:

Refunds should be made, in the timeframe specified within OSFA program guidelines or, in a timely manner. Refunds should be made to OSFA and accompanied by a completed refund form.

Cause/Effect

The University has policies and procedures in place to perform this calculation for all students who withdraw. However, this instance was caused by a leave of absence for a student with a health issue. The final determination of the student’s status was postponed, and the calculation of a refund was never finalized as a result of human error.

Recommendation

We recommend that management revise, implement training on, and enforce its policies to ensure that a refund calculation and subsequent return of funds be reviewed and updated.

Questioned Costs

None - Funds have been returned.

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Summary of Findings and Questioned Costs

For the Year Ended June 30, 2014

Views of Responsible Officials

The student in question had medical issues and was working with the Dean of Students to satisfactorily resolve their withdrawal issue. Unfortunately, communication regarding final disposition was not received in a timely manner to return funds within the required 45 days.

The Financial Aid office's move into the Student Navigation Center, a One Stop Shop for Student Services, as of July 1 2014 has resulted in staff efficiencies. The resulting efficiencies means the following changes are now in place for other process reviews:

- All administrative staff with program management responsibilities have been cross-trained for areas that include R2T4 processing.
- Query training has been expanded to additional staff and projects are in development. Such data will then be used on a larger but more efficient scale to identify missing information as this type of reporting has identified.
- In addition, a new administrative position has been created and filled having primary responsibility to review process exceptions in the production environment. This staff member will identify problem areas and implement business process improvements.

It's anticipated that with such personnel additions, staff cross-training, and expanded system reporting capabilities that the required checks and balances necessary to comply with established reporting requirements will be in place for the future.

Contact Person

Joseph F.X. Donovan
Associate Vice President for Finance

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Summary Schedule of Prior Audit Findings - Continued

For the Year Ended June 30, 2014

There are no prior findings at the University.

Salem State University has not been subjected to these procedures since fiscal year ended June 30, 2011 as the University received a two year exemption from performing the examination of Massachusetts financial assistance from the Massachusetts Office of Student Financial Assistance.



Opinion on Financial Statements and Supplementary Schedule of Population, Items Tested and Findings for Massachusetts State Financial Aid Program Cluster

Independent Auditors' Report

Board of Trustees
Salem State University
Salem, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Salem State University (an agency of the Commonwealth of Massachusetts) (the "University"), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Salem State University as of June 30, 2014 and 2013, and the respective changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Population, Items Tested, and Findings for Massachusetts State Financial Aid Program Cluster is presented for purposes of additional analysis as required by the Massachusetts Office of Student Financial Assistance Compliance Attestation Guide, and is not a required part of the financial statements. 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 financial statements. This 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of Salem State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salem State University's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2014

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Schedule of Population, Items Tested, and Findings for Massachusetts State Financial Aid Program Cluster

Year Ended June 30, 2014

	<u>Description of Category</u>	<u>Number of students</u>	<u>Percent of population</u>	<u>Amount of awards</u>	<u>Percent of population</u>
Massachusetts Assistance for Student Success (MASSGrant)	Population	1,798	100%	\$ 1,059,354	100%
	Tested	11	1%	\$ 6,850	1%
	Findings	1	0%	\$ -	0%
Christian A. Herter Memorial Scholarship	Population	2	100%	\$ 21,830	100%
	Tested	1	50%	\$ 11,050	51%
	Findings	-	0%	\$ -	0%
Part Time Grant Program	Population	58	100%	\$ 22,000	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Cash Grant Program	Population	1,065	100%	\$ 1,710,600	100%
	Tested	7	1%	\$ 11,750	1%
	Findings	-	0%	\$ -	0%
Massachusetts No Interest Loan Program	Population	62	100%	\$ 189,349	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Foster Child Grant Program	Population	15	100%	\$ 85,500	100%
	Tested	1	7%	\$ 4,500	5%
	Findings	-	0%	\$ -	0%
Paraprofessional Teacher Preparation Grant	Population	10	100%	\$ 36,725	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Early Childhood Educators Scholarship	Population	30	100%	\$ 89,839	100%
	Tested	1	3%	\$ 3,600	4%
	Findings	-	0%	\$ -	0%
John & Abigail Adams Scholarship	Population	517	100%	\$ 442,747	100%
	Tested	4	1%	\$ 3,185	1%
	Findings	-	0%	\$ -	0%
Math & Science Teachers Scholarship	Population	-	0%	\$ -	0%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
GEAR UP Scholarship	Population	45	100%	\$ 42,875	100%
	Tested	1	2%	\$ 1,000	2%
	Findings	-	0%	\$ -	0%
Need Based Tuition Waiver	Population	1,272	100%	\$ 1,013,703	100%
	Tested	11	1%	\$ 9,327	1%
	Findings	-	0%	\$ -	0%
Categorical Tuition Waivers	Population	341	100%	\$ 372,291	100%
	Tested	1	0%	\$ 910	0%
	Findings	-	0%	\$ -	0%
Massachusetts Education Financing Authority Prepaid Tuition Waiver	Population	34	100%	\$ 24,764	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Joint Admission Tuition Advantage Program Tuition Waiver	Population	74	100%	\$ 18,106	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Senator Paul E. Tsongas Scholarship Tuition Waiver	Population	20	100%	\$ 17,745	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Washington Center Program Tuition Waiver	Population	-	0%	\$ -	0%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
DCF Adopted Children Tuition Waiver	Population	16	100%	\$ 13,877	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
DCF Foster Care Children Tuition Waiver	Population	37	100%	\$ 30,767	100%
	Tested	2	5%	\$ 14,540	47%
	Findings	-	0%	\$ -	0%
Stanley Z. Koplik Certificate of Mastery Tuition Waiver	Population	8	100%	\$ 6,711	100%
	Tested	-	0%	\$ -	0%
	Findings	-	0%	\$ -	0%
Completion Incentive Grant	Population	143	100%	\$ 226,190	100%
	Tested	1	1%	\$ 900	0%
	Findings	-	0%	\$ -	0%