



State of Tennessee

Justin P. Wilson, State Comptroller

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Comptroller Review Finds Improper Purchasing Practices, Credit Card Use and Other Questionable Activities at Nashville Electric Service

Nashville Electric Service (NES) has paid one manufacturer and its distributor more than \$17 million over the last eight years for electric power cable that was not properly bid, a review by the Comptroller's Division of Local Government Audit has found.

NES, a governmental utility company that supplies electricity for Nashville and surrounding communities, has paid Kerite Company more than \$13 million and its distributor, Utilicor, more than \$4 million since 2005 for electric power cable.

The review found that NES has had an exclusive arrangement with Kerite and Utilicor since 1998, although NES could only provide records for cable purchases beginning in the 2005 fiscal year.

During interviews with representatives from NES and Kerite, Comptroller staff members learned that the utility company's specifications for electric power cable were tailored to match the type of cable provided by Kerite. A field superintendent for NES, now retired, also promoted Kerite's products while performing consulting work outside of NES, at seminars and in conversations with officials from other utility districts. These activities were not disclosed on the employee's NES conflict of interest disclosure statement.

The Comptroller's review uncovered other serious issues, including improper use of an NES credit card by the utility company's vice president/chief information officer. Reviewers found the vice president commingled personal and business accounts when making purchases on eBay and Amazon. Many of these accounts were established in the name of NES. The vice president also established a PayPal Extras MasterCard in his name using an NES procurement card as collateral. The same vice president admitted to selling surplus NES items on eBay without authorization or knowledge of his supervisor.

The vice president also admitted to interviewers that he had given an information systems contractor an NES credit card and allowed that individual to make purchases on behalf of the utility company for 12 years. And the vice president used an NES credit card to purchase items such as printer ink and computer supplies that were readily available in the utility's storeroom.

Other issues identified in the review include:

- A contractual arrangement with Gaylord Entertainment which allowed senior personnel and other employees from NES to attend events and play golf at Gaylord-owned properties free of charge in exchange for the lease of NES transformers. These ‘hospitality packages,’ which appeared to have no benefit to NES ratepayers, were valued at more than \$70,000 over the last six years.
- NES employees made personal purchases on NES credit cards.
- A half dozen NES employees received reimbursement for education or training programs based on altered documents.

“The issues uncovered during our review are very serious and I applaud NES officials for the corrective measures they have adopted in response to our findings,” said Comptroller Justin P. Wilson. “As our report indicates, there are still additional steps that we believe could be taken to reduce the chances that similar problems will crop up in the future. I want to commend not only my staff in the Division of Local Government Audit, but also representatives from the Tennessee Bureau of Investigation who assisted us in our work.”

The findings of the review have been shared with the local district attorney’s office.

To view the report online, go to: <http://www.comptroller.tn.gov/la/SpecialReports.asp>

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Media contact: Blake Fontenay, Communications Director, (615) 253-2668 or blake.fontenay@tn.gov

[Tennessee Comptroller of the Treasury](#)
State Capitol Nashville, TN 37243
Phone: (615) 741-2501
Email: comptroller.web@cot.tn.gov