



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

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**Campaign Finance Audit of  
Representative Timothy Hill  
Election Year 2018**



**Audit Team:**

Jay Moeck, CPA, CFE  
Audit Director

# STATE OF TENNESSEE



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

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April 20, 2023

Members of the Registry of Election Finance  
312 Rosa Parks Ave, Tennessee Tower 26<sup>th</sup> Floor  
Nashville, TN 37243

Registry Members,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Rep. Timothy Hill's 2018 election campaign for House of Representatives, District 3. 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 Law 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 audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

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

This audit was complete in 2023 but relates to 2018. In 2023 former Rep. Timothy Hill was no longer a current Member of the Tennessee General Assembly. As the audit relates to a time when former Rep. Hill was in the legislature the audit still used his legislative without noting the former designation. This was also done to help those reviewing audit reports to know which reports related to the Members of the Tennessee General Assembly and those that were opponents in the election.

Sincerely,

Jay Moeck, CPA, CFE  
Director of Audit

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

**Audit Highlights**  
Representative Timothy Hill  
2018 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Rep. Timothy Hill'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 disclosures on the 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 Campaign Financial Disclosure Statements; and, to recommend appropriate actions to correct any deficiencies.

**FINDING(S)**

- 1. Rep. Timothy Hill failed to disclose \$2,600 in campaign contributions received in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**
- 2. Rep. Timothy Hill failed to disclose \$4,365.09 in expenses incurred or disbursements made from campaign funds in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**
- 3. Rep. Timothy Hill disclosed \$2,281.87 in expenses which were not incurred by the campaign or paid from campaign funds in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**
- 4. Rep. Timothy Hill failed to obtain and/or maintain proper records to support all disbursements made and expenses incurred in non-compliance with T.C.A. §§ 2-10-212(c) and 2-10-105(f).**
- 5. Rep. Timothy Hill failed to disclose required itemized information for all expenses paid to vendors who were paid more than \$100 during a reporting period in non-compliance with T.C.A. § 2-10-107.**
- 6. Rep. Timothy Hill failed to timely report all expenses incurred in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

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

### **AUDIT PURPOSE**

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

### **AUDIT SCOPE**

During non-election years, Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual reporting periods are from January 16 to June 30 and July 1 to January 15 of each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Timothy Hill’s disclosures on his 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 Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Rep. Timothy Hill was a candidate in the November 6, 2018 general election for House of Representatives District 3. Rep. Hill filed an Appointment of Political Treasurer Statement with the Registry on May 15, 2017, appointing Teresa L. Hicks as political treasurer.

The candidate's first financial disclosure for the 2018 campaign was the 2017 Early Mid-Year Supplemental disclosure statement filed on July 18, 2017. The last disclosure statement for the 2018 campaign was the 2018 Fourth Quarter disclosure statement, which was filed on January 25, 2019. The Fourth Quarter report indicated \$9,144.93 cash on hand, no outstanding obligations, and no outstanding loans. The candidate filed his Appointment of Political Treasurer Statement for the 2020 election on May 17, 2019, which transferred his remaining balance to the 2020 election. The transfer ended his 2018 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 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 prior to the audit notice. The amounts displayed are for informational purposes only.

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

Cash on hand at January 16, 2017				\$28,050.93	1
Receipts					
Un-Itemized		\$0.00			
Itemized		89,600.00			
Loans received		0.00			
Interest		0.00			
Total receipts				\$89,600.00	
Disbursements					
Un-Itemized		9,129.56			
Itemized		99,376.44			
Loans principal payments		0.00			
Obligation payments		0.00			
Total disbursements				\$108,506.00	
Cash on hand at January 15, 2019				\$9,144.93	
Loans outstanding at January 15, 2019				\$0.00	
Obligations at January 15, 2019				\$0.00	
Total in-kind contributions received				\$166.68	

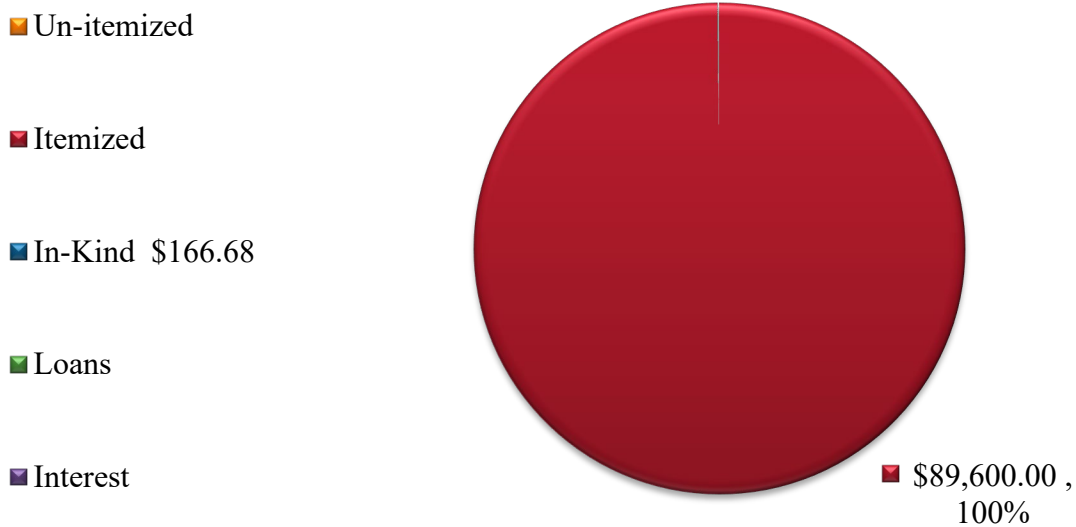
1 The balance on hand at 1/16/2017 is funds transferred from the candidate's prior campaigns.

## CHARTS

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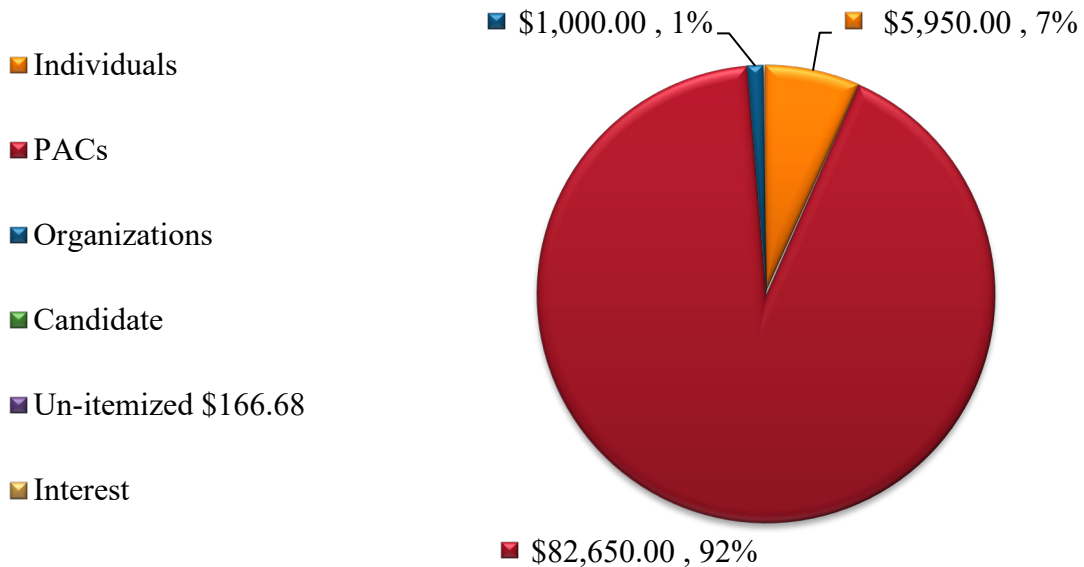
### 2018 ELECTION CAMPAIGN CONTRIBUTIONS

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



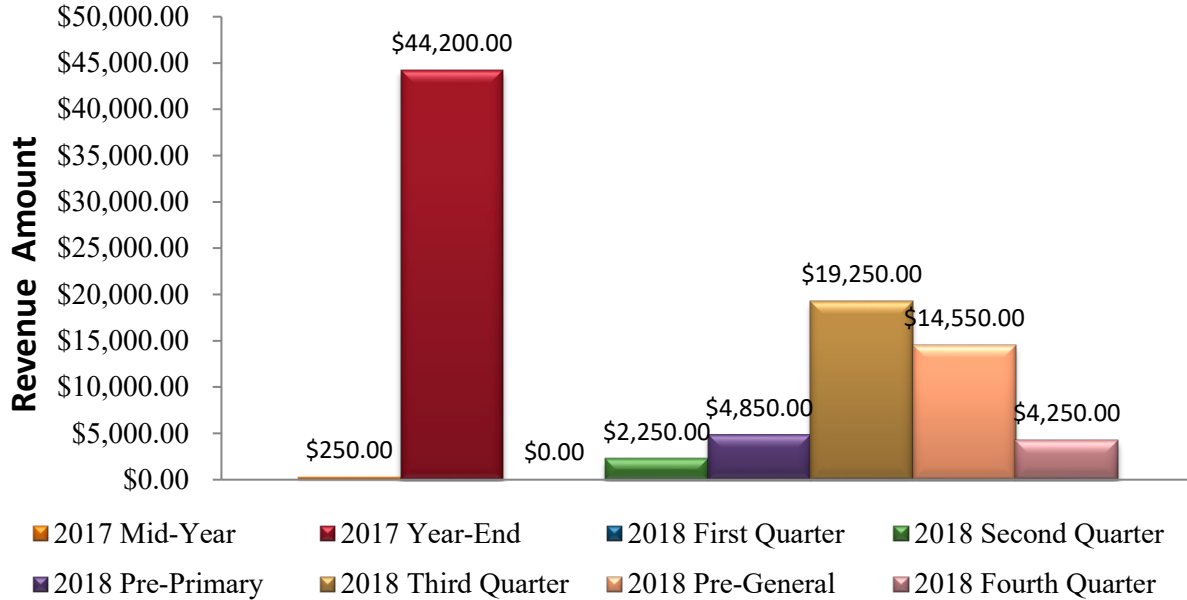
### 2018 ELECTION CONTRIBUTIONS BY SOURCE

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 businesses.



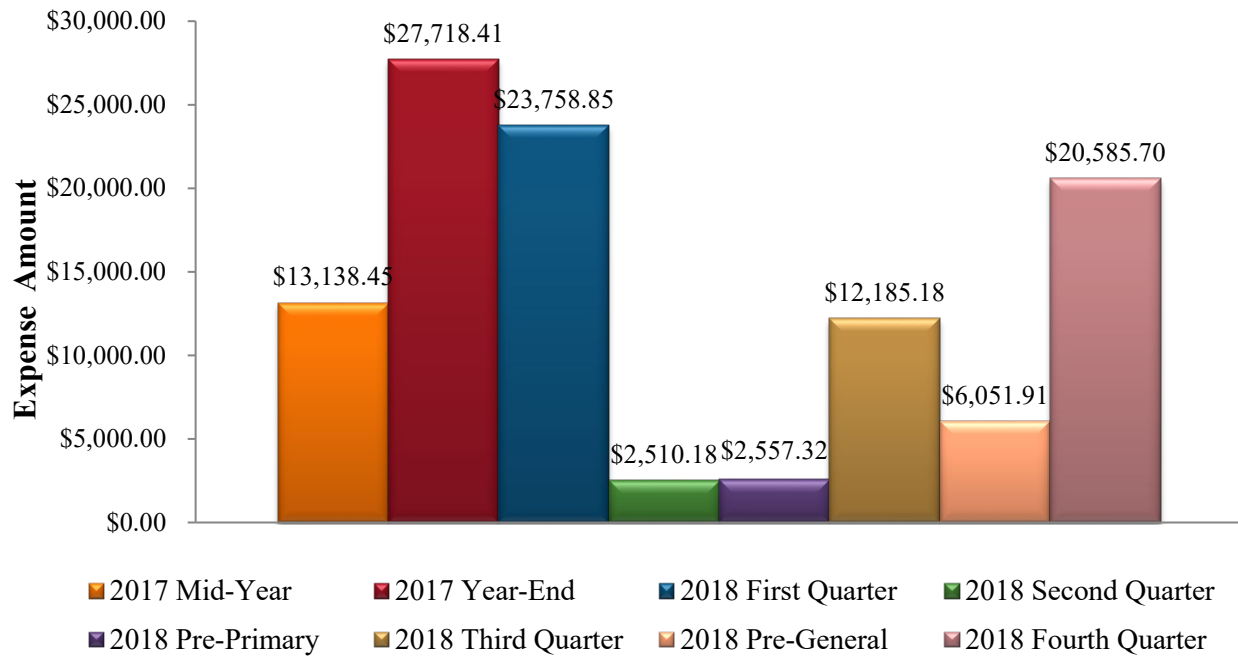
**2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

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**

### **CONTRIBUTIONS AND RECEIPTS**

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

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

1. all campaign contributions from individuals and multi-candidate campaign committees (commonly referred to as PACs) were within campaign limits;
2. all contributions were from non-prohibited sources;
3. all contributions received were reported, reported in the proper period, and reported in compliance with T.C.A. §§2-10-105 and 2-10-107;
4. all monetary contributions were supported by bank statements and deposit slips;
5. all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
6. all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
7. all loans received were reported to the Registry, reported in the proper period, and reported in compliance with T.C.A. §§2-10-105 and 2-10-107; and
8. all loans received from lending institutions were supported by loan agreements.

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

The Registry obtained Rep Timothy Hill's 2018 Campaign Financial Disclosure Statements from January 16, 2017 to January 15, 2019. We requested Rep. Hill provide all campaign records to support contributions, loans, and interest received during the 2018 election campaign for House of Representatives. Rep. Hill's campaign records for contributions included bank statements, copies of contribution check(s) and bank deposit detail reports. The following steps were performed on the campaign documentation provided:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2017 to January 15, 2019 totaled \$89,600.
- 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 the campaign account on the campaign disclosures.

- Listings of itemized contributions were prepared and compared to the candidate's disclosures reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; if contributions were properly reported; if contributions were reported in the proper period; and if contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107.
- The documentation was reviewed to determine if the candidate's loans received from April 1, 2018 to January 15, 2019 totaled \$0.00.

***Audit Conclusion:***

Rep. Timothy Hill's 2018 Campaign Financial Disclosure Statements from January 16, 2017 to January 15, 2019 indicated that the candidate received \$89,600 in monetary contributions. However, the candidate's campaign records indicated that deposits totaled \$92,200 related to contributions for the period. The difference between the amount reported and deposited was \$2,600. The difference is the result of Rep Hill's failure to report \$2,600 in campaign contributions received. The failure to report campaign contributions is noncompliant with T.C.A. §§2-10-105 and 2-10-107. The details of this noncompliance are detailed in **Finding 1.**

The campaign records and disclosures indicated that Rep. Hill received \$166.68 in in-kind contributions. The reported in-kind contributions were not audited as they represent less than 1% of all contribution received. However, as noted in the *Audit Conclusion* section of *Disbursements and Obligations* later in this report, the audit expenditure test work indicated \$411.61 in expenses reported were paid from another source which was not reimbursed. Such transactions do not meet the definition of campaign expenses, however; they appear to be consistent with the definition of in-kind contributions. The audit noted the improper reporting of expenses as not being incurred in **Finding 3.**

The campaign records and disclosures indicated that Rep. Hill received no loans nor earned interest for the 2018 election campaign. Therefore, no testing of either item was performed.

**Findings – CONTRIBUTIONS AND RECEIPTS**

**1. Rep. Timothy Hill failed to disclose \$2,600 in campaign contributions received by the campaign in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**

Rep. Timothy Hill's 2018 Campaign Finance disclosures report \$89,600 in monetary contributions for the 2018 election. Rep. Hill's campaign bank records indicated there were deposits totaling \$92,200 related to contributions during the 2018 election cycle. The \$2,600 difference indicates Rep. Timothy Hill failed to disclose \$2,600 in campaign contributions received by the campaign in non-compliance with T.C.A. §§2-10-105 and 2-10-107. T.C.A. §2-10-105(a) requires all contributions received to be reported on a campaign finance report in the period in which they were received. T.C.A. §2-10-107 also requires the reporting of each

contribution received each period and the level of detail information to be reported for those contributions.

The failure to report the contributions caused the improper reporting of the available balance disclosed during the period received and each subsequent period thereafter. This is non-complaint with T.C.A. §2-10-107 (e) which requires the reporting of the available balance each reporting period.

The unreported contributions are related to \$600 deposit on March 3, 2017 and \$2,000 of a \$4,750 deposit on July 16, 2018. The \$2,600 of unreported contributions is approximately 2.9% of all contributions reported.

## **DISBURSEMENTS AND OBLIGATIONS**

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

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

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

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

The Registry obtained Rep. Timothy Hill's 2018 Campaign Financial Disclosure Statements from January 16, 2017 to January 15, 2019. We requested Rep. Timothy Hill provide campaign records to support all expenses during the 2018 election campaign. Rep. Timothy Hill's campaign records for expenses included bank statements, cancelled checks, and invoices/receipts. The following steps were performed on his campaign documentation.

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2017 to January 15, 2019 totaled \$108,506.
- A list of disbursements was prepared and compared to the candidate's bank statements and copies of cleared checks to determine if the candidate expended all funds from the campaign bank account.
- The list of disbursements was compared to the candidate's campaign disclosures and the bank statements to determine if all disbursements were reported.

- Samples of forty-three un-itemized expenditures and thirty-seven 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 Timothy Hill's 2018 Campaign Financial Disclosure Statements from January 16, 2017 to January 15, 2019 disclose \$108,506 in expenses incurred by the campaign. The candidate's campaign records indicated that \$110,983.99 was disbursed from the campaign account. The result is a \$2,477.99 difference in bank account disbursements and expenses reported by the candidate. A portion of the difference totaling \$395.81 are related to bank offset entries mostly for bank fees. These offsets show as disbursement on the bank account that have a related credit during the same period. Such disbursement and credits during the same period are not required to be reported as they do not represent a true campaign expense. This is allowable by the Registry to simplify both the keying of data for the candidate and the disclosures reports for the readers. The remaining \$2,082.18 were the result of the following errors by the candidate,

1. The candidate failed to report \$4,365.09 in expenses incurred or disbursements made in non-compliance with T.C.A. §§2-10-105 and 2-10-107. See details in **Finding 2**.
2. The candidate reported \$2,281.87 in expenses which were not incurred in non-compliance with T.C.A. §§2-10-105 and 2-10-107. Included in the amount is \$411.61 in campaign expenses paid by the candidate's business Right Way Marketing. Also included were multi-candidate campaign committee (commonly called a PAC) expenses reported by the campaign account. The PAC was People Working for Reform, which is the candidate-controlled PAC of Rep. Timothy Hill. See details related to all the expenses in **Finding 3**.
3. The candidate had several minor errors in reporting actual expense amounts in non-compliance with T.C.A. §2-10-107. There were four understatements totaling \$0.86 and four overstatements of \$1.90. (The net effect on the disclosures was \$1.04 of overstatement.) No detail findings for these errors were provided as the amount appears minor to the total expense occurred and reported. These error amounts represent less the 0.01% of the expenses reported.

In addition to the noncompliance noted related to the differences reported and disbursed, the audit test work also indicated the following non-compliance with the statutory required reporting of campaign activity and the maintenance of related campaign records by the candidate.

4. The audit sampling indicated Rep Hill failed to provide a supporting receipt, invoice, or other supporting document for several expenses related to the 2018 election campaign. The failure to maintain such records is noncompliant with T.C.A. §§ 2-10-212(c) and 2-10-105(f). See details in **Finding 4**.

5. The audit sampling indicated that Rep Timothy Hill failed to itemize all expenses paid to vendors who were paid more than \$100 during a reporting period in non-compliance with T.C.A. 2-10-107. See details in **Finding 5**.
6. The audit sampling indicated Rep Timothy Hill failed to timely or early report all expenses incurred. The expenses being reporting at least one period late. The late reporting of expense is non-compliant with T.C.A. §§2-10-105 and 2-10-107. See details in **Finding 6**.
7. The candidate had a few minor errors in reporting the actual vendor or categories for the expenses incurred in non-compliance with T.C.A. §2-10-107. There was one food\beverage category that appears to be fuel expenses. Also, three vendors were listed at the wrong location. In most cases, the candidate chose to determine itemized vendors by vendor name, not the vendors various locations. Rep. Hill's records appear to indicate both the use of vendor name and vendor location reporting. Reporting by vendor location is not common practice by most candidates but is allowable. As such the audit allowed for both as much as possible. Disclosure by location requires properly reported locations when itemized reporting occurs. If location reporting by these vendor's was not intended by the candidate, then the audit would have identified additional expenses that would be required to be itemized. These additional expenses were not report in Finding 5. The audit was performed on the assumption that location reporting was being used in some instances to reduce the need to itemize some expenses. However, when records were insufficient to verify the vendors address, the audit defaulted back to reporting by vendor name. No detail findings for these errors were provided as the amount appears minor to total expenses occurred and reported. These error amounts represent less the 1% of the expenses reported.

The campaign records and disclosures indicated that Rep. Hill reported no obligations during the 2018 election campaign. Therefore, no testing of obligations was performed.

#### **FINDING(S) - DISBURSEMENTS AND OBLIGATIONS**

#### **2. Rep. Timothy Hill failed to disclose \$4,365.09 in expenses incurred or disbursements made from campaign funds in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**

Rep. Timothy Hill failed to report \$4,365.09 in expenses incurred or disbursements made from campaign funds. The audit test work included reconciling disbursements made from the campaign account to expenses reported by the candidate. The reconciliation showed twenty-one disbursements that resulted in forty expenses totaling \$4,365.09 which were unreported. The audit test work showed several reimbursement disclosures were improperly reported which is why more expenses were undisclosed than disbursements made. The audit test work also indicates one of the reimbursement disbursements and the related unreported expense was an expense that could not be identified. The campaign records indicating \$45.39 more than the supporting expense was reimbursed to Right Way Marketing (Hereafter also listed as "RWM").

Rep. Hill is a part owner of RWM. The audit cannot determine if the error was a true overpayment or the failure to mark all expense being reimbursed to the firm as the remaining items on the statements have been blacked out. The audit did determine a small portion of the overpayment is likely the result of a calculation error. The records showed miscalculations on one page of the statement by \$1.72. Regardless of the reason for the overpayment, the funds were disbursed, and the reporting is required. (Note: If the overpayment was not for a campaign related expense, the \$45.39 would also be an unallowable expense per T.C.A. §2-10-114 as the payment was made to a business in which the candidate has ownership and therefore would receive personal benefit.)

The failure to report the \$4,365.09 in expenditures related to the disbursements is non-compliant with T.C.A. §§2-10-105(a) and 2-10-107, which require a candidate to prepare a disclosure of all expenditures made by the campaign in each reporting period. Also, the failure to report the expenses results in the candidate overstating the available funds in each reporting period. This overstatement starts in the period when an expense was unreported and then occurs in each subsequent period. The overstatement increases by each new unreported amount. The improper reporting of the available balance is non-compliant with T.C.A. §2-10-107(e).

The unreported expenses related to activity starting with the 2017 Mid-Year reporting period and continued throughout the audit period tested. As noted, the mis-stated balance would continue after the audit period up to the last report submitted. The \$4,365.09 of unreported expenses is approximately 4% of all expenses reported.

**3. Rep. Timothy Hill disclosed \$2,281.87 in expenses which were not incurred by the campaign or paid from campaign funds in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**

Rep. Timothy Hill disclosed \$2,281.87 in expenses that were not incurred by disbursements of campaign funds or which the campaign's records indicated were not made for campaign expenses. The audit's reconciliation of expenses showed thirteen individual expenses reported in error. The reconciliation also showed nine reported campaign expenses totaling \$411.61 that were paid by another entity and not the campaign. A summary of the thirteen expenses follows:

- One expense appears to be a PAC expense (from the candidate's-controlled PAC) but was reported by the campaign disclosures.
- Two appear to be donations that were not made by the campaign.
- Two were unitemized expenses that were not supported or paid by the campaign.
- Two expenses appear to be reported twice.
- Four were bank fees that were credited back by the bank, therefore not incurred.
- Two itemized expenses were reported twice. The expenses were reported on the 2018 Pre-General and repeated on the 2018 Fourth Quarter.

As noted, the campaign disclosures showed nine expenses reported, however, the campaign records and bank statements indicate the reported expenses were not paid by the campaign. The nine expenses totaled \$411.61. The campaign records indicated they were likely paid by Right

Way Marketing (at least originally). The supporting record was a candidate prepared listing of expenses, which indicated the expenses were paid by RWM. The records appear to be similar to all the other listings prepared for when expenses were reimbursed to RWM or the candidate's credit cards. However, the check reference in the listing and the related stub attached for check 6000 in the amount of \$411.61 never clears the campaign bank account. As the same check number does clear for a different amount for a different expense, the audit cannot confirm the reference check related to the campaign account or if it related to another candidate-controlled bank account. The candidate has been unable to provide any records for this activity except a part of the RWM bank statement that was blackout showing one of nine expenses was originally paid by RWM. As such the audit cannot confirm all the expenses were incurred and paid by RWM, but it appears likely they were originally incurred by RWM. This assessment being based on the one expense supported, the common use of RWM by the candidate to pay campaign expenses and the candidate prepared reimbursement listing. Although there is some indication the expense to RWM may have been reimbursed by another candidate-controlled entity, as indicated by the check register stub attached to the reimbursement listing, the audit is unable to determine if RWM was actually reimbursed by any candidate-controlled account. The audit can state the candidate by reporting and providing the limited records has support the campaign expense activity occurred or likely occurred. The audit can also confirm the expenses were not paid from the campaign account. Based on the data, the \$411.61 in campaign expenses disclosed were not reportable campaign expenses, as the campaign did not pay the expenses. The reporting of this activity as campaign expenses was non-compliant with T.C.A. §2-10-107 for expense reporting.

It is the auditor's opinion there is also sufficient evidence to indicate the expenses were likely incurred and paid from another source. The campaign received nine in-kind contributions for expenses paid on its behalf, per T.C.A. §§2-10-102(4) and 2-10-107(c). It seems likely the source of the contribution is likely RWM, but could be some other candidate-controlled entity or the candidate himself, if RWM was reimbursed as the stub infers. Therefore, the \$411.61 is likely also an unreported in-kind contribution as defined by statute, and as such the board could also consider the \$411.61 as also non-compliant with T.C.A. §2-10-107(c).

The reporting of \$2,281.87 in expenses that were not incurred (expenses the campaign did not pay for with campaign funds) appears to non-compliant with the intent of T.C.A. §§2-10-105(a) and 2-10-107, which require a candidate to prepare a disclosure of all expenditures made by the campaign in each reporting period. Also, the reporting expenses not incurred results in the candidate understating the available funds in each reporting period. This understatement starts in the period when an expense was first reported and then occurs each subsequent period. The understatement increases by each new expenses reported that was not paid by the campaign. The improper reporting of the available balance is non-compliant with T.C.A. §2-10-107(e).

The un-incurred expenses related to activity starting with the 2017 Mid-Year reporting period and throughout the audit period tested. The \$2,281.87 of unreported expenses is approximately 2.1% of all expenses reported.

**4. Rep. Timothy Hill failed to obtain and/or maintain proper records to support all disbursements made and expenses incurred in non-compliance with T.C.A. §§ 2-10-212(c) and 2-10-105(f).**

At the commencement of the audit process, the Registry's audit staff requested all records to support the campaign activities that occurred from the start of the candidates' 2018 campaign through January 15, 2019. As part of the audit test work, the audit reviews expense documentation to determine if the candidate maintained sufficient evidence to support the disclosures made, including to determine that goods and services reported were received. When expenses disclosed by the candidate can be reasonably reconciled to disbursements made from the campaign account, the review is done on identified significant items and sample basis. In this audit, the auditor tested 45 unitemized expenses and 37 itemized disclosures. One of the procedures of the test work for these items was to determine if a receipt, invoice, or other supporting record was maintained to support the good or service disclosed was then received and properly reported to determine compliance with T.C.A. §§ 2-10-212(c) and 2-10-105(f), which requires the retention and maintenance of campaign records.

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. However, 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. As a result, some expenses incurred are only supported by a disbursement check, and the audit noted such expense in the sample but determine the check (or other payment record) provided was sufficient to support the expense was made for the purpose disclosed.

After making an allowance for those items noted in the previous paragraph, the samples showed the following:

- 27 of the 43 unitemized expenses tested failed to have a supporting receipt or invoice. The total amount of the expenses which were unsupported was \$1,579.09.
- 5 of the 37 itemized expenses tested failed to have a supporting receipt or invoice. The total amount of the expenses which were unsupported was \$1,892.43.

For the items tested and noted above the candidate appears to be in non-compliance with T.C.A. §§ 2-10-212(c) and 2-10-105(f). The sample can also be used to infer that there are likely additional unsupported expenses in the disclosure. However, the audit test work and procedures performed may indicate the percentage noted above may not accurately reflect the total of the missing or available records. Upon completion of preliminary testing, the audit noted several additional expenses not reported above without receipts. To assist the candidate and make sure all records available were provided, a listing of the unsupported records was made available to the candidate, along with recommendation that certain receipts may be able to be provided by the vendor to help rebuild the records. The candidate was able to provide some of those records and obtain some replacement records. Further, a detailed look at the candidate's reporting showed that the candidate varied from period to period as to what expenses were being itemized and what expenses were unitemized. This variation will cause some fluctuations in the percentages



across reporting period. A review of the final un-supported expenses shows that most relate to food/beverage and fuel purchases. This is because such records generally cannot be replaced.

In summary, the sampling confirmed thirty-three expenses were unsupported. The expenses totaled \$3,471.52 (or about 3.2% of the reported expenses). As this was a sampling and based on the test work performed, it is likely additional records were not maintained for reported expenses. The test work also indicates some of the missing records may be replaceable, but likely most of the food and fuel expenses will still be improperly supported.

**5. Rep. Timothy Hill failed to disclose required itemized information for all expenses paid to vendors who were paid more than \$100 during a reporting period in non-compliance with T.C.A. § 2-10-107.**

As part of the audit test work, the audit reviews expenses to determine if the disclosures are sufficient to comply with T.C.A. § 2-10-107 for reporting itemized and unitemized expenses. For this audit, the testing was done by sampling. When determining whether an expense was required to be itemized when reported, only unitemized expenses were reviewed. As noted in Finding 4 in this audit, the selection included 45 unitemized expenses. The audit noted the following in the test work:

- 26 of the 43 unitemized expenses tested were not itemized when required.
- During the testing of the sample, the auditor at times reviewed additional expenses paid to a specific vendor to determine if the vendor was paid more than \$100 during the reporting period. This review noted an additional 11 unitemized expenses that were required to be itemized per the statute.

In summary the sampling and audit test work confirmed thirty-seven expenses that were reported as unitemized which were in non-compliance with the itemization requirements of T.C.A. § 2-10-107. The sample indicates that it is likely that other expenses also need to be itemized that were not noted.

**6. Rep. Timothy Hill failed to timely report all expenses incurred in non-compliance with T.C.A. §§2-10-105 and 2-10-107.**

As part of the audit test work, the audit reviews expenses to determine if the disclosures are sufficient to comply with T.C.A. §§ 2-10-105 and 2-10-107, including determining if expenses are reported in the proper period. The statute requires reporting of expenses in the period they are incurred. The audit reviews activity only for late reporting, as the main statutory intent appears to be to give the users of the campaign disclosures information as timely as possible with emphasis being prior to the election. Thus, when candidate early reports activity on a disclosure before it was incurred, the candidate is making the information available earlier for the user, which appears to be consistent with the statute's intent. The audit test work for Rep. Timothy Hill indicates eight expenses were reported at least one reporting period late. For this audit the testing was done by sampling. The testing noted the following related to late reporting:

- 6 of the 43 unitemized expenses tested were reported at least one reporting period late.
- 2 of the 37 itemized expenses tested were reported at least one reporting period late.

In summary, the sampling and audit test work confirmed eight expenses were late reported in non-compliance with T.C.A. §§ 2-10-105 and 2-10-107. The test work indicated several of the expenses late reported were the result of reimbursing expenses paid by the candidate through his business and personal accounts, where the expense was incurred in one period but the payment from the campaign account was delayed by the candidate reimbursement process. When this information is added to Finding 4, it further demonstrates the need to maintain receipts as at the end of a period. When reporting is required, the receipts can be used for preparing reports of activities incurred. The test work also noted that two itemized expenses were related to advertising expenses; one expense was reported on the 2018 Pre-General but should have been reported on the 2018 Third Quarter. Although the reporting is incorrect, the expense was at least reported prior to the general election occurring. The other however was incurred during the 2018 Third Quarter but not reported until after the election on the 2018 Fourth Quarter. Although most candidates report on a cash basis, the statute is not specifically a cash basis statute but based on when expenses are incurred. The statute has provision for reporting obligations in T.C.A. § 2-10-107. When expenses like the advertising expenses noted are agreed to and performed by the vendor, but not yet paid, the candidates are required to report the activity using the obligation sections of the reports. This is also true for reimbursement payments to credit cards and other entities; however, most candidates elect to reimburse during the same reporting period or shortly after so the expense can be reported instead of obligation and obligation payment. Again this format to early report the expense appears consistent with the statute.

## **RECOMMENDATIONS**

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### **RECOMMENDATION TO CANDIDATE**

Rep Timothy Hill should amend the campaign financial disclosures to accurately disclose campaign contributions. To accurately report campaign contributions, he should:

- Add all campaign contributions received both monetary and in-kind. The in-kinds including reporting all campaign expense paid on the campaign behalf by other entities.

Rep Timothy Hill should amend his campaign financial disclosures to accurately disclose campaign expenditures. To accurately report campaign expenditures, he should:

- Add expenditures that were not reported.
- Remove expenditures that were not incurred.
- Properly report the expense amounts of all expenses incurred.
- Add itemized expenditures which were incorrectly included in un-itemized expenditures and remove the related un-itemized expense.
- Correct the disclosures to accurately disclose vendors and categories

For future elections, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that the campaign reports contributions and expenses fully and correctly. In addition, the record keeping system should include the retention of all vendor invoices/receipts and other documentation to show funds disbursed from the campaign are allowable.

The system should also properly document expenses incurred by the candidate or other entities. This support should include records to support to show the entity that originally paid the expense in the form of a disbursement record, such as cancelled checks or credit card statements. The system should also include retaining the invoice, receipts, travel logs and other supporting expense records to support the services and good were purchased and how they were campaign related. If the expenses are to be reimbursed, as appears to be the common practice, the reimbursements should be timely (same period or during the period of the disclosure preparation) and reported as expenses. If not reimbursed timely, the obligation sections of the disclosure statements should be utilized and obligation payments reported when made. Finally, the candidate should reconcile the campaign bank account or other account records to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded and reported.

## **RECOMMENDATION TO REGISTRY**

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

## **RESOLUTIONS**

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

The Members of the Registry of Election Finance reviewed the 2018 campaign finance audit of Rep. Timothy Hill during the June 2023 regular monthly meeting. The report contained six findings for corrective actions. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.

## **Appendix A- People Working for Reform**

As noted throughout the audit report the subject of the audit is Timothy Hill's 2018 election campaign for House of Representatives, District 3 and its associated activity during that period and not any other entity. However, as the campaign had interactions People Working for Reform which is a registered Multi-Candidate Campaign Committee (hereafter noted as "PAC") controlled by Timothy Hill. The audit was able to identify non-compliance activity of the PAC. This appendix was prepared to show the non-compliance noted during the audit related to People Working for Reform, for the Members consideration for possible actions. In making those considerations, the Members should be aware of T.C.A. §2-10-204(a)(2) has a limitation on taking action on election cycles that have been over for more than two years. This restriction may apply to People Working for Reform filings.

- **People Working for Reform failed to report a \$2,000 contribution to the Timothy Hill Campaign during the 2018 Pre-Primary.**

As noted in Finding 1 of the audit report, the audit determined that funds of People Working for Reform were deposited into the campaign account of Timothy Hill and those funds were not transferred to the PAC for several years. Resulting in a \$2,000 contribution to the campaign from the PAC. This activity was not reported by the campaign nor the PAC. The PAC's failure to report the contribution is non-compliance with contribution reporting outlined in T.C.A. §§ 2-10-105 and 2-10-107. Also, the failure improperly reports the available balance as required by T.C.A. § 2-10-107(e)

- **People Working for Reform failed to report a \$500 expense to a local candidate on the 2018 Fourth Quarter disclosure.**

As noted in Finding 3, one of the non-incurred campaign expenses appears to be a PAC expense but was reported on the candidate's campaign disclosures. The campaign disclosures showed a \$500 contribution expense during the 2018 Fourth Quarter. The contribution was reported as being paid to a Bobby Russell. The candidate provided records indicating this was paid by a cashier check issued on 10/29/2018. The candidate provided the stub for the cashier check which showed payment to the Bobby Russell Campaign and the remitter being PWR. The audit test work showed Bobby Russell, was a local candidate in 2018. The audit test work determined that People Working for Reform failed to report the contribution expense of \$500. The PAC's failure to report a disbursement of PAC funds is non-compliance with expense reporting as outlined in T.C.A. §§ 2-10-105 and 2-10-107. Also, the failure improperly reports the available balance as required by T.C.A. § 2-10-107(e)

- **People Working for Reform failed to file and register with a local jurisdiction for a contribution it made to a local candidate.**

As noted in the bullet point above, People Working for Reform failed to report a \$500 contribution to a local candidate. The same audit test work noted that People working for Reform PAC also failed to register with and file disclosures with the local jurisdiction to report the

contribution made. The PAC failure to register and file locally was non-compliant with T.C.A. § 2-10-105.