



CITY OF SALLISAW

Investigative Audit Report

October 9, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**City of Sallisaw
Sequoyah County, Oklahoma**

**Investigative Audit Report
October 9, 2019**



Cindy Byrd, CPA | State Auditor & Inspector

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

October 9, 2019

TO THE HONORABLE JACK THORP DISTRICT ATTORNEY, DISTRICT 27

Presented herein is the investigative audit report of the City of Sallisaw. 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 addressed to, and is for the information and use of, the District Attorney as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with 51 O.S. §§ 24A.1, *et seq.*

Sincerely,

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

Cindy Byrd, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR





City of Sallisaw Investigative Audit Report

Why We Performed This Audit

Our investigative audit was conducted in response to a request from the office of District Attorney Jack Thorp, District 27, in accordance with 74 O.S. § 212(H), to address concerns encompassing the use of the City of Sallisaw's (City) credit card by former City Manager Clayton Lucas II. The scope of our engagement was May 4, 2015 through December 12, 2017, the 31-month period Lucas was employed with the City.

The objectives of our investigation were as follows:

1. Were credit card expenditures incurred by the former city manager allowable and for a public purpose?
2. Were public funds used by the former city manager to pay for personal expenditures incurred during a family vacation to Salt Lake City, Utah, in the summer of 2016?
3. Were City resources used improperly and for the personal benefit of the former city manager?

Executive Summary

Clayton Lucas II incurred \$55,052.73 of expenditures on his city-issued credit card¹ while employed with the City of Sallisaw. Of these purchases, \$11,861.67 were deemed *unallowable*, transactions that appeared to be for personal benefit and were not a proper use of public funds. In addition, expenditures totaling \$6,589.97 were deemed *questionable*, these transactions were not supported by itemized receipts or invoices, resulting in not enough evidence being available to determine the exact nature of the expenditure.

Lucas consistently ignored, changed, or eliminated purchasing and travel policies. His credit card expenditures were subjected to very little to no oversight by the Board of City Commissioners and he continually "pushed the envelope" exhibiting a pattern of behavior that showed a blatant disregard for the proper use of public funds.

Lucas also created an environment where he utilized City resources to provide a personal benefit that would not have otherwise been available to the public.

¹ Throughout this report the term credit card will be used interchangeably with the term purchasing card or p-card.

Background

During the 31-months Lucas served as city manager it was alleged he traveled excessively, using the City’s credit card and vehicle for personal use. Lucas’ travel expenses were eventually called into question as he began to change administrative policy.²

The policy changes made by Lucas appeared to increase allowed travel costs, limit the transparency of credit card transactions, and promote the personal use of City property. Some of the changes made included:

- Not requiring employees to submit detailed credit card receipts for expenses incurred.³
- Removing restrictions which prohibited employees from transporting children in City vehicles.
- Not requiring employees to select single occupancy hotel rooms without special accommodations, i.e. suites or other higher costs arrangements.
- Allowing employees to drive personal vehicles while in travel status, even if driving was not the least expensive mode of travel.
- Not requiring employees to pay camping fees at the city-owned Brushy Lake.
- Allowing employees to fish and hunt on City owned property.

The City Charter Article IV, Section 4(e) directs that the city manager “make such **recommendations** to the Board of Commissioners on matters of policy”. We found no authority for the city manager to change policy without Board approval. We also found no evidence policy changes made by Lucas were approved by the Board.

(e.) Shall attend the meetings of the Board of Commissioners, take part in discussions thereat, and keep the Board of Commissioners advised as to the financial condition and future needs of the City; and, make such recommendations to the Board of Commissioners on matters of policy and other matters as he may deem desirable or appropriate.

Employment Agreement

Clayton Lucas II was employed with the City of Sallisaw effective May 4, 2015. Per the terms of the 2015-2016⁴ employment agreement, the City agreed to “pay all authorized expenses of the City Manager” and furnish Lucas “a vehicle for use on City business within and outside the City of Sallisaw and pay all expenses related thereto.” This agreement also reflected a vehicle would be provided for the “City Manager’s personal use as well as business use within Sequoyah County.”

² Administrative Policy – Travel and Entertainment AD1005 was changed by Lucas in March 2016 and again in September 2016.

³ See Attachment A

⁴ The 2015-2016 contract was in effect for the period of May 4, 2015 through June 30, 2016.

On May 9, 2016, 52 days before the 2015-2016 agreement expired, Lucas presented a modified version of the 2015-2016 agreement to the Board for renewal as his 2016-2017 contract. The new contract now allowed for *personal use* of the City vehicle *outside* of Sequoyah County. Lucas submitted the revisions to the Board in an attachment to the meeting agenda as shown here:

BACKGROUND: The City Manager was hired May 4, 2015 and requests the employment contract be updated. There is no request to increase pay. The term has been changed to “May 9, 2016 to June 30, 2017.” Irrelevant sections have been removed such as a specific part of section 3 regarding vacation in July of 2015 and all of section 12 regarding the reimbursement of moving expenses in July of 2015. The only requested change is to remove the words “within Sequoyah County, Oklahoma from section 7 regarding vehicle use. **This vehicle restriction has not been placed on previous Sallisaw City Managers.** All requested deletions to the contract have been marked in the attached updated contract.

We reviewed the previous Sallisaw City Manager’s employment agreement, which provided for a City vehicle for business use outside of the City but did not allow for *any* personal use of a City vehicle.

The Board approved the 2016-2017 employment agreement on May 9, 2016, as part of their consent agenda. The minutes reflected no discussion of the employment agreement changes.

(g) Consider approving renewal of employment agreement with the City Manager

Motion was made by Mendiola, seconded by Legg, for approval of the consent agenda. Vote: Lowe aye; Legg aye; Hudgens aye; Mendiola aye; Ferguson aye. Motion carried 5-0.

CONSIDER ANY ITEM REMOVED FROM CONSENT AGENDA

None.

Per Lucas, the Board discussed the proposed changes giving him direction on what to add to, or remove from, the 2016-2017 contract during the City’s annual budget retreat. The May 9, 2016, meeting minutes reflected the budget retreat was not scheduled until May 17, after the employment agreement was renewed. We found no evidence the Board reviewed, advised, or discussed the agreement changes with Lucas prior to approving them.

The timing of the 2016-2017 agreement renewal posed questions because it was submitted prior to the 2015-2016 contract’s expiration date of June 30, 2016. Specifically, the change of allowing personal travel outside of Sequoyah County allowed Lucas to travel to Utah on vacation in June 2016, towing his personal RV with the City’s Ford Expedition.

Lucas' 2017-2018 employment agreement, as to travel and vehicle use, was identical to the 2016-2017 agreement. Lucas' resigned his position effective December 12, 2017.

Administrative Travel and Entertainment Policy (AD-1005)

The business travel policies for the City are addressed in Policy Number AD-1005 which reflects that the policy "shall apply to all employees of the City of Sallisaw, members of City boards and commissions and all elected officials." This policy was originally effective July 1, 2006. Lucas implemented revised policies without Board approval on March 25, 2016, and September 22, 2016. These policies lifted restrictions and decreased internal controls surrounding travel costs. Some of the more relevant policy changes included:

1. The July 2006 policy stated, "Under no condition will children of the employee be allowed to travel in City owned vehicles for out of town travel." On March 25, 2016, policy was changed to allow a City employees' spouse and children to travel in City provided transportation. The newly changed policy now stated:

2.9. Upon prior approval of the City Manager, a spouse and/or children may be allowed to travel with the city representative in city provided transportation.

2. The July 2006 policy restricted payment of hotels and motels to "normal cost" which was defined as single occupancy without special accommodations, i.e., suites or higher cost arrangements. The September 2016 revision removed the definition of "normal cost" leaving payment of higher costs in question.
3. The July 2006 policy required both "detail and charge receipts" be provided in the documentation of expenditures. The September 2016 policy no longer required "detail and charge receipts" and instead changed the wording to "All receipts." Effective with this change, some employees were no longer submitting itemized or detailed receipts for support of credit card charges.

July 2006 Policy

5.4. Employees are responsible for accounting for all receipts documenting the use of city credit cards. All receipts must be submitted to the Purchasing Agent immediately upon return from the event/trip. Both detail and charge receipts are required to be returned to document expenditures.

Lucas changed the policy on September 22, 2016, no longer requiring detailed receipts to be submitted for review.

September 2016 Policy

5.4. Employees are responsible for accounting for all receipts documenting the use of city credit cards. All receipts must be submitted to the Purchasing Agent within five (5) days of returning from the event/trip. All receipts are required to be returned to document expenditures.

Details on What We Found

1. Were credit card expenditures incurred by the former city manager allowable and for a public purpose?

The purchasing card or P-card is a credit card that gives employees immediate access to purchasing privileges for the City. According to Policy AD-1005, credit cards are provided for use while on official City business *only* and “prudent judgment” is expected when making credit card expenditures.

5.1. City credit cards are provided for use while on official city business only. Prudent judgment is expected when making expenditures with a city credit card. Authorized expenditures include meals, hotel accommodations and other allowable expenditures as allowed in this policy.

During his employment, former City Manager Lucas II purchased \$55,052.73 in goods and services on a city-issued credit card. All credit card expenditures incurred by Lucas were evaluated and classified as unallowable, questionable, or allowable.

Unallowable Expenditures were transactions that provided a personal benefit directly to Lucas and were deemed not a proper use of public funds.

Questionable Expenditures were not supported by itemized receipts or invoices resulting in not enough evidence available to determine the exact nature of the expenditure and whether the costs were a proper use of public funds.

Allowable Expenditures were properly supported transactions and considered to be an acceptable use of public funds.

Finding ***Of \$55,052.73 in credit card expenditures incurred by former City Manager Clayton Lucas II, \$11,861.67 was deemed unallowable, \$6,589.97 was classified as questionable, and \$36,601.09 appeared allowable.***

Clayton Lucas II Credit Card Expenditures				
May 4, 2015 through December 12, 2017				
Category	Unallowable	Questionable	Allowable	Total
Out-of-State Travel	\$2,399.90	\$1,673.09	\$10,726.39	\$14,799.38
Equipment/Supplies	\$351.93	\$2,299.71	\$9,255.37	\$11,907.01
Professional Fees	\$0.00	\$0.00	\$10,890.61	\$10,890.61
Family Vacation to Utah	\$8,532.24	\$590.46	\$0.00	\$9,122.70
In-State Travel	\$350.42	\$480.39	\$3,952.16	\$4,782.97
Local Commuter Fuel/Food	\$114.52	\$1,519.32	\$1,776.56	\$3,410.40
Other Miscellaneous	\$112.66	\$27.00	\$0.00	\$139.66
Total	\$11,861.67	\$6,589.97	\$36,601.09	\$55,052.73

Out-of-State Travel

Lucas attended the following six conferences hosted outside the state of Oklahoma:

- 2015 National Leagues of Cities - Nashville, TN
- 2016 Strategic Government Resources Leadership Conference - Grapevine, TX
- 2016 Fiber to the Home - Nashville, TN
- 2016 Water Environment Federation Conference - New Orleans, LA
- 2017 Strategic Government Resources Leadership Conference - Grapevine, TX
- 2017 Gettysburg Foundation Leadership Program - Gettysburg, PA

A total of \$14,799.38 was expended on out-of-state travel, including lodging, fuel, meals, and other transportation costs. These charges frequently included stays at hotels which offered suite accommodations. Lucas acknowledged his family⁵ traveled with him to all but one conference but denied this increased cost to the City. We noted several instances where Lucas traveled with his family staying in hotel suites or rooms large enough to accommodate the family, occasions that did increase the costs of his stay.

Finding

*Lucas incurred **\$2,399.90** in unallowable credit card charges related to out-of-state travel. These charges included costs which exceeded lodging expenditure policy limits and included purchases made for personal benefit.*

- When attending the Fiber to the Home Conference in June 2016, Lucas and his family stayed at the Embassy Suites as shown in the receipt here. The hotel receipt reflected two adults and four children stayed in the suite at a rate of \$355.32 per night. Lucas arrived at the hotel with his family on June 10, 2016, three days in advance of the conference.

T E S	EMBASSY SUITES NASHVILLE	
	10 CENTURY BLVD	
	NASHVILLE, TN 37214	
	United States of America	
	TELEPHONE 615-871-0033 • FAX 615-883-9987	
	Reservations	
	www.embassysuites.com or 1 800 EMBASSY	
	Room No:	224/XSTN
	Arrival Date:	6/10/2016 6:33:00 PM
	Departure Date:	6/15/2016 1:27:00 PM
Adult/Child:	2/4	
Cashier ID:	ABONNER1	
Room Rate:	355.32	

During this conference, three other City employees stayed at the Gaylord Hotel, the host conference hotel. These employees arrived on June 12, 2016, the day before the conference began and booked a standard room at a rate of \$173 per night. Lucas' total lodging costs for this conference was \$2,074.26. Lucas incurred **\$1,257.60**⁶ in additional lodging costs by traveling to the conference early with his family and staying in a hotel which exceeded the cost of the host hotel by \$182.32 per night.

⁵ Spouse and five children

⁶ \$355.32 - \$173.00 = \$182.32 X 3 nights = \$546.96 + \$710.64 (2 nights before conference) = \$1,257.60.

Although Lucas' contract provided for all authorized travel expenditures, there was no evidence he obtained prior authorization to set aside the purchasing policy and spend more than other City employees who stayed in the designated conference hotel. Lucas also incurred \$279.70 in food and miscellaneous costs for the extra time spent in Nashville.

- Lucas purchased airfare totaling \$635.10 for travel on June 13, 2017, from Tulsa to Harrisburg, PA to attend the 2017 Gettysburg Foundation Leadership Program. After booking the airfare Lucas decided to drive to the conference so his family could travel with him, resulting in the use of the City's vehicle and related fuel costs. Lucas did not obtain a refund for the flight leaving the City responsible for the charge.

We contacted Delta Airlines who stated the City could have received credit for the flight up to one year after the missed flight. No such arrangement was made resulting in the City incurring a \$635.10 loss.

- Lucas made three charges to the City's credit card totaling \$227.50 while on vacation. The transactions appeared to be personal and to serve no public purpose.

The first charge was \$19.80 in food at a Panera restaurant in Harrisburg, PA. The charge was made after Lucas and his family departed Gettysburg on June 17, 2017, after he attended the 2017 Gettysburg Foundation Leadership Program. The family continued traveling east on vacation to New York. No receipt for the restaurant purchase was found in City records.

The second charge was an advance purchase for a hotel room in Knoxville, TN, for return travel from Gettysburg. The hotel accommodations were never used, resulting in unnecessary charges of \$182.70 to the City's credit card.

The third charge was a \$25 cancellation fee incurred when Lucas booked a hotel room in advance for travel to Bricktown in Oklahoma City which conflicted with one of the same nights he and his family were in travel status in Gettysburg.

Finding ***Lucas incurred at least \$1,673.09 in questionable charges made while in out-of-state travel status. These purchases included charges that were paid by the City without receipts or paid without itemized receipts.***

Lucas failed to turn in a receipt or an itemized receipt for several purchases incurred while in out-of-state travel status. Without a receipt or an itemized receipt, it could not be determined if the purchase was made in accordance with policy or was an authorized use of public funds. These purchases were classified as questionable expenses.

**City of Sallisaw
Investigative Audit**

- Thirty-one transactions were charged at restaurants and snack bars with either no receipt or no itemized receipt provided for payment. The receipts that were included for payment reflected total charges that would suggest more than one individual meal was incurred. Again, without receipts or itemized receipts it could not be determined if these purchases, totaling **\$1,504.89**, were for a municipal purpose or if the additional meals were for personal benefit. Shown are four examples of meals purchased and paid for without an itemized receipt.

PIG ON BEALE .
 (901) 529-1544
 167 Beale St
 Memphis, TN 38103
 (901) 529-1544

Server: Cassidy DOB: 06/15/2016
 06:52 PM 06/15/2016
 Table 24/1 2/20028

SALE

VISA 2097180
 Card #XXXXXXXXXX0686
 Magnetic card present: II CLAYTON
 Card Entry Method: S

Approval: 098950

Amount: \$ 105.54
 + Tip: 15
 = Total: 120.54

The Melting Pot
 186 2nd Ave. North
 Nashville, TN 37201
 615.742.4970

Server: Chad DOB: 06/13/2016
 07:32 PM 06/13/2016
 Table 55/1 4/40006

SALE

VISA 4194309
 Card #XXXXXXXXXX0686
 Magnetic card present: Yes
 Card Entry Method: S

Approval: 023743

Amount: \$ 101.67

7203
 Server: ROSHAUN P Rec:110
 09/26/16 18:34, Swiped T: 60 Term: 5

CREDLE HOUSE RESTAURANT
 509 CANAL S
 NEW ORLEANS 70130
 () -
 MERCHANT #:

CARD TYPE ACCOUNT NUMBER
 VISA XXXXXXXXXXXX0686
 00 TRANSACTION APPROVED
 AUTHORIZATION #: 046531
 Reference: 0926010000203
 TRANS TYPE: Credit Card SALE

CHECK: 103.64
 TIP: 15
 TOTAL: 118.64

Steak 'n Shake No:325

Order: 315869 PTY: 6
 Name: REGINAL C 6/12/2016 6:03:20 PM

Total before Discounts	33.08
Discounts	- 8.37
SubTotal	24.71
Tax	2.29
Gratuity	4.00
Total	31.00
L-Up Funds Ending:0000	Amount 11.83
Visa Ending:0860	Amount 19.17
CARD Balance:	0.00

- Five charges made at gas stations or convenience stores, totaling **\$168.20**, were not supported by receipts. Without receipts it could not be determined if the purchases were for a proper public purpose. These costs were determined to be questionable transactions.

Equipment/Supplies

Lucas used the City credit card to purchase a total of \$11,907.01 in equipment and supplies. These purchases consisted of furniture, electronics, information technology supplies, and vehicle related enhancements. Although most of these purchases were allowable, it was questioned if Lucas exercised prudent judgment in the expenditure of these public funds. The unallowed and questionable equipment and supply purchases are noted below.

Finding *Lucas purchased \$351.93 in equipment and supplies that had no apparent public purpose and were determined to be unallowable expenditures.*

The following three transactions, totaling **\$351.93**, were expenditures that served no public purpose.

- On June 4, 2015, Lucas purchased boat seats, life vests, including one child size vest, and seat clamps. The purchase totaling **\$207.20** was allegedly made for use with the City's boat at Brushy Lake. According to a City official, the equipment was not used by the City's Parks Department and was not stored with the City's boat. The City official also indicated Lucas used the boat to take his son fishing on multiple occasions.

Attachment J: P-Card Receipt Log

Cardholder: Clayton Lucas Card last 4 digits: 0686 Department: 100

Date	Vendor # / Vendor	Items	GL Acct	Cost	R	Dept Code	GL Code
5/28	Chili's	Fort Smith Admin				100-Admin	52216 Veh/Equip Maint.
		Mtg	100-508	49.90	✓	201-Police	Supplies (Dept 404 only)
6/4	WALMART	Brushy Lake Equip	501-308	207.20	✓	202 Police Aux	52201 Office
						205-Human	52203 Clothing
						301-Cust Service	52204 Fuel

- Lucas spent **\$13.05** at a RV dealership in Illinois on February 19, 2016. The purchase was not listed on the *P-Card Receipt Log* and no receipt was provided to document the item purchased or its municipal purpose.
- Lucas purchased **\$131.68** in ammunition from Dick's Sporting Goods in Fort Smith, AR in April 2016. Lucas claimed the ammunition was used for beaver eradication and that the unused ammo was stored at city hall. No ammunition could be located at city hall.

Cardholder: Clayton Lucas Card last 4 digits: 0686 Department: 100

Date	Vendor # / Vendor	Items	GL Acct	Cost	Dept Code
4/22/16	Dick's Sporting	Beaver Eradicator	701-303	131.68	✓ 100-Admin

Finding ***Questionable purchases of equipment and supplies were made totaling \$2,299.71. These purchases included \$1,677.58 for auto upgrades and accessories and three purchases totaling \$622.13 paid with no supporting invoices or receipts.***

The City provided Lucas a vehicle to drive for both business and personal use. Multiple purchases were made by Lucas on the City's credit card to improve or upgrade these vehicles. The purchases included custom window tinting, custom floor mats, a cargo trunk liner, and stereo related equipment. Although routine maintenance of a City vehicle would be expected, the purchases in question appeared questionable as to their necessity. The auto upgrades and accessory purchases totaled **\$1,677.58**.

Two purchases from Amazon for **\$307.99** and **\$166.00**, and one purchase for **\$148.14** from Gadget Grave, an electronics repair shop, were incurred with no supporting documentation. It could not be determined if these expenses were for a personal or business purpose. We requested supporting documentation for these items from Lucas, but it was not provided.

Professional Development Registration Fees/Memberships

Lucas charged a total of \$10,890.61 in professional development registration fees and business memberships. These fees were allowable costs per his employment contract. Lucas attended 13 conferences in 31 months in Oklahoma, Tennessee, Louisiana, Texas, and Pennsylvania.

In-State Travel

Lucas attended seven conferences across the state of Oklahoma. During these travels he incurred snack, meal, lodging, and fuel charges. When the charges were related to conference travels and supported with an itemized receipt, the charges were deemed allowable. All remaining in-state travel charges without receipts or without itemized receipts were determined to be unallowable or questionable.

Finding ***Lucas incurred in-state lodging charges for two personal hotel stays totaling \$350.42. These charges were determined to be unallowable.***

On Friday, December 9, 2016, Lucas charged **\$168.97** for a stay at the Embassy Suites in Tulsa. The hotel receipt indicated two adults and four children were present.

PikePass records from the City vehicle reflected Lucas traveled on the Muskogee Turnpike at 3:09 p.m. toward Tulsa. Receipts reflected he checked into the Embassy Suites at 3:57 p.m. and dined at PF Chang's at 5:13 p.m.

EMBASSY SUITES
by HILTON

Suite 928/XOTN
Arrival Date 12/9/2016 3:57:00 PM
Departure Date 12/10/2016 9:53:00 AM

Adult/Child 2/4
Suite Rate 160.92

Rate Plan: DP1
HH # 548587294 DIAMOND
AL:
Car:

Thank you for dining with
P.F. Chang's China Bistro,
1978 E. 21 Street

Server: Grant
05:13 PM 12/09/2016
Table 102/1 2720077

SALE

VISA 3145772
Card #XXXXXXXXXXXX08223
Magnetic card present: II/CLAYTON
Card Entry Method: S

Approval: 033578

Amount: \$43.24
+ Tip: 6.70
= Total: 50

PikePass records then reflected he returned to Sallisaw via the Muskogee Turnpike at approximately 10:27 p.m. Since Lucas returned to Sallisaw the same evening there appeared to be no business purpose for obtaining lodging for the night.

11/12/2016 16:46:35	TOLL	MUSKOGEE	Muskogee ML	Muskogee ML	-1.40
12/09/2016 15:09:42	TOLL	MUSKOGEE	Muskogee ML	Muskogee ML	-1.40
12/09/2016 15:32:19	TOLL	MUSKOGEE	Coweta ML	Coweta ML	-1.40
12/09/2016 22:04:32	TOLL	MUSKOGEE	Coweta ML	Coweta ML	-1.40
12/09/2016 22:27:25	TOLL	MUSKOGEE	Muskogee ML	Muskogee ML	-1.40

The second lodging cost in question reflected Lucas stayed at the DoubleTree Hotel in Tulsa on March 12, 2017, for no apparent public purpose. During the stay he incurred a total of **\$181.45** in charges. He subsequently reimbursed the City the cost of this hotel stay on March 28, 2017.

Finding *Lucas made \$480.39 in questionable purchases for food and convenience store items that were paid without receipts or without itemized receipts.*

Purchases totaling **\$361.69** were made for restaurant food purchases without itemized receipts provided in support of payment. Two examples are shown here:

Buffalo Wild Wings
Store #3510
1130 West Shaunee Street
918-682-9464

Server: Toree DOB: 07/15/2015
02:23 PM 07/15/2015
Table 145/2 2/20010

SALE

VISA 2097164
Card #XXXXXXXXXX0586
Magnetic card present: II CLAYTON
Card Entry Method: S

Approval: 074513

Amount: \$ 25.41
+ Tip: 5
= Total: 30.41

Abuelo's - Store 604
17E Sheridan Ave
Oklahoma City, OK 73104
405-235-1422

Server: Kyle DOB: 09/15/2016
01:39 PM 09/15/2016
Table 32/1 3/30026

SALE

VISA 3145733
Card #XXXXXXXXXXXX0686
Magnetic card present: II CLAYTON
Card Entry Method: S

Approval: 052582

Amount: \$ 71.86
+ Tip: 10
= Total: 81.86

An additional **\$118.70** was made for food and convenience store purchases with no receipts available to support the purchases. When purchases are not supported with receipts or properly itemized receipts, it cannot be determined if the purchases made were for a public purpose.

Local Commuter Fuel/Food

Finding Lucas made three purchases totaling \$114.52 while on leave or during personal time which appeared to be for his personal benefit. These costs were deemed unallowable.

Three purchases were made at restaurants and convenience stores during apparent weekend trips or while on personal leave. Lucas traveled to a family youth conference on June 26, 2015, utilizing the City's credit card at a restaurant located in Broken Arrow for **\$42.03**. No receipt was provided for this payment.

During August and September of 2016 Lucas traveled twice to Branson, Missouri, for apparent family trips. He incurred two charges totaling **\$72.49** at a convenience store during these trips and did not submit a receipt to support the purchases.

Finding Forty-six (46) transactions for locally purchased fuel, food, and snacks totaling \$1,519.32 were incurred by Lucas and paid with City funds without receipts or without itemized receipts. These costs were considered questionable.

Lucas made 112 credit card purchases totaling \$3,410.40 for food and fuel during routine local business of the City. It was reasonable for the City Manager to incur these costs while in performance of his duties; however, adequate records were not provided to sufficiently document the purpose of 46 of these transactions totaling **\$1,519.32**. No receipts were provided for 20 of the transactions and 26 of the purchases included a charge receipt that was not detailed or itemized enough to determine the purpose of the transaction.

Travel Policy AD-1005 (July 2006) required credit card users to submit both detail and charge receipts that accurately reflected the total cost of credit card expenditures. As discussed previously, Lucas modified AD-1005 in March 2016 and September 2016 to no longer require City credit card users to submit detailed receipts for review.

According to City staff, Lucas not only failed to turn in itemized receipts for all expenditures but stopped requiring some employees to do the same. City Purchasing Director Randy Sizemore wrote a letter dated July 11, 2016, to the assistant city manager voicing his concerns about the lack of itemized receipts being presented for payment. Sizemore wrote, "I feel that not having itemized receipts and/or being told that I shouldn't question department heads about

Lucas charged a total of \$139.66 in miscellaneous transactions that could not be traced to a specific public purpose or were not properly documented.

On January 2, 2016, Lucas charged **\$26.03** to his City credit card while on personal travel. The cost was for a partial hotel room charge at the TownePlace Suites in Albuquerque, NM and was considered unallowable.

A **\$27.00** charge at Sam's Club, an **\$8.77** charge at T.J. Maxx, and a **\$77.86** charge at Target were all paid without receipts. The purpose of these transactions could not be determined and were deemed questionable.

2. Were public funds used by the former city manager to pay for personal expenditures incurred during a family vacation to Salt Lake City, Utah, in the summer of 2016?

On June 22, 2016, Lucas left Sallisaw on a family vacation driving the City's vehicle, towing his RV camper through Oklahoma, Kansas, Nebraska and Wyoming as he traveled to Utah. On June 27, 2016, Lucas and his family were involved in a vehicle crash, destroying his RV and the City's vehicle. The Utah Highway Patrol reported Lucas was not at fault for the accident; however, his family was displaced without transportation or housing.

Following the accident, Lucas used the City's credit card to purchase food, clothing, lodging, and other supplies, claiming he misplaced his wallet in the accident. Per Lucas, he retrieved his wallet from the vehicle impound yard two days after the accident but thought it would provide better record keeping to continue using the City's card until he returned to Sallisaw on July 6, 2016.

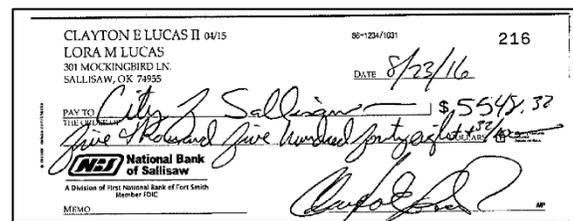
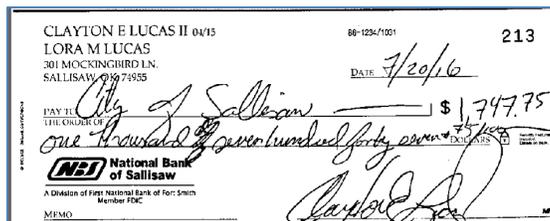
Finding Lucas incurred a total of \$8,532.24 in personal expenses on the City's credit card while on vacation without board authorization. Of this amount, \$1,238.17 was never reimbursed to the City.

Personal expenses totaling \$8,532.24 were charged to the City's credit card during Lucas' Utah vacation. In the memo clip shown below, Lucas originally stated the City should be *directly* reimbursed expenses from Liberty Mutual Insurance and that he would partially reimburse the City upfront and would also pay any additional outstanding balance not covered by Liberty Mutual.

As a result of losing my wallet during the collision I was forced to make several transactions from June 27, 2016 to July 5, 2016 using the P-Card. I have requested and anticipate that the City will be directly reimbursed by Liberty Mutual Insurance for \$6,712.90. I have attached check number 213 for direct reimbursement to the City for the remaining \$1,747.75. I will also pay any outstanding balance not paid by Liberty Mutual Insurance, if any, after all funds have been reimbursed.

In contrast to the memo, Liberty Mutual Insurance paid Lucas directly as part of a personal injury settlement and did not pay the City for any *personally incurred* credit card charges. The City received two direct reimbursements from Liberty Mutual Insurance as a result of the accident. The first payment was issued on July 19, 2016, in the amount of \$9,316.90 for damage to the City's Ford Expedition. The second payment was issued on August 9, 2016, in the amount of \$1,237.16 for the City's Microsoft Surface Pro that was in Lucas' possession at the time of the accident. No additional payments were issued directly from Liberty Mutual to the City resulting in Lucas owing the City for all \$8,532.24 in personal charges made during the trip.

Lucas paid the City \$1,745.75 on July 20, 2016, at the time of the memo. He made a second payment on August 23, 2016, in the amount of \$5,548.32, for a total paid of \$7,294.07. The remaining balance of \$1,238.17 owed the City was never paid.



The use of the City's credit appeared to be a violation of 21 O.S. § 341 which prohibits a person from receiving, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds. Lucas did not have Board authorization to use the City's credit card for family vacation expenses and should not have continued to utilize the card after recovery of his personal credit card.

3. Were City resources used improperly for the personal benefit of the former city manager?

Finding *Former City Manager Clayton Lucas did utilize City property for personal use.*

Hunting on Public Property

Lucas admitted to hunting at the Sallisaw Landfill and to hunting with his son and a family friend on City owned property. Lucas also acknowledged he allowed City employees to hunt on the property. Lucas confirmed he owned a tree stand installed on the property and used it to hunt in at least 2015 and 2016.



City Ordinance Section 70.1 states the Board of Commissioners shall promulgate, invoke, create, amend, and enforce such rules, regulations, and other requirements as it deems necessary in connection with the use of all recreational and park facilities owned or operated by the City.

The City landfill was closed for public use other than provided by the Landfill Use Policy AD-30010. Policy and ordinance did not include a provision for public access for hunting. Lucas admitted the property was not open to the public for hunting and we found no evidence the Board approved hunting on City property or that Lucas used the property for an authorized public purpose.

Use of City Utility Terrain Vehicle (UTV)

According to City employees, Lucas used the City's UTV vehicles to access his tree stand at the City landfill and at Brushy Lake, both city-owned properties.

Lucas admitted the Board asked him to stop using the UTV during an executive session of a City council meeting. We found no public purpose in the use of the City's UTV vehicles.

Boat Use at Brushy Lake

Lucas used the City's boat to take his son fishing on Brushy Lake. A City employee stated Lucas instructed him to fill the boat tank with City fuel allowing Lucas to utilize the boat on Brushy Lake. Lucas' use of the boat did not appear to be for a municipal purpose.

As previously discussed, Lucas used the City's credit card to purchase a total of \$207.20 in boating equipment that was not used or maintained by the City Parks Department.

Brushy Lake Policy

In addition to the personal use of public property, Lucas also changed City policy to allow for employees to camp at Brushy Lake without paying the required fees. Campsite fees for public overnight camping were \$15 to \$20 per night.

We found no evidence the Board approved AD-1010, which Lucas implemented on March 3, 2016. This policy waived overnight camping fees at Brushy Lake for employees.

Per policy, employees were required to complete a payment slip, indicating they were an employee. The employees were also required to work during their stay if they observed litter, or to resolve or repair any issues they were made aware of while camping. The payment slips were not completed or maintained for the entire audit period and there were no payroll records kept to document employee time worked while camping.

The available records show the City lost at least \$575 in camping fees during 2018. The policy was rescinded in October of 2018.

Final Thoughts

Throughout this investigation, the weaknesses noted in the controls governing credit card use and expenditures were discussed with current City officials. After Lucas resigned in December 2017, the current City administration, under the oversight of the Board, began working to establish stronger internal controls and to amend administrative policy. During our investigation we observed the current city officials working to modify policy and to increase the City's oversight of public funds.

The new city manager issued a memo on February 14, 2018, forbidding the unauthorized use of City property, i.e. hunting and fishing on property other than public assess park facilities. He also rescinded Policy AD-1010, no longer permitting employees to camp at Brushy Lake for free.

City management has also implemented the following processes to increase internal controls surrounding expenditures:

- Total expenses claimed will be compared and reconciled to estimated travel expenses;
- Travel costs will be compared to, and regulated by, defined policy limits;
- The purpose of an expense (i.e. travel, fuel, food, etc.) will be documented on the receipt prior to payment;
- For any food costs incurred, receipts will be required to document the department and the name of all employees present;
- Any expense made for multiple employees (hotel charges, conference costs, etc.) shall name each employee's relative costs;
- All travel forms, including final reconciliations, shall be scanned into the Laserfiche system and maintained as required of other accounts payable expenses.

The current city manager is also in the process of reviewing and re-issuing administrative policies, presenting them to the governing body for formal approval.

Attachment A



115 East Choctaw P.O. Box 525 Sallisaw, OK 74955
Ph. 918-775-6241 Fax 918-775-4194 www.sallisawok.org

July 11, 2016

Keith Skelton
Asst. City Manager / Finance Director

RE: Purchasing / Travel Policy Concerns

Keith:

As my supervisor, I wish to give notice that I have very serious concerns about direction being given concerning itemized receipts and purchases. I fully understand this is coming from above you and that you do not agree with it either. I just want something in writing for my own peace of mind, as well as legal protection.

I feel that not having itemized receipts and / or being told that I shouldn't question department heads about purchases and / or lack of documentation places me, as well as the city in a bad position. I also believe this opens the door for more problems.

Should anything go wrong because of lack of controls in the future, I do not feel that I, as Purchasing Director, can, or should, be held responsible, nor should my job be in jeopardy. I take my job very seriously and I truly believe policies and safeguards are in place for a reason and should be followed by everyone.

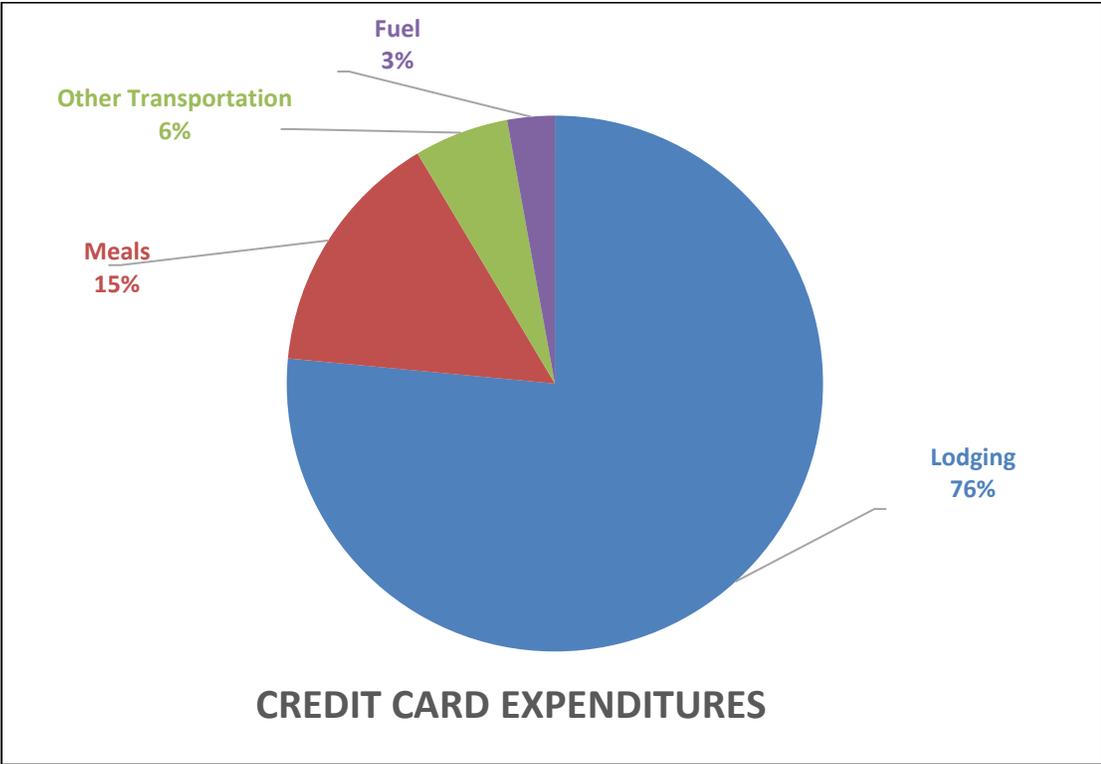
Lastly, I will say that I respect you and what you have done and are trying to do for the City of Sallisaw.

Sincerely,

Randy Sizemore
Purchasing Director
City of Sallisaw

Rec'd
7-11-2016

Attachment B



DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, prosecutorial, and/or judicial authorities designated by law.

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