



TENNESSEE REGISTRY OF ELECTION FINANCE

**Contribution Audit of
Angela Hedgecough's
2018 Third Quarter Campaign Finance Disclosure**



STATE OF TENNESSEE



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March 13, 2019

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

Registry Members,

Transmitted herewith is the agreed upon procedures for the unitemized contribution audit of Angela Hedgecough's 2018 Third Quarter Campaign Financial Disclosure Statement for the 2018 election campaign for Senate. 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 for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights
Angela Hedgecough
2018 Third Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Angela Hedgecough'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 2018 Third Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDING

- 1. Angela Hedgecough violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$300 in campaign contributions from two contributors during the 2018 Third Quarter.**

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INTRODUCTION

AUDIT AUTHORITY

Tennessee Code Annotated (T.C.A.) §§2-10-207 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign financial disclosure statements filed with the Registry. This 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 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 law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report 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 relates to only disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit only relates to disclosure on Angela Hedgecough's 2018 Third Quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Angela Hedgecough was a candidate in the November 6, 2018 general election for Senate, District 15. Ms. Hedgecough filed an Appointment of Political Treasurer Statement with the Registry on August 21, 2017 appointing Betty Vaudt as political treasurer.

The candidate's first financial disclosure for the 2018 campaign was the 2017 Early Year-End Supplemental report filed on January 29, 2018. The candidate's latest financial disclosure report was the 2018 Fourth Quarter report filed on January 25, 2019. The 2018 Fourth Quarter report indicated \$1,489.03 cash on hand, no outstanding obligations and no outstanding loans. The candidate has not completed her 2018 election campaign reporting requirements.

OVERVIEW OF FINANCIAL ACTIVITIES

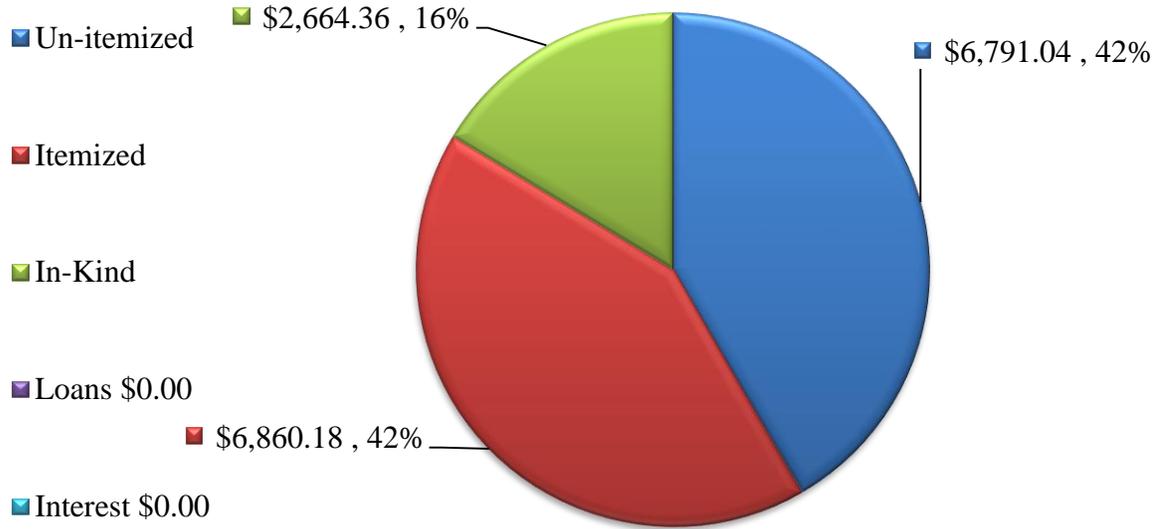
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2017 Early Year-End Supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter and 2018 Pre-General reports. As noted in the audit scope, we only audited unitemized contributions from disclosures for the 2018 Third Quarter report. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at July 1, 2017		\$0.00
Receipts		
Unitemized	\$18,745.38	
Itemized	22,600.72	
Interest	0.00	
Loans received	0.00	
Total receipts		<u>\$41,346.10</u>
Disbursements		
Unitemized	1,903.29	
Itemized	35,191.57	
Loans principal payments	0.00	
Total disbursements		<u>\$37,094.86</u>
Cash on hand at October 27, 2018		<u>\$4,251.24</u>
Loans outstanding at October 27, 2018		\$0.00
Obligations October 27, 2018		\$0.00
Total in-kind contributions received		\$3,516.85

CHARTS

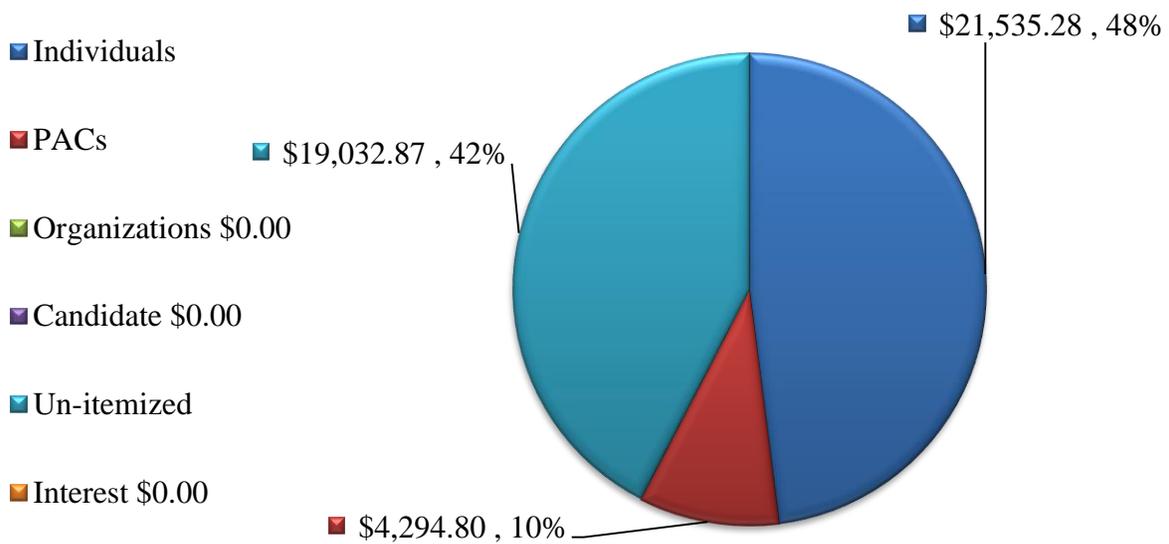
2018 THIRD QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2018 Third Quarter report.



2018 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the candidate for the 2018 election campaign through the 2018 Pre-General disclosure report. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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 Angela Hedgecough's 2018 Third Quarter Campaign Financial Disclosure Statement to verify that the unitemized contributions were greater than \$5,000 and 30% of the total contributions reported. We requested Ms. Hedgecough provide supporting documentation for the unitemized contributions of \$6,841.04 that she reported on her 2018 Third Quarter report submitted on October 10, 2018. The candidate's campaign records included bank statements, copies of contributor checks, donation cards, and contributor lists. The following steps were performed on Ms. Hedgecough's campaign documentation:

- The campaign records were reviewed to determine if the candidate's unitemized contributions received from July 24, 2018 thru September 30, 2018 totaled \$6,841.04.
- 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:

Angela Hedgecough's 2018 Third Quarter Campaign Financial Disclosure Statement report submitted on October 10, 2018 had unitemized contributions greater than \$5,000.00 and 30% of total contributions. The candidate reported \$6,841.04 in unitemized contributions; however, the audit test work indicated the campaign received \$6,792.04 in unitemized contributions a difference of \$49. The \$49 difference was a result of two errors:

- A \$50 itemized contribution reported in the unitemized contribution amount. The candidate incorrectly reported a \$250 itemized contribution as a \$200 on the Third Quarter report prior to audit notice. This error appears to have caused the candidate to improperly calculate the unitemized amount and include the \$50 in unitemized contributions. After the audit notice was sent, the candidate realized the error and amended her 2018 Third Quarter report on November 11, 2018 reducing unitemized contributions to \$6,791.04 and increasing the itemized contribution to \$250.
- The remaining \$1 appears to be an error in recording a \$25 contribution on the candidate's contributor list as \$24.

Although the audit noted the total net error of \$49 prior to the correction by the candidate, no detailed finding is being reported for the \$50 improperly reported contribution or the \$1 understatement as the errors represent less than 1% of the contributions received. In addition, the candidate corrected the \$50 error after audit notice and corrected the \$1 error upon request of the Registry's audit staff.

In reconciling contributions received to contributions reported, the audit test work was unable to verify the disposition of funds related to a \$40 cash contribution received and reported. The audit records show that a \$40 cash contribution was received, but not deposited into the campaign account. The candidate treasurer indicated the funds were used for a reported expense and never deposited. As the candidate records appear to show the funds were received and reported, the audit determined the funds were likely received and spent but the audit cannot confirm the disposition of the funds. No detail finding is being reported as the error is less than 1% of total contributions reported.

Finally, audit test work showed Angela Hedgecough violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$300 in campaign contributions (Finding 1).

FINDING

1. Angela Hedgecough violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$300 in campaign contributions from two contributors during the 2018 Third Quarter.

Ms. Hedgecough included \$300 in unitemized contributions, that she received from two individuals, which were required to be itemized on the 2018 Third Quarter report. T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 received from one source during a

reporting period to be itemized. The \$300 of improperly reported contributions represents approximately 4% of the unitemized contributions reported by Ms. Hedgecough on her 2018 Third Quarter Campaign Finance Disclosure Statement. The details of the two contributions are as follows:

- One contributor made four contributions through an online contribution service. Three of the contributions were for \$50 each (all made on August 6, 2018) and one for \$10 (made on 8/3/2018). The aggregate total of the contributions for the period was \$160, requiring the contributions to be itemized on the Third Quarter report.
- One contributor made a check contribution of \$100 on July 28, 2018 and then a cash contribution of \$40 on September 10, 2018. The aggregate total of contributions for the period was \$140, requiring the contributions to be itemized on the Third Quarter report.

RECOMMENDATION TO CANDIDATE

Angela Hedgecough should amend her 2018 Third Quarter Campaign Financial Disclosure Statement to ensure that she reported all contributions received and properly itemize all contributions from individuals who contributed over \$100 during the 2018 Third Quarter reporting period. In subsequent reporting or future elections, Ms. Hedgecough should maintain contributor data for all campaign contributions received and reconcile the campaign records to her campaign disclosures to ensure all disclosures are complete, accurate and properly supported by the campaign records.

RECOMMENDATION TO REGISTRY

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's 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 statutes and rules, and the types of procedures needed to comply with campaign finance laws.

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the above findings with Angela Hedgecough, she chose to take corrective actions on prior to the Registry's approval of the audit by amending her 2018 Third Quarter report on February 26, 2019. The corrective actions are detailed below.

Corrective Actions - Finding 1:

Angela Hedgecough increased itemized monetary contributions by \$300 by adding two contributor's contributions in the amounts of \$160 and \$140. In addition, she reduced un-itemized contributions by \$299, to remove the same \$300 and add the unreported \$1. The corrections properly report the contributions noted in Finding 1 and the audit conclusion.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance will review the 2018 Contribution Audit of Angela Hedgecough during the March 13, 2019 regular monthly meeting. Approval and any subsequent actions taken by the board will be documented in the board minutes.