



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### Contribution Audit of Mary Alice Carfi's 2017 Fourth Quarter Campaign Finance Disclosure



#### Audit Team:

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# STATE OF TENNESSEE



## BUREAU OF ETHICS AND CAMPAIGN FINANCE REGISTRY OF ELECTION FINANCE

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November 14, 2018

Members of the Registry of Election Finance  
404 James Robertson Parkway, Suite 104  
Nashville, TN 37243-1360

Ladies and Gentlemen,

Transmitted herewith is the audit of the unitemized contributions for Mary Alice Carfi's 2017 Fourth Quarter Campaign Financial Disclosure Statement for the 2017 special election campaign for Senate District 17. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The audit procedures developed are to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Laws and Campaign Contribution Limit Laws. 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 internal 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 be used, and should not be used, by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a public record.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Director

STATE OF TENNESSEE  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**

Mary Alice Carfi

2017 Fourth Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Mary Alice Carfi's 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 unitemized contribution disclosures on her 2017 Fourth Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDING(S)**

- 1. Mary Alice Carfi violated T.C.A. §2-10-105(a) by overstating campaign contributions received during the 2017 Fourth Quarter by \$44,830.60.**
- 2. Mary Alice Carfi violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,350 in campaign contributions from three contributors who contributed in excess of \$100 during the 2017 Fourth Quarter.**

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

*Tennessee Code Annotated* (T.C.A.) §§2-10-206 and 2-10-212 authorizes the Registry of Election Finance (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(i), which requires the Registry to audit a candidate's campaign financial disclosure statement if the unitemized contributions exceed \$5,000 and account for more than 30% of total contributions during a reporting period.

### **AUDIT PURPOSE**

The Registry's contribution audits are to assist and encourage candidate compliance with campaign financial disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the 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 prepared to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

Tennessee's campaign financial disclosure laws require 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 an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit only relates to disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit only relates to disclosures on Mary Alice Carfi's 2017 Fourth Quarter report.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Mary Alice Carfi was a candidate in the December 19, 2017 special election for the Senate District 17. Mary Alice Carfi filed an Appointment of Political Treasurer Statement with the Registry on September 26, 2017 appointing John D. Foutch as political treasurer. The appointment was amended on October 20, 2017 naming Phyllis Eckel treasurer.

Mary Alice Carfi's first financial disclosure for the 2017 special election campaign was the 2017 Third Quarter report filed on October 10, 2017. The final financial disclosure report for the 2017 special election was the 2017 Fourth Quarter report originally filed on February 2, 2018 and amended on August 14, 2018. The 2017 Fourth Quarter report indicated \$5,752.46 cash on hand, no outstanding obligations and \$377.00 in outstanding loans. The candidate filed her Appointment of Political Treasurer Statement for the 2018 election on March 1, 2018, which transferred the remaining balances to the 2018 election. The transfer ended the 2017 special election reporting requirements.

### OVERVIEW OF FINANCIAL ACTIVITIES

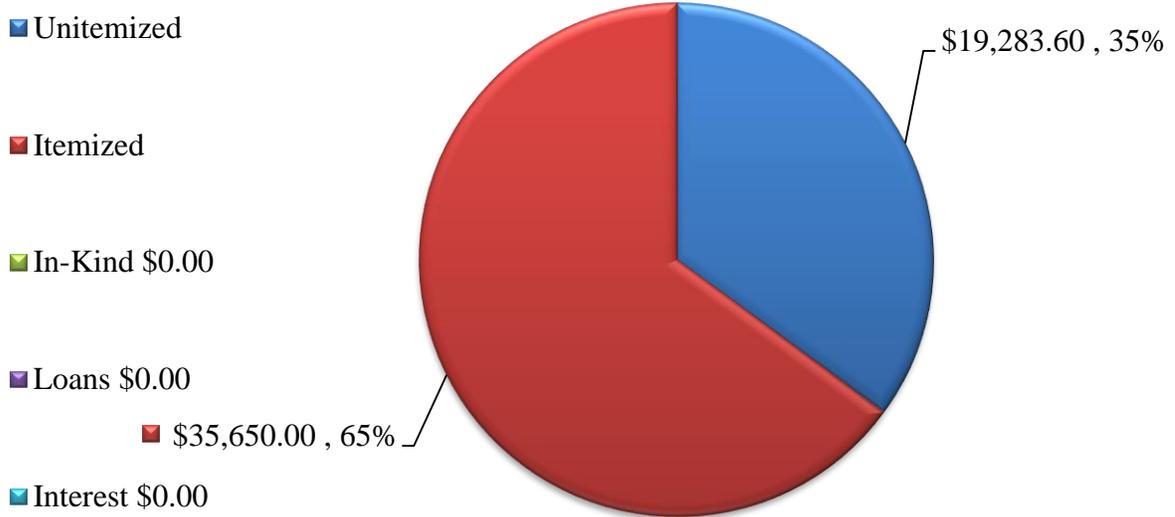
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2017 Third Quarter, 2017 Pre-Primary, 2017 Pre-General, and 2017 Fourth Quarter reports. As noted in the audit scope, only unitemized contributions from the 2017 Fourth Quarter report were audited. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at September 26, 2017		\$0.00
Receipts		
Unitemized	\$19,618.60	
Itemized	71,258.60	
Interest	0.00	
Loans receipted	377.00	
Total receipts		<u>\$91,254.20</u>
Disbursements		
Unitemized	189.58	
Itemized	85,312.16	
Loans principal payments	0.00	
Total disbursements		<u>\$85,501.74</u>
Cash on hand at January 15, 2018		<u>\$5,752.46</u>
Loans outstanding at January 15, 2018		\$377.00
Obligations January 15, 2018		\$0.00

## CHARTS

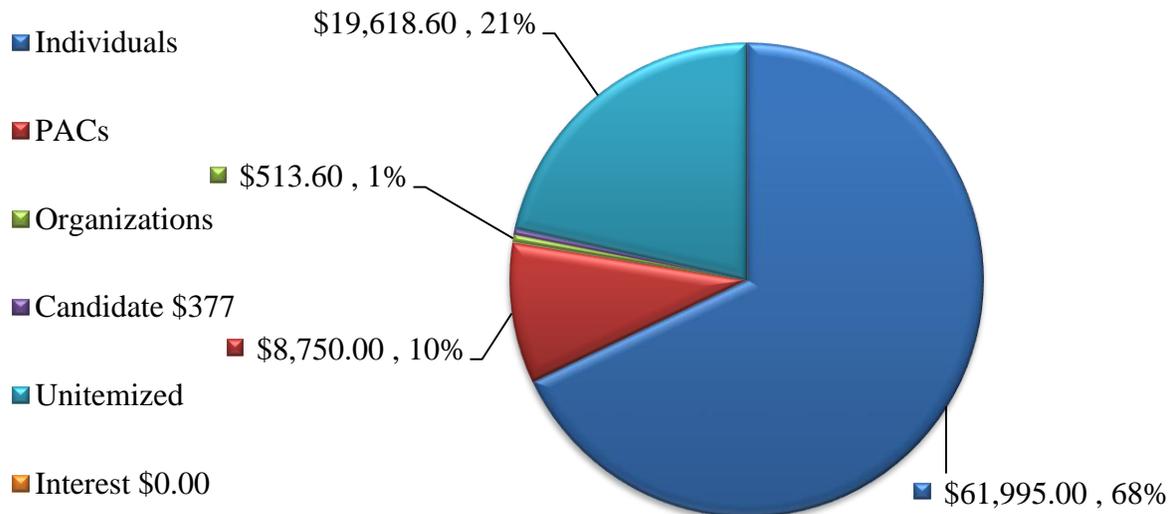
### 2017 FOURTH QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2017 Fourth Quarter report.



### 2017 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the candidate for the 2017 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

The objectives of the audit of unitemized contributions were to determine whether:

- campaign contributions from individuals and political action committees (PAC) were within 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; and
- all contributions were supported by bank statements and deposit slips.

#### ***Audit Methodology:***

The Registry obtained Mary Alice Carfi's 2017 Fourth Quarter Campaign Financial Disclosure Statement to verify that the unitemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. The Registry requested that Ms. Carfi provide supporting documentation for the unitemized contributions that she reported on her 2017 Fourth Quarter report. The candidate's campaign records included bank statements, copies of checks, and online contribution listings. The following steps were performed on Ms. Carfi's campaign documentation:

- The campaign records were reviewed to determine if the candidate's unitemized contributions received from December 10, 2018 thru January 15, 2018 totaled \$19,283.60.
- A list of unitemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of unitemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the campaign to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- An unitemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, all contributions were in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were in compliance with the Registry's rules.

***Audit Conclusion:***

Mary Alice Carfi's 2017 Fourth Quarter Campaign Financial Disclosure Statement reported \$19,283.60 in unitemized contributions, which is greater than \$5,000, and 30% of the total contributions reported of \$54,933.60. The candidate's bank records indicated during the 2017 Fourth Quarter reporting period \$11,055.80 in campaign contributions deposited into the campaign account. The records showed, included in those deposits, checks from a vendor who was receiving contributions on behalf of the candidate through their online services. The vendor remits those collections less a service fee by check, which was deposited into the campaign account. The fees associated to those checks for the period was \$357.20. Those fees added to the deposit for the period give a total of \$11,413. The difference in the \$54,933.60 reported and \$11,413 deposit plus fees represents an improper overstatement of contributions by \$43,520.60 during the period. The improper reporting of contributions is a violation of T.C.A. §2-10-105(a). The overstatement appears to be the result of reporting the entire campaign's activity on the 2017 Fourth Quarter report instead of just activity for the period and is detailed in Finding 1.

A review of the contributions deposited during the 2017 Fourth Quarter reporting period showed that the candidate deposited 27 contributions that were received in December prior to December 10. The records showed the candidate deposited a check from the vendor providing online contribution services on December 15, 2017 (Check was written on December 10, 2017). Based on records from the vendor for the check, the check included 27 contributions from 26 contributors totaling \$1,310 received from December 4 to December 9. As the contributions were received during the 2017 Pre-General reporting period (10/29/2017 to 12/9/2017), these contributions were required to be reported on that report. However, the candidate appears to have improperly reported them on the 2017 Fourth Quarter as unitemized contributions. Unlike the contributions noted above that were double reported, these contributions appear to have only been reported on the fourth quarter as unitemized contributions. This was partially verified through the candidate disclosures as none of the 27 contributions were reported as itemized contributions on the 2017 Pre-General report. Additionally, the 2017 Pre-General report only shows \$175 in unitemized contributions meaning at most only \$175 of the \$1,310 could have been reported. The result is a \$1,310 overstatement of contributions for the period, which is noted in Finding 1.

Finally, the audit indicated Ms. Carfi failed to itemize \$1,350 in contributions from contributors who contributed in excess of \$100 during the 2017 Fourth Quarter reporting period (Finding 2).

**Expenses and Contributions (in other reporting periods):** The audit procedures are designed to evaluate and report only activity related to contributions and not the disbursement activity of the campaign for the 2017 Fourth Quarter reporting period. However, the review of contributions from other reporting periods indicated additional improper double reporting of contributions in those periods. In addition, as noted above, the contribution review indicated that \$3,500 in contributions reported on the 2017 Fourth Quarter were likely received during a prior period and is thus required to be reported on the prior period reports. However, this was not confirmed with the candidate's records as the activity was not during the audit's reporting period. Due to the contribution errors noted, the candidate's expense disclosures were limitedly reviewed. That

review indicated that the improper reporting of all election activity on the 2017 Fourth Quarter report extended beyond contributions and included expense reporting.

### **FINDING(S)**

**1. Mary Alice Carfi violated T.C.A. §2-10-105(a) by overstating campaign contributions received during the 2017 Fourth Quarter by \$44,830.60.**

Mary Alice Carfi violated T.C.A. §2-10-105(a) by overstating campaign contributions received during the 2017 Fourth Quarter reporting period by \$44,830.60. Mary Alice Carfi's campaign records indicated that she received \$10,103 in contributions during the 2017 Fourth Quarter reporting period. On the Fourth Quarter report, Ms. Carfi reported receiving campaign contributions of \$54,933.60 (\$19,283.60 unitemized and \$35,650 itemized), an excess of \$44,830.60. The \$44,830.60 in excess contributions consists of \$43,520.60 in contributions received and reported in prior periods and \$1,310 in contributions received in the Pre-General reporting period but deposited and incorrectly reported in the Fourth Quarter period.

It appears that Ms. Carfi did not understand that campaign finance reports do not have cumulative reporting periods, which resulted in the candidate reporting all contribution activity for the entire election campaign on the Fourth Quarter report (December 10, 2017 through January 15, 2018). This resulted in double reporting of \$43,520.60 in contributions. In addition, the \$1,310 in contributions received during the Pre-General reporting period, which were deposited in the Fourth Quarter reporting period, resulted in these contributions being reported in the Fourth Quarter period instead of the Pre-General period.

**2. Mary Alice Carfi violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,350 in campaign contributions from three contributors who contributed in excess of \$100 during the 2017 Fourth Quarter.**

Mary Alice Carfi's campaign records and disclosures indicated she included \$1,350 in unitemized contributions which she received from three individuals that should have been itemized during the 2017 Fourth Quarter reporting period. 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 amount included a \$1,000 check contribution from the candidate. The \$1,350 of improperly reported contributions represents approximately 7% of the \$19,283.60 in unitemized contributions reported by Ms. Carfi's 2017 Fourth Quarter Campaign Finance Disclosure Statement.

### **RECOMMENDATION TO CANDIDATE**

Mary Alice Carfi should amend her 2017 Fourth Quarter Campaign Financial Disclosure Statement to ensure that she reported only contributions received from December 10, 2017 to January 15, 2018. She should properly itemize all contributions from individuals who contributed over \$100 during that reporting period. The candidate should also be aware that

campaign finance reports never overlap, so transactions will only be reported on one report. She should note the reporting periods for the 2017 special election are as follows:

2017 Third Quarter – 9/26/2017(Start of campaign) to 9/30/2017  
2017 Pre-Primary –10/1/2017 to 10/28/2017  
2017 Pre-General – 10/29/2017 to 12/09/2017  
2017 Fourth Quarter – 12/10/2017 to 1/15/2018

Noting these dates, she should amend all her 2017 election campaign finance reports and ensure she has properly reported contributions and expenses only in the period they occurred. We also recommend for the audit period and future periods that Ms. Carfi reconcile the campaign records to her campaign disclosures to ensure all disclosures are complete, accurate and properly supported by campaign records. Finally, we recommend she maintain a campaign record showing the contributions that were included as unitemized contributions in each period.

### **RECOMMENDATION TO REGISTRY**

We recommend the Members of the Registry to consider the findings for possible further action. We recommend that the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry’s website 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**

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### **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2017 Fourth Quarter Contribution audit of Mary Alice Carfi during the November 2018 regular monthly meeting. The report contained two findings. Approval and any subsequent actions taken by the board will be documented in the board minutes.