U.S. Department of Education
Office of Inspector General

Gulf Coast State College's Use of 2019 Emergency Assistance to Institutions of Higher Education Program Funds

September 22, 2022
ED-OIG/A20NY0040

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

September 22, 2022

Dr. Cheryl Flax-Hyman
Interim President
Gulf Coast State College
5230 West Highway 98
Panama City, Florida 32401

Dr. Flax-Hyman:

Enclosed is our final audit report, "Gulf Coast State College's Use of 2019 Emergency Assistance to Institutions of Higher Education Program Funds," Control Number ED-OIG/A20NY0040. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Nasser Paydar, Ph.D
Assistant Secretary for Postsecondary Education
U.S. Department of Education
Office of Postsecondary Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Myra Hamilton
Regional Inspector General for Audit

Enclosure

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Results in Brief

What We Did

Our objective was to determine whether Gulf Coast State College (Gulf Coast) used 2019 Emergency Assistance to Institutions of Higher Education (Emergency Assistance) program funds in accordance with Federal requirements and its approved application for program funds. Our review covered the expenditures that Gulf Coast charged to its Emergency Assistance program grant as of August 5, 2021.[1]

To accomplish our audit objective, we selected a sample of personnel and non-personnel expenditures from the almost $2.4 million in Emergency Assistance program funds that Gulf Coast expended as of August 5, 2021. For our review of personnel expenditures, we judgmentally selected the 3 largest dollar amount payroll periods out of 24 total payroll periods. For our review of non-personnel expenditures, we reviewed 10 transactions—we judgmentally selected the largest non-personnel transaction and 9 additional transactions from the remaining 12 larger than $1,000. Of the nine transactions we selected, five were selected randomly and four were judgmentally added during our review.

What We Found

We found that Gulf Coast used about $1.8 million in 2019 Emergency Assistance program funds for activities that were not allowable in accordance with Federal requirements. Specifically, Gulf Coast used about $1.7 million in Emergency Assistance program funds for lost tuition revenue that was not authorized under the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Public Law 116-20) and $96,365 for the purchase of new equipment unrelated to the covered disaster. Gulf Coast identified these uses of funds in a revised budget for its Emergency Assistance grant and provided an analysis related to lost tuition revenue to the U.S. Department of Education's Office of Postsecondary Education (OPE). OPE approved the revised budget even though the lost tuition revenue cost was not authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019.

What We Recommend

We recommend that the Assistant Secretary for Postsecondary Education require Gulf Coast to reallocate the almost $1.8 million in questioned costs from the Emergency Assistance program funds used for lost tuition revenue and the purchase of equipment

[1] Gulf Coast's Emergency Assistance program grant was extended to December 23, 2022.

for future disasters prior to closing out the grant or return the questioned costs to the U.S. Department of Education. If allowable costs cannot be reallocated for the amount of lost tuition revenue, then the Assistant Secretary for Postsecondary Education should report a violation of the Anti-Deficiency Act to the President, Congress, and the Comptroller General as required by 31 United States Code 1351.

Gulf Coast Comments and Our Response

We provided a draft of this report to Gulf Coast for comment. We summarized Gulf Coast's comments at the end of the finding and provided the full text of the comments at the end of the report (see "Gulf Coast Comments").

Gulf Coast Comments

Gulf Coast disagreed with our finding and recommendations. Gulf Coast stated that while the finding and recommendations contained in the report may be factually correct according to applicable laws and regulations, it was greatly concerned with the inconsistency between the interpretation of the regulations by OPE and the Office of Inspector General (OIG). Gulf Coast noted that it requested and received written approval from OPE to use funds for the activities that OIG found to be unallowable. Nevertheless, Gulf Coast stated that it had identified about $2.0 million in salaries, wages, and benefits to reallocate to the Emergency Assistance program in response to our recommendations.

OIG Response

We acknowledge in the report that Gulf Coast requested and received written approval from OPE to use Emergency Assistance program funds for lost tuition revenue and the purchase of certain equipment. However, we maintain that these activities were not allowable in accordance with Federal requirements and our finding is factually correct and supported by sufficient and appropriate audit evidence. OIG is an operationally independent part of the U.S. Department of Education tasked with independently and objectively conducting audits in accordance with generally accepted government auditing standards. As a result of our independence, there are instances where we arrive at different conclusions than other U.S. Department of Education office officials based on the specific evidence we obtain in connection with the audits we conduct.

Gulf Coast did not provide supporting documentation of the reallocation. However, the action described by Gulf Coast in its response is responsive to our recommendations, if implemented as designed.

We did not make any changes to the finding or recommendations based on Gulf Coast's comments.

Introduction

Background

Gulf Coast State College and Hurricane Michael

Gulf Coast State College (Gulf Coast) was founded in 1957, after the Florida Legislature established a Statewide network of community colleges and became a 4-year institution in 2011. Gulf Coast offers bachelor's degrees, associate degrees, career training certificate programs, and continuing education programs. Gulf Coast consists of four campuses—Panama City (the main campus), Tyndall Air Force Base Education Center, North Bay, and Gulf Franklin.

On October 10, 2018, Hurricane Michael hit the area surrounding Gulf Coast. All 24 buildings on the Panama City campus received significant damage. The destruction had a substantial impact on Gulf Coast's students and employees. In the immediate aftermath of the storm, housing insecurity escalated as 22,000 residents were displaced, with an estimated 69 percent of all residential homes in Panama City receiving significant damage. Overall, 95 percent of all structures in Panama City sustained some level of damage. As a result, the number of homeless students in the county around Gulf Coast increased from 738 students prior to Hurricane Michael to more than 4,800 after the storm. After Hurricane Michael, Gulf Coast's student enrollment decreased from 5,933 in fall 2018 to 4,813 in spring 2019, and then increased to 5,247 in fall 2019.

Eligibility and Application Process for the Emergency Assistance to Institutions of Higher Education Program Funds

The Bipartisan Budget Act of 2018 (Public Law 115-123) was signed into law on February 9, 2018, authorizing funds to help schools meet the educational needs of individuals affected by Hurricanes Harvey, Irma, and Maria and the 2017 wildfires. The law set aside $100 million to help schools and students attending those schools located in an area directly affected by a covered disaster or emergency.

On June 6, 2019, the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Public Law 116-20) was signed into law. The law provided an additional $165 million for education-related disaster recovery programs authorized under the Bipartisan Budget Act of 2018 and gave the Secretary of Education discretion regarding how best to administer those funds to meet the needs of eligible entities at the elementary, secondary, and postsecondary levels of education. Funds authorized by the law were to remain available through September 30, 2020.

The U.S. Department of Education (Department) awarded 2019 Emergency Assistance to Institutions of Higher Education (Emergency Assistance) program funds to address the needs of schools affected by the disasters or emergencies covered by the Additional Supplemental Appropriations for Disaster Relief Act, 2019. The Emergency Assistance program provides discretionary grants for emergency assistance to eligible schools affected by Hurricanes Florence and Michael; Typhoon Mangkhut; Super Typhoon Yutu; wildfires, earthquakes, and volcanic eruptions occurring in calendar year 2018; and tornadoes and floods occurring in calendar year 2019 for which a major disaster or emergency has been declared. The Office of Postsecondary Education (OPE) administers the Emergency Assistance program.

To apply for a 2019 Emergency Assistant grant, schools were required to submit a preapplication to OPE by October 28, 2019. In the preapplication, schools had to include information about (1) the number of days the school was closed as a result of the covered disaster or emergency, (2) the school's student enrollment prior to the disaster, (3) the school's student enrollment after the disaster, and (4) the number of students at the school known to be homeless or at risk of being homeless. The school was also required to provide a needs and severity narrative and a proposed budget for the use of the funds.

OPE used the data collected from the preapplications to determine each applicant's equitable share of the $165 million available for the Emergency Assistance program. OPE was required to prioritize schools that served students who were homeless or who were at risk of becoming homeless because of displacement related to the covered disaster or emergency and schools that sustained extensive damage by a covered disaster or emergency. The factors that OPE considered in its determination were

1. the expenses incurred by the school to remedy the effects of the covered disaster or emergency, including expenses for construction and reconstruction associated with physical damage caused by the covered disaster or emergency, and the expenses associated with supporting students who are homeless or at risk of becoming homeless;
2. any amount of any insurance settlement or other funds received by the school, from any source including a Federal or other relief agency, related to remedying the effects of covered disaster or emergency; and
3. the need for the proposed project, including the magnitude and severity of the problem, to be addressed by the proposed project.

OPE reduced Emergency Assistance program allocations to all schools that applied for funds by over 60 percent due to insufficient funding to meet all of the financial requests

that it received from schools. According to G5, the Department's Grants Management system, the Department had authorized Emergency Assistance grant funds to seven schools, totaling about $33 million,[2] as of June 13, 2022.

Gulf Coast submitted its preapplication, dated October 28, 2019, for Emergency Assistance program funds totaling over $8.1 million to OPE. Based on its preapplication, Gulf Coast intended to use the Emergency Assistance program funds for direct student aid for housing assistance, mental health services, equipment, construction, and repair costs not covered by insurance or the Federal Emergency Management Agency. On December 19, 2019, OPE awarded Gulf Coast over $2.6 million in Emergency Assistance funds. Gulf Coast then submitted a revised budget on April 2, 2020, for the $2.6 million that included expenses for mental health counselors, emergency radio equipment, a generator, meals for employees and students, repair of damaged equipment and facilities, and reimbursement for lost tuition revenue. Subsequently, OPE requested that Gulf Coast provide supporting documentation for the equipment that was damaged, a description of the damage to Gulf Coast's facilities, the number of meals provided, and the dollar amount for lost tuition revenue. On April 6, 2020, Gulf Coast provided the supporting documentation to OPE, including an analysis of tuition fee categories used to determine the lost tuition revenue. On April 7, 2020, OPE acknowledged that it had reviewed the documentation provided by Gulf Coast and found that the documentation of the expenses Gulf Coast identified in its revised budget were sufficient.

Authorized Uses of Emergency Assistance Program Funds

According to the Bipartisan Budget Act of 2018, Emergency Assistance funds may be used for student financial assistance, faculty and staff salaries, equipment, student supplies and instruments, or any purpose authorized under the Higher Education Act of 1965, as amended (HEA). The Emergency Assistance grant program's Frequently Asked Questions (July 27, 2018) specifies that the funds must be used for activities directly related to mitigating the effects of a covered disaster or emergency on students and institutions. Also, grantees may not use Emergency Assistance program funds to supplant funds that otherwise would have been used for the same purpose, such as funds made available through an insurance policy, the Federal Emergency Management Agency, a State, a nonprofit relief organization, or any other third party.

[2] The remaining portion of the $165 million were used for other disaster relief programs.

Finding. Gulf Coast's Approved Emergency Assistance Program Grant Budget and Spending Included Unallowable Costs

We found that Gulf Coast used about $1.8 million in 2019 Emergency Assistance program funds for activities that were not allowable in accordance with Federal requirements. Specifically, Gulf Coast used about $1.7 million in Emergency Assistance program funds for lost tuition revenue that was not authorized under the Additional Supplemental Appropriations for Disaster Relief Act, 2019 and $96,365 for the purchase of new equipment unrelated to the covered disaster. Gulf Coast identified these uses of funds in a revised budget for its Emergency Assistance grant and provided an analysis related to lost tuition revenue to OPE. OPE approved the revised budget even though the lost tuition revenue cost was not authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019.

Unallowable Use of Funds for Lost Tuition Revenue

We determined that Gulf Coast's use of Emergency Assistance program funds for lost tuition revenue was not allowed according to the Additional Supplemental Appropriations for Disaster Relief Act, 2019. On September 23, 2020, Gulf Coast recognized about $1.7 million in Emergency Assistance program funds for an estimated drop in tuition and fee revenue that it experienced during the fiscal year ending June 30, 2019, when it had suffered damage due to Hurricane Michael. Gulf Coast's estimated lost tuition revenue was determined by analyzing 20 student tuition and fee account balances. Gulf Coast officials stated that they used the audited revenue totals for those accounts for the fiscal year ending June 30, 2018,[3] and estimated a decrease of 18 percent[4] for those accounts for the fiscal year ending June 30, 2019.

Gulf Coast officials stated that the school's revenue decreased as a result of Hurricane Michael. According to Gulf Coast officials, funding for lost tuition revenue was included in the Florida Legislature's budget as part of its disaster relief aid,[5] but it was removed

[3] The totals were obtained from the statement of revenue, expenses, and changes of net position included in Gulf Coast's financial audit report for the year ending June 30, 2018.

[4] Gulf Coast officials could not provide additional information regarding how the 18 percent estimated drop in tuition revenue was determined.

[5] Lost tuition revenue was included in a local funding initiative request to the Florida Senate submitted on March 6, 2019.

from the legislation by the Governor. Gulf Coast officials also stated that they submitted the lost tuition revenue for reimbursement from the school's insurance company, but it was rejected by the insurance company. Finally, Gulf Coast identified lost tuition revenue as an expenditure in a revised budget that it submitted for its Emergency Assistance grant and provided an analysis based on specific student tuition and fee revenue accounts related to this expenditure to OPE. OPE reviewed the analysis and approved Gulf Coast's use of Emergency Assistance program funds for lost tuition revenue. However, lost tuition revenue was not an authorized use of funds under the Additional Supplemental Appropriations for Disaster Relief Act, 2019 or the HEA. Neither Gulf Coast nor OPE identified any program in the HEA that authorized the use of grant funds for recovery of lost revenue. OPE has no authority to authorize the use of appropriated funds contrary to conditions established by Congress in an appropriations act.[6] If funds are not obligated or cannot be used for an authorized purpose, OPE would have to report a violation of the Anti-Deficiency Act to the President, Congress, and the Comptroller General as required by 31 United States Code 1341(a)(1)(A) and 1351.

Unallowable Use of Funds for Purchase of Certain Equipment

We also found that Gulf Coast expended $96,365 for equipment purchased that was unrelated to the consequences of Hurricane Michael. Gulf Coast used Emergency Assistance program funds totaling $79,565 for a generator and $16,800 for engineering costs related to the generator. The invoices for the generator and engineering costs were dated from July 30, 2020, through April 16, 2021, and were approved in Gulf Coast's revised budget for its Emergency Assistance grant. The purpose of these expenditures, as Gulf Coast explained in its preapplication dated October 28, 2019, was for new equipment that was needed to prepare for possible future disasters. Therefore, these expenditures did not relate to the consequences of a covered disaster, such as repair costs or replacement of equipment, as required by the Additional Supplemental Appropriations for Disaster Relief Act, 2019. Instead, they were for new equipment intended for use during possible future disasters.

Federal Requirements for the Emergency Assistance Program

The Additional Supplemental Appropriations for Disaster Relief Act, 2019 provided the Department with funds to assist in meeting the educational needs of individuals affected by covered disasters or emergencies that occurred in calendar years 2018 and 2019, including Hurricane Michael. Funds were to be provided through any of the

[6] Appropriations Clause of the Constitution, Art. I, section 9, cl. 7; 31 United States Code 1341(a); Office of Personnel Management v. Richmond, 496 U.S. 414 (1990).

programs authorized under the Bipartisan Budget Act of 2018 included the Emergency Assistance program.

Under the Bipartisan Budget Act of 2018, assistance to institutions of higher education can be used for (1) student financial assistance; (2) faculty and staff salaries, equipment, student supplies and instruments; and (3) any purpose authorized under the HEA.

The "Notice Announcing Availability of Funds and Application Deadline; Emergency Assistance to Institutions of Higher Education," 84 Federal Register 48604-48605 (September 16, 2019), states that 2019 Emergency Assistance program funds were "awarded to assist activities directly related to mitigating the effects of a covered disaster or emergency on students and institutions" and that "[a]llowable uses of funds include those authorized under the HEA."

According 2 Code of Federal Regulation (C.F.R.) section 200.405(a)(1) a cost is allocable to a Federal award if the cost is "assignable to that Federal award or cost objective in accordance with relative benefits received." Furthermore, 2 C.F.R. section 200.405(a)(2) states that the benefits received must benefit the Federal award.

Gulf Coast's Use of Funds for Unallowable Purposes Was Approved by OPE

Gulf Coast used Emergency Assistance program funds for activities that were not allowable in accordance with Federal requirements. Gulf Coast had received approval from OPE to use Emergency Assistance program funds to address lost tuition revenue and for the purchase of the generator for future use. Because it had received approval from OPE, Gulf Coast assumed that these activities were allowed.

Gulf Coast could have used the almost $1.8 million in Emergency Assistance program funds that we identified as having been used for unallowable activities on activities that would have directly mitigated the effects of the emergency and met the educational needs of affected student. These allowable activities could have further supported Gulf Coast's strategies for becoming fully operational, prioritizing, to the extent possible, students who are homeless or at risk of becoming homeless as a result of displacement due to the covered disaster or emergency.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education—

1.1 Require Gulf Coast to reallocate the almost $1.8 million in questioned costs from the Emergency Assistance program funds used for lost tuition revenue and the purchase of equipment for future disasters prior to close out of the grant or

require the return of funds to the Department in the amount of the questioned costs.

1.2 If allowable costs cannot be reallocated for the amount of lost tuition revenue under Recommendation 1.1, report a violation of the Anti-Deficiency Act to the President, Congress, and the Comptroller General as required by 31 United States Code 1351.

Gulf Coast Comments

Gulf Coast acknowledged that the finding may be factually correct but disagreed with it, stating that OPE and the Office of Inspector General are both representatives of the Department, and as such, it was concerned with the inconsistent interpretation of the regulations by OPE and OIG with respect to the unallowable costs presented in the finding. Gulf Coast stated that if it had proceeded to use the Emergency Assistance program funds without consulting OPE, then it would not be questioning and disputing the finding. However, Gulf Coast sought guidance from OPE and submitted the required documents, and its actions were based on the written approval that it received from OPE.

Gulf Coast also disagreed with our recommendations. However, Gulf Coast stated that to aid in resolving the issue, it identified about $2.0 million in salaries, wages, and benefits paid to its staff after the hurricane that it plans to reallocate to the Emergency Assistance grant program.

OIG Response

While we agree that Gulf Coast did seek guidance from OPE prior to using Emergency Assistance program funds and acted in good faith after it received approval from OPE, we maintain that our finding is factually correct and supported by sufficient and appropriate audit evidence. OIG is an operationally independent part of the Department responsible for conducting audits of Department programs and operations to promote the economy, efficiency, and effectiveness in the administration of such programs and operations. As a result of our independence, there are instances where we arrive at different conclusions than other Department offices based on the specific evidence we obtain in connection with the audits we conduct. We determined that the Department did not have the authority to approve the uses of funds identified in this report contrary to the statutory requirements, as explained in detail above. Our audit work was conducted in accordance with generally accepted government audit standards and our finding and conclusions are based on the laws and regulations applicable to the objective of the audit.

The action proposed by Gulf Coast to reallocate costs to the grant is responsive to our recommendations, if implemented as designed, as the Bipartisan Budget Act of 2018 states that Emergency Assistance program funds can be used for faculty and staff salaries. However, we encourage Gulf Coast to continue working with OPE to ensure it properly identified and reallocated costs in accordance with Federal requirements.

Appendix A. Scope and Methodology

We reviewed Gulf Coast's expenditures for the 2019 Emergency Assistance program. Specifically, we reviewed Gulf Coast's expenditures to ensure that it used the funds in accordance with Federal requirements and its approved application for the Emergency Assistance program. Our review covered Gulf Coast's expenditures as of August 5, 2021.

To achieve our audit objectives, we performed the following procedures:

- Gained an understanding of Gulf Coast's written policies and procedures related to the expending of the Emergency Assistance program grant.
- Reviewed Gulf Coast's application to the Department for Emergency Assistance to understand its eligibility and the expenditures approved by the Department.
- Interviewed Gulf Coast officials responsible for administering the Emergency Assistance program to understand how the Emergency Assistance funds were expended and recorded.
- Reviewed a sample of expenditures that Gulf Coast charged to the Emergency Assistance program grant to ensure applicable laws and regulations were followed. We reviewed supporting documentation such as personnel records, vendor bids, requisition forms, purchase orders, invoices, receipts, checks, and contracts.
- Gained an understanding of Federal law, regulations, and guidance relevant to our audit objectives, including
    - the Bipartisan Budget Act of 2018 (February 9, 2018);
    - the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (June 6, 2019);
    - the "Notice Announcing Availability of Funds and Application Deadline; Emergency Assistance to Institutions of Higher Education," 84 Federal Register 48603-48605 (September 16, 2019);
    - 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
    - Generally Accepted Accounting Principles' Financial Accounting Standards Board Accounting Standards Codification System; and
    - the Department's Frequently Asked Questions for the Emergency Assistance program.

Sampling Methodology

To determine if Gulf Coast used Emergency Assistance program funds in accordance with Federal requirements, we selected a sample of 3 payroll periods for personnel expenditures and 10 transactions for non-personnel expenditures from the almost $2.4 million Gulf Coast expended as of August 5, 2021.

Personnel Sample

We judgmentally selected the 3 largest dollar amount payroll periods out of 24 total payroll periods. Personnel transactions consisted of 150 transactions that totaled about $63,000. Each personnel transaction was grouped into 24 payroll periods and each pay period consisted of 1 salary transaction and related payroll transactions.

Non-Personnel Sample

Non-personnel expenditures consisted of 24 transactions totaling over $2.3 million, including 13 transactions that exceeded $1,000. To determine whether the non-personnel expenditures were allowable, we selected a sample of expenditures from the 13 transactions that exceeded $1,000. We judgmentally selected the largest non-personnel transaction of about $1.7 million and randomly selected 5 transactions from the 12 remaining non-personnel transactions that exceeded $1,000. During our initial review of the five randomly selected non-personnel transactions, we noticed that four of the five randomly selected transactions were for purchases of equipment and services that were recorded using multiple transactions. When reviewing the supporting documentation, it was difficult to trace and consolidate each individual transaction. Therefore, we decided to include in our review four additional non-personnel transactions that were for the purchase of the equipment or service.

Internal Control

We obtained an understanding of the internal control areas relevant to Gulf Coast's accounting and expending of Emergency Assistance program funds. We determined that Gulf Coast's control activities related to its accounting and expending of Emergency Assistance program funds in compliance with Federal requirements and its approved application were sufficient within the context of our audit objective. We gained an understanding of these controls only to help us identify Emergency Assistance expenditures, select a sample of Emergency Assistance expenditures to test, and determine compliance with Federal requirements, including those related to cash management and supplantation.

Use of Computer-Processed Data

We relied, in part, on computer-processed data provided by Gulf Coast that summarized the expenditures for the Emergency Assistance grant program. We used this data to evaluate whether Gulf Coast expended the Emergency Assistance program funds in accordance with Federal requirements and its approved application for the Emergency Assistance program. We also used these data to select a sample of personnel and non-personnel expenditures to determine if the expenditures of Emergency Assistance program funds were in accordance with Federal requirements and Gulf Coast's approved application for the Emergency Assistance program. To confirm the sufficiency and appropriateness of the data that Gulf Coast provided, we compared Gulf Coast's expenditure data to query extracts and supporting documentation from Gulf Coast's accounting system, approved budget data, annual performance report data, and G5 drawdown detail. We determined that the expenditure data provided were accurate and complete and could be relied upon in answering our audit objective.

Due to the coronavirus pandemic, we conducted our audit virtually from August 2021 through May 2022 with staff at Gulf Coast's offices in Panama City, Florida. We conducted an entrance conference with Gulf Coast officials on August 10, 2021. We held an exit conference and discussed the results of our audit with Gulf Coast officials on May 11, 2022.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Emergency Assistance	Emergency Assistance to Institutions of Higher Education
Gulf Coast	Gulf Coast State College
HEA	Higher Education Act of 1965, as amended
OIG	Office of Inspector General
OPE	Office of Postsecondary Education

Gulf Coast Comments

August 22, 2022

Ms. Myra Hamilton
Regional Inspector General for Audit
United States Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Ms. Hamilton:

Gulf Coast State College (College) has received and reviewed the draft report, "Gulf Coast State College's Use of 2019 Emergency Assistance to Institutions of Higher Education Program Funds," Control Number ED-OIG/A20NY0040, and while this report is consistent with previous drafts and conversations between the College and the Office of Inspector General (OIG), the College continues to strongly disagree with the findings and recommendations in that report. While the findings and recommendations contained in the report may be factually correct according to applicable laws, rules and regulations, the College's disagreement is based on a much more disconcerting aspect of the conclusion. That is, the inconsistency between the interpretation of those regulations and the subsequent direction provided by the Office of Postsecondary Education (OPE) and the interpretation of the same regulations found in the report from OIG, two entities that are both under the United States Department of Education (DOE) umbrella. As a recipient of other Federal funds, this inconsistency causes us great concern. We may no longer be able to trust guidance received for any programs within the DOE.

Not to recap all of the information contained in the report, but the College suffered significant damage from Hurricane Michael on October 10, 2018 and many of our students, faculty, staff, lost some or all of their possessions, including their homes. The College had serious damage to most buildings on its Panama City Campus with every building receiving some damage. In spite of this, the College reopened in 27 days. In some cases, instruction was delivered in buildings with plastic sheeting for walls and with bare concrete floors to prevent our Veteran Affairs funded students from losing their benefits. Appropriately, the College was understandably excited and appreciative when approached about submitting a disaster relief application, although the guidance at the time was somewhat general and the College was still under reconstruction and otherwise preoccupied.

While some of the costs reported may, or may not, be allowable under Federal requirements, the

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College asserts that it is incumbent on the DOE to ensure that guidance provided is legal, consistent and in accordance with program requirements. If the College had proceeded with the use of the funds on its own without guidance from OPE, we would not even be questioning, much less disputing, these findings and recommendations. But the College did not proceed on its own, as confirmed in the report. Instead, it sought guidance from OPE, submitted the required documents, and based its actions on written approval from OPE, the very group all educational institutions should be able to rely on for guidance. As an aside, the lost tuition and fees calculation, now determined to be an "unallowed cost," under this program was examined extensively by OPE audit staff. This begs the question of why it was not rejected immediately if not allowed.

In an effort to aid in resolving this issue to the satisfaction of all parties, the College has identified $1,990,513.57 in salaries, wages and benefits that it continued to pay immediately following the hurricane while the campus was closed and was being made safe for the return of students, faculty and staff. The college continued to compensate faculty and staff to ensure employees vital to operation of the institution could remain in the area thus enabling the College to resume operations quickly to continue serving the educational needs of the citizens of Bay, Gulf and Franklin Counties. These costs will be reallocated to the grant as recommended in the audit report.

The College appreciates the efforts of all DOE staff in conducting their respective duties in accordance with the directives of their applicable management. However, the College also feels strongly that DOE should endeavor to resolve its internal inconsistencies in interpreting guidance to prevent similar failures that result in frustration among those that rely on it.

If you have any questions or would like to discuss further, please contact me at (850) 872-3807.

Sincerely,

(b) (6)

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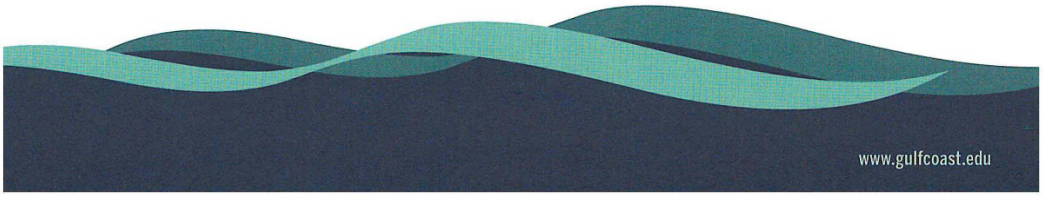
Cc: Dr. Cheryl Flax-Hyman, Interim President
Ms. Leslie Hapner, Dean of Business Affairs