



# CIRCUIT ENGINEERING DISTRICT #1

## Operational Audit

For the period of July 1, 2020 through June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**CIRCUIT ENGINEERING DISTRICT #1  
OPERATIONAL AUDIT  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by [69 O.S. § 687.1](#), has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



January 26, 2023

**TO THE BOARD OF THE  
CIRCUIT ENGINEERING DISTRICT #1**

We present the audit report of the Circuit Engineering District #1 for the period of July 1, 2020 through June 30, 2021. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CIRCUIT ENGINEERING DISTRICT #1  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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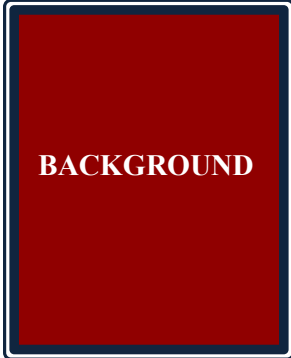
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**INTRODUCTORY SECTION**  
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CIRCUIT ENGINEERING DISTRICT #1  
DISTRICT INFORMATION AND OFFICIALS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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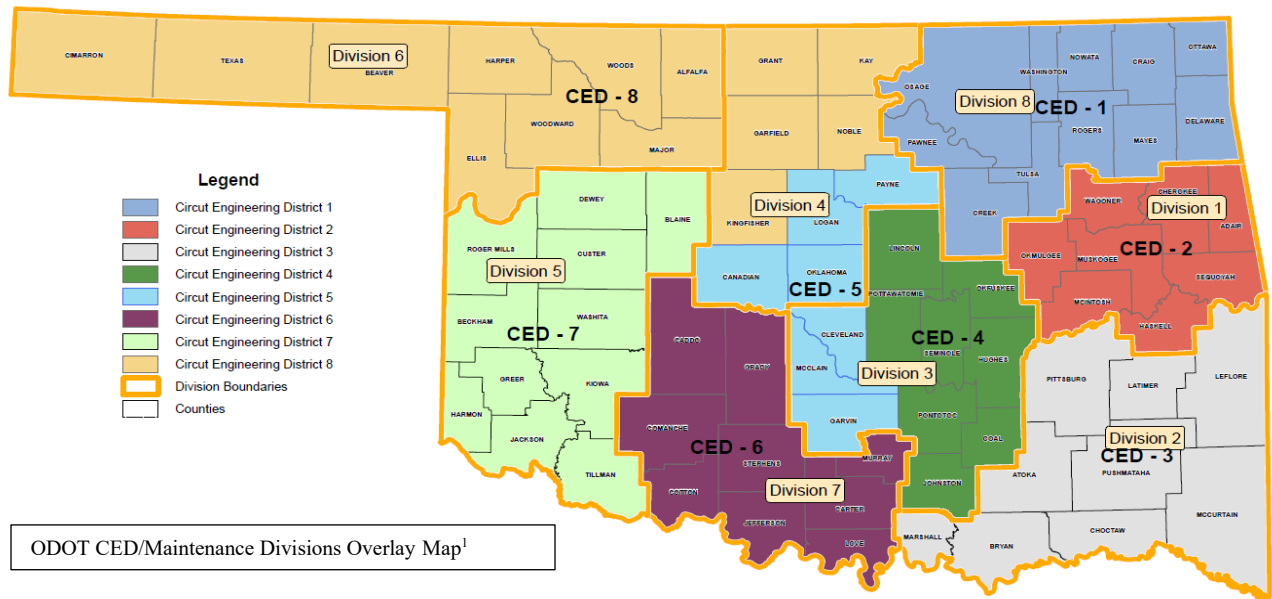
Pursuant to 69 O.S. § 687.1, counties may “create a circuit engineering district with any other county or counties” to allow county governments to “make the most efficient use of their powers [...] that will accord best with geographic, economic, population and other factors influencing the needs and development of county government.” The District is considered a political subdivision of the state.

The circuit engineering district provides project-focused assistance for its member counties, a shared engineer between counties in an advisory capacity, engineering expertise that counties could not afford alone, help for small, rural counties, and help with a county five-year construction work plan.

Each participating county in the District has an appointed county commissioner or county representative to serve as members from the District’s respective county seats. Each District then elects officers from the members as follows: President, Vice-President, and Secretary/Treasurer.

- |                  |                                   |
|------------------|-----------------------------------|
| Dan DeLozier     | President, Rogers County          |
| Mitch Antle      | Vice-President, Washington County |
| Lowell Walker    | Secretary/Treasurer, Craig County |
| Newt Stephens    | Creek County                      |
| David Poindexter | Delaware County                   |
| Ryan Ball        | Mayes County                      |
| Burke LaRue      | Nowata County                     |
| Randall Jones    | Osage County                      |
| Russell Earls    | Ottawa County                     |
| Jerry Skidgel    | Pawnee County                     |
| Alex Mills       | Tulsa County                      |

**CIRCUIT ENGINEERING DISTRICT #1  
DISTRICT AREA  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**



Circuit Engineering District #1 (the District) is comprised of an eleven-county region, in the northeastern part of the state including: Craig, Creek, Delaware, Mayes, Nowata, Osage, Ottawa, Pawnee, Rogers, Tulsa, and Washington counties<sup>1</sup>.

On December 1, 2011, pursuant to the Oklahoma Energy Independence Act, the District created the CED #1 County Energy District Authority (the Authority). The Authority is a public trust as provided for in 60 O.S. §§ 176, et seq.

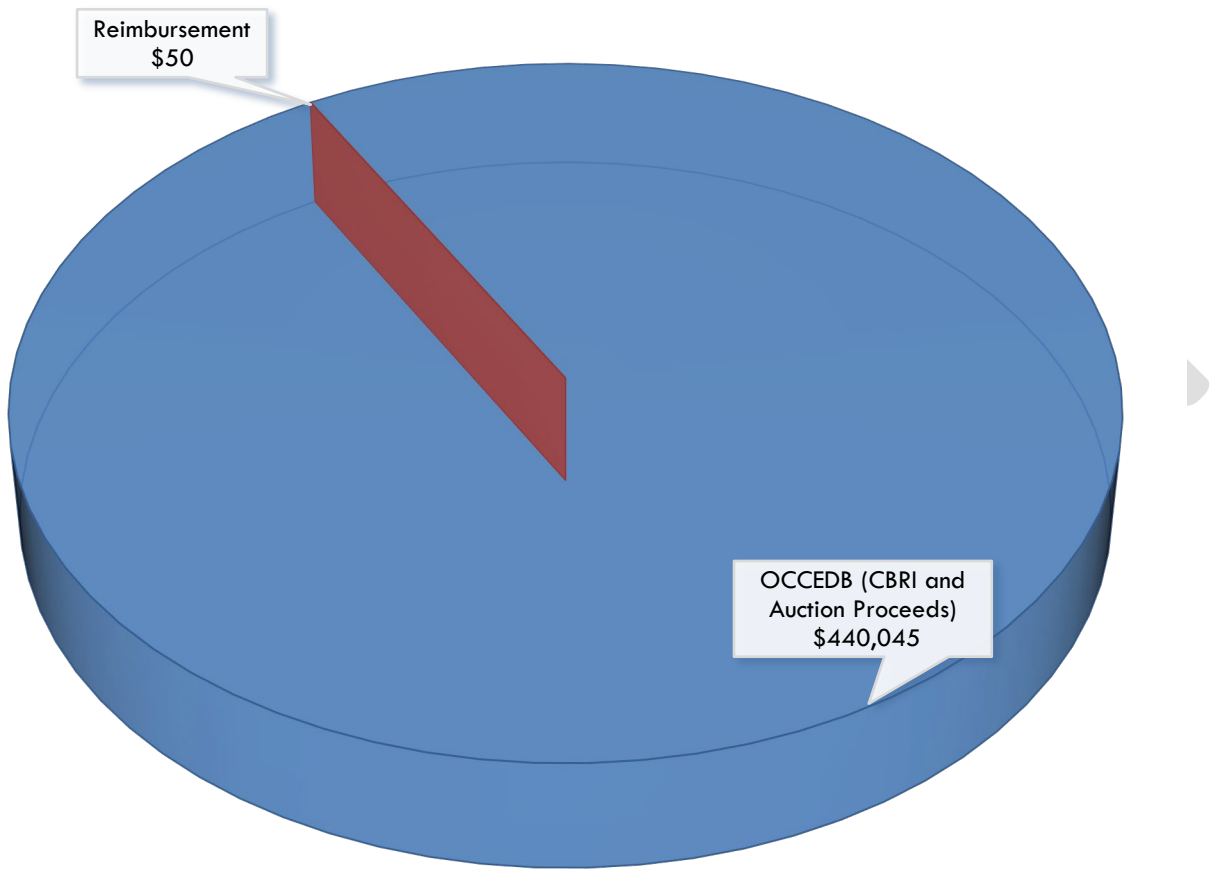
<sup>1</sup>Map <https://oklahoma.gov/content/dam/ok/en/odot/documents/cirb/pdfs/cirb-engr-dist.pdf>

**CIRCUIT ENGINEERING DISTRICT #1  
REVENUE BY SOURCE  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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The District is funded by state and local revenues. The chart below summarizes the revenue sources.

**Revenue by Source**



During the period the District collected \$440,095 in total revenue.

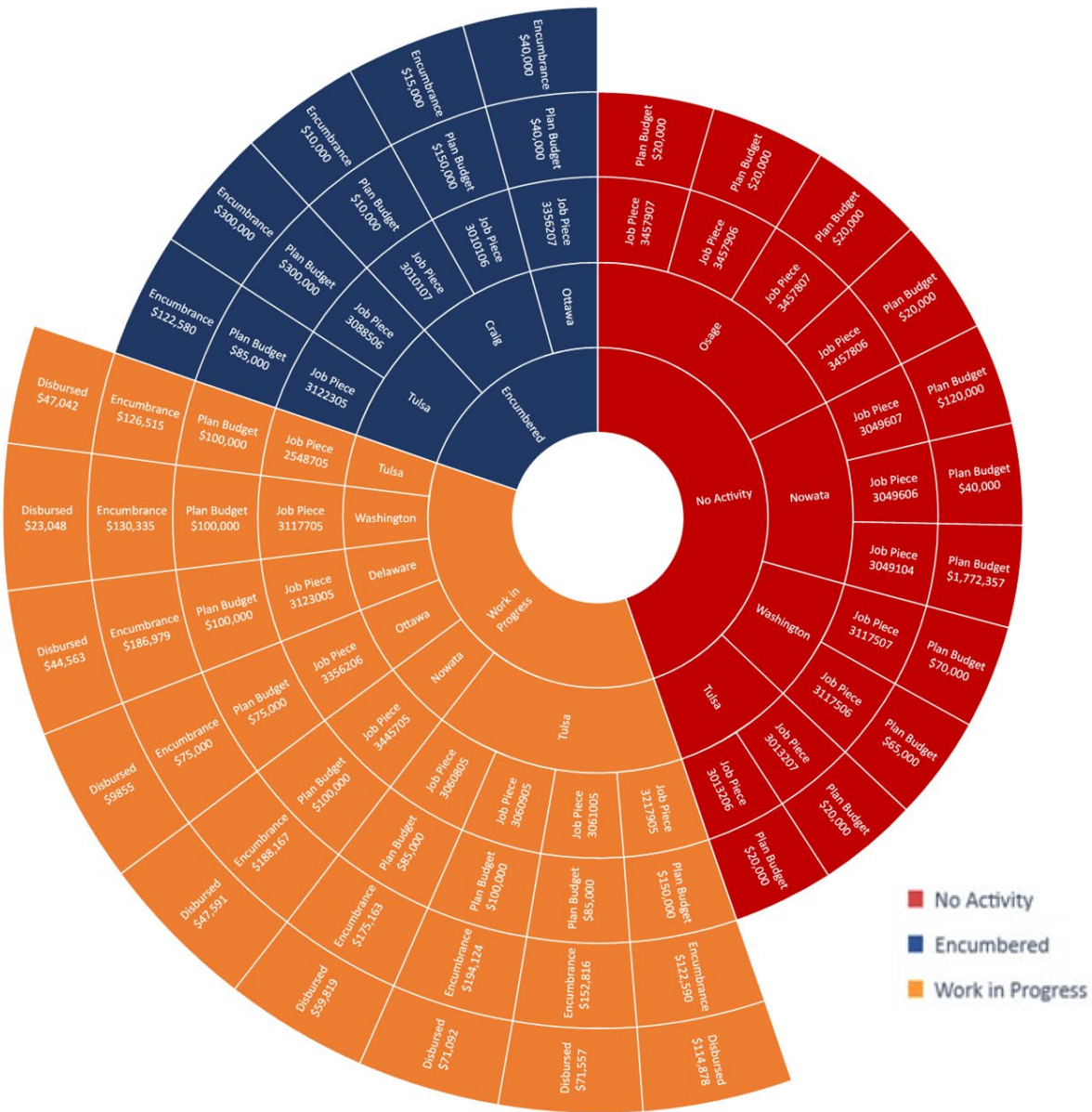


**CIRCUIT ENGINEERING DISTRICT #1  
STATUS OF PROJECTS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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Below represents the status of projects for District #1 for planned jobs in fiscal year 2021 in the 5 Year Construction Work Plan SFY-2021 through SFY-2025 consisting of projects totaling \$3,667,357.

**Status of Projects**

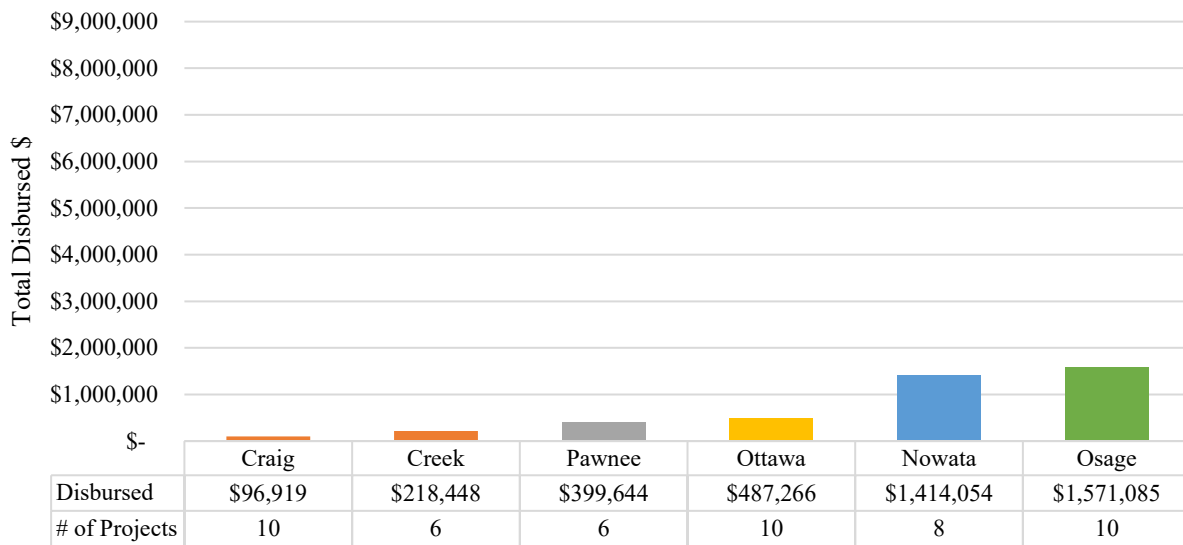


Source: Information provided from [5 Year Construction Work Plan SFY-2021 through SFY-2025](#) and Oklahoma Department of Transportation CIRB Project Information report.

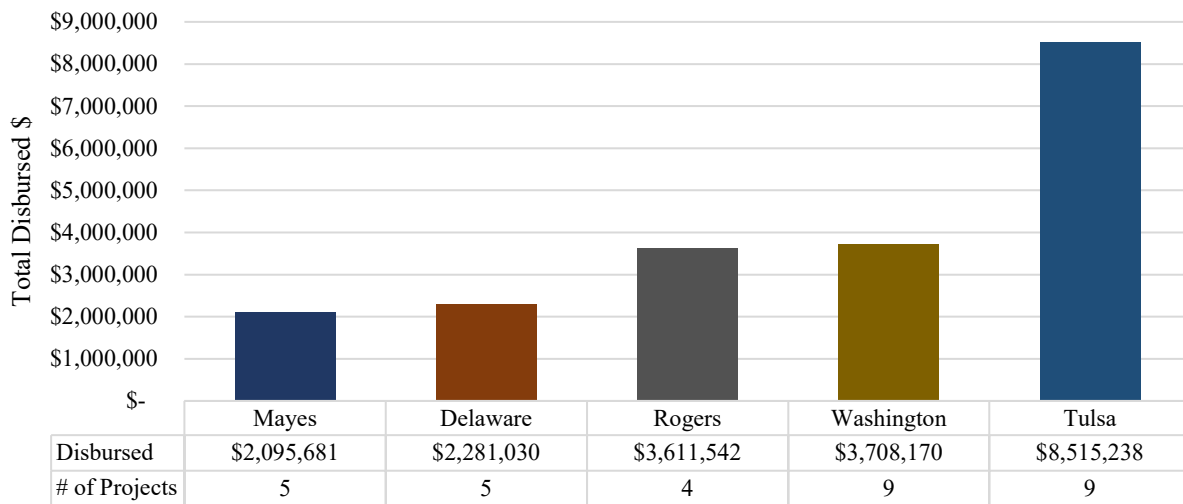
**CIRCUIT ENGINEERING DISTRICT #1  
DISBURSEMENTS BY COUNTY  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Below represents the fiscal year 2021 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for projects in District #1 totaling \$24,399,077. This amount includes funds budgeted during fiscal years 2015 through 2021 listed by beneficiary County.

**Disbursements by County**



**Disbursements by County**



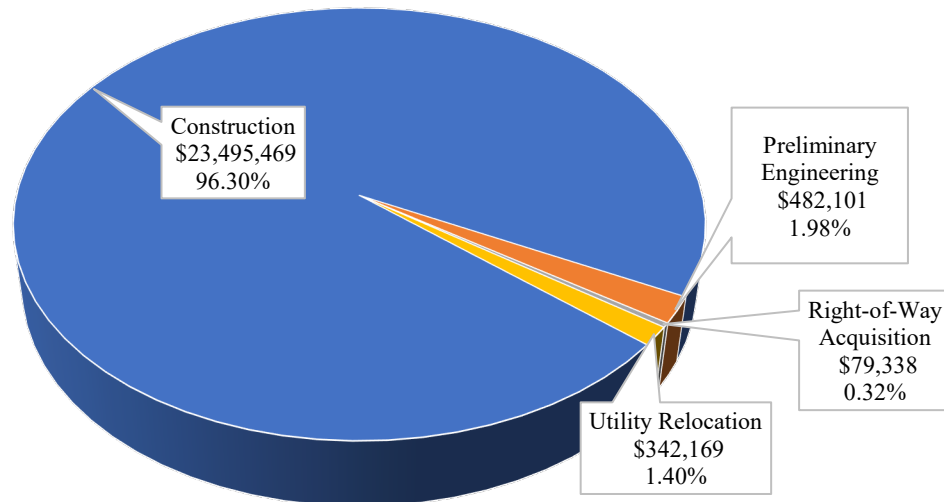
*Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
DISBURSEMENTS BY JOB PHASE  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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Below represents fiscal year 2021 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #1 totaling \$24,399,077. This amount includes funds budgeted during fiscal years 2015 through 2021 listed by job phase.

**Disbursements by Job Phase**



Preliminary Engineering – this job phase accounts for the design portion of the PDP (Project Development Process) that includes collection of survey, geotechnical, and other design data. Further, this phase includes the application of design standards to a proposed typical section/bridge location; hydraulic analysis for all drainage structures; and compilation into a plan set. Also, this phase can include environmental clearance requirements through the National Environmental Policy Act (NEPA) when utilizing federal funding and a checklist clearance when 100% state funded.

Right-of-Way Acquisition – this job phase consists of acquiring the needed property to relocate utilities and construct the project to current design standards based on the application of the design to the existing facility.

Utility Relocation – this job phase consists of moving existing utilities (electric, water, phone, gas lines, etc.) from being in conflict with the cut and fill of the earthwork and bridge structure so the construction site is free from conflict and hazards.

Construction – this job phase consists of building the project as proposed and designed. Further, this phase includes preparing project for letting which involves compiling all bid specifications, plans and estimates.

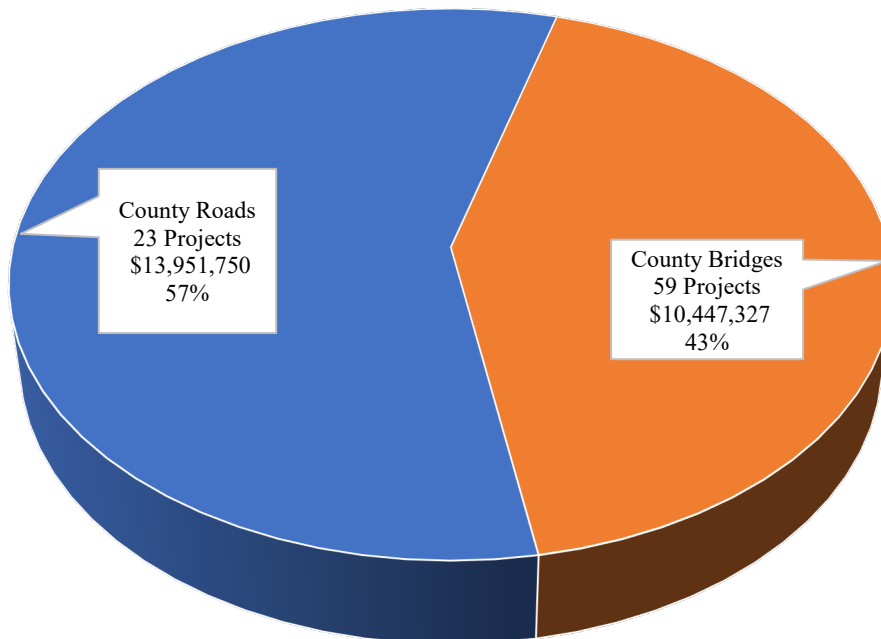
*Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
DISBURSEMENTS BY PROJECT TYPE  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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Below represents the amount of disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #1 totaling \$24,399,077. This amount includes funds budgeted during fiscal years 2015 through 2021 listed by project type. Title 69 O.S. § 507(B) defines the purpose of the 5 Year Construction Work Plan as “construction or reconstruction of county roads or bridges on the county highway system that are of the highest priority as defined by the Transportation Commission.”

**Disbursements by Project Type**



*Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
DISBURSEMENTS BY BUDGET YEAR  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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Below represents the fiscal year 2021 disbursements for County Roads and County Bridge projects for District #1 divided into their respective budget years.

**Fiscal Year 2021 Disbursements by Budget Year**

County	2015	2016	2017	2018	2019	2020	2021	Total *
Craig	6,183	7,600	19,525	-	10,035	6,909	46,667	\$ 96,919
Creek	2,343	-	2,025	10,225	-	85,290	118,565	\$ 218,448
Delaware	-	-	-	-	29,778	180,385	2,070,867	\$ 2,281,030
Mayes	14,287	10,443	-	-	88,614	1,677,889	304,448	\$ 2,095,681
Nowata	-	10,688	-	8,200	5,850	1,236,861	152,455	\$ 1,414,054
Osage	5,885	19,625	10,382	20,110	37,884	1,454,210	22,989	\$ 1,571,085
Ottawa	2,275	-	68,169	-	157,969	177,567	81,286	\$ 487,266
Pawnee	-	5,411	21,331	27,435	30,183	68,777	246,507	\$ 399,644
Rogers	-	1,198	-	-	-	2,179,101	1,431,243	\$ 3,611,542
Tulsa	7,619	-	-	-	-	7,217,656	1,289,963	\$ 8,515,238
Washington	-	21,372	-	124,627	27,587	40,893	3,493,691	\$ 3,708,170
Total	\$ 38,592	\$ 76,337	\$ 121,432	\$ 190,597	\$ 387,900	\$ 14,325,538	\$ 9,258,681	\$ 24,399,077

\*-These totals are payments made during FY 2021 from the County Improvements for Roads and Bridges (CIRB) funds to vendors. The amounts are presented by the beneficiary County and the year in which the funds were encumbered.

*Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).*



**CIRCUIT ENGINEERING DISTRICT #1  
PROJECT HIGHLIGHTS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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Circuit Engineering District #1 (CED #1) was established in 1999 as a cooperative to provide efficiencies through counties working together. With the passing in 2006 of HB1176, the County Improvements for Roads and Bridges Fund (CIRB), CED #1 established their first CIRB 5-year transportation plan. This plan included projects from each of the 11 counties in northeast Oklahoma, with a primary focus on replacing large bridges that the counties could not afford to construct with previous funding sources.

The CIRB plan has been very successful in the past 15 years, with 214 road and bridge projects completed in CED #1. One of the most notable projects was the 1,305-foot-long bridge over the Arkansas River on NS3595 Road between Pawnee and Osage Counties. This bridge, also known as the Blackburn Bridge, is the second-longest county bridge in Oklahoma.



*Blackburn Bridge over Arkansas River*



CED #1 also implemented a Materials Request Grant Program to provide funding for county-built projects. Many counties had the equipment, manpower, and knowledge to construct small bridges, rebuild roadways, and overlay asphalt roads; however, they did not have enough local funds to pay for the materials. CED #1 has funded 120 material grants totaling over \$5.7 million through this program.

In SFY 2021, CED #1 expended over \$3 million in primarily pre-construction dollars on 17 projects in 7 counties. An important project was the completion of Bridge 56 over Beaty Creek in Delaware County. The roadway approach washed out during a flood. Construction was completed in SFY2021.

These programs, together with the leadership and vision of the CED #1 Board, have greatly improved the county transportation system in northeast Oklahoma.



*Source: Information provided by Circuit Engineering District #1 (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
PRESENTATION OF REVENUES, EXPENDITURES,  
AND FUND BALANCES OF DISTRICT FUNDS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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**Presentation of District #1 Funds for the Period of July 1, 2020 through June 30, 2021**

	<u>General Fund</u>	<u>Energy District</u>
Beginning Cash Balance, July 1	<u>\$ 132,944</u>	<u>\$ 503</u>
Revenues:		
OCCEDB (CBRI and Auction Proceeds)	440,045	-
Reimbursement	50	-
Total Revenues	<u>440,095</u>	<u>-</u>
Expenditures:		
Contract - Program Management	117,400	-
Contract - Used Beam Management	6,111	-
Contract - Material Request Grant	548	-
Contract - Project Scoping	240	-
Contract - Project Status Meeting	162	-
Contract - New Commissioner Training	2,611	-
Contract - Audit Fees	5,557	-
Material Request Grants	280,000	-
Banking Fees	79	-
Total Expenditures	<u>412,708</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 160,331</u>	<u>\$ 503</u>

*Source: District's Financial Report (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
DESCRIPTION OF THE DISTRICT'S FUNDS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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**Description of the District's Funds**

The District uses funds to report on revenues, expenditures, and fund balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the District's funds within the Presentation of Revenues, Expenditures, and Fund Balances of District Funds:

Circuit Engineering District #1 General Fund – the General Fund is the primary operating fund of the District and is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CED #1 County Energy District Authority Fund – the Energy District accounts for transactions relating to providing support and developing wind energy operations for member counties.



**CIRCUIT ENGINEERING DISTRICT #1  
PURPOSE, SCOPE, GENERAL METHODOLOGY  
AND INTERNAL CONTROL CONSIDERATIONS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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**PURPOSE, SCOPE,  
GENERAL  
METHODOLOGY,  
AND INTERNAL  
CONTROL  
CONSIDERATIONS**

This audit was conducted in response to 69 O.S. § 687.1, which requires the State Auditor and Inspector’s Office to audit the books and accounts of the circuit engineering district.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the period July 1, 2020 through June 30, 2021.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the District’s operations. We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples. Further details regarding our methodology are included under each objective.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

***Internal Control Considerations***

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>2</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Each of these components includes a subset of principles that are expected to be operating at government entities.

The *Standards for Internal Control*<sup>2</sup> underscore that an internal control system is effective only when the five components of internal control are effectively designed, implemented, and operating together in an integrated manner. As required by *Government Auditing Standards*<sup>3</sup>, we have

**CIRCUIT ENGINEERING DISTRICT #1  
PURPOSE, SCOPE, GENERAL METHODOLOGY  
AND INTERNAL CONTROL CONSIDERATIONS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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identified the aspects of internal control components and underlying principles significant to each audit objective in this engagement.

Any internal control deficiencies are documented in the findings included under each objective in this report. Because our audit was limited to the internal control components and underlying principles deemed significant to our audit objectives, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

<sup>2</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>

<sup>3</sup> *Government Auditing Standards*, or the “Yellow Book,” also promulgated by the GAO, guides our performance and operational audits. Last version 2018, accessible online at <https://www.gao.gov/products/GAO-18-568G>.

**CIRCUIT ENGINEERING DISTRICT #1  
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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**Objective 1: To determine the District’s revenues, expenditures, and fund balances are accurately presented on the District’s financial reports for the period.**

**Conclusion:** With respect to the items reconciled and reviewed; the District’s revenues, expenditures, and fund balances were accurately presented on the District’s financial reports for the period.

**Objective 1 Methodology:** To accomplish objective 1, we performed the following:

- Documented our understanding of the process for preparing the District’s monthly financial reports. Evaluated the process and identified significant internal controls related to the preparation of the District’s monthly financial reports.
- Compared the process to governmental internal control standards outlined in the *GAO Standards for Internal Control*.
- Reviewed a random sample of four (4) District monthly financial reports (33.33% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
- Confirmed \$440,045 in monies (99.99% of total monies) received from the Oklahoma Cooperative Circuit Engineering Districts Board (OCCEDB) and determined these monies were entered into the accounting system in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the District’s monthly financial reports.
- Confirmed all cash and investment balances at June 30th.
- Re-performed the June 30th bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30th on the District’s general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4(A).

**FINDINGS AND RECOMMENDATIONS**

No findings were noted as a result of the procedures performed.

**CIRCUIT ENGINEERING DISTRICT #1  
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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**Objective 2: To determine whether the District's expenditures (including payroll) are supported by adequate documentation and for the allowable operations of the District.**

**Conclusion:** With respect to the items tested, the District's expenditures (including payroll) were supported by adequate documentation and for the allowable operations of the District.

**Objective 2 Methodology:** To accomplish objective 2, we performed the following:

- Documented our understanding of the expenditure process (including payroll). Evaluated those processes and identified significant internal controls related to expenditures.
- Compared those processes to governmental internal control standards outlined in the GAO *Standards for Internal Control*.
- Reviewed a random sample of four (4) expenditures totaling \$79,716 representing 17.23% of expenditures in the population tested.

**FINDINGS AND RECOMMENDATIONS**

No findings were noted as a result of the procedures performed.

**Objective 3: To determine whether the District established a process to evaluate proposed changes to the District's 5 Year Construction Work Plan to ensure compliance with 69 O.S. § 507(B) and Administrative Code 730:10-23-5 and 730:10-23-7.**

**Conclusion:** With respect to the items reviewed, the District complied with 69 O.S. § 507(B) and Administrative Code 730:10-23-5 and 730:10-23-7, which required the District to establish a process to evaluate proposed changes to projects when using County Improvements for Roads and Bridges funds.

**Objective 3 Methodology:** To accomplish objective 3, we performed the following:

- Documented our understanding of the process for evaluating proposed changes to projects prior to modifying the District's 5 Year Construction Work Plan.
- Verified documentation for projects added to the plan prior to modifying the District's 5 Year Construction Work Plan.
- Verified documentation for removed projects prior to modifying the District's 5 Year Construction Work Plan.

**CIRCUIT ENGINEERING DISTRICT #1  
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

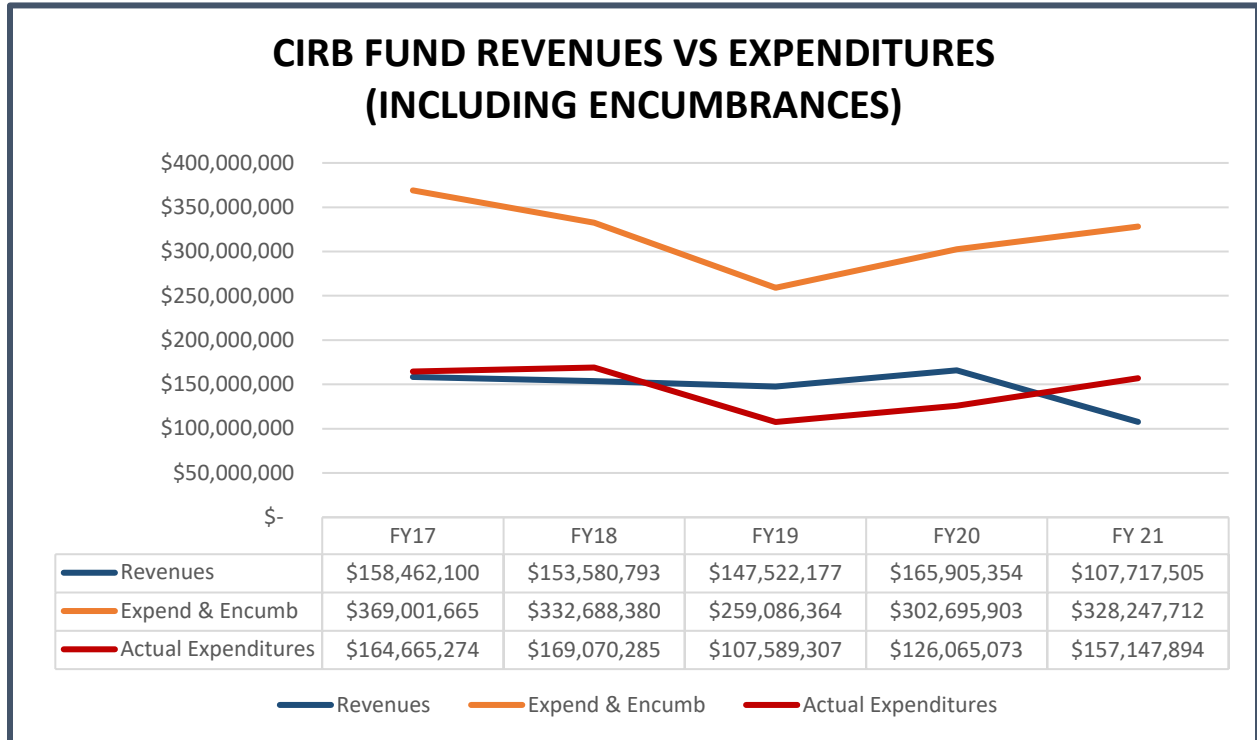
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**FINDINGS AND RECOMMENDATIONS**

No findings were noted as a result of the procedures performed.

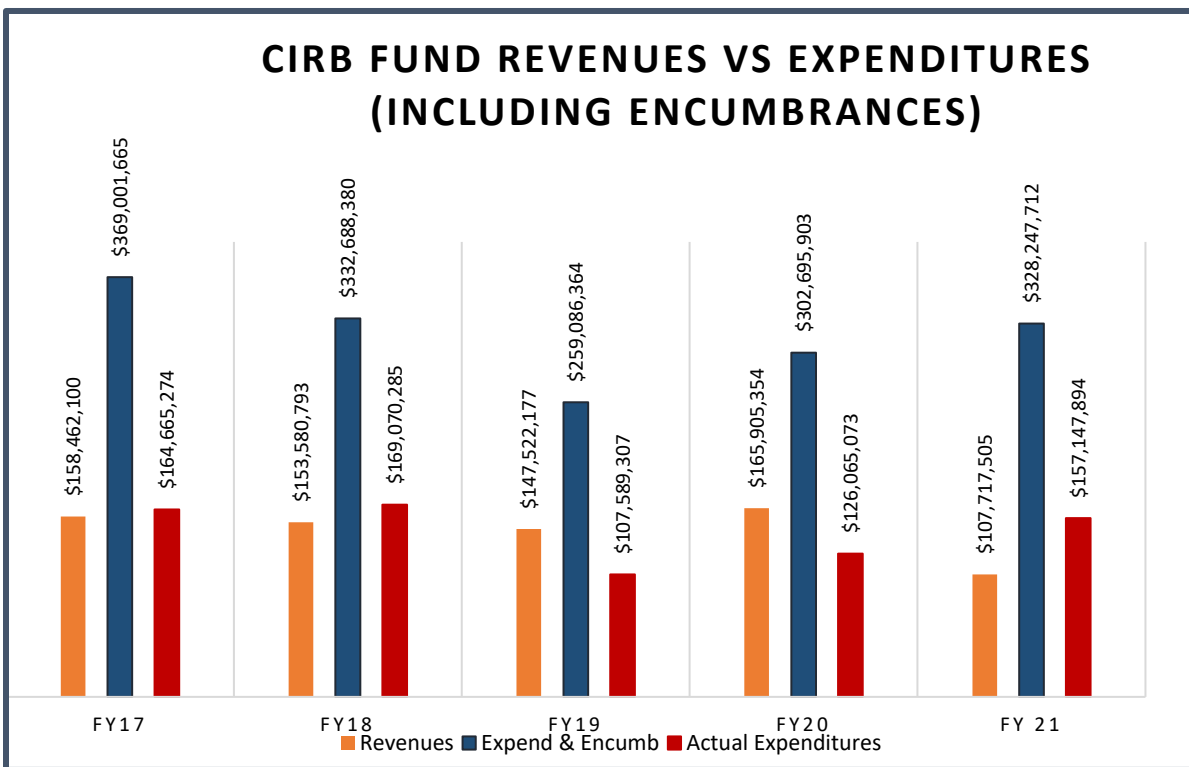
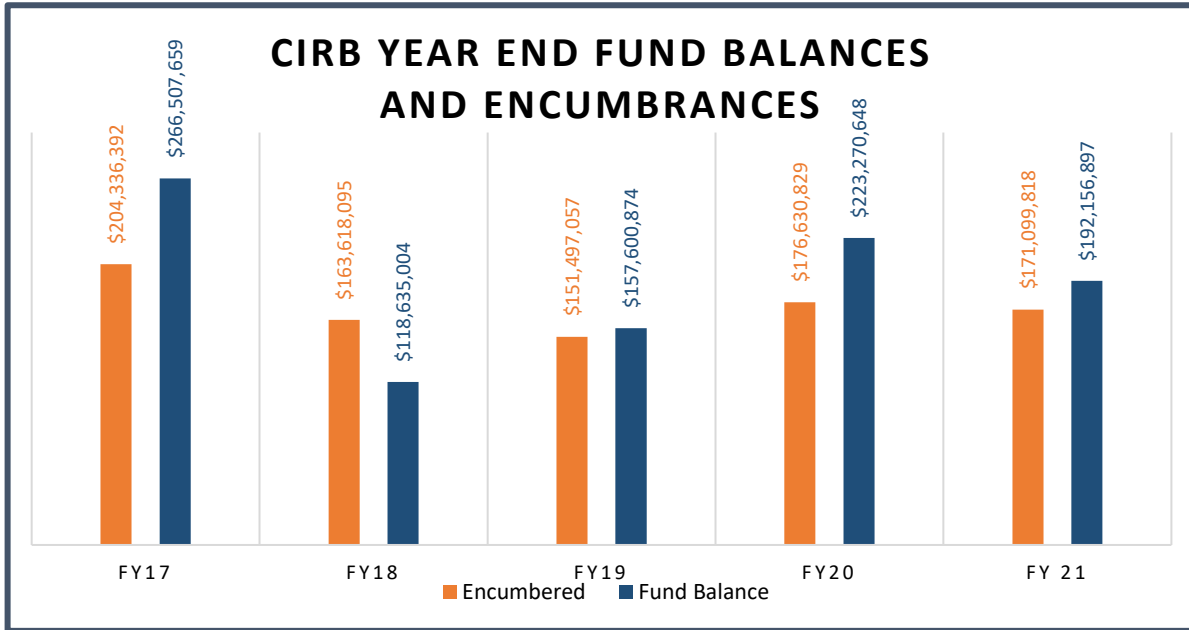
**CIRCUIT ENGINEERING DISTRICT #1  
 APPENDIX: STATEWIDE CIRB FUND ANALYSIS  
 FOR ALL CIRCUIT ENGINEERING DISTRICTS  
 FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

The analysis of the CIRB fund presented in the charts below, represents activities for all eight (8) Circuit Engineering Districts.



*Source: Information provided from the Statewide Accounting System - Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash reports (presented for informational purposes).*

**CIRCUIT ENGINEERING DISTRICT #1  
APPENDIX: STATEWIDE CIRB FUND ANALYSIS  
FOR ALL CIRCUIT ENGINEERING DISTRICTS  
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**



*Source: Information provided from the Statewide Accounting System - Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash reports (presented for informational purposes).*

O·K·L·A·H·O·M·A  
S·A·I  
STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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