



CIRCUIT ENGINEERING DISTRICT #4

Operational Audit

For the period of July 1, 2021 through June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**CIRCUIT ENGINEERING DISTRICT #4
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

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) 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.



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

November 28, 2023

**TO THE BOARD OF THE
CIRCUIT ENGINEERING DISTRICT #4**

We present the audit report of the Circuit Engineering District #4 for the period of July 1, 2021 through June 30, 2022. 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 #4
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

District Information and Officials.....	ii
District Area.....	iii
Revenue by Source.....	iv
CIRB Fund Disbursements by County.....	v
CIRB Fund Disbursements by Job Phase.....	vi
CIRB Fund Disbursements by Project Type.....	vii
CIRB Fund Disbursements by Year Encumbered	viii
Project Highlights	ix

Presentation of Revenues, Expenditures, and Cash Balances of District Fund for the Period of July 1, 2021 through June 30, 2022.....	1
---	---

Description of the District’s Fund.....	3
---	---

Purpose, Scope, General Methodology and Internal Control Considerations.....	4
--	---

Objective and Results of Operational Audit	6
--	---

CIRB Five Year Construction Work Plan (Unaudited)

Appendix A: Status of Projects FY 2021	12
Appendix B: Status of Projects FY 2022	16

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - x
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**CIRCUIT ENGINEERING DISTRICT #4
DISTRICT INFORMATION AND OFFICIALS
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

BACKGROUND

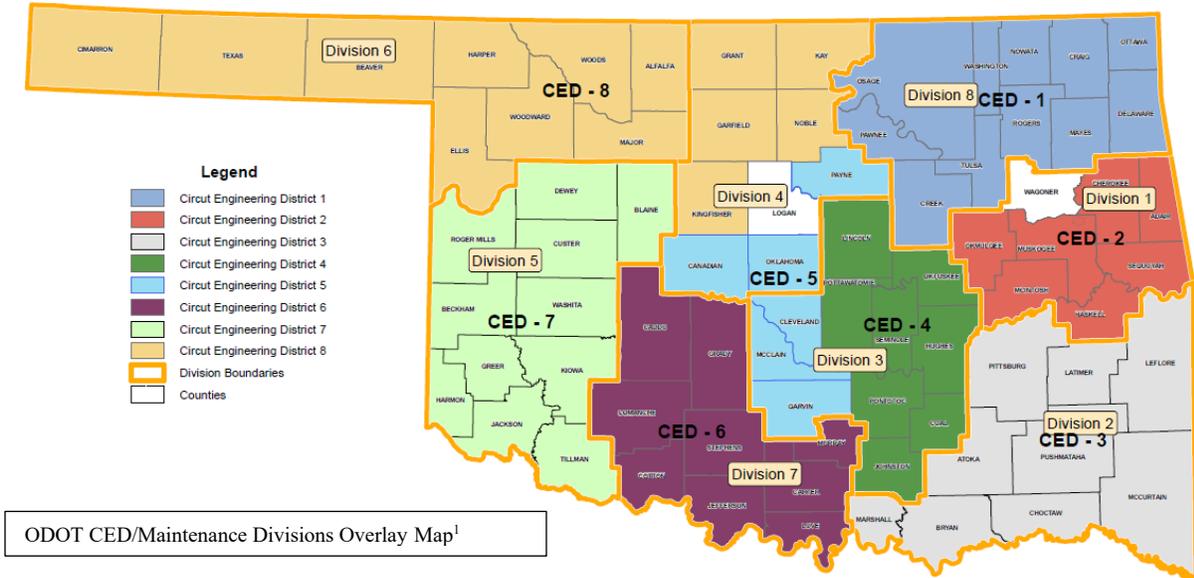
Pursuant to 69 O.S. § 687.1, counties may “create a circuit engineering district with any other county or counties” to allow county governments to “make the most efficient use of their powers [...] that will accord best with geographic, economic, population and other factors influencing the needs and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

Randy Thomas	President, Pottawatomie County
Tim Porter	Vice-President, Seminole County
Gary Phillips	Secretary, Hughes County
Lee Doolen	Treasurer, Lincoln County
Nicholis Lee	Coal County
T.J. Clements	Johnston County
James Yandell	Okfuskee County
Danny Davis	Pontotoc County

**CIRCUIT ENGINEERING DISTRICT #4
DISTRICT AREA
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**



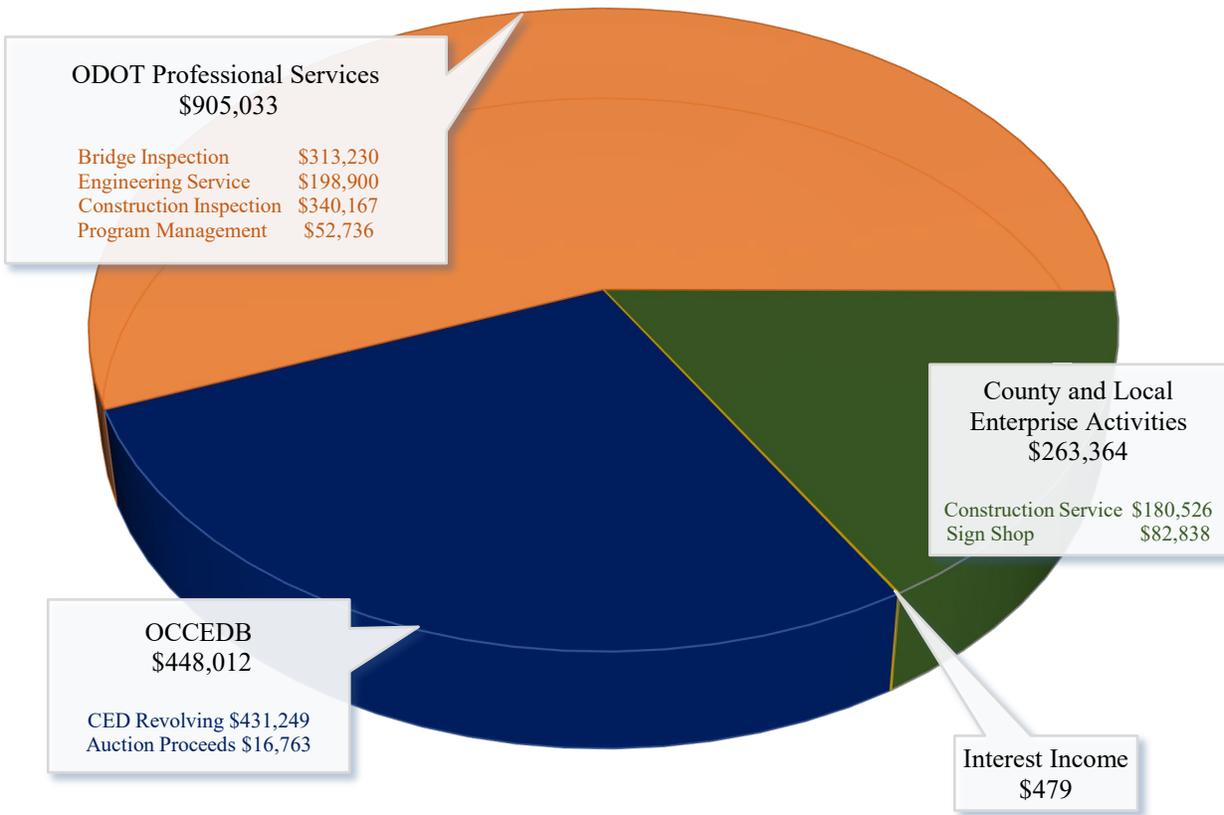
Circuit Engineering District #4 (the District) is comprised of an eight-county region, in the central part of the state including: Coal, Hughes, Johnston, Lincoln, Okfuskee, Pontotoc, Pottawatomie, and Seminole counties¹.

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

CIRCUIT ENGINEERING DISTRICT #4
REVENUE BY SOURCE
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022

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

Revenue by Source

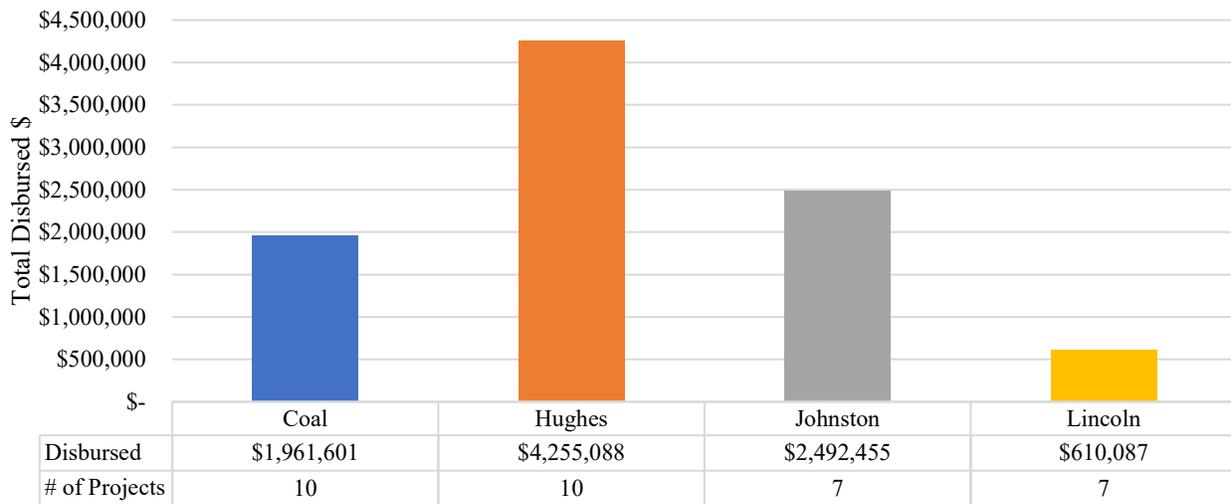


During the period the District collected \$1,616,888 in total revenue. The Oklahoma Department of Transportation (ODOT) proceeds consisting of Professional Services, totaling \$905,033 are derived from contractual bridge inspection, engineering services, construction inspection and program management. The Oklahoma Cooperative Circuit Engineering Districts Board (OCCEDB) proceeds totaling \$448,012 are derived from CED Revolving fund consisting of motor fuel and gross production collections passed from the state through OCCEDB to the District; and Auction proceeds are derived from the sale of equipment at auctions hosted by the OCCEDB at a rate of 2% of the gross sale price. County and Local Enterprise Activities proceeds totaling \$263,364 are derived from payments received from member counties for construction services provided by the District, regulatory roadway products and custom roadway signs. The remaining \$479 was interest income from the District's investment account. These funds are used for the administration and management of the District, and to provide services to member counties.

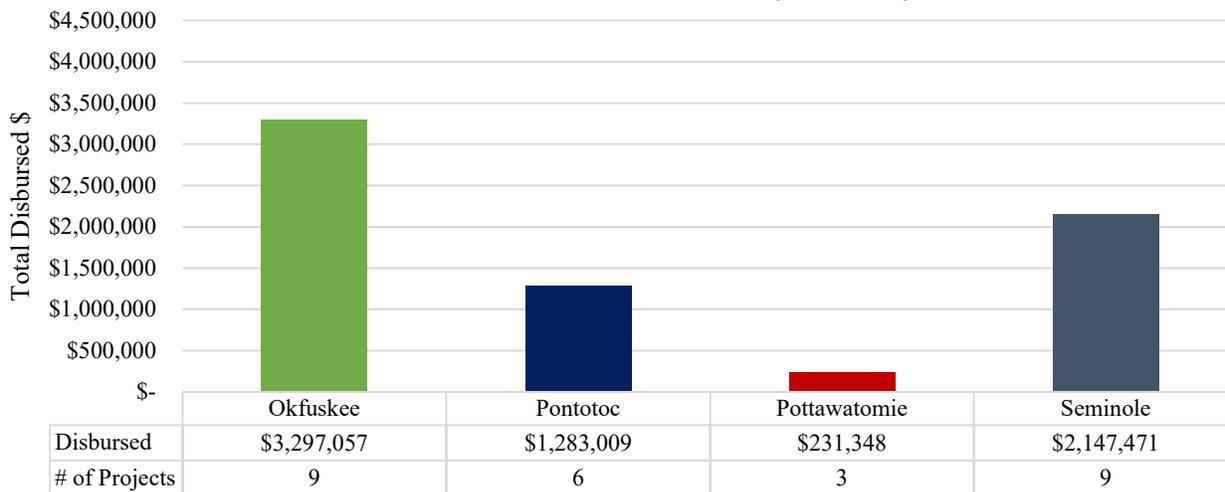
**CIRCUIT ENGINEERING DISTRICT #4
CIRB FUND DISBURSEMENTS BY COUNTY
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Below represents fiscal year 2022 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for projects in District #4 totaling \$16,278,116. This amount includes funds budgeted during fiscal years 2016 through 2022 listed by beneficiary County.

CIRB Fund Disbursements by County



CIRB Fund Disbursements by County

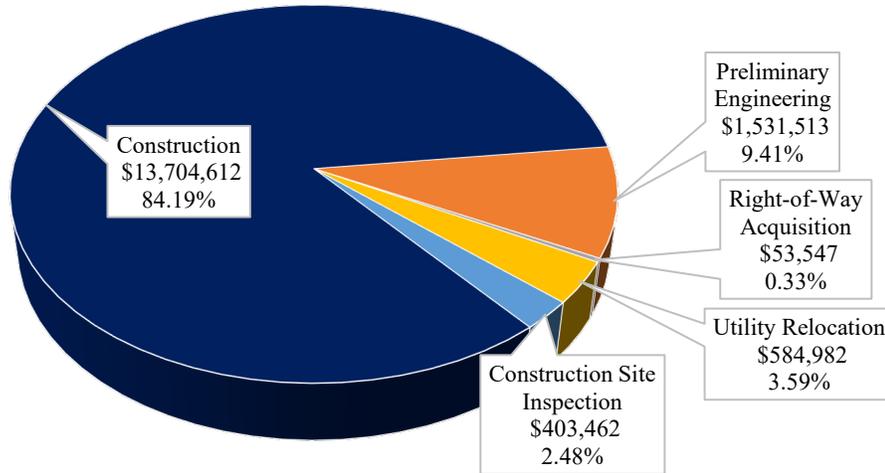


Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).

**CIRCUIT ENGINEERING DISTRICT #4
CIRB FUND DISBURSEMENTS BY JOB PHASE
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Below represents fiscal year 2022 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #4 totaling \$16,278,116. This amount includes funds budgeted during fiscal years 2016 through 2022 listed by job phase.

CIRB Fund Disbursements by Job Phase



Preliminary Engineering (P.E.) – 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.

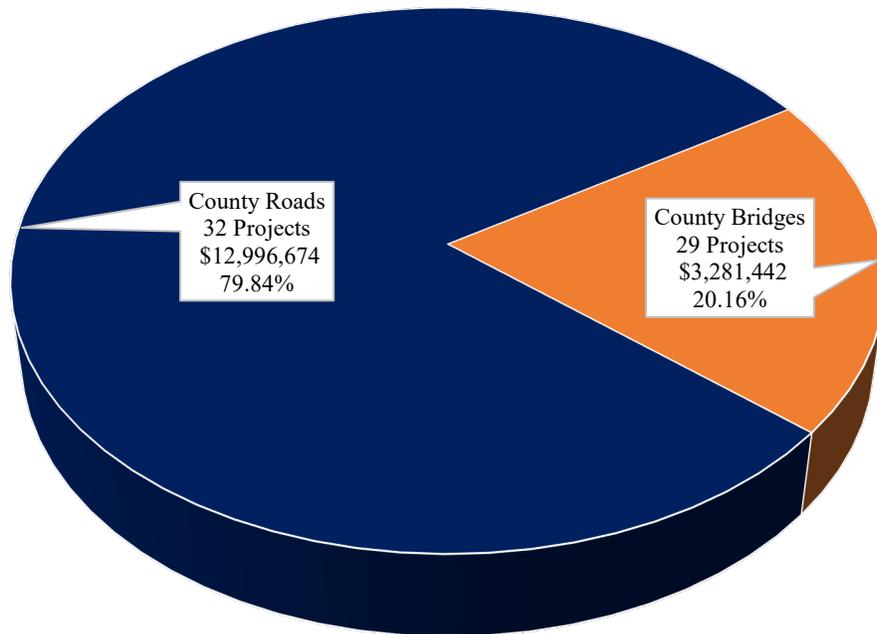
Construction Site Inspection - this job phase consists of oversight of the contractor to ensure the project is built in accordance with specifications, plans and estimates. These payments are disbursed to the District.

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 #4
CIRB FUND DISBURSEMENTS BY PROJECT TYPE
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Below represents the amount of disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #4 totaling \$16,278,116. This amount includes funds budgeted during fiscal years 2016 through 2022 listed by project type. Title 69 O.S. § 507(B) defines the purpose of the five 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.”

CIRB Fund 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 #4
CIRB FUND DISBURSEMENTS BY YEAR ENCUMBERED
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

The following chart depicts the total \$16,278,116 disbursed for County Roads and County Bridge projects for District #4 during fiscal year 2022. The chart also reflects the year the funds were set aside by encumbrances that were later disbursed (paid) in fiscal year 2022.

Fiscal Year 2022 Disbursements by Year Encumbered

County	2016	2017	2018	2019	2020	2021	2022	Total
Coal	\$ -	\$ 36,324	\$ 1,129	\$ 20,635	\$ -	\$ 1,847,133	\$ 56,380	\$ 1,961,601
Hughes	122,220	-	5,763	-	5,700	134,422	3,986,983	\$ 4,255,088
Johnston	-	-	2,390	-	34,789	1,668,512	786,764	\$ 2,492,455
Lincoln	-	-	20,327	25,797	-	121,593	442,370	\$ 610,087
Okfuskee	-	-	27,319	-	480,869	140,187	2,648,682	\$ 3,297,057
Pontotoc	-	-	66,008	-	1,103,639	111,470	1,892	\$ 1,283,009
Pottawatomie	-	-	-	-	-	231,348	-	\$ 231,348
Seminole	-	-	-	-	-	413,563	1,733,908	\$ 2,147,471
Total	\$ 122,220	\$ 36,324	\$ 122,936	\$ 46,432	\$ 1,624,997	\$ 4,668,228	\$ 9,656,979	\$ 16,278,116

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 #4
PROJECT HIGHLIGHTS
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Circuit Engineering District No. 4 (the District) is a multi-county governmental entity voluntarily comprised of regional member counties. The District became active January 1, 2003 with the primary objective to employ professional and technical personnel in order to provide value-based services and management, maximizing the economic benefit of the resources available for the maintenance and construction of its member county road and bridge inventories.

Engineering and Program Management

The District provides engineers and design technicians who are experts in understanding the complexities involved in bringing a cost-effective project from planning, to design, and finally construction. Projects are either let through the State DOT using CIRB and Federal funds or constructed via the District and County staff for force account projects. The engineering staff also assists its member counties with creating and implementing their transportation plans. Each of the budgeted spending plans are then built into one equitable funding plan which targets each county's infrastructure upgrade and replacement needs.



FY2022 Accomplishments:

- CIRB project construction lettings include; Detour Road Hughes County, Tiger Creek Bridge Hughes County, Kickapoo Road Lincoln County & Sandy Creek Bridge Johnston County.
 - New project encumbrances totaling \$21.4 Million District wide for FY2022.
 - \$114 Million of total CIRB encumbrances to date by end of FY2022 District wide.
 - Assist in the creation and approval of District's \$70 Million FY2023-2027 CIRB 5 Year Construction Plan.
-

Construction Management and Inspection

Construction Management and Inspection (CM) services make sure that projects remain as scheduled and on budget where possible within the confines of the construction plans and contracts. Inspectors keep the County Commissioners well informed of project operations during the entirety of construction.

FY2022 Accomplishments:

- CM project JP27886 4.5 miles of Detour Road, Hughes County, construction completed in FY2023.
 - CM project JP32331 Bullard Chappell Rd, Johnston County, construction completed in FY2022.
 - CM project JP33579 Bridge over Sandy Creek, Johnston County, construction completed in FY2022.
-

Source: Information provided by Circuit Engineering District #4 (presented for informational purposes).

**CIRCUIT ENGINEERING DISTRICT #4
PROJECT HIGHLIGHTS
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Safety Bridge Inspection

The District provides a highly trained and certified bridge inspection crew to ensure the District's local government owned bridges are acceptable and safe for the driving public. In addition, the District Engineer analyzes the inspection data to provide in-depth reports and load ratings. Safety bridge inspection is a federally mandated and funded program.



FY2022 Accomplishments:

- Conducted and completed over 760 bridge safety field inspections and reports.
 - Conducted and completed over 6 fracture critical bridge safety inspections and reports.
 - Completed 47 special bridge inspections for bridges with significant condition deficiencies.
 - Completion of 293 bridge load rating analysis, identifying maximum tonnage and signage needs.
-



Force Account Construction

The District provides experienced personnel to lead or assist in the construction of small bridge and maintenance jobs resulting in savings to our counties annually. The District provides an array of tools and construction equipment for the use of these projects that are not typically possessed by individual counties. Typical projects include: pier and abutment repairs, pre-stressed beam repairs, bridge construction, pile driving, concrete slab construction, and culvert repair or replacements.

FY2022 Accomplishments:

- New steel beam span bridge replacing the washed out existing structure using recycled crosstown beams for the superstructure.
 - New steel beam span bridge replacing the existing structurally deficient and load posted bridge.
 - Repair projects included concrete traffic rails, concrete beams and steel piling pier projects.
-

Sign Production Shop

The District road sign manufacturing service is used by counties and other local government agencies as an inventory management tool. By consolidating materials and personnel, member counties have a quick and cost effective way to keep on-hand signs. Staff is knowledgeable of the Manual of Uniform Traffic Control Devices (MUTCD) and machinery for sign production.

FY2022 Accomplishments:

- Manufactured approximately 2,000 highway traffic signs for more than a two dozen government entities including counties, local municipalities and tribal governments throughout the District.
-

Source: Information provided by Circuit Engineering District #4 (presented for informational purposes).

**CIRCUIT ENGINEERING DISTRICT #4
PRESENTATION OF REVENUES, EXPENDITURES,
AND CASH BALANCES OF DISTRICT FUND
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Presentation of District #4 Fund for the Period of July 1, 2021 through June 30, 2022

	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ 1,223,137
Revenues:	
ODOT Professional Services:	
Bridge Inspection	313,230
Engineering Service	198,900
Construction Inspection	340,167
Program Management	52,736
County and Local Enterprise Activities:	
Construction Service	180,526
Sign Shop	82,838
OCCEDB:	
CED Revolving	431,249
Auction Proceeds	16,763
Interest Income	479
Total Revenues	1,616,888
Expenditures:	
Maintenance & Operation:	
ODOT Professional Service Expense:	
Bridge Inspection Services	419
Construction Inspection Services:	
Certified Material Testing Labs	22,220
Construction Testing & Inspection Equipment	1,800
Engineering Services Expense:	
Design Software Licensing	7,346
Professional Engineering & Survey	50,453
Construction Service Expense:	
Heavy Equipment Hauling	9,564
Heavy Equipment Maintenance & Repair	8,214
Materials	44,846
Rental Equipment	972
Supplies and Tools	9,956
Diesel Expense	3,407

continued on next page

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

**CIRCUIT ENGINEERING DISTRICT #4
PRESENTATION OF REVENUES, EXPENDITURES,
AND CASH BALANCES OF DISTRICT FUND
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

continued from previous page	<u>General Fund</u>
Sign Shop Expense:	
Fork Lift Maintenance & Repairs	\$ 30
Contract Labor	9,300
Production Materials	64,619
Supplies	629
Insurance Expense:	
Liability	5,061
Workers Comp	13,555
Office Expense	31,585
Fleet Vehicle Expense	38,591
Professional Fees and Expense	12,724
Professional Services Expense	23,062
Utilities Expense	12,431
Capital Outlay:	
Office Equipment	7,995
Vehicles	63,891
Personnel Expense:	
Payroll Tax	54,094
OPEH&W Health Insurance Employee Contribution	133,086
OPERS Employer Retirement Contribution	95,902
Employee Payroll - Salaries	627,136
Travel Expense:	
Meals	50
Mileage	5,170
Total Expenditures	<u>1,358,108</u>
Ending Cash Balance, June 30	<u>\$ 1,481,917</u>

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

**CIRCUIT ENGINEERING DISTRICT #4
DESCRIPTION OF THE DISTRICT'S FUND
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Description of the District's Fund

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

Circuit Engineering District #4 General Fund – the General Fund is the primary operating fund of the District and is used to account for all activities.

**CIRCUIT ENGINEERING DISTRICT #4
PURPOSE, SCOPE, GENERAL METHODOLOGY
AND INTERNAL CONTROL CONSIDERATIONS
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

**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, 2021 through June 30, 2022.

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 #4
PURPOSE, SCOPE, GENERAL METHODOLOGY
AND INTERNAL CONTROL CONSIDERATIONS
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

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 #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Objective 1: To determine the District's billed and recorded revenues are accurately supported in the District's records for the period.

Conclusion: The District's billed and recorded revenues are not accurately supported in the District's records. Additionally, we noted some deficiencies in internal controls regarding the District's billed revenue.

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

- Documented our understanding of the District's billed and recorded revenue process through discussions with management and review of documentation. Evaluated the process and identified significant internal controls related to the District's revenues.
- Compared the process to governmental internal control standards outlined in the *GAO Standards for Internal Control*.
- Confirmed \$1,605,620 in monies (99.30% of total monies) received from the Oklahoma Cooperative Circuit Engineering Districts Board (OCCEDB), Oklahoma Department of Transportation (ODOT), and County and Local Governments. Monies were determined to be entered into the accounting ledgers in the proper amount and approved by the District Board.
- Reviewed a random sample of twenty-nine (29) invoices totaling \$143,919 representing 12.32% of revenues billed in the population tested.

FINDINGS AND RECOMMENDATIONS

Finding 2022-001 – Internal Controls and Noncompliance Over the District's Billed Revenue

Condition: Upon inquiry, observation, and review of documents, internal control deficiencies in the billing process were noted as follows:

- The District does not have a policy for determining charges for goods and services.
- The District Board does not review or approve the Task Orders or Supplement to Task Orders.

Further, it was noted that of the one hundred forty-one (141) payments remitted by ODOT during fiscal year 2022, totaling \$936,003; fifty-eight (58) payments totaling \$264,459 had work performed and billed outside of the agreement's expiration date.

The above billings were submitted, reviewed, and approved for payment by ODOT. Some of these billings that were approved in fiscal year 2022 date back to a agreement that expired on January 11, 2016. ODOT agreements currently in place require that certain percentages of completion be achieved, documented, and verified before a project invoice will be paid. Prior agreements do not require documentation to ensure project progression prior to

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

approving payment. The below table represents invoices paid to the District on expired agreements in fiscal year 2022:

Agreement			
Number	Begin	End	Amount
1434B	01/11/2013	01/11/2016	\$ 97,969
1747B	03/11/2016	03/11/2018	43,367
2172	03/04/2020	03/04/2022	123,123
Total			\$264,459

Additionally, testwork was performed on a random sample of twenty-nine (29) invoices and the following exceptions were noted:

- One (1) employee was billed for 162.5 hours versus 161 hours claimed on their timesheet. Therefore, this employee’s time was overbilled \$165.
- Five (5) Sign Shop invoices billed incorrect amounts according to the District's price list totaling \$1,078.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure:

- The District establish standardized charges for goods and services.
- The Board reviews and approves Task Orders and Supplements to Task Orders.
- Invoices for goods and services are accurately billed in compliance with contractual agreements and District policies.
- The District’s Billed Revenues are reviewed and approved by management and the Board.

Effect of Condition: These conditions resulted in noncompliance with contractual agreements and inaccurate charges billed. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management design and implement policies and procedures to strengthen internal controls over the District’s billed revenue process. Implementation of a system of internal controls over billed revenue would include:

- The District should document the review and approval of all charges for goods and services by management and/or the Board to ensure goods and services are accurately billed in compliance with contractual agreements and District policies including standardized charges.
- The District should review and approve all Task Orders and Supplement to Task Orders

Management Response:

CED Board Chairman:

- The District will update and enhance current policies and procedures for determining goods and services charges to be approved by the Board of Directors as recommended by the Auditor’s office.
- The District will submit all service Task Orders and Supplements to the Board of Directors for approval.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

- The District will work with the Oklahoma Department of Transportation to make sure billing practices adhere to the terms set within the approved agreements.
- The District will review and implement new policies as needed to strengthen internal controls for accurate billings of goods and services.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version)⁴ aided in guiding our assessments and conclusion.

GAO Standards – Principle 2 – Exercise Oversight Responsibility – 2.10 states:

Oversight for the Internal Control System

These responsibilities are supported by the organizational structure that management establishes. The oversight body oversees management’s design, implementation, and operation of the entity’s organizational structure so that the processes necessary to enable the oversight body to fulfill its responsibilities exist and are operating effectively.

GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Design of Appropriate Types of Control Activities

Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. The common control activity categories listed in figure 6 are meant only to illustrate the range and variety of control activities that may be useful to management. The list is not all inclusive and may not include particular control activities that an entity may need.

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Further, GAO Standards – Principle 11 – Design Activities for the Information System – 11.01 states:

Management should design the entity’s information system and related control activities to achieve objectives and respond to risks.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Additionally, GAO Standards – Principle 12 – Implement Control Activities – 12.02 through 12.04 states:

Documentation of Responsibilities through Policies

Management documents in policies the internal control responsibilities of the organization. Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Furthermore, ODOT Agreements outline the requirements for documentation, record retention, and effective dates.

Other Item(s) Noted:

Although not considered significant to the audit objective, we feel the following issue should be communicated to management.

FINDINGS AND RECOMMENDATIONS

Finding 2022-002 – Noncompliance Over Open Meetings

Condition: Upon inquiry, observation, and review of documents, instances were noted where a District employee hosted business lunches in multiple member counties, with a quorum of the Board of County Commissioners. The District employee paid for these lunches, with at least two commissioners from the same county in attendance and was reimbursed by the District. Discussions regarding county projects on the CIRB 5 year construction work plan during these informal meetings could be a violation of the Open Meetings Act.

Evidence was obtained verifying a quorum of commissioners were present and had meals paid for by the District in six (6) Counties, consisting of twenty-five (25) instances totaling \$1,346. The District employee stated discussions occurred regarding road and bridge projects on the CIRB 5 year construction work plan.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Cause of Condition: Management was not aware that these informal discussions regarding county projects amongst a quorum could violate the Open Meetings Act.

Effect of Condition: These conditions could result in a violation of the Open Meetings Act.

Recommendation: OSAI recommends meetings with member counties be conducted in accordance with the Open Meeting Act.

Management Response:

CED Board Chairman: Management will consult with the District employees and provide additional training when warranted to the Oklahoma Open Meetings Act.

Criteria: Title 19 O.S. § 3 in part states, “The powers of a county as a body politic and corporate shall be exercised by its board of county commissioners. It is hereby declared to be contrary to law, and against public policy, for any individual county commissioner, or commissioners, when not acting as a board, to enter into any contract, or to attempt to enter into any contract, as to any of the following matters... (c) To do or transact any business relating to such county, or any commissioner's district, or districts thereof, or to make any contract or agreement of any kind relating to the business of such county, or any commissioner's district, or districts thereof...And none of such acts or attempted contracts as above set forth, done or attempted to be done, by an individual county commissioner or commissioners, when not acting as a board, shall ever be subject to ratification by the board of county commissioners, but shall be illegal, unlawful and wholly void.

Title 25 O.S. § 306 states, “No informal gatherings or any electronic or telephonic communications, except teleconferences or videoconferences as authorized by Section 307.1 of this Title, among a majority of the members of a public body shall be used to decide any action or to take any vote on any matter.

Finding 2022-003 – Noncompliance Over the District’s Pledged Collateral

Condition: Upon inquiry, observation, and review of documents, it was noted that on June 30, 2022, the District’s deposits were not secured by pledged collateral in one (1) of the four (4) banks in the amount of \$57,375.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure bank deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute and the District’s Accounting and Finance Policies and Procedures regarding unsecured funds.

Recommendation: OSAI recommends the District design policies and procedures to compare bank balances to fair market value of pledged collateral on a daily basis to ensure that District funds are adequately secured. Documentation for this daily procedure should be retained. Further, we recommend

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

the District is in compliance with 62 O.S. § 517.4.A. and the District Accounting and Finance Policies and Procedures for investment of funds.

Management Response:

CED Board Chairman: The District has implemented new policies and procedures to ensure all bank deposits are adequately secured.

Criteria: Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Additionally, the District’s Accounting and Finance Policies and Procedures section 4.1 and 4.1.1 states, “The Board of Directors is charged with the responsibility for investing and safeguarding Circuit Engineering District 4 funds. All funds shall only be deposited FDIC protected entities. When fund balances are expected to exceed FDIC protection limits a Letter of Credit or similar instruments to cover, at least, the excess amounts will be obtained from banking entity.”

**CIRCUIT ENGINEERING DISTRICT #4
APPENDIX A: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2021
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2022**

Appendix A: Status of Projects from Fiscal Year 2021

Appendix A details the status of project phases approved by the Circuit Engineering District #4 Board for completion during fiscal year (FY) 2021. These phases were approved as part of the Five Year Construction Work Plan FY 2021 through FY 2025.

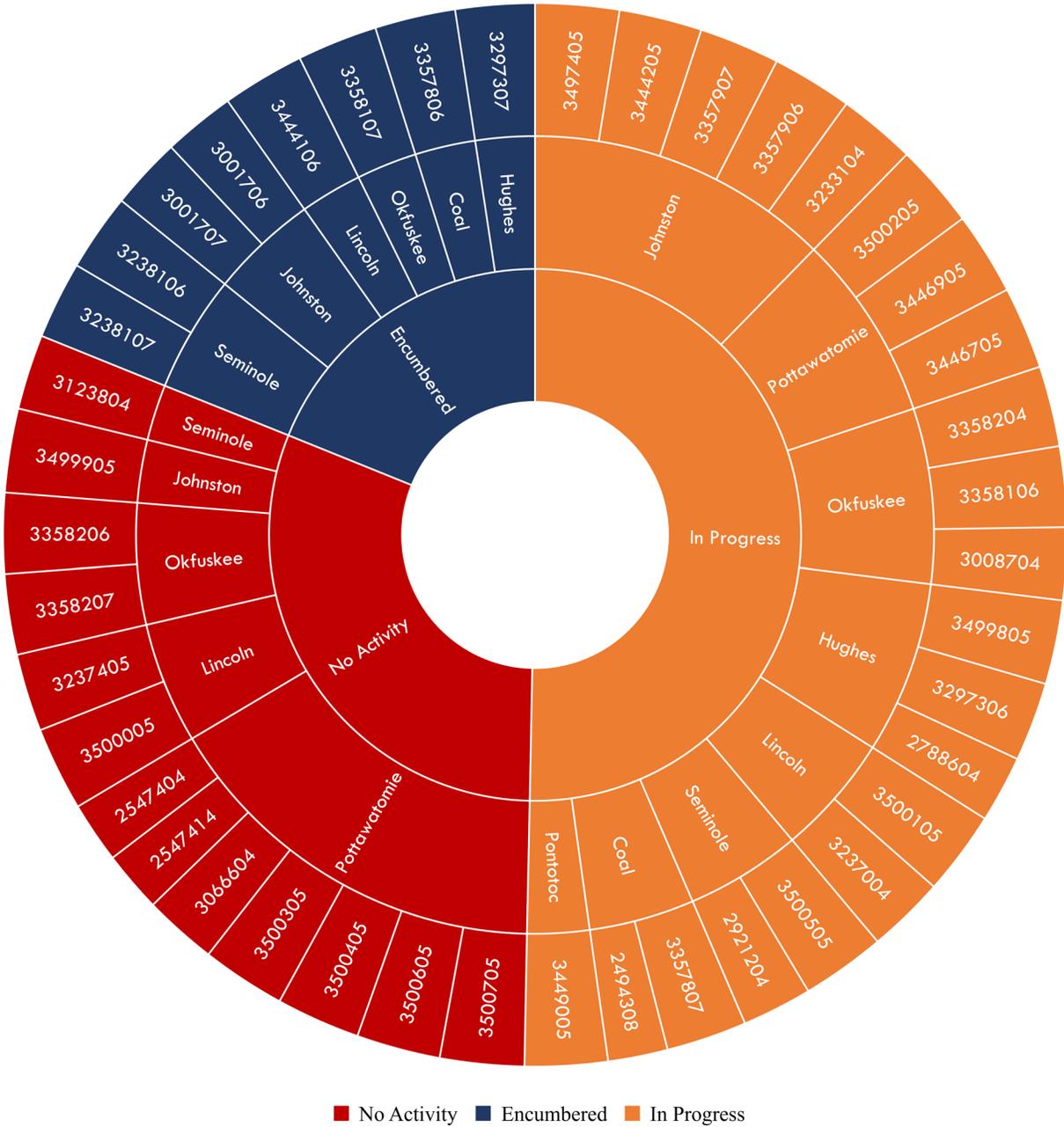
The charts detail the status of each construction phase at June 30, 2022, as to the following:

- Completed
- Work in Progress
- Encumbered
- No Activity

Projects in the encumbered stage indicate funds have been set aside but no work has been commenced.

**CIRCUIT ENGINEERING DISTRICT #4
 APPENDIX A: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
 STATUS OF PROJECTS FY 2021
 FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2022**

Status of Projects FY 2021



Source: Information provided from [5 Year Construction Work Plan SFY2021 through SFY2025 Oklahoma Department of Transportation CIRB Project Information report](#).

CIRCUIT ENGINEERING DISTRICT #4
APPENDIX A: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2021
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2022

FY 2021 Plan Information					FY 2021 & FY 2022 Combined		
County	Job Piece	Job Phase	Description	Plan Budget	Encumbered	Disbursed	Job Status
Coal	2494308	Grade, Drain & Surface	Daily Woods RD Phase II	\$ 2,000,000	\$ 2,715,518	\$ 1,626,789	In Progress
	3357806	Right of Way	CR 1750 from HWY SH48	200,000	200,000	-	Encumbered
	3357807	Utilities	CR 1750 from HWY SH48	150,000	150,000	20,447	In Progress
Hughes	2788604	Grade, Drain & Surface	Detour RD Phase I	4,900,000	6,910,943	2,102,423	In Progress
	3297306	Right of Way	EW-129 Over Tiger Creek	20,000	20,000	18,286	In Progress
	3297307	Utilities	EW-129 Over Tiger Creek	20,000	180,000	-	Encumbered
	3499805	Contract P.E.	Spaulding RD Over Little River	125,000	171,320	63,074	In Progress
Johnston	3001706	Right of Way	Buzzard Creek Local NO 47A	20,000	20,000	-	Encumbered
	3001707	Utilities	Buzzard Creek Local NO 47A	50,000	50,000	-	Encumbered
	3233104	Resurface	Bullard Chapel RD	1,500,000	1,506,103	1,469,224	In Progress
	3357906	Right of Way	Sandy Creek on NS 3683	20,000	20,000	14,025	In Progress
	3357907	Utilities	Sandy Creek on NS 3683	50,000	50,000	22,010	In Progress
	3444205	ODOT P.E.	Cheadle RD (Bullard to Wiley Rd)	509,218	509,218	250,431	In Progress
	3497405	Contract P.E.	Delaware Creek on Harrison Ranch Rd	130,000	145,357	112,176	In Progress
	3499905	Contract P.E.	Wiley RD S of HWY SH7	75,000	-	-	No Activity
Lincoln	3237004	Grade, Drain & Surface	NS-341 from EW-107 to US62	3,650,000	4,156,930	428,398	In Progress
	3237405	Contract P.E.	EW-084 From NS-339 to SH18	350,000	-	-	No Activity
	3444106	Right of Way	Deep Creek on EW075 Near SH18	100,000	100,000	-	Encumbered
	3500005	Contract P.E.	NS 3450 Over Quapaw Creek	120,000	-	-	No Activity
	3500105	Contract P.E.	EW 850 Over Salt Creek	100,000	173,603	57,991	In Progress
Okfuskee	3008704	Grade, Drain & Surface	NS-384 Beg. At Clearview RD	4,700,000	5,566,998	1,553,505	In Progress
	3358106	Right of Way	Walnut Creek on EW 1020	10,000	10,000	1,050	In Progress
	3358107	Utilities	Walnut Creek on EW 1020	10,000	10,000	-	Encumbered
	3358204	Bridge Rehabilitation	NS 3790 4 Bridges Local 150-153	2,250,000	1,225,468	955,626	In Progress
	3358206	Right of Way	NS 3790 2 Bridges Local 150 & 151	20,000	-	-	No Activity
	3358207	Utilities	NS 3790 2 Bridges Local 150 & 151	20,000	-	-	No Activity

Continued to next page

Source: Information provided from [5 Year Construction Work Plan SFY2021 through SFY2025](#)
Oklahoma Department of Transportation CIRB Project Information report.

**CIRCUIT ENGINEERING DISTRICT #4
APPENDIX A: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2021
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2022**

Pontotoc	3449005	ODOT P.E.	Francis RD (Francis to EW149.5)	150,000	141,807	71,099	In Progress
Pottawatomie	2547404	Grade, Drain, Bridge & Surface	Hardesty RD (Coker to Leo DR)	1,540,000	-	-	No Activity
	2547414	Intersection Modification	Hardesty RD E of Leo Drive	1,000,000	-	-	No Activity
	3066604	Bridge & Approaches	N Canadian River on Econtuchka RD	3,040,000	-	-	No Activity
	3446705	ODOT P.E.	S Deer Creek on EW114	120,000	156,480	116,800	In Progress
	3446905	ODOT P.E.	Rock Creek on Garret's Lake RD	105,000	199,625	64,397	In Progress
	3500205	Contract P.E.	Avoca RD Over Wolf Creek	120,000	143,123	102,077	In Progress
	3500305	Contract P.E.	Propane RD Over Trib to Hog Creek	120,000	-	-	No Activity
	3500405	Contract P.E.	Coleman RD Over Unnamed Creek	120,000	-	-	No Activity
	3500605	Contract P.E.	Old HWY 18 Near Bowlegs	85,000	-	-	No Activity
	3500705	Contract P.E.	Hardesty RD Phase IV	85,000	-	-	No Activity
Seminole	2921204	Grade, Drain & Surface	Beg. EW-119 & NW-335 to SH-99	1,200,000	1,441,201	1,287,653	In Progress
	3123804	Bridge & Approaches	Unnamed Creek on EW-123	750,000	-	-	No Activity
	3238106	Right of Way	EW-116 Over Turkey Creek	50,000	50,000	-	Encumbered
	3238107	Utilities	EW-116 Over Turkey Creek	50,000	50,000	-	Encumbered
	3500505	Contract P.E.	Old OK 3E Over Salt Creek	150,000	226,315	111,180	In Progress
Total				\$ 29,784,218	\$26,300,009	\$ 10,448,661	

Source: Information provided from [5 Year Construction Work Plan SFY2021 through SFY2025 Oklahoma Department of Transportation CIRB Project Information report](#).

**CIRCUIT ENGINEERING DISTRICT #4
APPENDIX B: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2022
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Appendix B: Status of Projects from Fiscal Year 2022

Appendix B details the status of project phases approved by the Circuit Engineering District #4 Board for completion during fiscal year (FY) 2022. These phases were approved as part of the Five Year Construction Work Plan FY 2022 through FY 2026.

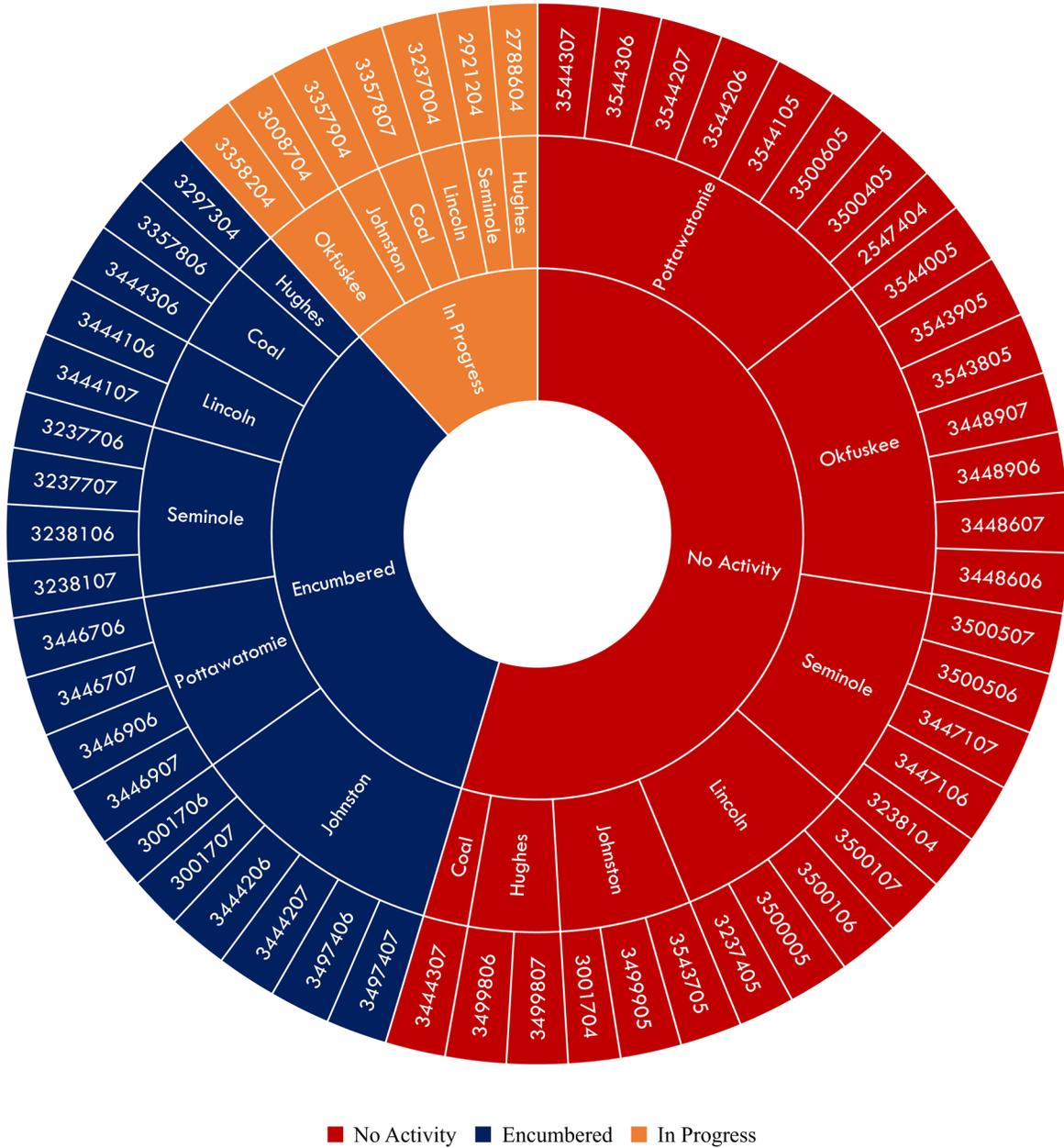
The charts detail the status of each construction phase at June 30, 2022, as to the following:

- Completed
- Work in Progress
- Encumbered
- No Activity

Projects in the encumbered stage indicate funds have been set aside but no work has been commenced.

**CIRCUIT ENGINEERING DISTRICT #4
 APPENDIX B: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
 STATUS OF PROJECTS FY 2022
 FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

Status of Projects FY 2022



Source: Information provided from [5 Year Construction Work Plan SFY-2022 through SFY-2026](#) and Oklahoma Department of Transportation CIRB Project Information report.

CIRCUIT ENGINEERING DISTRICT #4
APPENDIX B: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2022
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022

FY 2022 Plan Information					FY 2022		
County	Job Piece	Job Phase	Description	Plan Budget	Encumbered	Disbursed	Job Status
Coal	3357806	Right of Way	Co Rd 1750	\$ 200,000	\$ 200,000	\$ -	Encumbered
	3357807	Utilities	Co Rd 1750	150,000	150,000	20,447	In Progress
	3444306	Right of Way	Round Hill Rd	150,000	150,000	-	Encumbered
	3444307	Utilities	Round Hill Rd	100,000	-	-	No Activity
Hughes	2788604	Grade, Drain & Surface	Co Rd EW-148 Ph. I	6,629,322	6,910,943	2,102,423	In Progress
	3297304	Bridge & Approaches	EW-129 Over Tiger Creek	1,050,000	525,634	-	Encumbered
	3499806	Right of Way	Spaulding Rd	30,000	-	-	No Activity
	3499807	Utilities	Spaulding Rd	30,000	-	-	No Activity
Johnston	3001704	Bridge & Approaches	Blue River Rd Over Buzzard Creek	730,000	-	-	No Activity
	3001706	Right of Way	Blue River Rd Over Buzzard Creek	20,000	20,000	-	Encumbered
	3001707	Utilities	Blue River Rd Over Buzzard Creek	50,000	50,000	-	Encumbered
	3357904	Bridge & Approaches	Sandy Creek on NS 3683	422,830	637,054	584,237	In Progress
	3444206	Right of Way	Cheadle Rd	300,000	300,000	-	Encumbered
	3444207	Utilities	Cheadle Rd	200,000	200,000	-	Encumbered
	3497406	Right of Way	Delaware Creek on Harris Ranch Rd	30,000	25,000	-	Encumbered
	3497407	Utilities	Delaware Creek on Harris Ranch Rd	30,000	25,000	-	Encumbered
	3499905	Contract P.E.	Wiley Road	75,000	-	-	No Activity
	3543705	Contract P.E.	Union Rd	350,000	-	-	No Activity
Lincoln	3237004	Grade, Drain & Surface	Co Rd NS-341	3,650,000	4,156,930	428,397	In Progress
	3237405	Contract P.E.	Co Rd EW-084	450,000	-	-	No Activity
	3444106	Right of Way	Deep Creek	100,000	100,000	-	Encumbered
	3444107	Utilities	Deep Creek	100,000	100,000	-	Encumbered
	3500005	Contract P.E.	NS 3450 Over Quapaw Creek	165,000	-	-	No Activity
	3500106	Right of Way	EW 850 Salt Creek	20,000	-	-	No Activity
	3500107	Utilities	EW 850 Salt Creek	200,000	-	-	No Activity

Continued to next page

Source: Information provided from [5 Year Construction Work Plan SFY-2022 through SFY-2026](#) and Oklahoma Department of Transportation CIRB Project Information report.

**CIRCUIT ENGINEERING DISTRICT #4
APPENDIX B: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2022
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022**

FY 2022 Plan Information					FY 2022		
County	Job Piece	Job Phase	Description	Plan Budget	Encumbered	Disbursed	Job Status
Okfuskee	3008704	Grade, Drain & Surface	Co Rd NS-384	5,566,998	5,566,998	1,553,505	In Progress
	3358204	Bridge Rehabilitation	4 Co Bridges on NS 3790	1,225,468	1,225,468	955,626	In Progress
	3448606	Right of Way	Trib to N Canadian River	10,000	-	-	No Activity
	3448607	Utilities	Trib to N Canadian River	10,000	-	-	No Activity
	3448906	Right of Way	Trib to Flat Rock Creek	25,000	-	-	No Activity
	3448907	Utilities	Trib to Flat Rock Creek	20,000	-	-	No Activity
	3543805	Contract P.E.	NBI 04391 Over Unnamed Trib	150,000	-	-	No Activity
	3543905	Contract P.E.	NBI 02026 Over Unnamed Trib	150,000	-	-	No Activity
	3544005	Contract P.E.	NBI 06228 Over Unnamed Trib	150,000	-	-	No Activity
Pottawatomie	2547404	Grade, Drain, Bridge & Surface	Hardesty Rd	3,412,124	-	-	No Activity
	3446706	Right of Way	South Deer Creek	15,000	15,000	-	Encumbered
	3446707	Utilities	South Deer Creek	15,000	15,000	-	Encumbered
	3446906	Right of Way	Rock Creek on Garrets Lake Rd	10,000	10,000	-	Encumbered
	3446907	Utilities	Rock Creek on Garrets Lake Rd	10,000	10,000	-	Encumbered
	3500405	Contract P.E.	Coleman Rd	120,000	-	-	No Activity
	3500605	Contract P.E.	Old Highway 18	155,000	-	-	No Activity
	3544105	Contract P.E.	Moccasin Trail Rd	175,000	-	-	No Activity
	3544206	Right of Way	Hardesty Rd	150,000	-	-	No Activity
	3544207	Utilities	Hardesty Rd	500,000	-	-	No Activity
	3544306	Right of Way	Hardesty Rd	150,000	-	-	No Activity
	3544307	Utilities	Hardesty Rd	500,000	-	-	No Activity

Continued to next page

Source: Information provided from [5 Year Construction Work Plan SFY-2022 through SFY-2026](#) and Oklahoma Department of Transportation CIRB Project Information report.

CIRCUIT ENGINEERING DISTRICT #4
APPENDIX B: CIRB FIVE YEAR CONSTRUCTION WORK PLAN
STATUS OF PROJECTS FY 2022
FOR THE PERIOD OF JULY 1, 2021 THROUGH JUNE 30, 2022

FY 2022 Plan Information					FY 2022		
County	Job Piece	Job Phase	Description	Plan Budget	Encumbered	Disbursed	Job Status
Seminole	2921204	Grade, Drain & Surface	JCT of EW-119	1,247,677	1,441,201	1,287,653	In Progress
	3237706	Right of Way	NS-352	250,000	250,000	-	Encumbered
	3237707	Utilities	NS-352	200,000	200,000	-	Encumbered
	3238104	Bridge & Approaches	EW-116 Over Turkey Creek	1,015,000	-	-	No Activity
	3238106	Right of Way	EW-116 Over Turkey Creek	50,000	50,000	-	Encumbered
	3238107	Utilities	EW-116 Over Turkey Creek	50,000	50,000	-	Encumbered
	3447106	Right of Way	Wewoka Creek on Brick Plant Rd	20,000	-	-	No Activity
	3447107	ODOT P.E.	Wewoka Creek on Brick Plant Rd	20,000	-	-	No Activity
	3500506	Right of Way	Old OK 3E Over Salt Creek	25,000	-	-	No Activity
	3500507	Utilities	Old OK 3E Over Salt Creek	50,000	-	-	No Activity
Total				\$ 30,679,419	\$ 22,384,228	\$ 6,932,288	

Source: Information provided from [5 Year Construction Work Plan SFY-2022 through SFY-2026](#) and Oklahoma Department of Transportation CIRB Project Information report.

O·K·L·A·H·O·M·A
S·A·I
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