



CIRCUIT ENGINEERING DISTRICT #1

Operational Audit

For the period of July 1, 2022 through June 30, 2023

Cindy Byrd, CPA
State Auditor & Inspector

**CIRCUIT ENGINEERING DISTRICT #1
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

June 6, 2024

**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, 2022 through June 30, 2023. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

CIRCUIT ENGINEERING DISTRICT #1
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023

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INTRODUCTORY SECTION
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**CIRCUIT ENGINEERING DISTRICT #1
DISTRICT INFORMATION AND OFFICIALS
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

BACKGROUND

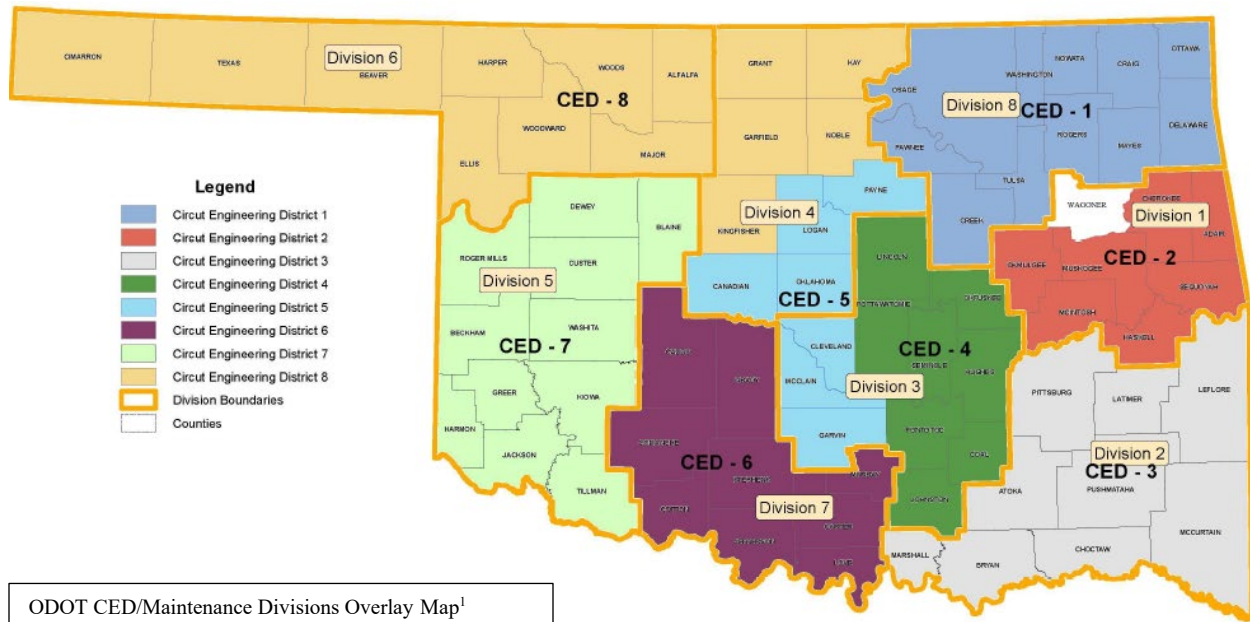
Pursuant to 69 O.S. § 687.1, counties may “create a circuit engineering district with any other county or counties” to allow county governments to “make the most efficient use of their powers [...] that will accord best with geographic, economic, population and other factors influencing the needs and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

Mitch Antle	President, Washington County
Steve Talburt	Vice-President, Osage County
Lowell Walker	Secretary/Treasurer, Craig County
Jarrold Whitehouse	Creek County
David Poindexter	Delaware County
Alva Martin	Mayes County
Troy Friddle	Nowata County
Mike Furnas	Ottawa County
Ron Weaver	Pawnee County
Dan DeLozier	Rogers County
Alex Mills	Tulsa County

CIRCUIT ENGINEERING DISTRICT #1
DISTRICT AREA
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023



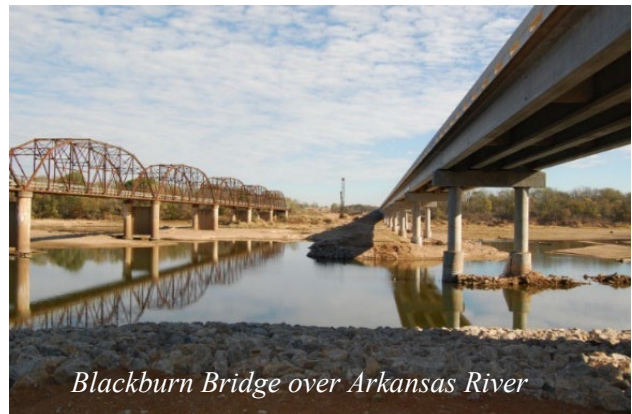
Circuit Engineering District #1 (the District) is comprised of an eleven-county region in the northeastern part of the state including: Craig, Creek, Delaware, Mayes, Nowata, Osage, Ottawa, Pawnee, Rogers, Tulsa, and Washington counties¹.

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

CIRCUIT ENGINEERING DISTRICT #1
PROJECT HIGHLIGHTS
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023

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 221 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



Bridge 5 over Caney River, Osage County

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 136 material grants totaling over \$6.4 million through this program.

In FY 2023, CED #1 expended \$22.9 million in road and bridge project funding. An important project was the replacement of Bridge 5 over Caney River in Osage County. This project replaced a 1948 fracture critical truss bridge with a 660 foot precast concrete bridge.

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 CASH BALANCES OF DISTRICT FUND
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

Presentation of District #1 Fund for the Period of July 1, 2022 through June 30, 2023

	<u>General Fund</u>
Beginning Cash Balance, July 1	<u>\$ 126,721</u>
Revenues:	
OCCEDB (CED Revolving Funds)	926,590
OCCEDB (Auction Proceeds)	<u>12,739</u>
Total Revenues	<u>939,329</u>
Expenditures:	
Contract - Program Management	145,025
Contract - Used Beam Management	639
Contract - Materials Request Grant	983
Contract - Project Scoping	19,487
Contract - Project Status Coordination	8,341
Contract - New Commissioner Training	2,843
Contract - CED Audit	5,200
Contract - Additional Services	3,442
Material Request Grants	700,000
Legal and Auditing	18,000
Website	15
Other - Bank Fees	<u>83</u>
Total Expenditures	<u>904,058</u>
Ending Cash Balance, June 30	<u><u>\$ 161,992</u></u>

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

**CIRCUIT ENGINEERING DISTRICT #1
DESCRIPTION OF THE DISTRICT FUND
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

Description of the District Fund

The District uses funds to report on revenues, expenditures, and cash 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 is the description of the district fund within the Presentation of Revenues, Expenditures, and Cash Balances of District Fund:

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.

**CIRCUIT ENGINEERING DISTRICT #1
PURPOSE, SCOPE, GENERAL METHODOLOGY
AND INTERNAL CONTROL CONSIDERATIONS
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

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

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, 2022 through June 30, 2023.

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 objective. 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 the 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*² 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*² 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*³, we have

**CIRCUIT ENGINEERING DISTRICT #1
PURPOSE, SCOPE, GENERAL METHODOLOGY
AND INTERNAL CONTROL CONSIDERATIONS
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

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

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

² *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>

³ *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
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2022 THROUGH JUNE 30, 2023**

Objective 1: To determine District's Revolving Fund Final Expenditure Report for fiscal year 2023 accurately presented the use of funds and is supported by the District records for the period.

Conclusion: With respect to the items reconciled and reviewed; the District's Revolving Fund Final Expenditure Report for fiscal year 2023 accurately presented the use of funds and is adequately supported by the District records for the period.

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

- Documented our understanding of the District's Revolving Fund process through discussions with management and review of documentation. Evaluated the process and identified significant internal controls related to our objective.
- Compared the process to governmental internal control standards outlined in the GAO *Standards for Internal Control*.
- Reconciled the District's Final Revolving Fund Expenditure Report to the District's ledger.
- Reviewed \$904,058 of District's Revolving Fund expenditures, representing 100% of the expenditures in the population tested.

FINDINGS AND RECOMMENDATIONS

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



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