

Independent Accountant's Report On Applying Agreed-Upon Procedures

Members of the Tennessee Registry of Election Finance
and the Bill Haslam for Governor Campaign
Nashville, Tennessee

The Comprehensive Governmental Ethics Reform Act of 2006 established the requirement for audits of campaign disclosure reports of certain gubernatorial candidates. The legislation as outlined in *Tennessee Code Annotated* (T.C.A.) Section §2-10-212(d) requires the State of Tennessee Registry of Election Finance (the "Registry") to adopt auditing guidelines and standards. T.C.A. Section §2-10-212(d) states the purpose of the audits are to encourage compliance and detect violations of the Comprehensive Governmental Ethics Reform Act of 2006. The Registry has determined campaign finance audits will be performed as agreed-upon procedures engagements. The objectives of these engagements, as recommended by the Registry, are to verify:

1. The candidate's compliance with campaign finance disclosure laws and regulations and compliance with campaign contribution limit laws and regulations
2. The accuracy, completeness, and timeliness of campaign finance disclosure statements including itemized statements of contributions, in-kind contributions, expenditures, obligations, and loans, for the election cycle.

We performed certain agreed-upon procedures to test compliance with the following financial disclosure information:

Accounting Records and Reports:

1. Campaign records were complete to support the disclosures made and were in compliance with campaign finance disclosure laws and campaign contribution limit laws.
2. Bookkeeping and other disclosure data was reported and maintained as prescribed by campaign finance laws and the Registry's rules.

Contributions and Loans:

1. Campaign contributions from individuals and Political Action Committees ("PACs") were within limits.
2. Contributions were not received during black-out periods.
3. Contributions were not received from prohibited sources.
4. Contribution receipts were reported to the Registry in the proper period and in compliance with Tennessee Code Annotated, Section 2-10-105 and Section 2-10-107 and the Registry's rules.

5. Contributions were supported by bank statements and deposit slips.
6. Loans received and interest earned were reported to the Registry in the proper period and in compliance with Tennessee Code Annotated, Section 2-10-105 and Section 2-10-107 and the Registry's rules.

Disbursements and Obligations

1. Disbursements and obligations were reported to the Registry in the proper period and in compliance with Tennessee Code Annotated, Section 2-10-107 and Section 2-10-114 and the Registry's rules.
2. Disbursements and obligations were supported by canceled checks, bank statements, and other supporting documentation.

Campaign management is responsible for the accounting records and reports. We have performed the procedures enumerated below to assist the Bill Haslam for Governor Campaign (the "Campaign") in determining compliance with campaign finance disclosure laws and regulations as well as compliance with campaign contribution limit laws and regulations during the period January 8, 2009 through January 15, 2011. These procedures are as set forth by the Registry and were agreed to by the Campaign.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Campaign and the Registry. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. We discussed with Campaign officials (Ms. Kim Kaegi, Finance Director, and Ms. Susanne Davis, Accountant) and obtained an understanding of the policies and procedures for receiving and recording contributions, documenting expenditures, recording obligations and preparing disclosure reports.
2. We obtained the Campaign's bank statements that cover the period from January 8, 2009 through January 15, 2011. For this period, we agreed and reconciled the total bank deposits and disbursements per the bank statements to the total contributions, interest income and disbursements recorded in the financial accounting system used by the Campaign ("Quickbooks").

3. For the period January 8, 2009 through January 15, 2011, we agreed and reconciled the total contributions, disbursements, interest income, and loan amounts per Quickbooks to the election reports listed below as submitted by the Campaign.
 - a. Early Year End Supplemental 2008
 - b. Early Mid Year Supplemental 2009
 - c. Early Year End Supplemental 2009
 - d. 1st Quarter 2010
 - e. 2nd Quarter 2010
 - f. Pre-Primary 2010
 - g. 3rd Quarter 2010
 - h. Pre-General 2010
 - i. 4th Quarter 2010

4. For the period January 8, 2009 through January 15, 2011, we randomly selected a sample of (a) 25 monetary contributions that were equal to or less than \$2,500 and (b) 15 monetary contributions greater than \$2,500 and performed the following procedures:
 - a. Verified that no Political Action Committee (“PAC”) (excluding political party PACs), included in the sample contributed monetary or in-kind contributions, including loans, in excess of \$7,500.
 - b. Verified that no person, excluding PACs, included in the sample contributed monetary or in-kind contributions, including loans, in excess of \$2,500.
 - c. Verified that no cash contributions included in the sample were in excess of \$50.
 - d. Verified that the PAC contributions (excluding political party PACs) included in the sample were received during a permissible time period and not during a black-out period as established by the Registry.
 - e. Verified that the name of each contributor in the sample was not a lobbyist or a corporation.
 - f. Agreed all contributions in our sample to the applicable election report and verified they were disclosed and reported in the correct period.
 - g. Examined disclosures relating to our sample contributions to test compliance with T.C.A. Section §2-10-105 and Section §2-10-107, including disclosure of name, address, occupation, and employer.
 - h. Traced all selected contributions to the applicable deposit slips or to the applicable bank statements for credit card direct deposits. Applicable deposit slips were traced to the applicable bank statements.

5. For the period January 8, 2009 through January 15, 2011, we haphazardly selected a sample of 5 in-kind contributions and performed the following procedures:
 - a. Reviewed documentation supporting the in-kind contribution to determine the contribution was reported at the indicated amount.
 - b. Traced the in-kind contribution to the applicable report to determine it was recorded in accordance with the supporting documentation.
6. For the period January 8, 2009 through January 15, 2011, we randomly selected a sample of 40 disbursements and performed the following procedures:
 - a. Verified that campaign disbursements in the sample were disclosed and reported in the proper period.
 - b. Examined disclosures relating to our sample disbursements to test compliance with T.C.A. Sections §2-10-107 and Section §2-10-114, including disclosure of name and address for expenses and allowable/unallowable expenses.
 - c. Traced selected disbursements to the applicable bank statement or canceled check.
 - d. Traced selected disbursements to supporting documentation, including receipts or invoices as applicable.
7. We haphazardly selected 3 obligations and verified they were disclosed and reported in the proper period and reviewed supporting documentation, including subsequent check payment and clearance on the applicable bank statement.
8. We prepared a summary of contributions from Political Party PACs and verified that the PACs listed did not in the aggregate contribute in excess of \$250,000 per election in monetary and in-kind contributions, including loans.
9. We prepared a summary of contributions from all PACs (excluding political party PACs) and verified that the total of such contributions did not comprise more than 50% of the total of all contributions reported by the Campaign.
10. We reviewed documentation for all loans and verified they were disclosed and reported in the proper period, including any interest earned.
11. We reviewed each campaign finance disclosure to verify timeliness of filings by the respective due dates.

12. We obtained written representations from the candidate and his treasurer which covered specific assertions and matters relating to the Campaign. These representations include a statement that disclosures filed to the Registry are a complete and accurate representation of all financial activities of the Campaign.

No findings of noncompliance came to our attention as a result of performing the procedures described in this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Campaign's accounting records and reports. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Tennessee Registry of Election Finance and the Bill Haslam for Governor Campaign and is not intended to be and should not be used by anyone other than those specified parties.

Coulter & Justus, P.C.

November 16, 2011

STATE OF TENNESSEE



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AUDIT DIRECTOR
Jay Moeck

January 12, 2012

Dear Registry Members:

We reviewed the independent accountants' report on applying agreed-upon procedures for Gov. Bill Haslam's 2010 campaign for Governor for the period of January 8, 2009 through January 15, 2011. We find the report to be complete and acceptable according to T.C.A. §2-10-212. The report indicated that there were no findings of noncompliance.

Based on the review of independent accountants' report, we recommend the Registry approve the audit performed as being complete and acceptable according to T.C.A. 2-10-212(h). Along with the independent accountants' report, the Registry auditors are providing financial summary data for Gov. Haslam's 2010 election campaign.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Gov. Bill Haslam was a candidate in the November 2, 2010 general election for Governor. Gov. Haslam filed an Appointment of Political Treasurer Statement with the Registry on January 8, 2009 appointing Herbert H. Slatery III as political treasurer.

The candidate's first financial disclosure for the 2010 campaign was the 2008 Early Year-End Supplemental report filed on February 2, 2009. The 2011 Annual Mid-Year Supplemental report indicated \$166,603.53 in cash on hand, no outstanding obligations, and \$3,490,000.00 in outstanding loans. The candidate has completed his 2010 election campaign reporting requirements.

OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2008 Early Year End Supplemental, 2009 Early Mid Year Supplemental, 2009 Early Year End Supplemental, 2010 First Quarter, 2010 Second Quarter, 2010 Pre-primary, 2010 Third Quarter, 2010 Pre-general, and 2010 Fourth Quarter reports after amendments.

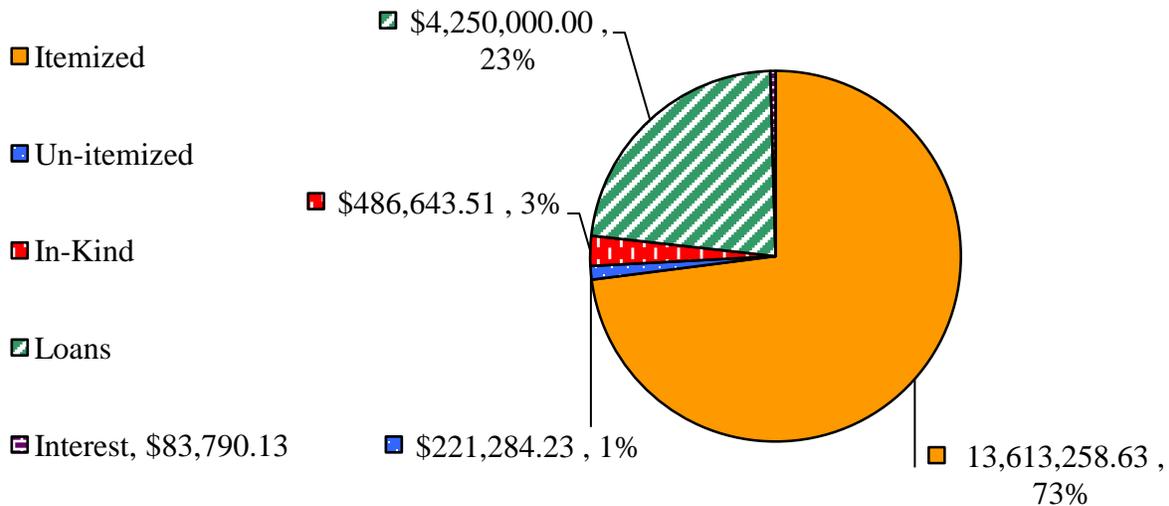
Summary of Financial Activity

Cash on hand at January 8, 2009		\$0.00
Receipts		
Itemized	\$13,615,008.63	
Un-itemized	221,284.23	
Interest	83,790.13	
Loans received	4,250,000.00	
Total receipts		<u>\$18,168,332.99</u>
Disbursements		
Itemized	16,692,795.00	
Un-itemized	23,309.81	
Loans principal payments	760,000.00	
Obligation payments	55,542.37	
Total disbursements		<u>\$17,531,647.18</u>
Cash on hand at January 15, 2011		<u>\$636,685.81</u>
Loans outstanding at January 15, 2011		\$3,490,000.00
Obligations at January 15, 2011		\$55,542.64
Total in-kind contributions received		\$486,643.51

CHARTS

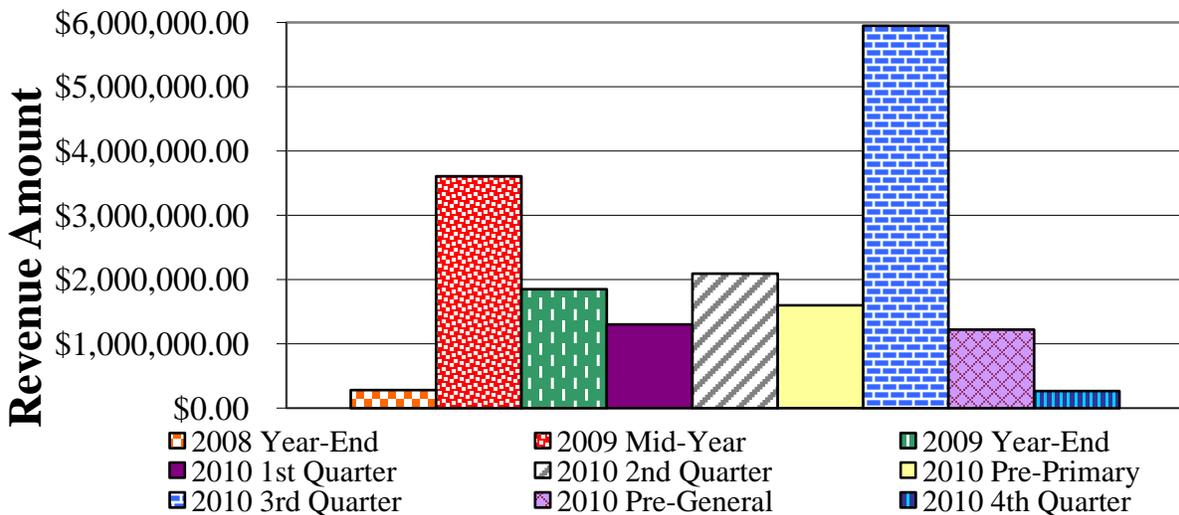
2010 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2010 election campaign from 2008 Early Year-End Supplemental to the 2010 Fourth Quarter report.



2010 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2010 election campaign from 2008 Early Year-End Supplemental to the 2010 Fourth Quarter report by reporting period.



2010 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2010 election campaign from 2008 Early Year-End Supplemental to the 2010 Fourth Quarter report by reporting period.

