

Salem State College

Findings on Reportable Conditions

Finding Number 13: The Need to Accurately Report Financial Activity

Salem State College (College) needs to continue to improve its financial recording and reporting. During the fiscal year 1997 audit, a \$16 million variance was noted between the cash and investments balance recorded at the Massachusetts Municipal Depository Trust (MMDT) in the name of Salem State College (College), and the cash and investments recorded on MMARS by the College. In fiscal year 1998, the College provided the Commonwealth with financial statements prepared by the College. These financial statements reflected a \$20.9 million variance in the fund balance for all fund types as of June 30, 1997, from what had been recorded on MMARS and submitted by the College in the "GAAP Accrual Package" that is requested by the State Comptroller's Office.

In October 1998, the Financial Reporting and Analysis Bureau in the State Comptroller's Office noted a significant deficit recorded on MMARS as of June 30, 1998 related to all fund types of the College. The College's response to these inquiries resulted in the posting of adjustments of approximately \$24.9 million.

In addition, there is currently an \$11.5 million variance between the cash and investment recorded on MMARS and the balance per the financial statements prepared by the College.

All colleges and universities of the Commonwealth were requested to complete and submit audited financial statements to the State Comptroller's Office by October 15, 1998. In the absence of audited financial statements the College is required to submit a GAAP package to the State Comptroller's Office each year that identifies financial statement accruals to be recorded in addition to the financial information recorded on MMARS. The State Comptroller's Office relies upon this information and includes it in the financial statements of the Commonwealth. If the College's balances are inaccurate, it may result in the material misstatement of the financial statements of the Commonwealth.

Recommendation:

We recommend that the College continue its efforts to obtain audited financial statements, prior to the reporting timelines required by the Commonwealth. Additionally, the College must track and record its financial information more accurately. The College should reconcile its own financial records to MMARS on a monthly basis and ensure that amounts reported in its GAAP package properly reflect its GAAP activity at June 30. If the College does not understand the GAAP package instructions or the financial reporting requirements with which it must comply, it should contact the State Comptroller's Office for assistance.

Department corrective action plan:

We believed that we were accurately reporting our financial information on MMARS and in GAAP package. As a result of this audit finding, we are in the process of arranging training sessions with the State Comptroller's Office.

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