

INVESTIGATIVE AUDIT REPORT

SEVIER COUNTY UTILITY DISTRICT

NOVEMBER 1, 2007, THROUGH OCTOBER 31, 2009



State of Tennessee



**Comptroller of the Treasury
Department of Audit
Division of Municipal Audit**



STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Justin P. Wilson

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-9034

PHONE (615) 741-2501

March 29, 2011

Members of the Board of Commissioners
Sevier County Utility District
P. O. Box 4398
Sevierville, TN 37864-4398

Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the Sevier County Utility District. This investigative audit focused on the period November 1, 2007, through October 31, 2009. However, when warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for utility districts, which is detailed in the *Uniform Accounting Manual for Tennessee Utility Districts* combined with Chapter 6 of *Governmental Accounting, Auditing and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that the former district vice-president used his position to receive a personal benefit of \$10,055 related to transactions involving the sale of a district vehicle. This matter has been referred to the local district attorney general.

The findings and recommendations in this report also relate to those conditions that we believe warrant your attention. All responses to each of the findings and recommendations are included in the report.

Members of the Board of Commissioners
Sevier County Utility District
March 29, 2011

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", with a stylized flourish at the end.

Justin P. Wilson
Comptroller of the Treasury



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

Justin P. Wilson
Comptroller of the Treasury

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

March 29, 2011

Mr. Justin P. Wilson
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-9034

Dear Mr. Wilson:

As part of our ongoing process of examining the records of utility districts, we have completed our investigative audit of selected records of the Sevier County Utility District. This investigative audit focused on the period November 1, 2007, through October 31, 2009. However, when the audit warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for utility districts, which is detailed in the *Uniform Accounting Manual for Tennessee Utility Districts* combined with Chapter 6 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that the former district vice-president used his position to receive a personal benefit of \$10,055 related to transactions involving the sale of a district vehicle. This matter has been referred to the local district attorney general.

Our investigative audit also resulted in findings and recommendations related to the following:

1. District employees performed work for the district president's personal benefit
2. District funds used for guided bus tour; spousal travel; lack of adequate documentation
3. Violation of district travel policy

Mr. Justin P. Wilson
Comptroller of the Treasury
March 29, 2011

4. Donations of district funds, inventory, and services
5. Transactions involving sporting event tickets
6. Failure to mark or identify all district vehicles
7. District commissioners received excess compensation
8. Unauthorized purchases of clothing for commissioners and employees
9. Clothing and footwear provided to employees and commissioners as a fringe benefit not reflected on employees' Form W-2
10. Failure to establish and follow policies regarding credit cards
11. Inadequate petty cash records
12. Purchases made for other than district purposes

In addition to our findings and recommendations, we are also providing management's response. If after your review, you have any questions, I will be happy to supply any additional information which you may request.

Sincerely,

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