



**STATE OF TENNESSEE  
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DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

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Division of Municipal Audit

October 25, 2010

Members of the Board of Commissioners  
Jefferson-Cocke County Utility District  
122 Highway 25E  
Newport, TN 37821

Commissioners:

We have completed our investigative audit of selected records of the Jefferson-Cocke County Utility District. The investigation was initiated after our office became aware of the district's participation in a 2009 promotional trip to Central America. The audit focused on that trip. However, when warranted we expanded the scope.

Our investigative audit determined that the one district official participated in a 2009 trip to an exotic all-inclusive resort in the Central American country of Costa Rica. The trip was in conjunction with the East Tennessee Natural Gas Homebuilder's program, an organized promotional effort co-sponsored by Spectra Energy, the district's natural gas pipeline vendor.

The stated purpose of the builder's program was to encourage local builders and developers to install natural gas appliances in new construction which would, in turn, increase total customers served as well as per customer consumption. Participating builders earned points for each natural gas appliance they installed. Builders who earned a certain level of points were eligible for a trip for themselves and a guest. The trip was both a reward for past performance as well as an incentive to builders to add natural gas appliances to future projects.

The district employee who participated apparently was not required to earn his trip; he was selected by district management. There were virtually no organized events that required either the district employee's attendance or participation. District officials were not clear on how district employees' and spouses' participation in the trip increased either the reward to builders for installing gas appliances, or the incentive for builders to install gas appliances in future projects.

Our investigative audit revealed that the district paid none of the cost of the trip for the employee or his spouse. The per person cost of each trip, including airfare, was roughly \$3,575. The district paid roughly one-half the cost of the trip for the qualifying builder and his guests,

with Spectra Energy paying for the rest. Spectra Energy also paid \$1,788 for each district employee and guest who attended.

Our investigative audit identified two specific areas of concern:

- **Public officials not taking leave time for Costa Rica trip**

The trip was to an all inclusive resort. There were virtually no organized professional events. Based on the descriptions by some of those attending, and a video produced by another participating district, the trip was essentially a vacation. However, our review revealed that the district employee did not use vacation leave while on this Costa Rica trip.

- **Public officials accepting gifts from vendor**

Since a portion of the cost of the trip for the employee and his spouses was paid by a district vendor, consideration should have been given to the district's ethics policy. The Jefferson-Cocke County Utility District *Code of Ethics* Section 4, states:

An official or employee, or an official's or employee's spouse ... may not accept, directly or indirectly, any gift, money, gratuity, or other consideration or favor of any kind from anyone other than the utility.... That a reasonable person would understand was intended to influence the vote, official action or judgment of the official or employee in executing utility business.

We also learned that the utility district paid a portion of the cost of a Mediterranean cruise in 2007 for a district employee. That trip was also in conjunction with the Homebuilder's program.

The board of commissioners of Jefferson-Cocke County Utility District took the opportunity to respond to this inquiry through correspondence from their attorney, who stated:

The Comptroller's office has determined that the travel time during the Builder's trip is not business related and vacation time must be used. The Jefferson Cocke County Utility District Board and

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Management respectfully disagree with this opinion, but will respect the opinion of the Comptroller's office and deduct 44 hours vacation time from the accumulated balance of the General Manager.

The board also responded that they did not believe there had been a violation of their ethics policy.

We appreciate the board's prompt action to these issues.

This matter has been referred to the local district attorney. If you have any questions concerning the above matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

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