



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

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**Board Requested Audit of  
Representative Glen Casada  
for the period from January 1, 2018 through June 30, 2019**

# STATE OF TENNESSEE



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

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June 10, 2020

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

Registry Members,

Enclosed are the agreed upon procedures for the board requested audit of Representative Glen Casada's election campaigns for House of Representatives, District 63 for the period from January 1, 2018 through June 30, 2019. This audit was conducted pursuant to the requirements of T.C.A. § 2-10-207(1).

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 purpose other 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 is a public record.

Sincerely,

Jay Moeck, CPA, CFE  
Director of Audit

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

## **Audit Highlights**

Board Requested Audit of Representative Glen Casada  
for the period from January 1, 2018 through June 30, 2019

### **AUDIT OBJECTIVES**

The objectives of the audit were to determine Representative Glen Casada's (hereinafter "Rep. Casada" or "the candidate") 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 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, 2018 Fourth Quarter, and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

### **FINDINGS**

- 1. Rep. Casada failed to report \$1,063.10 in campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A).**
- 2. Rep. Casada appears to have (a) not complied with T.C.A. § 2-10-310 by accepting a \$250 contribution while he was an elected member in legislative session and (b) improperly reported this contribution under T.C.A. § 2-10-107(a)(2)(A).**
- 3. Rep. Casada failed to report \$1,520.60 in disbursements and/or expenses incurred by his campaign, as required by T.C.A. §§ 2-10-105(a) and 2-10-107.**
- 4. Rep. Casada failed to itemize \$628.63 in expenditures, as required by T.C.A. § 2-10-107(a)(2)(B).**
- 5. Rep. Casada failed to comply with T.C.A. § 2-10-107(e) by inaccurately reporting ending balances on multiple reports due to the improper reporting of reimbursements received. Relatedly, some of these reimbursed funds were not deposited into the campaign account but were instead provided to the candidate, which appears to be in noncompliance with T.C.A. § 2-10-114(b)(1) regarding the personal use of campaign funds.**
- 6. Rep. Casada failed to provide a supporting receipt, invoice, or other supporting document for 32 expenses totaling \$5,212.50 incurred by the campaign. Rep. Casada is required by T.C.A. §§ 2-10-212© and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.**

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<sup>1</sup> No summary data or charts were provided for the 2019 election. Only the 2019 Early Mid-Year Supplemental report was included in the audit period. As such, summary and charts made from this one report would be misleading when compared to other audits. In addition, the summary amounts would be the same as those already available on the submitted 2019 Mid-Year report.

## **INTRODUCTION**

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### **AUDIT AUTHORITY**

Tennessee Code Annotated (T.C.A.) §§ 2-10-206, 2-10-207, 2-10-212 and 2-10-213 authorize the Registry of Election Finance (hereinafter “Registry”) to conduct investigations and audits of campaign activities and the related disclosures made on campaign financial disclosure statements filed with the Registry. This audit was initiated on a vote by the Members of the Registry (hereinafter “Members”) at their August 14, 2019 meeting. The Members requested the audit cover activities from January 1, 2018 through June 30, 2019.

### **AUDIT PURPOSE**

The Registry’s audits provide a tool to the Registry to evaluate a candidate’s compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limit laws and regulations, and accuracy and completeness of the campaign disclosures. 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. As noted above, the Members requested the audit cover activities from January 1, 2018 through June 30, 2019; therefore, the audit reviewed Rep. Casada’s disclosures on his 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, 2018 Fourth Quarter and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Rep. Casada was a candidate in the November 6, 2018 general election for House of Representatives, District 63. The audit includes activity for Rep. Casada's 2020 re-election to the House of Representatives, District 63. Rep. Casada filed an Appointment of Political Treasurer Statement with the Registry on March 3, 2017, appointing Jim Leuty as political treasurer for his 2018 election. On July 18, 2019, he filed his Appointment of Treasurer form naming Jim Leuty as his political treasurer for his 2020 election.

Rep. Casada's first campaign finance disclosure during the audit period from January 1, 2018 to June 30, 2019 was the 2018 First Quarter report filed on April 8, 2018. The last report for the audit period was the 2019 Early Mid-Year Supplemental report filed on 7/8/2019 (amended on 7/10/2019). The 2019 Mid-Year report indicated \$381,024.56 cash on hand, no outstanding obligations, and \$480 in outstanding loans. Rep. Casada completed his filing requirement for the 2018 election when the 2020 appointment was filed. The remaining balance was transferred to the 2020 election.

### OVERVIEW OF FINANCIAL ACTIVITIES (2018 ELECTION ONLY)

The following financial amounts are a summary of the financial disclosures made by the candidate for the 2018 election. The summarized amounts are from the following disclosure reports: 2017 Early Mid-year Supplemental, 2017 Early Year-end Supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, and 2018 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

#### Summary of Financial Activity (Un-audited Amounts)

Cash on hand at January 16, 2017	\$266,633.41	<sup>1</sup>
Receipts		
Un-Itemized	\$586.90	
Itemized	169,770.00	
Loans receipted	0.00	
Interest	1,380.56	
Total receipts	<u>\$171,737.46</u>	
Disbursements		
Un-Itemized	1,968.26	
Itemized	44,831.91	
Loans principal payments	0.00	

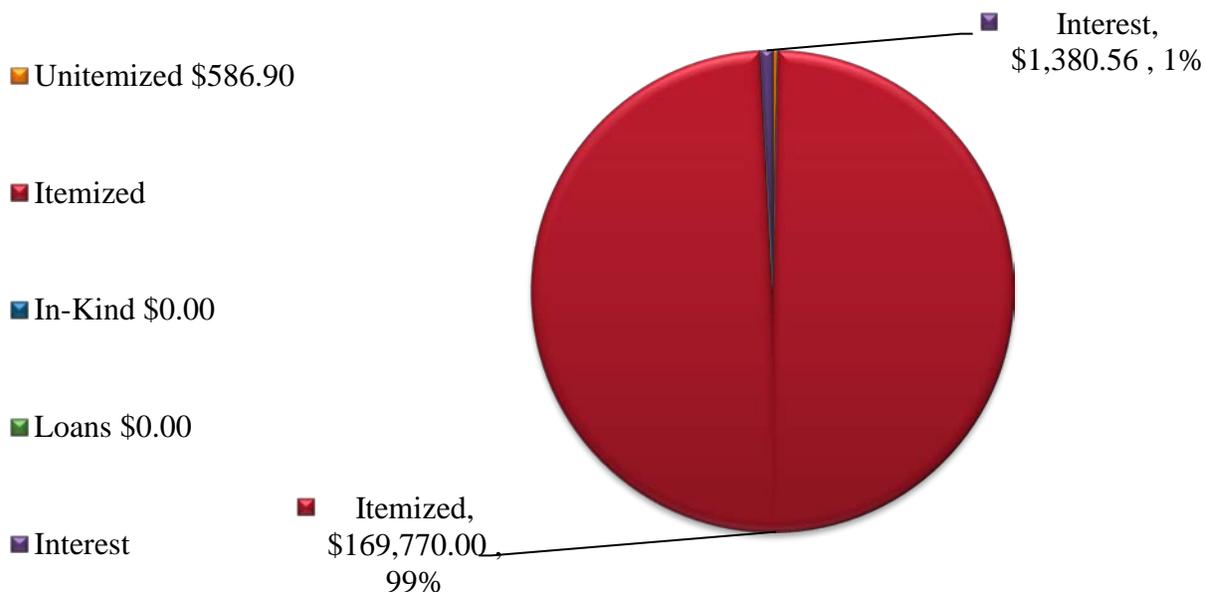
Obligation payments	0.00	
Total disbursements		\$46,800.17
Cash on hand at January 15, 2019		\$391,570.70
Loans outstanding at January 15, 2019		\$480.00
Obligations at January 15, 2019		\$0.00
Total in-kind contributions received		\$0.00

**1** The balance on hand at 1/16/2017 funds transferred from the candidate's prior campaign.

## CHARTS

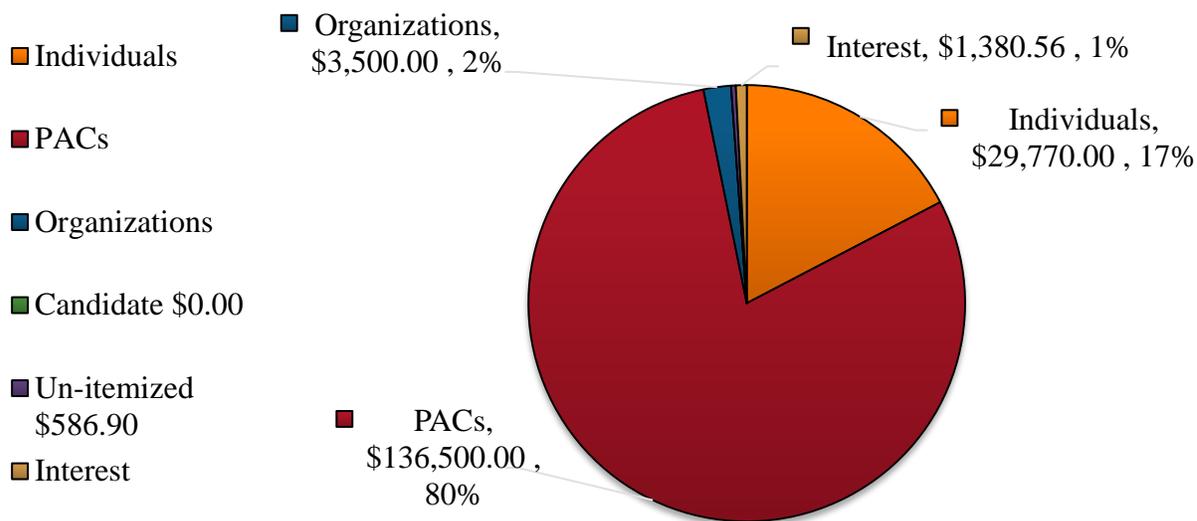
### 2018 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2018 election campaign.



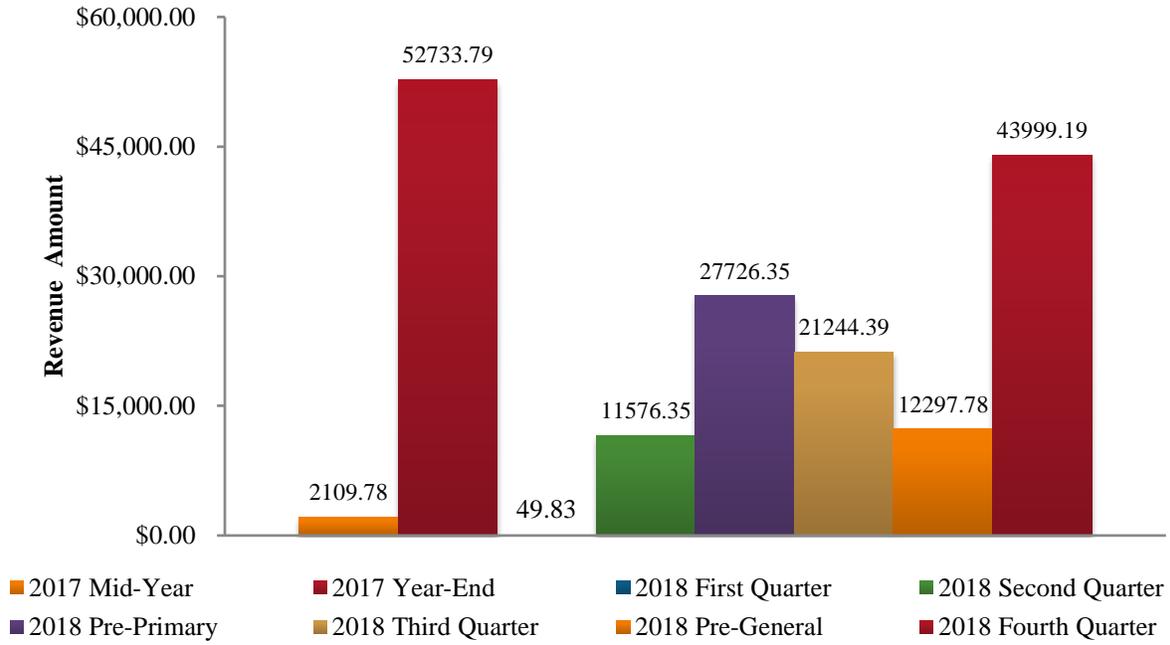
### 2018 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2018 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or for-profit business entities.



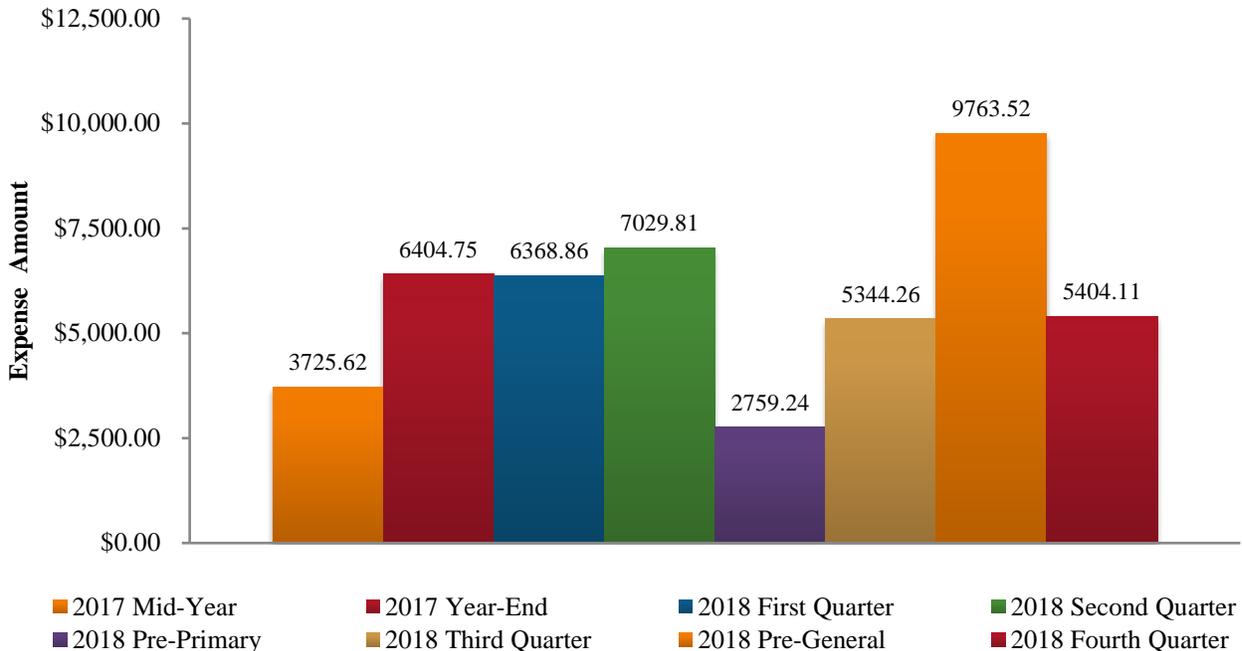
## **2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

The following chart shows the contributions that the candidate reported for the 2018 election campaign by reporting period.



## **2018 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2018 election campaign by reporting period.



## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **CONTRIBUTIONS AND RECEIPTS**

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

The objectives of this audit of contributions, receipts, 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. Casada's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019, as well as Rep. Casada's 2020 Campaign Financial Disclosure Statements from January 16, 2019 to June 30, 2019. The Registry requested Rep. Casada provide his campaign records to support all contributions, loans, and interest that he received during the period from January 1, 2018 to June 30, 2019. Rep. Casada's campaign records for contributions included bank statements, deposit slip copies, contributor check copies and QuickBooks accounting records. The Members, as part of the request for audit, granted the Registry staff authority to issue subpoenas of the campaign bank records. Therefore, in addition to the records provided by Rep. Casada, the Registry also obtained by subpoena the campaign bank account records for the three bank accounts used by the campaign during the audit period. The subpoena request included records for contributions, all bank statements and detail deposit data

showing all checks deposited into the campaign account. The following steps were performed on the campaign record documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2018 to June 30, 2019 totaled \$171,863.12, as reported. Given that the audit period was January 1, 2018 to June 30, 2019, the campaign records were reviewed to determine the amount of contribution received from January 1, 2018 to January 15, 2018.
- 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 listing of un-itemized 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 limit law, specifically 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 were compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limit law, specifically T.C.A. § 2-10-301, *et seq.*
- The documentation was reviewed to determine if the candidate's loans received from January 1, 2018 to June 30, 2019 totaled \$0.00.

***Audit Conclusions:***

Rep. Casada's Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicated the campaign received \$117,019.55 in monetary contributions and interest. Rep. Casada's campaign records indicate that receipts received totaled \$120,232.65 during the same period. The difference between the amount disclosed and amount received is \$2,313.10 and is the result of the following:

1. Rep. Casada's failure to report \$1,063.10 in campaign contributions received (see Finding 1).
2. Rep. Casada appears to have received and reported a \$250 contribution during the time period under T.C.A. § 2-10-310 when members of the General Assembly, such as Rep. Casada, cannot solicit or accept contributions ("the legislative session black out period"). Relatedly, the candidate improperly reported the \$250 contribution which appears to have

been written and deposited during the 2018 First Quarter on the 2017 Year-end report (see Finding 2).

3. The candidate double reported a \$100 contribution as both an itemized and un-itemized contribution. No detail findings for this error were provided, because the error represented less than 1% of the total \$117,019.55 in contributions reported. The error appears to be the result of making multiple deposits of the same check (one mobile deposited and a second deposit of the actual physical check). The double deposit was noted by the repository bank and a deposit adjustment made on the campaign account. The candidate and treasurer appear to fail to note the correction by the bank, resulting in the candidate failing to report the deposit correction as a contribution adjustment or by removing the un-itemized \$100 contribution. No detail finding was provided for the \$100 error as it represented less than 1% of the contribution transactions the candidate reported. However, the audit staff discussed the errors with Rep. Casada and he properly corrected the error.
4. The campaign account included a deposit of \$2,000 of CAS-PAC funds. CAS-PAC is a registered PAC controlled by Rep. Casada. Registered PACs controlled by a candidate are more commonly referred to as “leadership PACs”. Rep. Casada appears to have properly identified the \$2,000 as not being campaign contributions, as he properly did not report them on his campaign reports. Rep. Casada also properly reported the \$2,000 on the CAS-PAC disclosure. However, the funds were placed into the campaign account in July 2018 and were not directly transferred to the CAS-PAC account until a set of correcting transfers in partial amounts were included with the final transfer completed in January 2019 (see details in finding 3 bullet b). The placement of PAC funds into an account designated as a campaign fund is not a violation of the campaign finance statutes when both accounts are federally insured. It is, however, a violation of the Registry Rules 0530-1-1.02(1), which recommends a separate account for campaign funds.

In addition to the errors noted above, Rep. Casada’s campaign finance records indicate some additional contribution reporting errors. The campaign records indicate one contribution was reported from the wrong contributor. The candidate appears to have improperly reported a contribution from the individual owner of a business instead of from the business itself. The campaign records indicate the source of the contribution was the business, not the owner, meaning the contributor is the business. Also, the candidate improperly reported a \$50 contribution one reporting period late. Rep. Casada received a \$50 contribution paid to an online service on September 26, 2018 for \$50, which is during the 2018 Third Quarter. The candidate reported the contribution on the 2018 Pre-General report (one reporting period late) which appears to be the period when the funds were deposited. The reported amount was also improperly reported net of online fees and is detailed in Finding 1. No detail findings for these reporting errors were provided as the errors represent less than 1% of the contribution transactions the candidate reported. Also, the errors do not appear to be systematic to the way the candidate maintains his records or prepares his disclosures. However, the audit staff discussed the errors with Rep. Casada and he properly corrected the errors.

Finally, the audit noted the following on the candidate disclosure reports. The candidate reported two \$500 contributions from a registered PAC, while the registered PAC appears to have

reported only one contribution to the candidate. This discrepancy appears to have occurred as a result of an error by the candidate in depositing funds and by the repository banks in processing deposited checks. The campaign bank records indicate that on July 16, 2018 a mobile deposit was made into a campaign checking account at bank (hereafter Bank 1). A mobile deposit is made by sending a photo of the check being deposited to the bank. The bank then processes the check like a normal deposit except for noting it is a mobile deposit. The candidate reported the contribution as a \$500 check from a registered PAC. The Bank 1 deposit records indicate the disclosure was correct. During July of 2018 the candidate opened two additional campaign bank accounts at another bank (Hereafter Bank 2). On July 24, 2018, the actual check photographed for the mobile deposit was deposited in one of the Bank 2 accounts. Bank 2 also processed the check. Again, the candidate reported the contribution as a \$500 check from a registered PAC. The result is the candidate deposited the same check twice, received the funds from the bank twice and reported the contribution twice. However, after reviewing the registered PAC disclosure, the Registry determined the PAC only reported the contribution once. The Registry contacted the PAC concerning the double transaction to determine if its PAC account paid the check twice, but no response was obtained. Based on the audit test work performed, the PAC did not intend to make two campaign contributions nor did the campaign receive two contributions from the PAC. The extra \$500 funds appear to be the result of improper depositing and a bank system processing the same check twice. Rep. Casada's reporting does not appear to be a violation of a campaign finance statute, as his report reflects the checks deposited. The candidate reporting, however, does appear to make the PAC and candidate disclosures appear to be in conflict. As such, the Registry audit staff recommended the candidate amend his report to show the second contribution as a \$500 gain on banking error instead of a second contribution from the registered PAC. Rep. Casada chose to follow the recommendation and he amended the applicable campaign finance disclosure.

In addition to the errors noted above, the audit of CAS-PAC indicated in-kind contributions from CAS-PAC to Rep. Casada which were both unreported by the campaign and in some cases made during session. As these were not in the campaign records, they were excluded in this report but included in the CAS-PAC audit report being issued.

## **FINDINGS**

### **1. Rep. Casada failed to report \$1,063.10 in campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A).**

Rep. Casada failed to report \$1,063.10 in contributions on his campaign disclosures during the period from January 1, 2018 to June 30, 2019. T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A) require all contributions received to be reported on a campaign finance report. The campaign disclosure and related campaign records indicate the candidate failure to report the following:

- a. The campaign finance disclosures for a registered PAC indicate that the PAC made a \$1,000 contribution to Rep. Casada's campaign on November 27, 2018. The check and bank records indicate the \$1,000 check was to Rep. Casada's campaign and was received and deposited on November 30, 2018. However, the check was deposited into

the CAS-PAC bank account instead of the campaign account. The \$1,000 was then reported on CAS-PAC's 2018 Fourth Quarter report. Based on the check, PAC disclosure and bank records, the contribution is to Rep. Casada's campaign and not to CAS-PAC. Therefore, the campaign should have reported the \$1,000 check on its 2018 Fourth Quarter report. Although the check was deposited into an account that appears to be dedicated to CAS-PAC instead of one of the accounts dedicated to the campaign, the funds are still in a federally insured account as required by T.C.A. § 2-10-131. Therefore, the deposit of a campaign check into the CAS-PAC account is not a violation of the campaign finance statute. This deposit however does not comply with Registry Rule 0530-1-1.02(1), which recommends a separate account for campaign funds to ensure those funds are not commingled with other funds. The rule was established to assist candidates in not misreporting contributions.

- b. Rep. Casada's campaign records indicate that a deposit of \$50 on August 17, 2018. The deposit detail obtained through the subpoena showed the \$50 was a check from one contributor. The candidate disclosure reports indicate the candidate failed to report the \$50 contribution on any disclosure. The campaign should have shown the \$50 check as a contribution on the 2018 Third Quarter report.
- c. Rep. Casada's disclosure reports and campaign records indicate that he failed to report \$13.10 in online campaign contributions. The campaign records indicate the candidate contracted with a vendor to collect contributions for his campaign using an online application. These types of vendors collect contributions in the name of the candidate by using various online payment methods (Credit Card, PayPal, etc.). They also collect contributor data for campaign finance reporting. The vendor also should verify that contributor data collected matches the source of the funds received. The vendor is paid for this service by charging a fee based on a percentage of each contribution. The vendor then transfers the funds collected less the fee to the candidate's campaign account by check or electronic transfer. The vendor then provides the contributor data to the campaign which includes the date the contribution was received, the amount of the original contribution, and the amount of the fee. With such transactions, Tennessee campaign finance statutes require the candidate to report the original amount of the contribution as a campaign contribution and the fee retained by the vendor as a campaign expense. Tennessee's campaign finance statutes also require candidates to report contributions when received by the campaign. As the vendor is acting as an agent of the campaign, the candidate is required to report the date of receipt of the contribution based on when the contribution was received by the vendor. The audit procedures performed indicate Rep. Casada was improperly reporting these contributions based on the net amount (the contribution minus the fee) received from the vendor. This resulted in both contributions and expenses to be unreported. The unreported amount (the total of the fees retained by the vendor) for Rep. Casada's campaign from January 1, 2018 to June 30, 2019 was \$13.10. The fee relates to five separate contributions reported. Included in the five is the \$50 contribution noted in the audit conclusion for contribution and receipts that was reported in the wrong period.

The \$1,063.10 in unreported contributions represents approximately 1% of \$117,019.55 contributions reported received from January 1, 2018 to June 30, 2019. In addition to the contribution unreported above, the audit of CAS-PAC indicated in-kind contributions from CAS-PAC to Rep. Casada which were both unreported by the campaign and made during the legislative blackout period. As these contributions were not in the campaign records, they were excluded in this report but included in the CAS-PAC audit report being issued.

**2. Rep. Casada appears to have (a) not complied with T.C.A. § 2-10-310 by accepting a \$250 contribution while he was an elected member in legislative session and (b) improperly reported this contribution under T.C.A. § 2-10-107(a)(2)(A).**

Rep. Casada appears to have received a \$250 contribution during the 2018 legislative session in violation of T.C.A. § 2-10-310. T.C.A. § 2-10-310 restricts members of the General Assembly from soliciting or collecting contributions while in legislative session. In 2018, the Tennessee General Assembly convened on January 9, 2018 and adjourned on April 27, 2018. Rep. Casada's campaign bank records indicate a \$250 deposit was made on January 27, 2018 into the campaign account. The deposit detail report from the subpoenaed bank records indicate one check for \$250 was deposited by mobile deposit. The deposited check date was January 18, 2018. The check header listed only one name and that name appears to be the same name as the signor. Based on statements of the candidate, a review of the candidate disclosures, and a review of campaign records, the check was reported on the 2017 Early Year-end Supplemental report under the name of the contributor's spouse, using the date of November 1, 2017. Additionally, the candidate appears to have not reported the contribution on the original submission of the report on January 17, 2018 but added the contribution by amendment on January 20, 2018.

Due to the difference in the reported name and the name on the check and the date on the check with date report received, Registry audit staff attempted to obtain confirmation of the date of the contribution and name of the contributor. No response was received from the check writer. No additional records were provided by the candidate to support the disclosure on a date prior to the check, nor to a spouse not listed on the check in the header or signature line (the audit was unable to confirm the name reported by the candidate is the spouse of the check writer). As such, the candidate was asked about the contribution. The candidate's treasurer provided the following statement by email on November 22, 2019 (the email included the actual names - these were replaced with Reported Contributor name and Check Writer name for audit report disclosure purposes).

*"This was a contribution from [Reported Contributor's name (Check Writer's name's husband)] dated 11/1/2017. Glen deposited the check via mobile deposit on 1/8/2018. Glen found the check in his coat pocket on 1/20/2018 and let me know what happened. We filed an amended report on 1/22/2018 to include the contribution. It was reported under the name (Reported Contributor's name)".*

As noted, the campaign records appear to conflict slightly with this statement. The check is not dated 11/1/2017 but 1/18/2018. The deposit was a mobile deposit from 1/27/18, not 1/8/2018, as noted in the email. Finally, the contribution appears to be added by amendment

on 1/20/2018, not 1/22/2018 (the 1/22/2018 amendment appears to be corrections for various items noted in a correction email sent by Registry staff on 1/22/2018).

The audit cannot confirm either the date a contribution was received or the date a check was written. However, based on bank records and campaign records it appears the \$250 check was written on or near January 18, 2018 (not in November 2017). Accordingly, the check apparently was received by the candidate on or near January 18, 2018, prior to January 29, 2018, when it was deposited. Therefore, the check appears to be received after the start of session on January 9, 2018, making the contribution unallowable under T.C.A. § 2-10-310. In addition, the records indicate the date received of November 1, 2017 appears to be incorrect. The contributor name reported also appears incorrect as it is not supported by the campaign records. The campaign records indicate the contributor is the name on the header of the check as the funds appear to come from that person's funds (there is no record to indicate any other source provided these funds). Note: Registry staff allows for spouse contributions on checks with dual headers regardless of signatory; however, on a single header check the Registry requires some other evidence the contribution is not from that source, such as an email or letter indicating the contribution is from a spouse. Finally, although early reporting of contributions is allowed, the contribution appears to be reported on the wrong report due to reporting the received date of November 1, 2017. The check appears to be received after January 15, 2018, during the 2018 First Quarter reporting period, not the 2017 Early Year-End reporting period.

In addition to the above contribution, the audit of CAS-PAC indicates in-kind contributions from CAS-PAC to Rep. Casada which were both unreported by the campaign and during session. As these were not in the campaign records, they were excluded in this report but included in the CAS-PAC audit report being simultaneously issued by the Registry.

## **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 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. Casada's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019, as well as Rep. Casada's 2020 Campaign Financial Disclosure Statements from January 16, 2019 to June 30, 2019. The Registry requested Rep.

Casada provide his campaign records to support all disbursements made and expenses incurred during the period from January 1, 2018 to June 30, 2019. On August 22, 2019, Rep. Casada submitted the campaign records maintained for disbursements/expenses. Included in the submission were bank statements, cancelled checks and QuickBooks accounting records. As part of the request, audit authority was given by the Members to issue subpoenas for the campaign bank records. Therefore, in addition to the records provided by Rep. Casada, the Registry also obtained via subpoena campaign bank account records for three bank accounts used by the campaign during the audit period. The subpoenaed records for expenses included all bank statements and cleared check data from January 1, 2018 to June 30, 2019.

As noted in the update to the Members on November 13, 2019, the campaign records provided by Rep. Casada and his treasurer did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The only documents received for expenditures were the disbursement records (canceled check, credit/debit card transaction report on the bank statement records), which show only the payee and the amount of the expense. Although Rep. Casada reports the purpose of an expense on his disclosures, the receipt, invoices, contracts, or other documentation from the vendor verifies the purpose reported is accurate and allowable. Due to the lack of these records, the auditor initiated a process of rebuilding purpose records for the campaign account by requesting invoices and receipts from various vendors and through inquiries of the candidate and the treasurer. Following the original submission and over several months up to the release of the audit report, the candidate and treasurer have submitted several duplicate or replacement copies of invoice, receipts, payment histories or other vendor records to support several expense incurred (additional details related to the lack of documentation and the rebuilding of records can be found in Finding 6). The following steps were performed on campaign record documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2018 to June 30, 2019 totaled \$47,647.56. As the audit period was January 1, 2018 to June 30, 2019, the campaign records were also reviewed to determine the amount of expense incurred from January 1, 2018 to January 15, 2018.
- 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.
- Listings 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. Casada's Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicate the campaign had expenses totaling \$47,647.56. The candidate campaign records

indicate that the campaign incurred expenses totaling \$49,116.48. The difference in the reported expense amount and the campaign records is \$1,468.92. The difference is the result of the following errors noted by the audit procedures:

1. Rep. Casada failed to report \$1,520.60 in disbursements from the campaign account as required by T.C.A. §§ 2-10-105 and 2-10-107. Relatedly, the candidate failed to report \$13.10 in expenses retained by vendors from campaign contributions collected online. (See Finding 3). The unreported disbursements included \$84.38 in food expenses that were incorrectly reported due to an incorrectly reported expenditure refund of \$84.38.
2. Rep. Casada failed to comply with T.C.A. §§ 2-10-105 and 2-10-107 by incorrectly reporting two expenses totaling \$51.68 which were not incurred. The campaign accounts show no disbursements for either expense. One expense for \$1.68 reported as a bank fee appears to be the result of misreporting a set of transfers in the candidate's QuickBooks records. The transfer was for \$251.68 but the entry in QuickBooks was \$1.68 and was marked as bank fees. The subsequent reversal of the \$251.68 was not entered into QuickBooks most likely because the original amount was mis-keyed. Thus the \$1.68 was picked up as the bank fee but it was never incurred. The other \$50 expense was a contribution. There appears to be no \$50 disbursement from the campaign account for this expense. In the auditor's experience, this discrepancy usually occurs when the candidate incurs a contribution personally (paid from a personal account) and intends to reimburse the expense from the campaign. In this case, the expense is reported but the reimbursement was never made. The candidate has no record to show what exactly this donation was or how it was incurred. Since the campaign account did not pay the expense the expense, in effect, was not incurred. Although a reimbursement of such expense is allowable and, if reimbursed, reportable as an expense, the candidate is not required to have the donation he incurs personally reimbursed, nor is he required to report such a personally paid donation on a campaign disclosure. If the donation was incurred on a personal account - since it was not reimbursed - the expense was not required to be reported and the \$50 expense reported is an un-incurred expense. No detail findings for the un-incurred expenses were provided as the errors represent less than 1% of the total expense incurred by the campaign account. However, the failure to maintain records for the amount reported on a disclosure is noted in Finding 6.

In addition to the errors above, Rep. Casada's campaign finance records indicate additional expenditure reporting errors. The campaign records and disclosures indicate

3. Rep. Casada failed to itemize \$628.63 in expenditures to individuals or vendors who he paid more than \$100.00 during a reporting period, which is required by T.C.A. § 2-10-107(a)(2)(B). {See Finding 4}.
4. Rep. Casada failed to comply with T.C.A. § 2-10-107(e) as a result of improperly reporting reimbursement received on campaign travel expenses. The candidate failed to report \$1,377.59 of reimbursements received. Relatedly, the reimbursed funds were not deposited into the campaign account but appeared to be provide to the candidate. This appears to violate T.C.A. § 2-10-114(b)(1), which prohibits the personal use of campaign funds. Also,

the campaign appeared eligible to receive additional reimbursement not requested or obtained. Relatedly, \$84.38 in reimbursements received and deposited were improperly reported. Finally, one airline travel expense was incurred twice but used only once. (See Finding 5).

5. Rep. Casada failed to provide a supporting receipt, invoice or other supporting document for 32 expenses totaling \$5,212.50 incurred by the campaign. As noted in the Audit Methodology section of Disbursement and Obligations above and previously reported to the Members on November 13, 2019, the original submission of campaign records received for the audit did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The failure to retain and maintain such disbursement records to support the disclosures made is a violation of T.C.A. §§ 2-10-212(c) and 2-10-105(f). Additional details related to the lack of documentation and the rebuilding of records can be found in Finding 6).
6. Rep. Casada reported the wrong vendor for a \$250 donation expense. The expense was paid through one entity but was actually incurred by another entity. As such, the expense is a pass through that should have been reported as paid to the final recipient. No detail findings for these reporting errors were provided as the error represented less than 1% of the disbursement transactions incurred by the campaign. Also, the errors do not appear to be systematic to the way Rep. Casada maintains his records or prepares his disclosures. However, the audit staff discussed the error with Rep. Casada, and he amended the applicable campaign finance disclosure to correct the errors noted.

## **FINDINGS**

### **3. Rep. Casada failed to report \$1,520.60 in disbursements and/or expenses incurred by his campaign, as required by T.C.A. §§ 2-10-105(a) and 2-10-107.**

Rep. Casada did not report on any campaign finance disclosure \$1,520.60 in disbursements from January 1, 2018 to June 30, 2019 from the campaign account, as required by T.C.A. §§ 2-10-105 and 2-10-107. These unreported disbursements include \$84.38 in food expenses that was incorrectly reported due to an improperly reported expenditure refund of \$84.38. In addition, the candidate failed to report \$13.10 in expenses retained by vendors from campaign contributions collected online. Each disbursement and unreported expense is detailed below:

- a. The campaign bank account evidences a disbursement of campaign funds by debit card/credit card transactions to Bluegrass Cl on September 7, 2018 for \$251.68 which was not reported. The audit found no disclosure of the expense on the campaign disclosure, however, in the campaign records, there were four transfers in and out from CAS-PAC that appear to be related to this expense. Two transfers into the campaign account totaling \$251.68 on 9/17/2018 and 9/24/2018 from CAS-PAC and two transfers out of the campaign account to CAS-PAC on 10/24/2018 again totaling \$251.68. The audit was unable to identify the vendor or purpose of this expense or these transfers. The candidate was asked about the expenses and transfers. His explanation for the expense was “*the \$251.68 was for a dinner at the Bluegrass Country Club in*

*Hendersonville TN. I cannot find where I recorded it in my disclosure...I initially paid for this from my campaign account and I wanted it to be paid from CAS-PAC, thus the transfer in of \$221.68 and \$30 from CAS-PAC.”* However, two additional transfers were made out of the campaign account that reverse the payment by the PAC on 10/24/2018, effectively leaving the campaign account paying the expense. Therefore, the candidate was asked to verify whether the campaign or PAC was responsible to pay the expense. The candidate confirmed this expense should be a PAC expense. The result is non-compliance with the campaign finance statutes, since the current disclosures show no expense reported by either CAS-PAC or the campaign for this expense. Nor does the CAS-PAC report show an in-kind contribution from Rep. Casada for the campaign account paid expense. The current campaign account reflects a disbursement of funds with no reimbursement due to the reversal of the reimbursement. Because funds were disbursed, the campaign was required to disclose the \$251.68 expense on the 2018 Third Quarter report per T.C.A. § 2-10-107. The second incident of non-compliance with the campaign finance disclosure laws appears to be that the expense was not a campaign or legislative expense of the campaign; therefore, the disbursement would appear to be unallowable under the definition of allowed expenditures in T.C.A. § 2-10-102(6) and allowable expenditures in T.C.A. § 2-10-114. Although the campaign could make an in-kind contribution or loan to CAS-PAC for the expense incurred later reporting a loan payment, this does not appear to be what occurred. Based on statements of the candidate and the auditor’s experience, it appears the candidate incorrectly paid an CAS-PAC expense with the campaign account and failed to complete the reimbursement process. In addition to the statutory errors, the transaction also violates the Registry Rules that recommends the separation of campaign account funds from other accounts (see additional information in Finding 5 on separate campaign accounts from other accounts).

- b. The campaign bank account reflects a disbursement of campaign funds by electronic transfer on 10/22/2018 to Rep. Casada’s personal account for \$585.72, which was not reported. The campaign bank account shows a disbursement of campaign funds by electronic transfer on 11/8/2018 to CAS-PAC for \$585.72, which was not reported. The campaign account also shows two transfers that net a disbursement of campaign funds by electronic transfer on 1/28/2019 to CAS-PAC for \$828.56. This transfer appears to attempt to correct the error of the two \$585.72 transfers and the \$2,000 of CAS-PAC funds that were improperly deposited into the campaign account and noted in the audit conclusion for contribution and receipts.

Rep. Casada stated that the original \$585.72 was supposed to be transferred from CAS-PAC to the candidate’s personal account to pay several CAS-PAC expenses that were paid from the candidate’s personal account. These included five expenses totaling \$509.65 that were reported on CAS-PACs 2018 Pre-General report as follows:

1. Un-itemized expense - Food/Beverage \$93.27
2. Un-itemized expense - Food/Beverage \$48.23
3. Un-itemized expense - Food/Beverage \$44.27
4. Un-itemized expense - Food/Beverage \$95.90

#### 5. Itemized expense - Flat Iron Grill \$227.98

Rep. Casada also stated the transfer was for a \$149.57 Hilton Garden Inn expense which was not properly reported on the CAS-PAC disclosures. The total of all these expenses was \$659.22. He also explained the difference in amounts was a calculation error when determining the reimbursement amount and provided a calculation note that showed \$585.72. Rep Casada also provide personal bank records showing the expenses incurred personally. However, those records indicate the actual expense cost was \$699.18 and portions of the disclosed expenses were improper. (The improper discloses amounts is detailed in the CAS-PAC Audit). Based on that explanation, the second transfer of \$585.72 appears to have been requested to correct the first transfer error. The transfer however is in the wrong direction, making the campaign account pay the expenses twice: once to the candidate on 10/22/2018 and once to CAS-PAC on 11/8/2018.

As noted above, on January 28, 2019 Rep. Casada initiated two additional transfers: one for \$828.56 from CAS-PAC to the campaign and a reversal transaction of \$1,657.12 from the campaign to the PAC, resulting in \$828.56 being transferred to CAS-PAC from the campaign account. Rep. Casada and the treasurer stated the \$828.56 transaction was to correct several items. These included the two \$585.72 transfers and the \$2,000 in CAS-PAC funds that were in the campaign account as of July 2018. When all three transfers out are added together, the total is \$2,000. Accounting for transactions in this manner over several months resulted in the commingling of funds between the campaign account and CAS-PAC. When funds are commingled, funds can lose their identities unless meticulous campaign records are maintained. The funds appear to lose their identity in the campaign accounts as there are not records maintained to show the separation of funds. The audit noted that Rep. Casada's QuickBooks records for the campaign account do not appear to separate the CAS-PAC funds in the account from the other funds deposited. Also, The QuickBooks records do not relate each transfer as a disbursement of the CAS-PAC funds. The campaign failed to maintain detailed disbursement records until requested by audit. As a result of commingling, the audit cannot determine whether campaign funds or CAS-PAC funds were disbursed when the two \$585.72 transfers occurred.

Based on the candidate's description of the purpose of the original \$585.72 and the commingling of funds, it would appear the campaign had incorrectly paid CAS-PAC expenses during the 2018 Pre-General report period (similar to the expense noted in Bullet a). Those expenses should have been reported in the campaign account. When the expenses were paid a second time during the 2018 Fourth Quarter period reporting through the second transfer of \$585.72, the expenses should have been reported again on the campaign disclosure. The failure to report these disbursements appears to be in non-compliance with T.C.A. §§ 2-10-105 and 2-10-107(a)(2)(B). Relatedly, T.C.A. § 2-10-107(e) requires the campaign account to show available funds of the campaign at the end of each reporting period. As no clear distinction can be made in what funds belong to the campaign, it would appear failure to report the two transfers would be contrary to the reporting requirements of the aforementioned statutes. In addition, the

candidate would have to report expenditure adjustments to remove the CAS-PAC-related expenses when the final transfer occurs on the 2019 Mid-Year report. The campaign can, at that point, differentiate campaign and PAC funds to comply with T.C.A. § 2-10-107(e). Rep. Casada also not in compliance with Registry Rule 0530-1-1.02(1), which recommends separate accounts for campaign funds. This rule was established to eliminate the commingling of funds that results in this type of misreporting. The net effect of this rule and T.C.A. §§ 2-10-212(c) and 2-10-105(f) (which requires maintenance of disclosure records), should require the candidate to specifically identify and document both transactions of the campaign and transactions of a PAC this information will also appear in the CAS-PAC audit.)

- c. The candidate campaign records reveal the candidate failed to report \$84.38 in food/beverage expenses incurred during the 2019 Mid-Year reporting period. Based on the audit procedures performed and the campaign records reviewed, the expenses were unreported because they were offset to a deposit of a check from the National Conference of State Legislatures (“NCSL”) to reimbursement expenses incurred by the campaign to attend an event (see more detail on the reimbursement of the travel expense in Finding 5). The candidate’s 2019 mid-year QuickBooks records evidence reported food/beverage expenses to be reported as un-itemized of \$123.18. However, the campaign reported only \$38.80 in the 2019 mid-year report. That difference in these two amounts is \$84.38. The QuickBooks records did not identify the \$84.38 reimbursement deposit as being from NCSL. Therefore, it appears the campaign hose to offset these food expenses instead of properly offsetting NCSL expense. The result was two errors: the understatement of expense noted in this finding and the misreporting of the reimbursement noted in Finding 5 The \$123.18 was five different food expenses which were not supported by receipts (which is noted in Finding 6).
- d. Rep. Glen Casada did not disclose \$13.10 in fees related to online contributions received. Rep. Casada used PayPal to collect contributions online. PayPal, an online service company, collects the contributions from the contributors, charges a fee for the service to the candidate, and makes the remaining funds available to the candidate. In order to properly report these contributions, the candidate must report each contribution at the amount received by PayPal on the day received by PayPal. The report fees related to the reported contributions as an expense. Rep. Casada’s disclosure shows no expenses related to PayPal fees incurred for the election cycle. This amount is the same \$13.10 noted in Finding 1.

**4. Rep. Casada failed to itemize \$628.63 in expenditures, as required by T.C.A. § 2-10-107(a)(2)(B).**

Rep. Casada incorrectly reported 14 transactions, totaling \$628.63, as un-itemized expenditures when an individual or vendor was paid more than \$100 during a reporting period. T.C.A. § 2-10-107(a)(2)(B) requires expenses to be itemized when a vendor/individual is paid more than \$100 during a reporting period. Eleven of the 14 transactions were payments for newspaper subscriptions, all paid

to one vendor and reported under the category dues/subscriptions. The eleven are in three separate reporting periods in the following amounts:

- a. 2018 Second Quarter reporting period - three transactions totaling \$152.53.
- b. 2018 Third Quarter reporting period – two transactions totaling \$102.57
- c. 2019 Mid-Year reporting period – six transactions totaling \$233.53

The final three transactions were during the 2019 Mid-Year reporting period. The expenses totaled \$140 and were reported under the following categories: contributions [\$75] and dues/subscriptions [\$65]. The final recipient of the campaign funds appears to be a political entity and the candidate stated the expenses were for dues and to attend the entities luncheons. However, unlike the prior eleven transactions the payments to this vendor were not all directly paid to the vendor. Two of the payments were made to a legislative assistant (the memo line of the check indicating the check was issued to the final vendor). Based on statements of the candidate, the payments were made to the assistant because the assistant attended the events on the Rep. Casada's behalf. The payment to a vendor through another person makes the payment similar to expenses paid to credit card payments, reimbursement payments or pass-through payments (pass through payments are payment to to consultant for expenses they incur from other entities which are then charged directly to candidates). When credit card, reimbursement, and pass-through expense payments are made, the campaign finance statute requires that the final recipient of the campaign funds be disclosed. This requirement allows the reader to see the final recipient of the funds and the final purpose of the expense Therefore, the direct payment and pass-through payments made to the legislative assistant should be reported under the same vendor.

In all 14 transactions, the vendor was paid multiple times during the period but the aggregate payments in the period to the vendor was over \$100 which required all expenses to the vendor to be itemized. The \$628.63 in un-itemized expenses that needs to be itemized is approximately 24% of the \$2,594.69 un-itemized expenses reported from January 1, 2018 to June 30, 2019.

**5. Rep. Casada failed to comply with T.C.A. § 2-10-107(e) by inaccurately reporting ending balances on multiple reports due to the improper reporting of reimbursements received. Relatedly, some of these reimbursed funds were not deposited into the campaign account but were instead provided to the candidate, which appears to be in noncompliance with T.C.A. § 2-10-114(b)(1) regarding the personal use of campaign funds.**

Rep. Casada's campaign records and disclosures indicate the campaign paid travel related expenses for meetings and conferences attended by Rep. Casada. Based on campaign records, statements of the candidate and other records obtained for the audit, it appears several of these expenses were reimbursed by other entities. When a candidate receives a reimbursement of funds expended by the campaign, then the funds should be deposited into the campaign account or transferred to the campaign account. The reimbursed funds should be reported as expenditure adjustments. Reporting the expenditure adjustments adds back to the ending balance the campaign funds that are again available to be disbursed. Rep. Casada did not report some of the expense reimbursements. The reporting of such reimbursements is required by T.C.A. § 2-10-107(e), which provides that a candidate must disclose any unexpended balances during each reporting period.

In addition, Rep. Casada did not deposit the reimbursed funds into the campaign account. Although the campaign finance statute does not expressly require separated campaign funds, Registry Rule 0530-1-3.02 recommends the use of a separate account for the purpose of tracking

a campaign contribution. The candidate appears to have followed that recommendation by establishing three campaign accounts during the audit period, in which most campaign funds were deposited and from which most campaign expenses were disbursed. The reimbursed funds are an exception. These funds appear to be in the personal accounts of the candidate. In placing campaign funds into a personal account, the funds can lose the protection afforded by T.C.A. § 2-10-106(b) which states *“(b) Funds maintained in a separate segregated campaign account are not deemed to be the personal property of any candidate or other individual. Such funds are not subject to garnishment or any type of execution to satisfy the debts or obligations of any individual which are not campaign debts.”* The failure to report the expense reimbursements along with the failure to transfer the funds creates the appearance of a conversion of campaign funds to personal funds through the reimbursement process, contrary to the provisions of T.C.A. § 2-10-114(b)(1), which prohibits the personal use of campaign funds. Although this audit cannot confirm these specific campaign funds were disbursed for any personal expense or disbursed at all, when the reimbursed funds were deposited into the personal account these funds lose their identity among the candidate’s other personal funds. The following items were paid from the campaign account, which appear to have been later reimbursed or incorrectly paid. Details about each set of travel expenses also follows the list:

**2018 Second Quarter**

1. American Legislative Exchange Council (“ALEC”) conference fee (New Orleans Trip) for \$525 paid on 6/4/2018, which is incorrectly reported as “dues and subscriptions.”
2. Southwest airlines flight \$317.96 (New Orleans Trip) paid on 6/11/2018, ALEC conference flight, incorrectly reported as “Travel - NCSL.”
3. Southwest airlines flight \$263.96 (New York) paid on 6/27/2018, NCSL conference flight, incorrectly reported as “Travel - ALEC.”

**2018 Third Quarter**

4. Hilton Hotel expense for \$558.51 paid on 8/15/2018. ALEC Conference Hotel.
5. Airport Shuttle - New Orleans Trip for \$44 on 8/9/2018. Reported as un-itemized public transportation was for ALEC taxi service.
6. The Parking Spot (New Orleans Trip) for \$58.50 on 8/13/2018. Incorrectly reported as “food/beverage.” The actual expense was for parking in Nashville for the New Orleans Trip.

**2018 Fourth Quarter**

7. Southwest airlines flight \$427.96, paid on 11/26/2018. NCSL conference flight (second ticket purchased was incorrectly reported as “TRAVEL-CSL NATL CONFERENCE”)

**ALEC CONFERENCE**

The travel expenses listed for ALEC (listed as numbers 1, 2, 4, 5 and 6) were for the ALEC 45th Annual Conference/Meeting in New Orleans held August 8 through August 10, 2018. Rep. Casada requested reimbursement of all five expenses from the Tennessee House of Representatives Speaker’s Office and Tennessee Legislative Administration. Included in the request was an additional \$20 taxi expense that was not paid by the campaign and a notation indicating “no per diem.” The State of Tennessee submitted reimbursement request included all

the receipts and invoices for all the expenses incurred. The request was approved and paid to Rep. Casada for all five expenses and the extra \$20 and excluded per diem payment for food expenses. The campaign record shows no deposit or transfer of the \$1,503.97 (the total of the five expenses) to the campaign account. Rep. Casada also did not report any expenditure adjustment for any of these related expenses.

In addition to the expenses that were reimbursed for the conference, the candidate incurred other expenses for food related to this travel. The audit of the 2018 Third Quarter noted the following food expense incurred while in New Orleans totaling \$181.27 (these same food expenses are listed as unsupported in Finding 6):

1. Food/Beverage	\$12.06 in New Orleans
2. Food/Beverage	\$21.86 in New Orleans
3. Food/Beverage	\$7.00 in New Orleans
4. Food/Beverage	\$2.52 in New Orleans
5. Food/Beverage	\$38.57 in New Orleans
6. Food/Beverage	\$99.26 in New Orleans

As noted above, the candidate requested no per diem to be paid on his travel reimbursement. Tennessee Legislative Administration indicated the candidate was eligible to receive per diem for the trip, but no payment was made due to the note on the request. Rep. Casada was asked about the request and indicated that he requested no per diem in order to save taxpayer funds used by the State to pay such reimbursements. Although Rep. Casada does have a fiduciary responsibility to safeguard taxpayers' funds, as a holder of campaign funds he also has the same fiduciary responsibility to his campaign contributors. Due to this dual responsibility, the campaign finance statute was reviewed to determine if an expense could be paid out of the campaign account when a per diem was available. The statute appears to have no direct guidance for this transaction. The two relevant statutes appear to be the definition of a campaign expense, T.C.A. § 2-10-102(6)(B) states "[Expenditure] also includes the use of campaign funds by an officeholder for the furtherance of the office of the officeholder," and T.C.A. § 2-10-114(a)(7), which states "The funds may be used to defray any ordinary and necessary expenses incurred in connection with the office of the officeholder..."

Similarly to the fiduciary responsibilities of Rep. Casada in this case, the statute appears to have dual requirements. Registry staff has previously advised that these expenses can be paid from the campaign account until they are reimbursed from another entity because the trip can be both a furtherance of office and are ordinary expense incurred by officeholders. In declining the per diem on the food expense, the candidate may also be furthering his office in supporting his fiduciary responsibility to the taxpayers. However, the declining could also make the food expense no longer a necessary expense incurred by the office holder as the expense was allowable to be paid from State funds. For these reasons, Registry staff could make no determination on the allowability to pay an expense from the campaign account when the officeholder declined a per diem reimbursement. The information is noted in the audit for consideration by Members based on its authority in T.C.A. § 2-10-107 to issue an opinion on compliance with statutes and its authority to determine whether an actual violation of the statute has occurred. The audit has determined that the disclosure of the disbursed funds was required under T.C.A. §§ 2-10-107(a)(2)(B) and T.C.A §2-10-105, which the candidate properly followed. The expenses were also determined to be allowable at the time of payment and ,at least up until the reimbursement, could have been received by the campaign.

### NCSL CONFERENCE

The travel expenses listed for NCSL (listed as numbers 3 and 7) was for the NCSL Meeting in New York December 12-14. Both expenses are to Southwest Airlines (\$263.96 and \$427.96 are listed as flights totaling \$691.92). The campaign records show no other expenses related to this trip. As noted in Finding Six, no receipts, flight itinerary, ticket stubs or any other documentation was presented to the auditors to confirm the flights were to New York in December or for Rep. Casada. There is only the record that the funds were paid to Southwest. The determination that they were tickets to NCSL was based solely on notations in the check register, campaign disclosures, QuickBooks campaign records, and statements of the candidate. In addition to the notes on the purpose of the expense, the check book register indicated the flight was to be reimbursed but did not indicate by whom. The trip was not reimbursed by the State of Tennessee.

Due to the lack of documentation and the notation, Rep. Casada was asked about the reimbursement of NCSL expenses. He indicated that NCSL was reimbursing the flight. The audit noted two checks in the deposits from NCSL. One check for \$305.96 was deposited on 3/1/2019. A second check for \$84.38 was deposited on 2/15/2019. Both appear to be expense reimbursements. The candidate properly reported the \$305.96 as a reimbursement of a Southwest Airlines expense. The \$84.38 was not reported as an expenditure adjustment. The candidate incorrectly used the reimbursement amount to reduce the amount of food\beverage expenses reported un-itemized expenses on the 2019 Mid-Year report. The un-itemized food incurred per the campaign records for the period was \$123.18 but the amount reported was \$38.80. However, none of the food expenses that were offset appear to be expenses incurred related to travel in New York in December (Also see Finding 3 paragraph c). The candidate was also asked why there appeared to be two airline tickets. Rep. Casada replied:

*"I bought this \$263.96 airline ticket in June for a December NCSL/leaders conference in New York. I mistakenly bought a second airline line ticket for \$427.96 in November for the same conference. This notice from you made me aware of what I did which was buy 2 airline tickets for the same meeting. I never used the first ticket for \$263.96.....They only reimbursed me \$305.96 for flight.....This was reimbursement from the CSI-NCSL from 4th QTR of 2018. They made an error in reimbursing me (305.96, not the 427.96) and I never followed up for a correction on the error they made."*

At the time of his response, the audit was unaware of the second reimbursement check for \$84.38 and that item was not included in the questions about the expenses. Based on all the records and the candidate statements, the campaign paid \$427.96 for a flight to NCSL and was partially reimbursed in two checks totaling \$390.34. The candidate decided not to request the additional \$37.62 from NCSL. Similar to the candidate's declining the per diem on the ALEC trip, the failure to request the additional reimbursement from NCSL may make the \$37.62 no longer a necessary and ordinary expense by an office holder and thus a proper campaign expenditure. Although, in this case, there is no dual responsibility to the taxpayers and contributors as noted in the ALEC reimbursement, the same statute would seem to apply when failing to request complete reimbursement. However, as this is not directly address in the statute the audit has again included the matter for consideration by the Members.

The last item for the Members consideration is the payment of two flight expenses as explained by the candidate. As noted previously, the audit cannot confirm either travel expense was for the purpose stated by the candidate - neither in destination nor traveler - which is detailed in Finding 6. The Members should also consider is whether the campaign can disburse funds for such an error under the applicable statute (T.C.A. § 2-10-102) as a campaign or officeholder expense. Relatedly, how should such an expense be reported, both originally and when the error is noted. The statute appears to be clear that a campaign must disclose a disbursement of campaign funds as occurred here. The candidate disclosed the expense with the purpose he indicated. The purpose, however, appears to be inaccurate after the identification of the error. The statute does not appear to address either the reporting of an error or the changing of a purpose.

**6. Rep. Casada failed to provide a supporting receipt, invoice, or other supporting document for 32 expenses totaling \$5,212.50 incurred by the campaign. Rep. Casada is required by T.C.A. §§ 2-10-212© and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.**

As noted in the Audit Methodology section of Disbursement and Obligations above and previously reported to the Members, the original submission of campaign records received from the candidate and his treasurer, did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The failure to retain and maintain such disbursement records to support the disclosures is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f). As noted in the audit conclusion, the campaign records indicate the campaign incurred expenses totaling \$49,945.04. Due to the lack of records supporting these expenses, the auditor initiated a process of rebuilding purpose records for the campaign account by requesting invoices and receipts from various vendors and through inquiries of the candidate and the treasurer. Since the update in November 2019 through March 2020, the candidate and treasurer have been requesting and submitted several duplicate or replacement copies of invoices, receipts, payment histories and other vendor records to support the expenses incurred.

In addition to the replaced documentation, the Registry has identified several transactions during various prior audits related to donations and contributions where the invoice/receipt may not be needed to identify the purpose and the allowableness of the expense. One such example would be a payment which appears to be a charity payment to a 501c(3) charitable organization which is usually for the purpose "donation." The audit process has identified several vendors who do not have a standard business practice of issuing receipts when receiving funds. Some examples of these are candidates and PACs who receive contributions do not general issue receipts. Also, chambers of commerce, political groups, including PACs and other associations' that charge dues and luncheons fees do not generally issue receipts.

Candidates should make every effort to maintain a receipt for all expenses incurred and ask vendors who do not normally issue a receipt to provide one. There are some exceptions when a receipt cannot be obtained. This should be limited and, when that exception occurs, the candidate should document why there is no receipt in the campaign record. The records should also show attempts to obtain other evidence to document the transaction. Examples include: copies of the portion of a candidate or PAC disclosure showing the payment received; signatures by a campaign

employees on a listing or memo for work performed and payments received; copies of tickets purchased; fliers, emails invitations to events attended; or other such documents to show the purpose for the activity being performed.

Rep. Casada had several such expense as those listed above. Mostly reported as donations and contributions. None had records provided to support the activity beyond the check to the vendor nor record to indicate why no record was provided. However, solely based on the vendor paid and based on the information above were determined to be sufficiently supported for audit purposes. There were a some cases in which these items could be compared to other state level candidate and PAC disclosures, those comparisons showed similar disclosures with no indications of errors..

The result of the record rebuilding process, along with expenses identified as sufficiently supported solely on the records of the disbursements was of the \$49,945.04 in expenses incurred originally unsupported by Rep. Casada’s original submission \$5,212.50 remains unsupported by a receipt or invoice. The unsupported transactions are listed below;

**a. Un-itemized expense;**

**2018 Second Quarter**

- 1. Food/Beverage \$40.00
- 2. Food/Beverage \$14.83
- 3. Travel \$49.56
- 4. Food/Beverage \$15.11
- 5. Parking \$67.19
- 6. Food/Beverage \$71.06
- 7. Contribution \$20.00

**2018 Pre-Primary**

- 1. Food/Beverage \$6.24

**2018 Third Quarter**

- 1. Food/Beverage \$20.48
- 2. Contribution \$50.00
- 3. Food/Beverage \$2.61
- 4. Food/Beverage \$12.06 in New Orleans

- 5. Food/Beverage \$21.86 in New Orleans
- 6. Food/Beverage \$7.00 in New Orleans
- 7. Food/Beverage \$2.52 in New Orleans
- 8. Food/Beverage \$38.57 in New Orleans
- 9. Food/Beverage \$99.26 in New Orleans

**2018 Fourth Quarter**

- 1. Office Supplies \$10.49

**2019 Mid-Year**

- 2. Food/Beverage \$38.80
- 3. Travel \$85.00

**b. Itemized expense;**

**2018 First Quarter**

- 1. Acquire Digital 1/28/2018 \$97.50

**2018 Second Quarter**

- 1. Aqua Grill 05/21/2018 \$305.11
- 2. Southwest 06/27/2018 \$263.96

**2018 Third Quarter**

- 1. Victra (Verizon) 09/15/2018 \$278.37

**2018 Fourth Quarter**

- 2. Southwest 11/01/2018 \$427.96
- 3. WAKM 12/01/2018 \$375.00 (\$250 was partially supported)

**2019 Mid-Year**

- 1. Hobby Lobby 04/03/2019 \$130.35
- 2. Iroquois Steeplechase 05/14/2019 \$724.50
- 3. Nashville Sounds 06/12/2019 \$1,497.53
- 4. Walmart 06/10/2019 \$328.15
- 5. Walmart 06/10/2019 \$109.75

**c. Unreported expense;**

Disbursed during **2018 Third Quarter**

- 1. Bluegrass Country Club 9/07/2018 \$251.68 (Food/Beverage)

The following details were noted related to these expenses:

- 1. The unreported expense to the Blue Grass Country Club is detailed in Finding 3 item a.
- 2. The two Southwest expenses for \$263.96 and \$427.96 are detailed in Finding 5 in the section for NCSL expenses.
- 3. The 2018 Third Quarter un-itemized expense (Item 2) for \$50 is the same \$50 contribution noted in the audit conclusion as being not disbursed from campaign funds.
- 4. There are 17 expenses that are listed as food/beverage related. In each of these cases, except for the unreported country club expense, the vendor is a business whose primary good or service is food/beverage services. These vendors also normally issue receipts with all purchases. The receipt is used by audit for assisting in determining allowability of the expense. Although the disclosure is likely food and beverage, not all food/beverage expenses are allowable. The receipt will normally list number of meals purchased, food purchased for catering, or other details that can identify the purpose of the purchase (examples of underlying purposes would be campaign fundraising expenses, legislative meetings, meetings with constituent or personal). This receipt can be compared to the candidate statements and other campaign records provided. Without the receipts, the statements of the candidate cannot be confirmed for the audit. The audit can confirm some additional information on food expenses:

- a. Items 4 through 9 on the 2018 Third Quarter unitemized were food purchases in New Orleans during the ALEC conference (see Finding 5).
- b. Items 4 and 6 on the 2018 Second Quarter unitemized expense list and the Aqua Grill expense on the 2018 Second Quarter itemized list were all food purchases in New York. The candidate indicated this expense was for GOPAC conference in New York in May 2018. There were two other expense items (Item 9 – per vendor this was a taxi expense and Item 11 - per vendor this was Nashville Airport parking expense) on the 2018 Second Quarter that appear to relate to the New York trip. As there were no other travel expenses, we asked the candidate about the hotel and airline costs. He indicated GOPAC paid for his hotel and flight but paid no per diems for the trip to cover food and other incidentals.
- c. Item 1 on the 2019 Mid-year unitemized expense list: This is the only expense that is not a single transaction. Also, the amount of food/beverage expenses being reported by the \$38.80 is misreported as noted in Finding Three, section c, due to a misreported expenditure adjustment of \$84.38 (also noted in Finding Five under NCSL expenses). If reported the same as other un-itemized expenses were disclosed (one transaction per disclosure), the disclosure would be as follows and total \$123.18:

- 1. Food\Beverage \$34.99

2. Food\Beverage	\$41.41
3. Food\Beverage	\$2.18
4. Food\Beverage	\$5.14
5. Food\Beverage	\$39.46

5. Four expenses were not directly paid to the vendor reported or to a vendor that can be identified for the purpose disclosed. They were:
  - a. Item 7 on the 2018 Second Quarter un-itemized list above was a \$20 ATM withdrawal. There is no record to show this was a contribution.
  - b. Item 1 on the 2019 Mid-Year itemized list above and reported as \$130.35 to Hobby Lobby was a check to Rep. Casada’s legislative assistant. The QuickBooks record show this was a payment to Hobby Lobby. Based on that record, this would appear to be a reimbursed expense. The reporting of the actual vendor to receive the funds is the proper disclosure for a reimbursement. This expense cannot be confirmed without the receipt.
  - c. Item 2 on the 2019 Mid-Year itemized list above was reported as a \$724.50 to Iroquois Steeplechase and was a check to an individual. This was a purchase of tickets to an event. The candidate asked the Registry staff how he should report the purchase. He was told to report “Iroquois Steeplechase” because it is the ultimate recipient of the funds, which appears to be the proper disclosure for such a purchase. However, this purchase cannot be confirmed as tickets unless there is a record to show they were purchased. The best record would have been to copy the tickets purchased, along with a letter or email from the seller.
  - d. Item 3 on the 2019 Mid-Year itemized list above and reported as \$1,497.53 to Nashville Sounds was a check to another State Representative. Based on statements of the candidate and the other Representative’s leadership PAC disclosures, this appears to be the initial deposit on a shared event expense to have the freshman members of the General Assembly and other caucus members meet during a Nashville Sounds game. However, this purchase still cannot be confirmed without a receipt. Since this is a shared cost, both the candidate and leadership PAC should maintain a copy of a receipt provided by the vendor for their records regardless of who makes the actual payment. Additional records should also have been maintained by the candidate to document the expense was a shared expense. No such record was in the original submissions.
  
6. The 2018 Fourth Quarter itemized expense to WAKM for \$375 (Item 2). The expense was partially supported by an invoice for \$250. Rep. Casada was able to obtain two receipts from WAKM - one for \$125 dated 12/31/2018 (receipt number 22-000037). The other was \$250 dated 11/30/2018 (receipt number 22-000036). Rep. Casada wrote two checks to WAKM (check #140 for \$125 on 1/6/2019 and check #136 for \$375 on 12/16/2019). Check #140 was assumed to have paid receipt 22-00037 based on the date of the receipt and check. Check #136 appears to have paid receipt 22-00036 based on dates but is \$125 more than the receipt. The

candidate has made several submissions for these expenses with duplicate receipts; he has indicated that WAKM has sent data WAKM claims supports the expenses, but it is the same data. Rep. Casada's current assessment is that the campaign overpaid the \$250 expense. He is still discussing this matter with WAKM.

### **RECOMMENDATION TO CANDIDATE**

Rep. Casada should amend his campaign financial disclosure reports to accurately disclose campaign contributions. To accurately report campaign contributions, he should:

- Add all campaign contributions received.
- Return the funds received during session and report the return as a contribution adjustment on his current campaign finance disclosure statement.
- Correct the disclosures to accurately disclose contributor's names.

Rep. Casada should amend his campaign financial disclosure report to accurately disclose campaign expenditures. To accurately report campaign expenditures, he should:

- Add expenditures that were not reported.
- Add itemized expenditures which were incorrectly included in un-itemized expenditures and remove the related un-itemized expense.
- Report all reimbursements received for expenses paid by the campaign and deposit all the related funds into the campaign account to maintain all campaign funds in a separate account

For any future reporting periods, Rep. Casada should establish procedures to ensure only campaign funds are placed into the campaign account. Relatedly, he should ensure CAS-PAC funds are deposited into the CAS-PAC account. The audit recommends the candidate establish procedures to disburse all campaign account related activity from the campaign accounts and CAS-PAC activities from the CAS-PAC account. The candidate should limit the interactions between the two accounts. When errors occur in the accounts, the transaction should be reversed timely and in the same amounts as the error to reduce reporting errors and helping separate various funds. Similarly, the audit noted several transactions in which Rep. Casada paid expenses personally and one instance where the candidate appears to use the campaign account for an under \$100 ATM expense while traveling that was reimbursed on his return from his personal account. The candidate should limit the paying of campaign expenses from his personal funds as reimbursements of such expenses lead to reporting errors and lack of disbursement documentation. The audit recommends Rep. Casada attempt to use a campaign account related debit card/credit card. Another option is to obtain a personal credit card that is used solely for campaign activity. Thus when a reimbursement is paid, it can be paid to the card and easily supported as paid from Rep. Casada's personal funds. Regardless, when the candidate reimburses expenses, he should obtain and maintain all receipts and records to show how the payments were made, the purposes of the expense, etc.

In short, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure the campaign, CAS-PAC and personal funds are maintained separately, and that documentation is obtained and retained for each contribution and expenditure. Finally, the candidate should reconcile the campaign bank account to the campaign disclosure statements frequently to ensure that all campaign finance activities are properly recorded and reported. The reconciliation should assist in noting errors that should be reversed in a timely manner.

### **RECOMMENDATION TO REGISTRY**

We recommend the Members consider the findings for possible further action. We recommend the Members approve the audit performed as sufficient and complete. Finally, we recommend the Members 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 the types of procedures needed to comply with campaign finance laws.

## **RESOLUTIONS**

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### **CANDIDATE'S CORRECTIVE ACTIONS**

After discussing the findings with Rep, Casada, he chose to take corrective action on his reports with the Registry staff assistance prior to the Registry's approval of the audit. Rep. Casada's 2017 Year-End Supplemental, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, 2018 Fourth Quarter and 2019 Mid-Year Campaign Financial Disclosure Statements reports were amended on May 20 and 21, 2020. The corrections made on these reports are listed below and corrected all disclosures for the items noted in the audit.

#### ***Corrective Actions - Finding 1:***

Rep. Casada added a \$1,000 itemized contribution for the registered PAC noted in bullet point one. Rep. Casada added a \$50 un-itemized contribution for unreported contribution noted in bullet point two. Rep. Casada increased un-itemized contribution by \$13.10 to properly report all contribution received online prior to the fee reduction. The corrections properly report the \$1,063.10 unreported contribution noted in Finding 1.

#### ***Corrective Actions - Finding 2:***

Rep. Casada added a \$250 contribution adjustment to show the \$250 contribution received during sessions was returned to the contributor. The corrections properly removed the unallowable contribution noted in Finding 2. The finding also indicates there were

#### ***Finding 1 & 2 additional information:***

The finding indicated additional in-kind contribution were received by CAS-PAC that were not report. It also indicated some of the contributions were received during session. The notation indicated the details of those errors were noted in the CAS-PAC audit report. The correction of those items will also be noted in the CAS-PAC audit report.

#### ***Corrective Actions - Finding 3:***

Rep. Casada added a \$251.68 itemized expense to show the campaign paid an expense for CAS-PAC. Also, Rep. Casada added an expenditure adjustment to show that CAS-PAC reimbursed the expense to the campaign. The correction correct bullet point a.

Rep. Casada removed the improperly reported unitemized expense of \$38.80 and then added the five unitemized expense for the five separate transaction that occurred totaling \$123.18. This properly added the \$84.38 in expense that were unreported noted in bullet point c. Relatedly Rep. Casada added the \$84.38 expenditure adjustment to properly report the NCSL refund of expenses received.

Rep. Casada added \$13.10 in online collection fees as unitemized expenses. The correction properly corrects bullet point d.

Bullet point b had no correction requested. The errors noted were improper in how they were disclosed in various reporting periods during the audit period. However, the final audit period the transfers do put the accounts back to their proper balances. Any recommended corrections would have a net effect of zero on the campaign reports and required double entries both to add and remove an expense or contribution. In order to both simplify the corrections and keep the disclosure closer to actual activity no correction was recommended or performed.

***Corrective Actions - Finding 4:***

Rep. Casada added four itemized expense totaling \$628.63. One expense each on the 2018 Second Quarter and 2018 Third Quarter and two expenses on the 2019 Mid-Year to report the 14 transactions that were required to be itemized. Related Rep. Casada removed the related 14 unitemized expenses on each applicable report. The corrections properly report the expense noted in finding 4.

***Corrective Actions - Finding 5:***

Rep. Casada added the following expense adjustment to the 2018 Fourth Quarter to show the reimbursement received from the state for the ALEC conference;

- ALEC \$525
- Southwest Airlines \$317.96
- Hilton Hotel \$558.51

Rep. Casada also reported a \$102.50 itemized contribution under the name State of TN (Expense Refunds). The \$1,401.47 expense adjustment along with the \$102.50 properly reports the \$1,503.97 received from the State of Tennessee to reimburse the expense paid by the campaign account. Noted in the section of the finding related to the ALEC conference.

There is also a correction for part of the NCSL section. As noted above in the corrections for Finding 3, Rep. Casada added the \$84.38 expenditure adjustment to properly report the NCSL refund of expenses received. While correcting improperly reported expenses. The same \$84.38 is noted in finding 5

**REGISTRY OF ELECTION FINANCE ACTIONS**

The Members will review the campaign finance audit of Representative Glen Casada's campaigns for House of Representatives, District 63 for the period of January 1, 2018 through June 30, 2019, during the June 10, 2020 regular meeting. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.