

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF GULFPORT, MISSISSIPPI**

**COMPLIANCE REPORTS**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2021**

**CITY OF GULFPORT, MISSISSIPPI**  
**COMPLIANCE REPORTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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**INDEPENDENT AUDITOR'S 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**

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**To the Honorable Mayor and Members  
of the City Council  
City of Gulfport, Mississippi**

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Gulfport, Mississippi** (the "City"), as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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*.

### **The City of Gulfport, Mississippi's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
September 15, 2022



## **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**

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**To the Honorable Mayor and Members  
of the City Council  
City of Gulfport, Mississippi**

### **Report on Compliance For Each Major Federal Program**

We have audited the **City of Gulfport, Mississippi's** (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended September 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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### **Opinion on Each Major Federal Program**

In our opinion, the City 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 fiscal year ended September 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

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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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 15, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic 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.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
September 15, 2022



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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To the Honorable Mayor and Members  
of the City Council  
City of Gulfport, Mississippi

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the **City of Gulfport, Mississippi** (the "City") as of and for the fiscal year ended September 30, 2021, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the City's basic financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the City council and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
September 15, 2022

# CITY OF GULFPORT, MISSISSIPPI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Grant Identification Number	Total Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Awards:			
CDBG-Entitlement Grants	14.218	BC-19-MC-28-0002	\$ 139,087
Total CDBG Entitlement Grants Cluster			<u>139,087</u>
Home Investment Partnership Program	14.239	M-18-DC-280200	81,845
			<u>81,845</u>
Passed through Mississippi Development Authority			
Community Development Block Grant	14.228	R-109-202-02-KCR	33,768
Community Development Block Grant	14.228	R-109-202-09-KCR	198,582
			<u>232,350</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>453,282</u></b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Mississippi Department of Highway Safety			
Alcohol DUI Enforcement FY 2020	20.607	154AL-2020-ST-24-41	4,617
Alcohol DUI Enforcement FY 2021	20.607	154AL-2021-ST-41	24,865
			<u>29,482</u>
State and Community Highway Safety	20.600	PT-2021-PT-21-21	7,196
Total Highway Safety Cluster			<u>7,196</u>
Passed through Mississippi Department of Transportation			
Highway Planning & Construction	20.205	STP-9370-00(004)	98,584
Highway Planning & Construction	20.205	STP-9372-00(009)	407,829
Highway Planning & Construction	20.205	STP-9178-00(003)	307,697
Highway Planning & Construction	20.205	STP-7822-00(004)	178,783
Highway Planning & Construction	20.205	STP-0008-01(146)	35,135
Total Highway Planning & Construction Cluster			<u>1,028,028</u>
BUILD Grant - Interconnecting Gulfport	20.933	FBLD-9159-00(000)LPA	1,030,151
			<u>1,030,151</u>
Direct Award:			
Consolidated Rail Infrastructure and Safety Improvements Program	20.325	FR-CRS-0016-20-01-00	40,536
			<u>40,536</u>
<b>Total U.S. Department of Transportation</b>			<b><u>2,135,393</u></b>

(Continued)

# CITY OF GULFPORT, MISSISSIPPI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Grant Identification Number	Total Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Mississippi Emergency Management Agency			
COVID-19 MEMA State Share CARES ACT	97.036	4528-DR-MS	\$ 70,462
MEMA Disaster Funding - ZETA	97.036	4576-DR-MS	7,731,278
			<u>7,801,740</u>
Passed through Mississippi Department of Highway Safety			
Task Force III Instructor Development/Travel/AEL Equipment	97.067	M18HS202T	2,726
			<u>2,726</u>
Passed through Mississippi Department of Highway Safety			
Homeland Security Grant Program	97.067	A19HS202T	8,781
Homeland Security Grant Program	97.067	19HS202T	17,604
Homeland Security Grant Program	97.067	M20HS202T	4,264
Homeland Security Grant Program	97.067	20HS202T	16,944
			<u>47,593</u>
<b>Total U.S. Department of Homeland Security</b>			<u><b>7,852,059</b></u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Passed through Mississippi Department of Environmental Quality			
RESTORE Act Funds	21.015	18-00030	635,905
<b>Total U.S. Department of the Treasury</b>			<u><b>635,905</b></u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed through Mississippi Department of Marine Resources			
GOMESA Act Funds	15.435	N/A	819,555
<b>Total U.S. Department of the Interior</b>			<u><b>819,555</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 11,896,194</b></u>

# CITY OF GULFPORT, MISSISSIPPI

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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### **NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Gulfport, Mississippi (the "City"), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **NOTE 2. DE MINIMIS INDIRECT COST RATE**

The City chose not to use the 10% de Minimis indirect cost rate for the fiscal year ended September 30, 2021.

### **NOTE 3. NON-CASH AWARDS**

The City did not receive non-cash federal awards during the fiscal year ended September 30, 2021.

### **NOTE 4. SUBRECIPIENTS**

The City did not pass through any funds to subrecipients during the year ended September 30, 2021.

# CITY OF GULFPORT, MISSISSIPPI

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

### SECTION I SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued on whether the  
Financial statements audited were prepared in  
accordance with GAAP

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

X  Yes      No

Significant deficiencies identified

Yes     X  No

Noncompliance material to financial statements noted?

Yes     X  No

#### Federal Awards

Internal control over major programs:  
Material weaknesses identified?

Yes     X  No

Significant deficiencies identified

Yes     X  No

Type of auditor's report issued on compliance for  
major programs

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with the 2 CFR 200.516(a)?

Yes     X  No

Identification of major programs:

Assistance Listing Number

20.205

Name of Federal Program or Cluster

**U.S. Department of Transportation**

Highway Planning & Construction Cluster

20.933

**U.S. Department of Transportation**

BUILD Transportation Grant

97.036

**U.S. Department of Homeland Security**

MEMA Disaster – ZETA / COVID-19 MEMA CARES Act

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

\$750,000

Auditee qualified as low-risk auditee?

Yes     X  No

# CITY OF GULFPORT, MISSISSIPPI

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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### SECTION II FINANCIAL STATEMENT FINDINGS

#### 2021-001 – General Accounting Matters/Close-out Procedures

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is also a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operations objectives. Generally accepted accounting principles (GAAP) require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable and available. Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition:** During our audit, we noted accounting, reporting and reconciling not being properly performed and reviewed consistently during the fiscal year which required a significant effort to close the City's 2021 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed September 30, 2021. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly review bank reconciliations;
- to properly maintain the accounts payable on a periodic basis throughout the year;
- to accurately maintain and record the City's capital assets;
- to accurately maintain and record the City's long-term debt and related cash; and
- to close-out and report activities, events and transactions on a periodic basis.

We believe it is important to note that we observed a genuine interest by the City's accounting personnel in their desire to learn and assume greater responsibilities for the City's accounting and financial reporting and noticed great improvement throughout the audit.

**Context:** We addressed the matter with the City officials who were able to provide all respective details and reconciliations as of and for the year ended September 30, 2021.

**Effects:** The ultimate effect of the above condition is the potential for errors and irregularities to occur and not be detected and corrected in a timely manner.

**Cause:** There was a lack of appropriate controls implemented at the City during the fiscal year to properly maintain financial and non-financial information and to properly close out the year-end.

# **CITY OF GULFPORT, MISSISSIPPI**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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### **SECTION II FINANCIAL STATEMENT FINDINGS (CONTINUED)**

#### **2021-001 – General Accounting Matters/Close-out Procedures (Continued)**

**Recommendation:** We recommend the City consider a variety of options in addressing the above condition. The City needs to continue evaluating its strengths and weaknesses relative to the accounting function, and take appropriate measures to address the concerns noted above with a goal of providing timely recording, reconciling and reporting of City operations and financial and non-financial activities. We also recommend the City seek the expertise of a software technician to come in and diagnose the issues with the City's accounting software related to the accounts receivable and capital assets to improve the overall audit. We have noted the City has begun implementing a number of processes/procedures to improve the overall accounting function during the audit fieldwork.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

### **SECTION III FEDERAL AWARD FINDINGS AND RESPONSES**

None Reported.

# CITY OF GULFPORT, MISSISSIPPI

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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### SECTION IV

#### 2020-001 – General Accounting Matters/Close-out Procedures

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is also a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operations objectives.

Generally accepted accounting principles (GAAP) require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable and available. Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition:** Certain accounting, reporting and reconciling procedures were not properly performed and reviewed during the fiscal year, which required a significant effort to close the City's 2020 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed September 30, 2020. We noted deficiencies in completeness, accuracy, and cut off. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly review bank reconciliations;
- to properly maintain the accounts payable on a periodic basis throughout the year;
- to accurately maintain and record the City's capital assets;
- to accurately maintain and record the City's long-term debt and related cash; and
- to close-out and report activities, events and transactions on a periodic basis.

**Status:** Unresolved. See current year finding 2021-001.