



State of Tennessee

Justin P. Wilson, State Comptroller

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Audit Reveals East Tennessee Gas Utilities Took Exotic Trips at the Public's Expense

Five East Tennessee gas utility districts participated in a program in which a vendor offered expensive trips for their employees, spouses and other guests, an investigation by the Comptroller's Division of Municipal Audit has revealed.

Sevier County Utility District, Jefferson Cocke County Utility District, Hawkins County Gas Utility, Powell Clinch Utility District and Oak Ridge Utility District all participated in some fashion in an incentive program established by Spectra Energy designed to reward area home builders for installing gas appliances in new construction projects.

Under the program, builders received exotic trips based on the number of gas appliance installations they performed. Utility district employees and their guests were also invited to attend the trips – and many used public funds to pay some of their expenses.

For example, auditors could determine no benefit to the utility districts that participated in a trip to Costa Rica last year.

There were apparently no organized events on the trip that required either the district employees' attendance or participation. Also, none of the gas utility employees who went on the trip took vacation leave.

Four of the five the utility districts paid approximately one-half of the total costs of the trip for district employees and spouses or guests, as well as the home builders and their spouses or guests. The costs paid by each gas utility district varied based upon the number of employees. The utility district paid the other half of the costs, which included airfare and rental fees at an all-inclusive resort.

Sevier County Utility District and Hawkins County Utility District each paid more than \$53,000 to Spectra Energy for approximately 28 travelers. Powell Clinch Utility District and Oak Ridge Utility District paid more than \$21,000 for approximately 12 travelers. In addition to the basic trip expenses, Powell Clinch Utility District spent more than \$2,000 for its employees, builders and guests to go on several extra excursions such as horseback riding.

Jefferson Cocke County Utility District sent one employee and his wife, but the couple paid for their own expenses.

Four of the five utilities went on similar trips to Hawaii and the Mediterranean in 2005 and 2007, respectively. Jefferson Cocke County Utility District participated in the Mediterranean excursion, but not the Hawaii trip.

In addition to the misuse of public funds and the failure of the employees to take vacation leave, auditors were concerned about the practice of public officials accepting gifts from vendors.

In letters to the commissioners of each utility district, Dennis Dycus, director of the Comptroller's Division of Municipal Audit, recommended that each district promptly take all necessary action to secure repayment of public funds from district employees.

"I am certain that the ratepayers in these utility districts did not expect their money to finance lavish trips for district employees and their guests," Comptroller Justin P. Wilson said. "This misuse of public funds would be unacceptable at any time, but it's particularly troubling during an economic downturn when so many people are having trouble making ends meet."

"I cannot imagine any circumstance where it would be appropriate for public officials to take exotic trips using public funds, even if the trip is business related," Dycus said. "If the district claims it was necessary to network with builders and its own pipeline supplier, they could easily do it here in Tennessee and avoid such a blatant waste of public money."

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