



**TENNESSEE BUREAU OF ETHICS AND CAMPAIGN FINANCE
REGISTRY OF ELECTION FINANCE**

**Campaign Finance Audit of
Representative Courtney Rogers
Election Year 2014**



Audit Team:

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June 8, 2016

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 104
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Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Representative Courtney Rogers' 2014 election campaign for House of Representatives, District 45. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

STATE OF TENNESSEE
BUREAU OF ETHICS AND CAMPAIGN FINANCE
REGISTRY OF ELECTION FINANCE

Audit Highlights
Representative Courtney Rogers
2014 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Rep. Courtney Rogers' compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limit laws and regulations; accuracy and completeness of the disclosures on the 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDINGS

- 1. Rep. Rogers violated T.C.A. § 2-10-105(a) by failing to report \$520 of in-kind campaign contributions received.**
- 2. Rep. Rogers violated T.C.A. § 2-10-107(a) by improperly reporting \$1,652.03 in in-kind contributions received.**
- 3. Rep. Rogers failed to maintain contributor data for \$1,309 in cash contributions.**

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INTRODUCTION

AUDIT AUTHORITY

Tennessee Code Annotated (T.C.A.) §§ 2-10-206, 2-10-212 authorize the Registry of Election Finance (the “Registry”) to conduct audits of campaign financial disclosure statements filed with the Registry. The audit was initiated based on T.C.A. § 2-10-212(2), which requires the Registry to audit approximately two percent of all candidates for the general assembly.

AUDIT PURPOSE

The Registry’s campaign finance audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

AUDIT SCOPE

During non-election years, Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual reporting periods are from January 16 to June 30 and July 1 to January 15 of each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Rep. Courtney Rogers’ disclosures on her 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Rep. Courtney Rogers was a candidate in the November 4, 2014 general election for House of Representatives District 45. Rep. Rogers filed an Appointment of Political Treasurer Statement with the Registry on April 10, 2013 appointing C. David Pitzer, Sr. as political treasurer.

The candidate's first financial disclosure for the 2014 campaign was the 2013 Mid Year Supplemental report filed on July 8, 2013. Rep. Roger's final financial disclosure for the 2014 election was the 2014 Fourth Quarter Report, which she filed on January 22, 2015. The Fourth Quarter report indicated a balance on hand of \$24,719.87, \$652.03 in outstanding obligations, and no outstanding loans. The candidate filed her Appointment of Political Treasurer Statement for the 2016 election on April 13, 2015, which transferred her remaining balances to the 2016 election. The transfer ended her 2014 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: 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

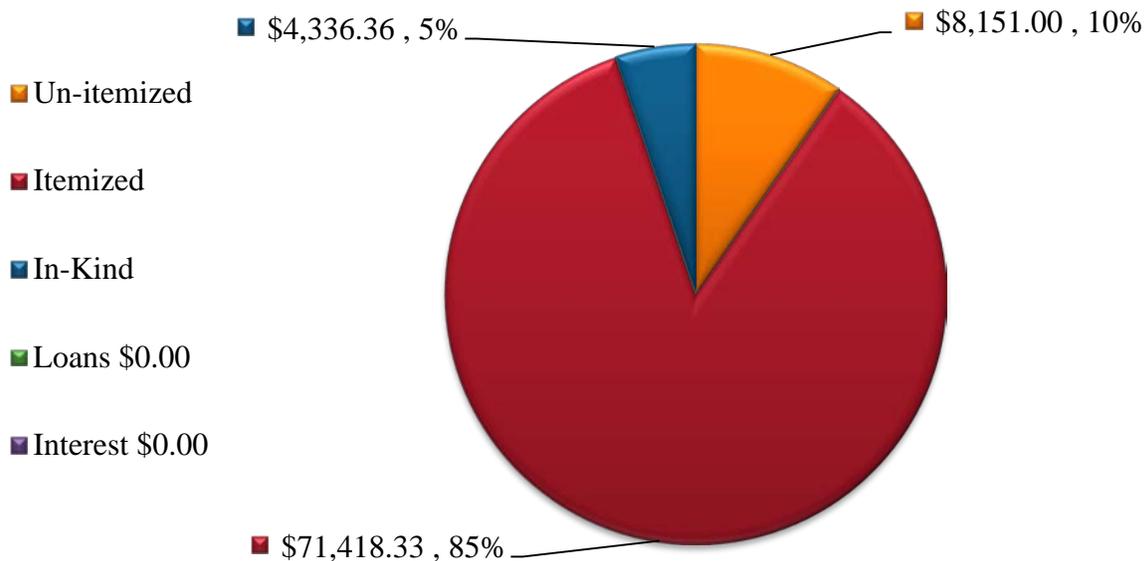
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2013		\$1,152.76 ¹
Receipts		
Un-Itemized	\$8,151.00	
Itemized	71,418.33	
Loans received	0.00	
Interest	0.00	
Total receipts		<u>\$79,569.33</u>
Disbursements		
Un-Itemized	1,787.60	
Itemized	33,533.84	
Loans principal payments	0.00	
Obligation payments	10,680.78	
Total disbursements		<u>\$46,002.22</u>
Cash on hand at January 15, 2015		<u>\$34,719.87</u>
Loans outstanding at January 15, 2015		\$0.00
Obligations at January 15, 2015		\$652.03
Total in-kind contributions received		\$4,336.36

¹ The balance on hand at 1/16/2013 is funds transferred from the candidate's prior campaign.

CHARTS

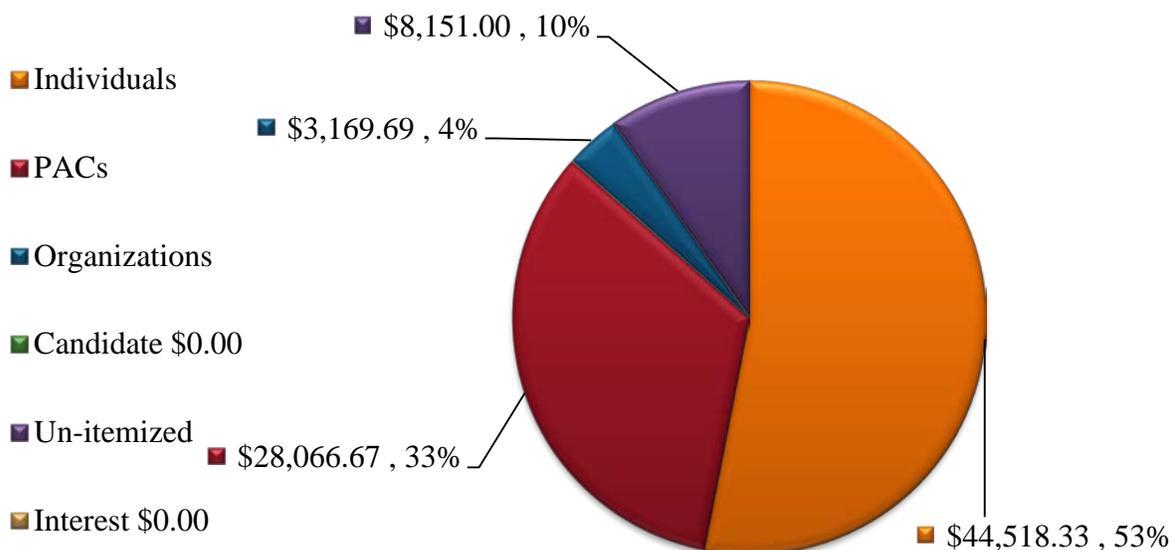
2014 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2014 election campaign.



2014 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2014 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



2014 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2014 election campaign by reporting period.



2014 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2014 election campaign by reporting period.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of our audit of contributions and loans were to determine whether:

- all campaign contributions from individuals and Political Action Committees (PACs) were within campaign limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained Rep. Courtney Rogers' 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015. We requested Rep. Rogers to provide her campaign records to support all contributions, loans, and interest that she received during her 2014 election campaign. Rep. Rogers' campaign records for contributions included bank statements, deposit slip copies, contributor listings, and contributor check copies. The following steps were performed on Rep. Rogers' campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2013 to January 15, 2015 totaled \$79,569.33 and in-kind contributions totaled \$4,336.36.

- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared to determine if the candidate deposited all funds into a campaign bank account and properly reported the funds in his campaign account on his campaign disclosures.
- A sample of unitemized and itemized monetary contributions was prepared and compared to the candidate's disclosures reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were properly reported; contributions were reported in the proper period; contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107; and contributions were reported in compliance with the Registry's rules.
- In-kind contributions by contributor was compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- The documentation was reviewed to determine if the candidate's loans received from January 16, 2013 to January 15, 2015 totaled \$0.00.
- A list of loans received and payments made by source was prepared and compared to the candidate's bank statements to determine if the candidate deposited all loan proceeds into a campaign bank account and made all payments from campaign funds.
- The list of loans was reviewed to determine if all loan activity was reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all loans were in compliance with the Registry's rules.

Audit Conclusion:

Rep. Rogers's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015 indicate she received \$79,569.33, however, the candidate campaign records indicated that she received and deposited contributions totaling \$78,569.33. The audit testwork indicated the \$1,000 difference was the result of Rep. Rogers improperly reporting an in-kind contribution (Finding 1). Rep. Rogers's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015 indicate she received \$4,336.36 in in-kind contributions, however, the candidate campaign records indicated that she received in-kind contributions totaling \$5,856.36. The audit testwork indicated the difference was the result of Rep. Rogers improperly reporting an in-kind contribution noted in Finding 1 and an additional \$520 of unreported in-kind contributions (Finding 2). In addition, the campaign records indicate Rep. Rogers failed to maintain contributor data for \$1,309 in cash contributors (Finding 3).

In addition to the findings noted above, the audit testwork indicated Rep. Rogers failed to report a \$100 contribution received in the 2013 Year-End reporting period. Also, she overstated unitemized contributions by \$100 during the 2014 Second Quarter reporting period. She late

reported \$10 received in the 2013 Year-End Reporting period. Finally, she failed to itemize \$396 in campaign contributions from contributors who contributed more than \$100 during a reporting period. No detailed findings for each of these additional errors, as they represent less than 1% of the contribution transactions the candidate reported and the net effect of the errors on the balance on hand is zero. Also, the errors do not appear to be systematic to the way the candidate maintains her records or prepares her disclosures. However the audit staff discussed the errors with Rep. Rogers and she amended the applicable campaign finance disclosures to correct the errors noted.

1. Rep. Rogers violated T.C.A. § 2-10-105(a) by failing to report \$520 of in-kind campaign contributions received.

Rep. Rogers' campaign records appear to indicate the candidate failed to report several in-kind campaign contributions totaling \$520. The failure to report contributions both monetary and in-kind is a violation of T.C.A. §2-10-105(a)

Rep. Rogers's campaign records indicated that during the 2014 second quarter reporting period she was provided use of a room for a campaign event. The donor provided a letter/invoice to showing the market value of the room for rental was \$800 and the name of the donor. Rep. Rogers reported an in-kind contribution but in the amount of \$700. The remaining \$100 was not reported. Tennessee campaign law requires the reporting of in-kind contributions at the full market value.

The remaining \$420 of unreported in-kind contributions was related to a fundraising event during the 2013 mid-year reporting period. The campaign records indicated during the fundraising event the candidate sold various pastries. The campaign records and candidate campaign disclosures show the candidate disclosed the amounts of the funds collected from the sale of the pastries. However, the campaign disclosures do not show the source of the pastries. In discussion with the candidate and a review of the campaign records it appears the pastries were donated by several contributors and a listing of the persons who donated the pastry was maintained. The candidate also indicated that each person actually donated two pastries (One for sale and one for judging). The candidate failed to report these donated pastries as a campaign contribution. In order to properly report the contribution, the candidate should have determined a market value for the cost of two pastries, then reported that amount for each contributor either as an unitemized or itemized in-kind contribution based on the other contributions from the contributor. Based on discussions with the candidate and review of the information retained for the event, the audit determined that there was 21 contributors and the cost per pastry was approximately \$10 (or a total of \$20 per person). The result was \$420 of in-kind contributions from baked goods that were unreported.

2. Rep. Rogers violated T.C.A. § 2-10-107(a) by improperly reporting \$1,652.03 in in-kind contributions received.

During the 2014 election Rep. Rogers improperly reported \$1,652.03 of in-kind contributions as other types of activity. The failure to properly report in-kind contributions as separate items on the campaign finance disclosure report is a violation of T.C.A. §2-10-105(a).

Rep. Rogers reported on her 2014 Fourth Quarter campaign finance report two itemized obligations (one for \$452.03 and one for \$200). The supporting documents for these items indicate that the reported obligations were not expenses due but were donated items provided by businesses. The candidate also confirmed that these obligations were in-kind contributions which were improperly reported.

The remaining \$1,000 amount is also related to an obligation. During the candidate's prior election cycle, she incurred and reported an obligation of \$8,900 to an individual for services rendered. During the 2013 year-end reporting period the candidate campaign records indicate two checks were issued in payment of this obligation totaling \$7,900. The remaining \$1,000 was never paid. Included in the support for this obligation and payments was an invoice showing charges for services rendered, payments made and a notation indicated that the remaining \$1,000 was not being required to be paid but donated by the individual. The donated service effectively creates a \$1,000 in-kind contribution from the individual. Based on the campaign disclosures the candidate made two improper entries. First, the candidate reported total obligation payments as \$8,900 instead of the \$7,900 actually paid from the campaign account. Second, the candidate reported a \$1,000 monetary contribution from the individual. The effect of these entries is the disclosure showed \$1,000 more received and paid from the campaign account than actually occurred. Tennessee campaign disclosure law requires the reporting of in-kind contributions as separate from other campaign activity. The proper disclosure was to report the \$1,000 in-kind contribution from the individual and an amending of the prior 2012 election report reducing the obligation from \$8,900 down to \$7,900.

3. Rep. Rogers failed to maintain contributor data for \$1,309 in cash contributions

Rep. Rogers did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for cash contributions. Rep Rogers' campaign records indicated that she received cash contributions totaling \$1,309 from anonymous contributors.

The campaign records show cash was collected during two fundraising events. One event sold pastries both in whole and by the slice, the cash proceeds were \$579. The second event sold jambalaya at \$30 a plate. The proceeds from that event were \$690. The remaining \$40 appears to be a cash contribution given during the jambalaya event separate from the actual sales. The candidate maintained records for the amount of sales from each event; however, she failed to maintain contributor data for the cash collected at these events. The \$1,309 in cash contributions represents approximately 82% of all cash contributions deposited into the candidate's campaign account. Without the specific contributor's names and amounts contributed we could not determine Rep. Rogers' compliance with the following campaign finance statutes for cash contributions:

- T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.

- T.C.A. §2-10-311(a) limits cash contributions to \$50 per election for each contributor.

DISBURSEMENTS AND OBLIGATIONS

Audit Objectives:

The objectives of our audit of disbursements and obligations were to determine whether:

- all disbursements and obligations were supported by vendor receipts, canceled checks, and bank statements;
- all disbursements and obligations were made for non-prohibited activities; and
- all disbursements and obligations were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and reported in compliance with the Registry rules.

Audit Methodology:

The Registry obtained Rep. Courtney Rogers' 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015. We requested Rep. Rogers provide campaign records to support all expenses during her 2014 election campaign. Rep. Rogers' campaign records for expenses included bank statements and vendor receipts/invoices. The following steps were performed on her campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2013 to January 15, 2015 totaled \$46,002.22.
- A list of disbursements was prepared and compared to the candidate's bank statements and copies of cleared checks to determine if the candidate expended all funds from the campaign bank account.
- The list of disbursements was compared to the candidate's campaign disclosures and the bank statements to determine if all disbursements were reported.
- Samples of un-itemized and itemized expenditures were reviewed to determine if all expenditures were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and reported in compliance with the Registry's rules.

Audit Conclusion:

Rep. Rogers's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015 indicate she disbursed \$46,002.22, for campaign expenses, however, the

candidate campaign records indicated that she incurred and disbursed \$45,002.22. The majority of the difference was the result of Rep. Rogers improperly reporting \$1,000 in-kind contribution (Finding 1 in the contribution and receipt section above).

In addition to the findings noted above, the audit testwork indicated Rep. Rogers improperly reported online processing fees over several reporting periods which netted to the fees being overstated by \$7. Also, she overstated two unitemized expenses by \$0.50. These amounts were offset as Rep. Rogers also failed to disclose \$7.50 in campaign expenses. Rep. Rogers also failed to obtain or maintain supporting receipts or invoices for \$687.78 in expenses. Finally, she improperly reported an expense vendor by reporting the person who was reimbursed for paying the expense instead of the vendor who provided the service. No detailed findings for each of these additional errors, as they represent less than 1% of the disbursements transactions reported by the candidate and the net effect of the errors on the balance on hand is zero. Also, the errors do not appear to be systematic to the way the candidate maintains her records or prepares her disclosures. However, the audit staff discussed the errors with Rep. Rogers and she amended the applicable campaign finance disclosures for the errors that could be corrected.

RECOMMENDATION TO CANDIDATE

Rep. Rogers should amend her 2014 Campaign Financial Disclosure Statements to ensure that she properly reported all itemized and un-itemized in-kind contributions received during the 2014 campaign (Including adding the in-kind contribution for the improperly reported in-kind contribution in Finding 2). Rep. Rogers' should amend her 2014 disclosures to remove the improperly reported monetary contribution and obligation payment noted in Finding 2. In addition, she should with the assistance of the Bureau audit staff have her 2012 disclosure corrected so that outstanding obligations are properly reported. For future reporting periods, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. Also, the candidate should maintain support for all contributions made both monetary and in-kind. In addition, the record keeping system should include the retention of all vendor invoices and receipts. Finally, the candidate should reconcile the campaign bank account and campaign records to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded, reported and supported.

RECOMMENDATION TO REGISTRY

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's web site notwithstanding whether a significant penalty is assessed, as outlined in T.C.A. §2-10-212(f). The report and related findings will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the above findings with Rep. Rogers, she chose to take corrective actions prior to the Registry's approval of the audit. The corrective actions are detailed below, included in the corrections are amendments made by Rep. Rogers to her 2013 and 2014 Campaign Financial Disclosure Statements made on May 6, 2016.

Corrective Actions - Finding 1:

Rep. Rogers amended her 2013 Mid-Year Supplemental and 2014 Second Quarter reports to correct the errors listed in Finding 1. The reports were corrected as follows;

- She added unitemized in-kind contributions of \$380 on the mid-year report.
- She added two itemized in-kind contributions for \$20 each from two contributors on the mid-year report.
- She added a \$100 itemized in-kind contributions from a contributor on the second quarter report.

The amended reports properly disclosed the in-kind contribution errors noted in Finding 1.

Corrective Actions - Finding 2:

Rep. Rogers amended her 2013 Year-End Supplemental and 2014 Fourth Quarter reports to correct the errors listed in Finding 1. The reports were corrected as follows;

- She added two itemized in-kind contributions on the fourth quarter report one for \$452.03 to one contributor and one for \$200 to another contributor.
- She added a \$1,000 itemized in-kind contributions from a contributor on the year-end report.
- She removed the \$652.03 in itemized obligations improperly reported on the fourth quarter report.
- She removed the \$1,000 itemized contribution improperly from a contributor on the year-end report.
- Finally with the assistance of the Bureau audit staff, the 2013 Year-end report was corrected by removal of a \$1,000 obligation payment. Then the outstanding obligation from 2012 was reduced by \$1,000 to show the outstanding obligation was fully paid.

The amended reports properly disclosed the in-kind contribution errors noted in Finding 2.

Corrective Actions - Finding 3:

Rep. Rogers followed the Registry staff recommendations and donated \$1,309 to five charitable or civic organizations (these were the anonymous funds that could not be used for campaign purposes). The candidate provided copies of the checks and other documents to support the donations. As the donations were made after 3/31/2016, the donations are not required to be reported until the 2016 Second Quarter report.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2014 campaign finance audit of Rep. Rogers during the June 2016 regular monthly meeting. The report contained three findings with the candidate corrective actions. The Registry voted to accept and approve the audit report with no further action.