

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

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

JUNE 30, 2024

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

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

June 30, 2024

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

To the Board of Trustees of
Salem State University:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salem State University’s (the “University”) compliance with the types of compliance requirements identified as subject to audit 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, 2024. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); 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”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Salem State University’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University, as of and for the year ended June 30, 2024 and have issued our report thereon dated October 29, 2024, 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 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 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

January 2, 2025

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem State University:

We have audited, in accordance with the 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 the business-type activities of Salem State University ("the University"), and its discretely presented component units, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Colleges' internal control over financial reporting ("internal control") as a basis for designing 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 Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Withum Smith + Brown, PC

October 29, 2024

**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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 415,000	\$ -
Federal Work-Study Program	84.033	N/A	N/A	539,193	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	495,814	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	9,810,888	-
Federal Direct Student Loans	84.268	N/A	N/A	27,037,998	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	23,577	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	405,511	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	99,953	-
Total Student Financial Assistance Cluster				38,827,934	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Student Support Services	84.042	N/A	N/A	501,546	-
Upward Bound	84.047	N/A	N/A	369,270	-
Total TRIO Cluster				870,816	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
STEM Education (DC Models DRK12)	47.076	N/A	N/A	24,935	-
STEM Education (NSF Racial Equity)				6,897	-
Subtotal - Direct Awards				31,832	-
U.S. Department of Health and Human Services					
Direct Awards:					
Title X Family Planning Program	93.217	N/A	N/A	23,803	-
Phonological Research	93.173	N/A	N/A	62,868	-
Subtotal - Direct Awards				86,671	-
Total Research and Development Cluster				118,503	-

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

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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Undergraduate International Studies and Foreign Language Programs	84.016	N/A	N/A	51,132	-
Subtotal - Direct Awards				51,132	-
Pass-through Awards:					
Fund for the Improvement of Postsecondary Education	84.116	Framingham State University	N/A	5,887	-
Subtotal - Pass-through Awards				57,019	-
U.S. Department of Homeland Security					
Direct Awards:					
FEMA Public Assistance	97.036	N/A	N/A	748,215	-
Subtotal - Pass-through Awards				748,215	-
U.S. Small Business Administration					
Pass-through Awards:					
SBDC - Core	59.037	University of Massachusetts	N/A	493,891	-
Subtotal - Pass-through Awards				493,891	-
National Oceanic and Atmospheric Administration					
Pass-through Awards					
MIT Sea Grant	11.417	Massachusetts Institute of Technology	N/A	36,619	-
Subtotal - Pass-through Awards				36,619	-
U.S. Department of State Bureau of Education and Cultural Affairs					
Pass-through Awards:					
Steven's Initiative HIVER 2	19.415	IIE: Institute of International Education, Inc.	N/A	5,987	-
IDEA Grant	19.009	World Learning	N/A	3,370	-
Subtotal - Pass-through Awards				9,357	-
Environmental Protection Agency					
Pass-through Awards:					
National Estuary Program	66.456	Umass Boston	N/A	5,796	-
Subtotal - Pass-through Awards				5,796	-
Total Non-Cluster				1,350,897	-
Total Federal Funds				\$ 41,168,150	\$ -

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

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Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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, 2024. 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, 2024, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2024, loan balances receivable, net under Perkins was \$152,110.

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 \$99,953 of loans disbursed during fiscal year 2024. As of June 30, 2024, the loan balances receivable for this program was \$434,959.

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Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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

Direct Student Loan Program

The University disbursed \$27,037,998 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, 2024. 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
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Noncompliance material to the financial statements noted? yes no

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

SALEM STATE UNIVERSITY
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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
Teachers Education Assistance for College Grant	93.364
Nursing Student Loans	93.364

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

\$750,000

Auditee qualified as a low-risk auditee?

 x yes no

Section II – Financial Statement Findings:

None.

SALEM STATE UNIVERSITY
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2024-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
AL #: 84.063 and 84.268
Award year: 2024

Criteria

According to 34 CFR 668.22(e):

When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before - (A) Completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours; or (B) Sixty percent of the clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours.

Condition

Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution should determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. Once a recipient's withdrawal date is determined, an institution should complete a Return of Title IV ("R2T4") calculation. The R2T4 is used to calculate the percentage of the payment period or period of enrollment completed, establish the amount of Title IV funds earned by the recipient, and determine the amount required to be returned to the Department of Education. During our testing, we noted 2 students, out of a sample of 40, where the Return of Title IV calculation was calculated incorrectly.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Cause

The University has policies and procedures in place to perform this calculation for all students who withdraw. However, in the above instances when completing the R2T4 calculation, the University made calculation errors with one student having the incorrect number of earned days in the semester and the second student having the incorrect amount of disbursed aid used in their R2T4 calculation.

Effect

The University calculated the student's percentage of earned aid incorrectly which resulted in an incorrect amount of Title IV funds returned to the Department of Education.

Questioned Costs

\$192

Perspective

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 2 students, or 5% of our sample, had returns of Title IV funds that were miscalculated.

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

The University should implement a formal review process of the Return of Title IV calculations to ensure an accurate calculation is made.

View of Responsible Officials

The University agrees with the finding. All questioned costs were returned by the University in October 2024.



Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2023

Section IV – Management's Summary Schedule of Prior Audit Findings:

The University had a Single Audit performed on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2023. There were no audit finding reported within the Single Audit report.

Management's Corrective Action Plan

Year Ended June 30, 2024

Finding number: 2024-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
AL #: 84.063 and 84.268
Award year: 2024

Corrective Action Plan:

The R2T4 calculations were done in a timely manner. These errors were due to human error and is considered isolated incidents. The Financial Aid office has taken great steps over the years and improved the processes for identifying and processing R2T4 calculations in a timely manner.

Timeline for Implementation of Corrective Action Plan:

The corrective action plan was implemented as of October 2024.

Contact Person

Scott Jewell, Director of Financial Aid