



## COMPTROLLER'S INVESTIGATIVE REPORT

### Knoxville Utilities Board

*January 22, 2021*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

January 22, 2021

Knoxville Utilities Board of Commissioners  
445 S. Gay Street  
Knoxville, TN 37902

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Knoxville Utilities Board, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 6<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink that reads "Jason E. Mumpower".

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## KNOXVILLE UTILITIES BOARD

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Knoxville Utilities Board (KUB). The investigation was initiated after KUB officials reported questionable compensation to two KUB employees. The results of the investigation were communicated with the Office of the District Attorney General of the 6<sup>th</sup> Judicial District.

### BACKGROUND



Knoxville Utilities Board is in East Tennessee, and provides electric, natural gas, water, and wastewater services to customers in Knox County and several surrounding counties. For external financial reporting, KUB is a component unit of the City of Knoxville. KUB is governed by a seven-member Board of Commissioners. Their offices are located in a secure site that requires assigned badge access to enter and exit the site and to enter and exit buildings. KUB maintains logs detailing when and where employees use their badge.

### RESULTS OF INVESTIGATION

- **ENGINEERING ASSOCIATE AND STUDENT WORKER RECEIVED COMPENSATION TOTALING AT LEAST \$10,595 FOR TIME NOT WORKED**

Two employees received compensation for time they did not work totaling at least \$10,595. Time sheets, schedules, calendars, badge records, KUB vehicle sign-out records and other payroll documentation for the reviewed periods revealed that the two employees regularly reported more time on their time sheets than they worked. Specifically, investigators found that:

- From February 2016 through November 2018, an engineering associate was paid at least \$7,854 by falsely reporting at least 365 hours he did not work. In July 2019, the employee reimbursed KUB for the amount he was paid but did not work. This employee resigned from his employment with KUB on November 12, 2018.
- From November 2018 through May 2019, a student worker was paid at least \$2,741 by falsely reporting at least 196 hours he did not work. In June 2019, the employee

reimbursed KUB for the amount he was paid but did not work. KUB terminated his employment on May 22, 2019.

KUB’s Attendance Policy provides that regular and dependable attendance on the job is a basic responsibility of all employees, and KUB expects employees to report to work on a regular basis and on time. Additionally, each employee has the responsibility to notify the supervisor/department manager of an expected absence or late arrival.

Summary of Unearned Compensation					
Employee	2016	2017	2018	2019	Total
Engineering Associate	\$ 723	\$ 1,264	\$ 5,867	\$ 0	\$ 7,854
Student Worker	0	0	700	2,041	2,741
<b>Totals</b>	<b>\$ 723</b>	<b>\$ 1,264</b>	<b>\$ 6,567</b>	<b>\$ 2,041</b>	<b>\$ 10,595</b>

## INTERNAL CONTROL DEFICIENCY

Our investigation revealed the following deficiency in internal control, which contributed to two employees’ ability to perpetrate their misappropriation without prompt detection:

**Deficiency: KUB management did not provide adequate oversight regarding actual hours worked and hours reported**

KUB management failed to provide adequate oversight of employee work hours and attendance. Although supervisors signed the time sheets of each employee indicating approval and review, they did not routinely confirm the accuracy of the employee’s time sheets to ensure they correctly reflected time worked. This allowed two employees to falsely claim, and be paid for, time not worked. Routinely reviewing and confirming employees’ reported time reduces the risk that improper payroll payments are made.

KUB management indicated that they have corrected this deficiency.