



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

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October 25, 2010

Members of the Board of Commissioners  
Oak Ridge Utility District  
P.O. Box 4189  
Oak Ridge, TN 37831

Commissioners:

We have completed our investigative audit of selected records of the Oak Ridge 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 district improperly spent \$11,989 to send two district employees and their spouses on 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 employees who participated apparently were not required to earn their trip; they were selected by district management. There were virtually no organized events that required either the district employees' 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 a total of \$21,458.64 for a portion of the trip cost for 10 travelers, which included not only district employees and their spouses but

also the qualifying builders and their guests. Oak Ridge Utility District paid \$5,994 for each district employee.<sup>1</sup>

Our investigative audit identified three specific areas of concern:

- **Use of public funds for Costa Rica trip for public officials**

The board of commissioners have a duty to operate the district for the benefit of the district's customers. Promotional efforts by public utilities could be considered a legitimate district expense if there were a likelihood that the expenditures would ultimately benefit the customers of the district by increasing system efficiency and lowering utility rates. However, it is difficult to determine a benefit to district customers derived from funding an extravagant trip to Costa Rica for district employees.

- **Use of public funds for extra excursions while in Costa Rica**

We also found that the district paid for several extra excursions, such as a golf outing, totaling about \$200 for the employees, builders, and guests while they were at the resort. It is difficult to determine a benefit to district customers derived from funding extra excursions for district employees, builders, spouses, and guests.

- **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 employees did not use vacation leave while on this Costa Rica trip.

We also learned that the utility district paid a portion of the cost of a Hawaiian cruise in 2005 and a Mediterranean cruise in 2007 for district employees and their guests. Both of these trips were also in conjunction with the Homebuilder's program.

Government officials are placed in a position of public trust. They should be held accountable for any abuse of that trust. We recommend the board of commissioners promptly

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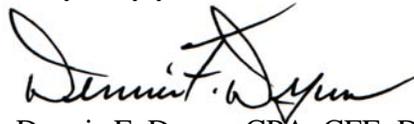
<sup>1</sup> District officials told auditors that the resort cost was \$4,830 "per room" and therefore, their spouses stayed at no cost. However, according to the travel agent organizing the trip, the per person resort cost was \$2,415, based on double occupancy.

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take all necessary action to secure repayment of district paid expenses from district employees for the 2009 Costa Rica trip.

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, stylized initial "D".

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

DFD/RAD