



CIRCUIT ENGINEERING DISTRICT #4

Operational Audit

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

Cindy Byrd, CPA
State Auditor & Inspector

**CIRCUIT ENGINEERING DISTRICT #4
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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.



January 26, 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, 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 #4
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

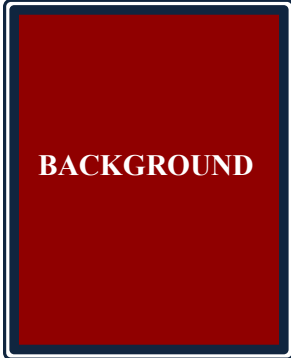
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INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - xi
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**CIRCUIT ENGINEERING DISTRICT #4
DISTRICT INFORMATION AND OFFICIALS
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**



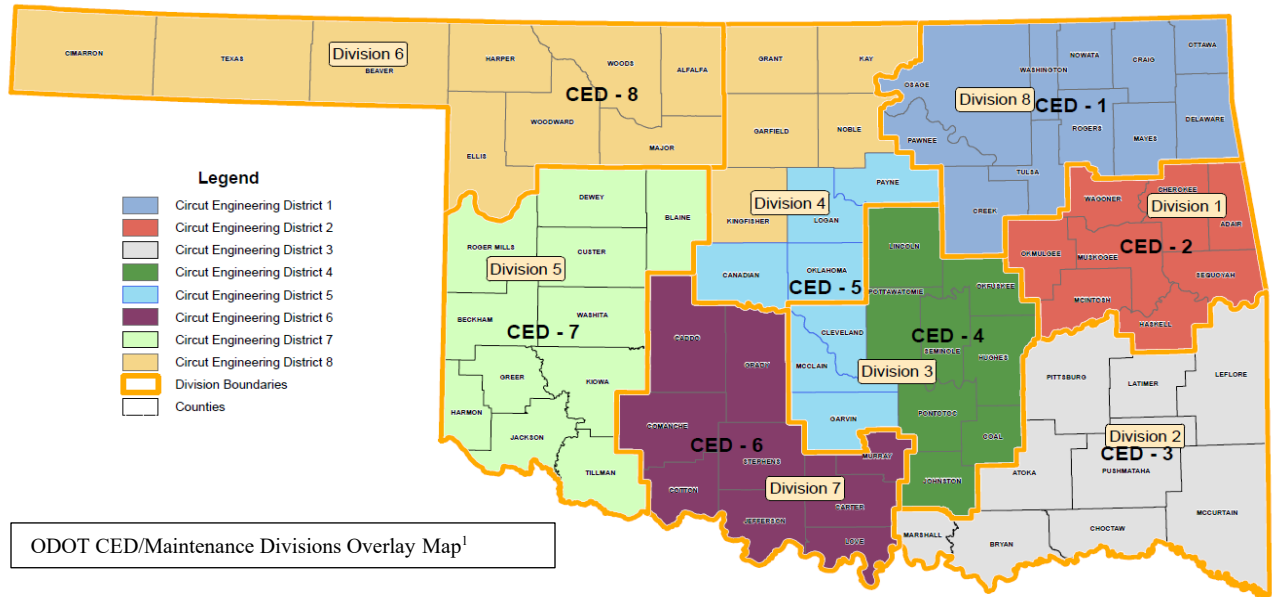
Pursuant to 69 O.S. § 687.1, counties may “create a circuit engineering district with any other county or counties” to allow county governments to “make the most efficient use of their powers [...] that will accord best with geographic, economic, population and other factors influencing the needs and 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, 2020 THROUGH JUNE 30, 2021**



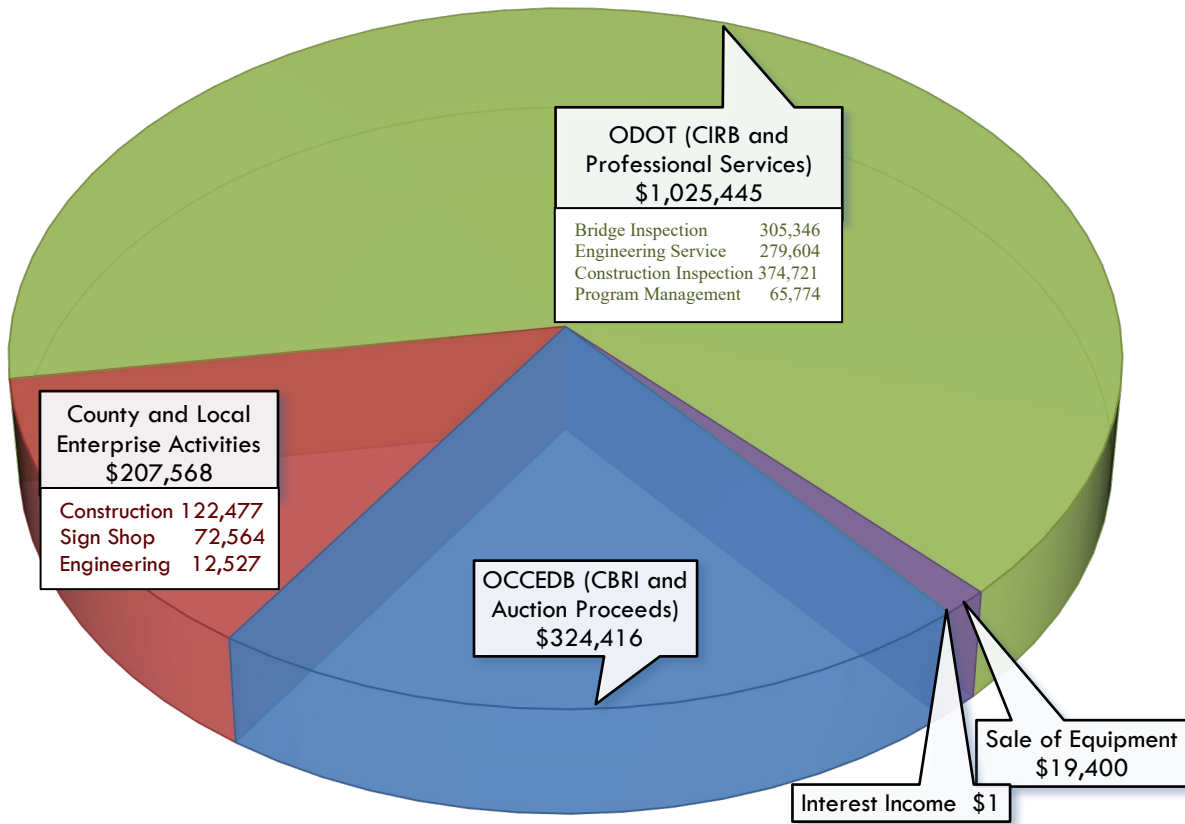
Circuit Engineering District #4 (the District) is comprised of an eight-county region, in the central part of the state including: Coal, Hughes, Johnston, Lincoln, Okfuskee, Pontotoc, Pottawatomie, Seminole counties¹.

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, 2020 THROUGH JUNE 30, 2021

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

Revenue by Source

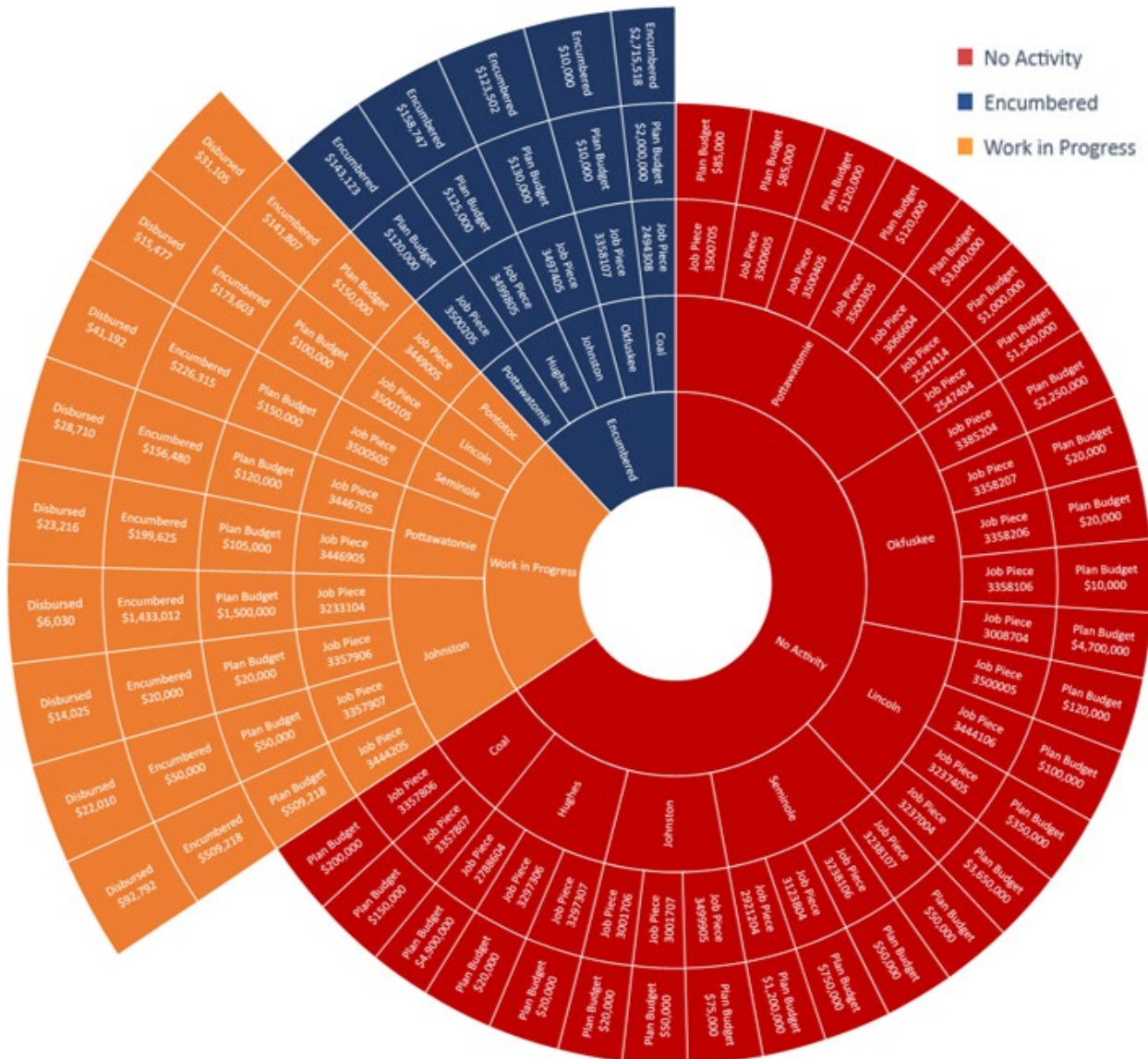


During the period the District collected \$1,576,830 in total revenue.

**CIRCUIT ENGINEERING DISTRICT #4
STATUS OF PROJECTS
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Below represents the status of projects for District #4 for planned jobs in fiscal year 2021 in the 5 Year Construction Work Plan SFY-2021 through SFY-2025 consisting of projects totaling \$29,784,218.

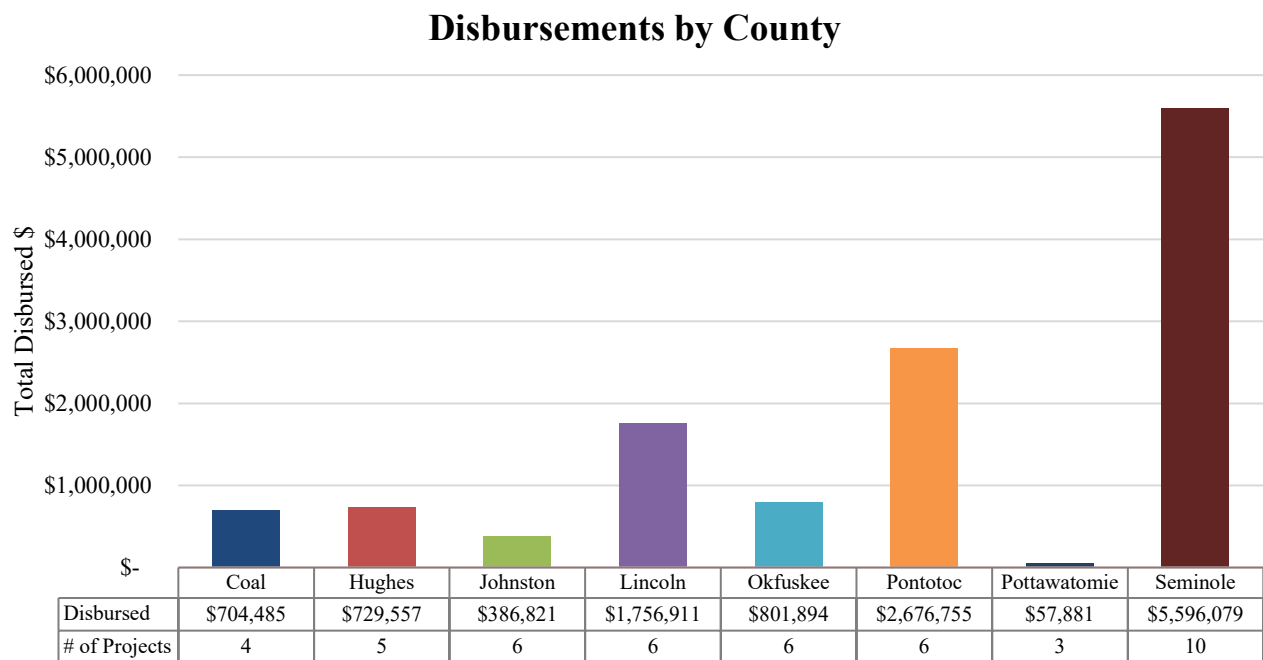
Status of Projects



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 #4
DISBURSEMENTS BY COUNTY
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Below represents fiscal year 2021 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for projects in CED #4 totaling \$12,710,383. This amount includes funds budgeted during fiscal years 2015 through 2021 listed by beneficiary County.

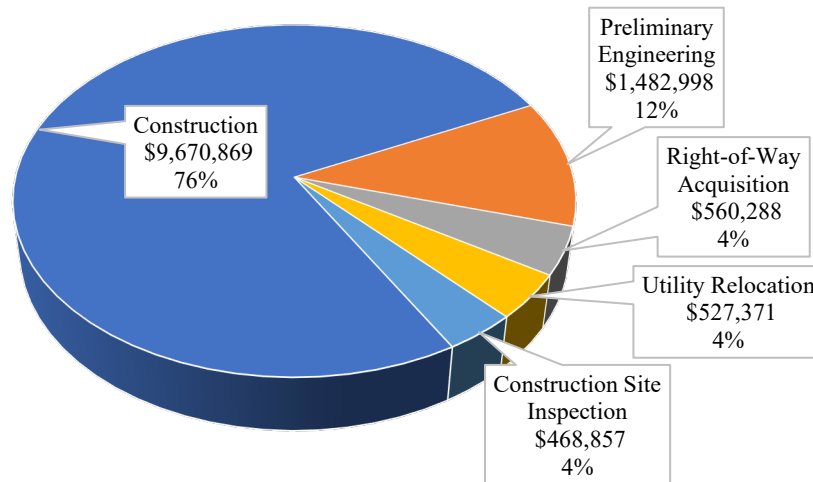


Source: Information provided from ODOT PFS report and the Statewide Accounting System – Summary of Receipts and Disbursement reports and Allotment Budget and Available Cash Reports (presented for informational purposes).

**CIRCUIT ENGINEERING DISTRICT #4
DISBURSEMENTS BY JOB PHASE
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Below represents fiscal year 2021 disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #4 totaling \$12,710,383. 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.

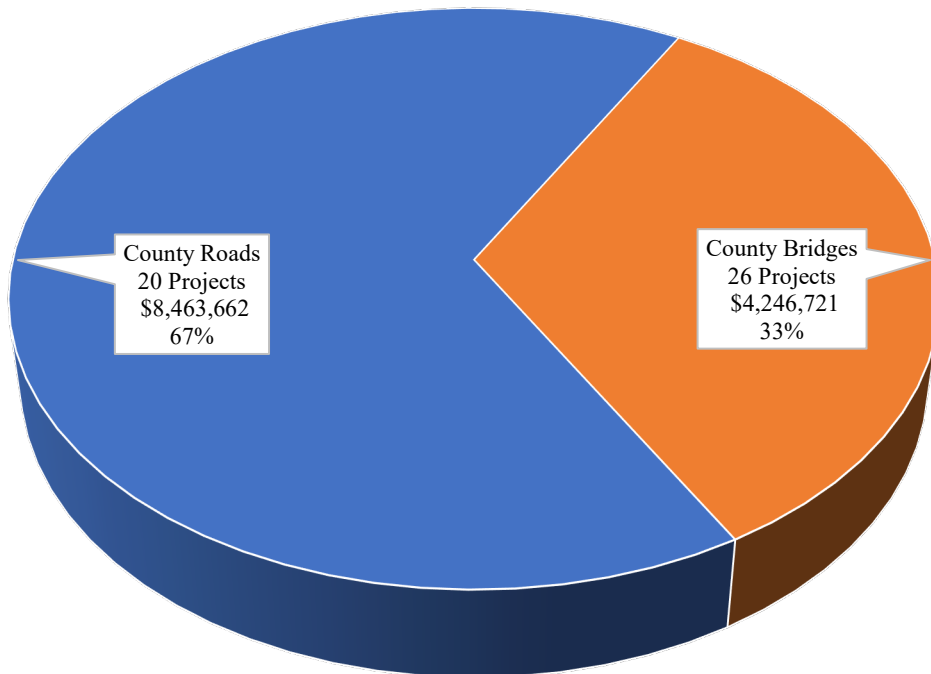
Construction Site Inspection – this job phase consists of oversight of the contractor to ensure the project is built in accordance with specifications, plans and estimates. These payments are disbursed to the District.

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

Below represents the amount of disbursements made from the County Improvements for Roads and Bridges (CIRB) fund for District #4 totaling \$12,710,383. 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 #4
DISBURSEMENTS BY BUDGET YEAR
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Below represents the fiscal year 2021 disbursements for County Roads and County Bridge projects for District #4 divided into their respective budget years.

Fiscal Year 2021 Disbursements by Budget Year

County	2015	2016	2017	2018	2019	2020	2021	Total *
Coal	-	-	-	-	78,151	196,999	429,335	\$ 704,485
Hughes	263,316	128,889	-	98	13,103	51,225	272,926	\$ 729,557
Johnston	-	-	94,019	36,074	-	111,896	144,832	\$ 386,821
Lincoln	-	-	-	72,918	28,875	1,375,964	279,154	\$ 1,756,911
Okfuskee	36,000	-	-	82,929	-	369,136	313,829	\$ 801,894
Pontotoc	-	-	-	-	187,613	2,300,711	188,431	\$ 2,676,755
Pottawatomie	-	-	-	5,955	-	-	51,926	\$ 57,881
Seminole	273	108,788	177,590	-	-	4,615,958	693,470	\$ 5,596,079
Total	\$ 299,589	\$ 237,677	\$ 271,609	\$ 197,974	\$ 307,742	\$ 9,021,889	\$ 2,373,903	\$ 12,710,383

*-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 in 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 #4
PROJECT HIGHLIGHTS
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Circuit Engineering District No. 4 (CED4) 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

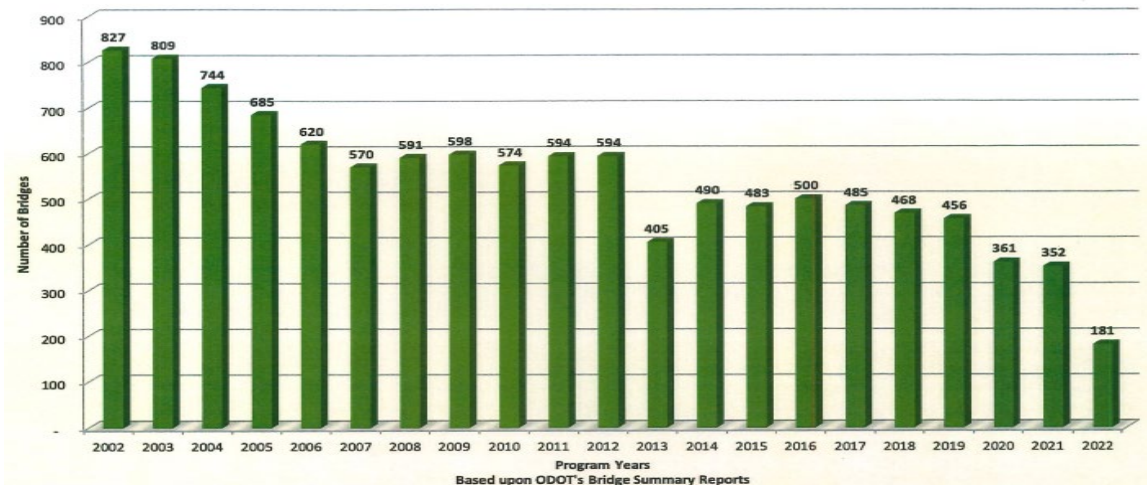
CED4 provides engineers and design technicians who are experts in understanding the complexities involved in bringing a cost-effective project from planning, to design, and finally construction. Projects are either let through the State DOT using CIRB and Federal funds or constructed via the District 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.



FY2021 Accomplishments:

- New construction of \$16.5 Million District wide.
- Total CIRB encumbrances by end of FY21 of \$96.8 Million District wide.
- Assist in the creation and approval of District’s \$104 Million FY2022-2026 CIRB 5-Year Construction Plan.

CED 4's Structurally Deficient Bridges



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

**CIRCUIT ENGINEERING DISTRICT #4
PROJECT HIGHLIGHTS FY 2021
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Safety Bridge Inspection

CED4 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.

FY2021 Accomplishments:

- Conducted and completed over 830 bridge safety field inspections and reports.
 - Conducted and completed over 5 fracture critical bridge safety inspections and reports.
 - Completed over 50 special bridge inspections for bridges with significant condition deficiencies.
 - Completion of over 400 bridge load rating analysis, identifying maximum tonnage and signage needs.
-

Construction Management and Inspection

Inspection 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.

FY2021 Accomplishments:

- CM project JP29267 Doise Creek Bridge, Lincoln County, construction completed in FY2021.
 - CM project JP22529 Sand Creek Bridge, Lincoln County, construction completed in FY2022.
 - CM project JP32331 Bullard Chappell Rd, Johnston County, construction completed in FY2022.
 - CM project JP32376 Old Konawa Highway, Seminole County, construction completed in FY2022.
-

Force Account Construction

CED4 provides experienced personnel to lead or assist in the construction of small bridge and maintenance jobs resulting in hundreds of thousands of dollars in savings to the 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.

FY2021 Accomplishments:

- 2 steel beam span bridges constructed using recycled crosstown beams for superstructure.
 - 1 foundation rehabilitation project on structurally deficient load posted bridge.
 - One-half dozen smaller bridge repair and tank car installations.
-

Sign Production Shop

CED4 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.

FY2021 Accomplishments:

- Manufactured over 1,850 highway traffic signs for more than 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 FUND BALANCES OF DISTRICT FUNDS
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Presentation of District #4 Funds for the Period of July 1, 2020 through June 30, 2021

	General Fund
Beginning Cash Balance, July 1 (As Restated)	\$ 914,426
Revenues:	
ODOT (CIRB and Professional Services):	
Bridge Inspection	305,346
Engineering Service	279,604
Construction Inspection	374,721
Program Management	65,774
County and Local Enterprise Activities:	
Construction	122,477
Sign Shop	72,564
Engineering Services	12,527
OCCEDB (CBRI and Auction Proceeds):	
Auction Proceeds	17,457
CBRI	306,959
Interest Income	1
Sale of Equipment	19,400
Total Revenues	1,576,830
Expenditures:	
Construction Project Expense	28,794
Professional Fees	1,070
Project Design Tech Services	1,156
Project Design	40,726
Rent & Lease Expense	168
Service Expense	765
Bridge Inspection Services	867
Construction Project Services	59,494
Engineering Services Expenses	66,365
Fleet Vehicle Expense	22,779
Force Account Construction Expense	45,816
Insurance Expense	17,341
Labor Expense	869,365
Office Expense	22,370
Professional Fees & Expense	16,431
Professional Services Expense	12,313
Sign Shop Expense	49,438
Travel Expense	2,187
Utilities Expense	10,674
Total Expenditures	1,268,119
Ending Cash Balance, June 30	\$ 1,223,137

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

**CIRCUIT ENGINEERING DISTRICT #4
DESCRIPTION OF THE DISTRICT'S FUNDS
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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 #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, 2020 THROUGH JUNE 30, 2021**

**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*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, 2020 THROUGH JUNE 30, 2021**

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.

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

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. However, we noted some deficiencies in internal controls regarding the financial reporting process.

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*.
- Confirmed \$1,349,862 in monies (85.45% of total monies) received from the Oklahoma Cooperative Circuit Engineering Districts Board (OCCEDB) and Oklahoma Department of Transportation 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.

FINDINGS AND RECOMMENDATIONS

Finding 2021-001 – Internal Controls Over District's Monthly Financial Reports and Pledged Collateral

Condition: Upon inquiry, observation, and review of documents, the following was noted:

- The review of bank reconciliations did not include verification to financial ledgers.
- The District does not verify all ending bank account balances to ensure funds are appropriately collateralized.

Additionally, on June 30, 2021, the District's deposits were not secured by pledged collateral in one (1) of the four (4) banks in the amount of \$204,586.

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

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Effect of Condition: This condition resulted in noncompliance with state statute and District policies for unsecured funds. Further, this condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and possible loss of District funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the following:

- Bank reconciliations should be reviewed to the District's financial ledgers.
- The District design procedures to compare bank balances to fair market value of pledged collateral on a daily basis to ensure that District funds are adequately secured and that the District is in compliance with 62 O.S. § 517.4 and the District Accounting and Finance Policies and Procedures for Investment of funds. Documentation for this daily procedure should be retained.

Management Response:

CED Board President: The District will develop policies and procedures to implement internal controls including reviews by management as recommended by the Auditor's office.

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.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states:

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Further, 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.

⁴Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasigovernmental entities.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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.

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

Documentation of Responsibilities through Policies

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 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.

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

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.”

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Finally, 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.”

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 for the allowable operations of the District. However, we noted some deficiencies regarding adequate documentation and internal controls in the expenditure (including payroll) process.

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 thirty-one (31) expenditures totaling \$18,958 representing 4.77% of expenditures in the population tested.
- Reviewed a random sample of two (2) payroll periods totaling \$47,903 representing 5.50% of payroll expenditures in the population tested.

FINDINGS AND RECOMMENDATIONS

Finding 2021-002 – Internal Controls Over the District’s Expenditures

Condition: Internal control deficiencies in the expenditure process noted in a random sample of thirty-one (31) District expenditures (excluding payroll):

- Three (3) were not reviewed and approved by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the District’s expenditures are reviewed and approved by management and the Board.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Recommendation: OSAI recommends management develop policies and procedures over the District's expenditure process. The District should document the review and approval of expenditures by management and the Board.

Management Response:

CED Board President: The District will develop policies and procedures to implement internal controls including reviews by management as recommended by the Auditor's office.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states:

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Further, 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.

Also, 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.

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

Documentation of Responsibilities through Policies

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 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.

**CIRCUIT ENGINEERING DISTRICT #4
OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT
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12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

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:

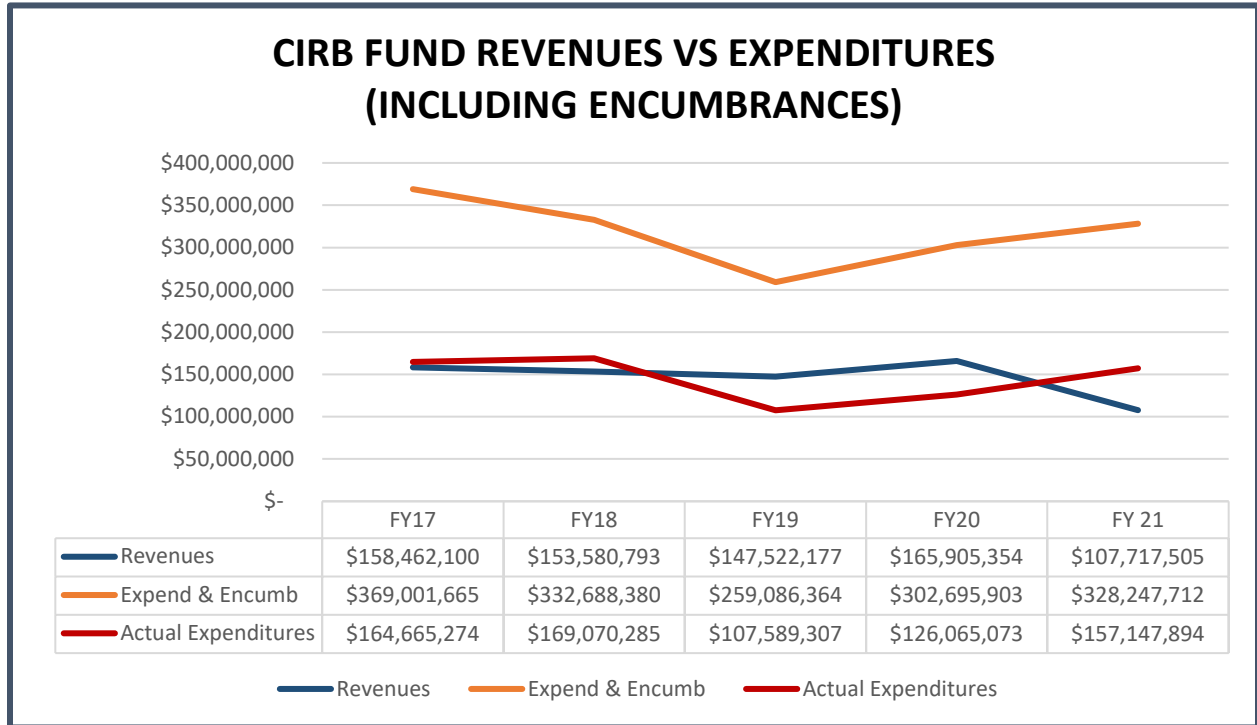
- Documented our understanding of the process for evaluating proposed changes to projects prior to modifying the District's 5 Year Construction Work Plan.
- Verified documentation for projects added to the plan prior to modifying the District's 5 Year Construction Work Plan.
- Verified documentation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

FINDINGS AND RECOMMENDATIONS

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

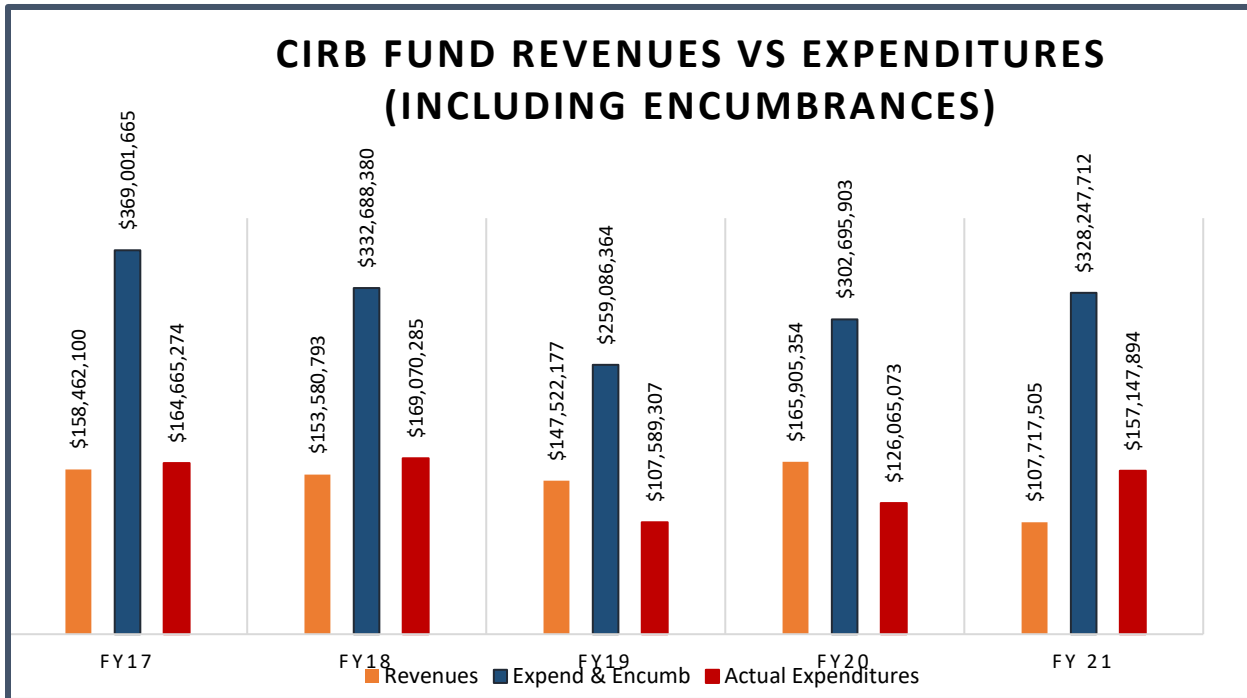
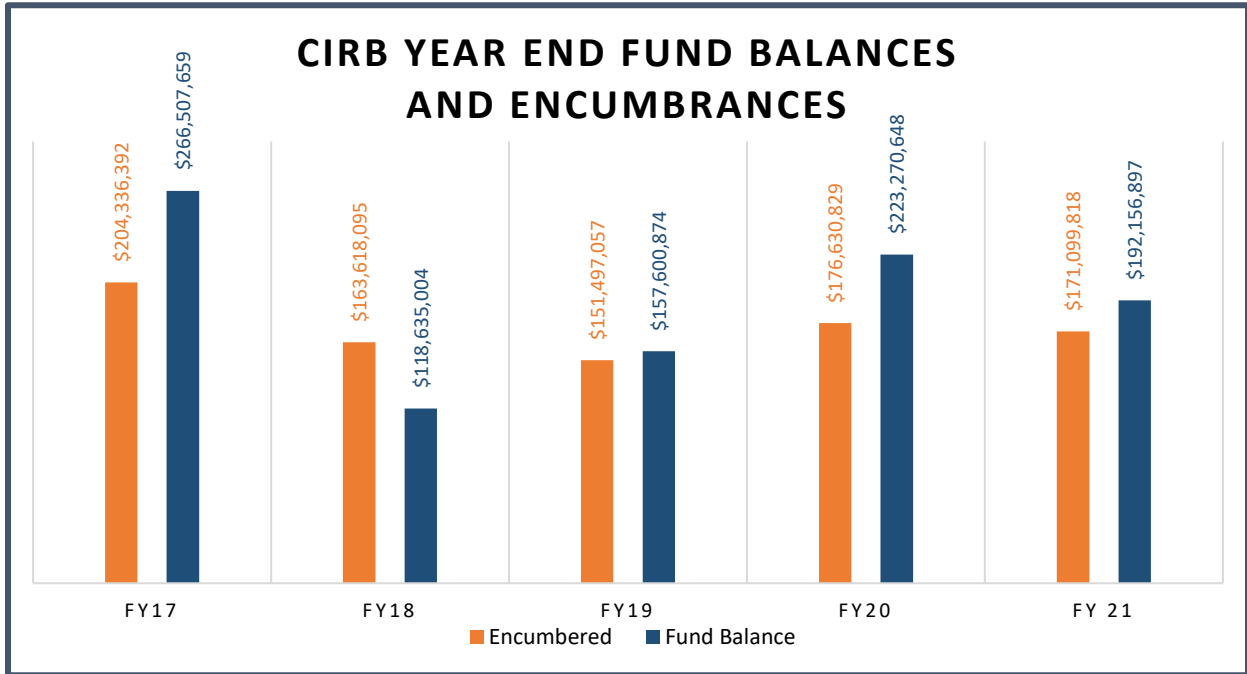
**CIRCUIT ENGINEERING DISTRICT #4
 APPENDIX: STATEWIDE CIRB FUND ANALYSIS
 FOR ALL CIRCUIT ENGINEERING DISTRICTS
 FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

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 #4
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



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