



TENNESSEE REGISTRY OF ELECTION FINANCE

**Contribution Audit of
Gayle Jordan's
2018 Pre-General Campaign Finance Disclosure**



STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE

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April 10, 2019

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

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Gayle Jordan's 2018 Pre-General Campaign Financial Disclosure Statement for the 2018 special election campaign for the Senate District 14. 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 public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights

Gayle Jordan's
2018 Pre-General Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Gayle Jordan'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 un-itemized contribution disclosures on her 2018 Pre-General Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

1. **Gayle Jordan violated T.C.A. §2-10-105(a) by failing to report \$4,950.59 in campaign contributions.**
2. **Gayle Jordan violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$325 in campaign contributions from five contributors who contributed in excess of \$100 during a reporting period.**
3. **Gayle Jordan violated T.C.A. § 2-10-311(a) by receiving \$600 in cash contributions over the cash limit from three contributors.**
4. **Gayle Jordan violated T.C.A. § 2-10-105(f) by failing to maintain contributor data for \$1,421 in contributions.**

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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 disclosures on Gayle Jordan's 2018 Pre-General report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Gayle Jordan was a candidate in the March 13, 2018 special election for Senate District 14. Ms. Jordan filed an Appointment of Political Treasurer Statement with the Registry on December 4, 2017 appointing Wanda Ogletree as political treasurer.

The candidate's first financial disclosure for the 2018 campaign was the 2018 Pre-Primary report filed on January 17, 2018. The candidate's latest financial disclosure report for the 2018 special election was the 2018 Fourth Quarter report filed on January 21, 2019. The 2018 Fourth Quarter report indicated \$5,198.69 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: 2018 Pre-Primary and 2018 Pre-General reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2018 Pre-General report. The amounts displayed are for informational purposes only.

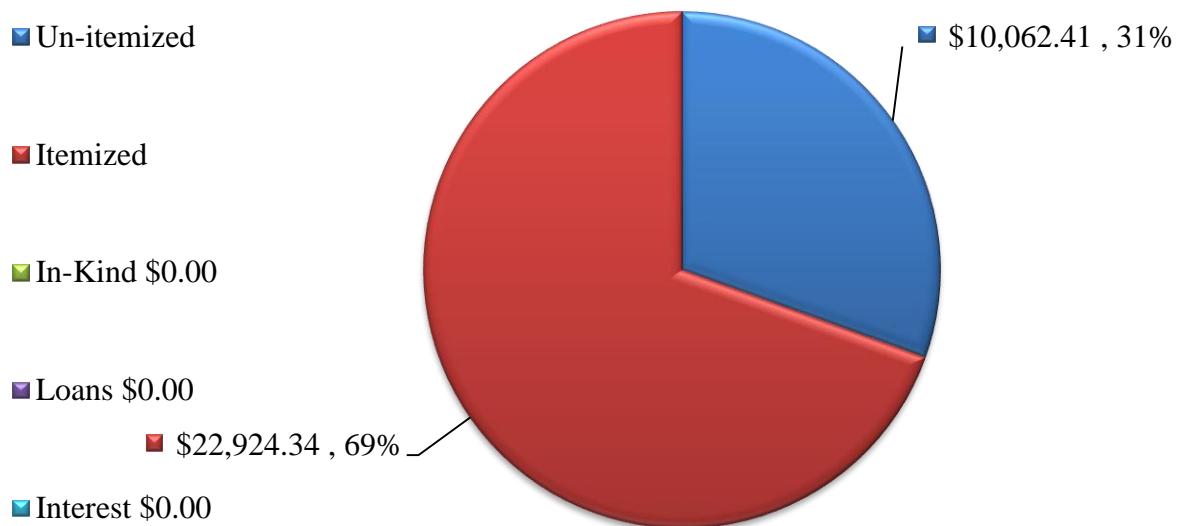
Summary of Financial Activity (Un-audited Amounts)

Cash on hand at December 4, 2017	\$0.00
Receipts	
Unitemized	\$12,087.41
Itemized	29,524.34
Interest	0.00
Loans received	0.00
Total receipts	<u>\$41,611.75</u>
Disbursements	
Unitemized	179.23
Itemized	21,284.49
Loans principal payments	0.00
Total disbursements	<u>\$21,463.72</u>
Cash on hand at March 3, 2018	<u>\$20,148.03</u>
Loans outstanding at March 3, 2018	\$0.00
Outstanding Obligations at March 3, 2018	\$0.00
Total in-kind contributions received	\$0.00

CHARTS

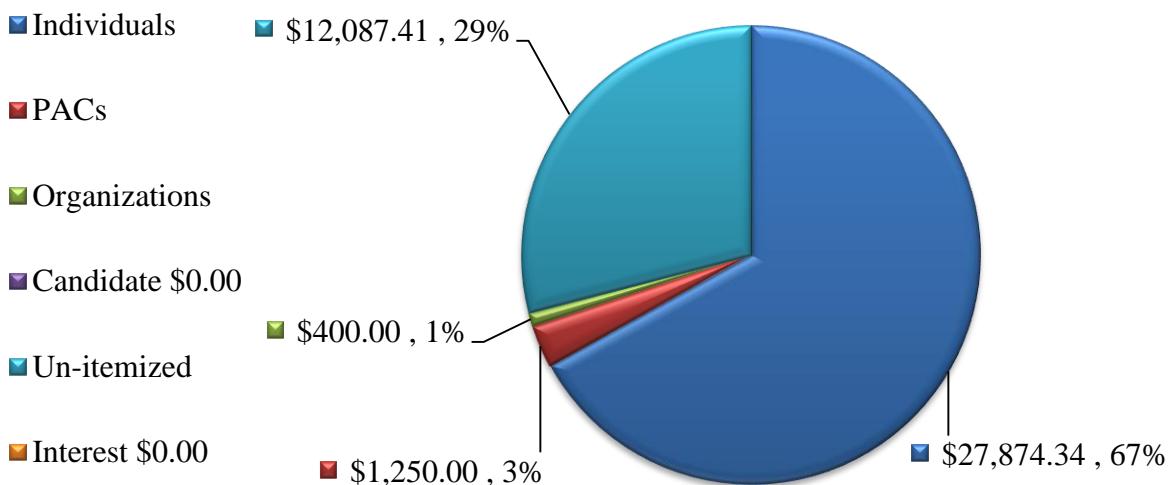
2018 PRE-GENERAL CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2018 Pre-General 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 un-itemized 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 Gayle Jordan's 2018 Pre-General Campaign Financial Disclosure Statement to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. We requested Ms. Jordan provide supporting documentation for the un-itemized contributions of \$10,062.41 that she reported on her 2018 Pre-General report, submitted on March 5, 2018. The candidate's campaign records included bank statements, copies of checks, contribution cards and online contribution reports. The following steps were performed on Ms. Jordan's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized contributions received from January 16, 2018 thru March 3, 2018 totaled \$10,062.41
- A list of un-itemized 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 un-itemized 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 un-itemized 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:

Gayle Jordan's 2018 Pre-General Campaign Financial Disclosure Statement reported unitemized contributions greater than \$5,000.00 and 30% of the total contributions. The audit indicated Gayle Jordan reported \$33,086.75 in contributions on her 2018 Pre-General report submitted on March 5, 2018. Ms. Jordan amended her 2018 Pre-General report on March 24, 2018, after the March 14, 2018 audit notice. The amended report disclosed contributions of \$37,554.39. The audit determined the campaign received \$38,037.34 in contributions during the 2018 Pre-General reporting period. The amount indicated that the candidate failed to report \$4,950.59 in contributions prior to audit notice and \$482.95 in contributions after amendment (Finding 1). In addition, the campaign records indicated she failed to itemize \$325 in contributions from contributors who contributed in excess of \$100 during the 2018 Pre-General reporting period (Finding 2).

The campaign records showed the candidate had several deposits of cash. The campaign records indicated that three contributors gave \$600 in cash contributions over the campaign finance limit for cash contributions (Finding 3). The records also indicate the candidate maintained no records to support the contributor for \$770 in cash contributions (Finding 4). Relatedly, the records indicate the candidate collected \$651 in contributions using an online service where the contributor data was not maintained (Finding 4). The campaign records appear to indicate that \$370 in cash contributions received by the candidate were not deposit into the campaign account. The candidate's campaign disclosures indicate that the candidate improperly disclosed cash contributions to one election when receiving contributions for multiple elections (primary/general). No detailed finding for the improper disclosure of the election was provided as the error represents less than 1% of all contributions reported by the candidate and some of the contributions were not required to be itemized making the disclosure more detailed than required. Finally, one cash contribution was attributed to the incorrect contributor, who appears to be the spouse of the contributor. Again, no detailed finding was reported as it appears the contribution was not required to be itemized and is less than 1% of all contributions reported

FINDINGS

1. Gayle Jordan violated T.C.A. §2-10-105(a) by failing to report \$4,950.59 in campaign contributions.

Gayle Jordan failed to report \$4,950.59 in contributions on her 2018 Pre-General report submitted on March 5, 2018. T.C.A. §2-10-105(a) requires all contributions received to be reported on a campaign finance report. The deposit and campaign records indicate Gayle Jordan received \$38,037.34 in contributions during the 2018 Pre-General reporting period. The 2018 Pre-General report submitted on March 5, 2018 reported total contributions of \$33,086.75, resulting in unreported campaign contributions of \$4,950.59. The \$4,950.59 in unreported contributions represents approximately 13% of contributions received during the Pre-General reporting period.

On March 24, 2018, after the March 14, 2018 audit notice, the candidate amended her Pre-General report and added \$4,467.64 in campaign contributions. The remaining \$482.95 in

campaign contributions are still unreported. The remaining \$482.95 in unreported contributions are approximately 1.3% of contributions received.

2. Gayle Jordan violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$325 in campaign contributions from five contributors who contributed in excess of \$100 during a reporting period.

Gayle Jordan included \$325 in unitemized contributions, received from five contributors, which were required to be itemized. T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized requiring the disclosure of the contributor's name, address, occupation, employer, date of receipt and amount of the contribution. The campaign records indicate each of the five contributors made multiple contributions that individually were not required to be itemized but in the aggregate were over \$100 during the Pre-General reporting period. The \$325 in contributions represents approximately 1.3% of \$25,399.34 in contributions required to be itemized.

On March 24, 2018, after the March 14, 2018 audit notice, the candidate amended her Pre-General report and disclosed an additional itemized contribution of \$100 of the \$325 noted in the finding. The remaining \$225 in campaign contributions are still improperly reported. The remaining \$225 in unreported contributions are less than 1% of \$25,399.34 in contributions required to be itemized.

3. Gayle Jordan violated T.C.A. § 2-10-311(a) by receiving \$600 in cash contributions over the cash limit from three contributors.

Gayle Jordan received \$600 in cash contributions, from three individuals, which were over the \$50 per election cash contribution limit. T.C.A. §2-10-311(a) states, "No person shall make cash contributions to any candidate with respect to any election that, in the aggregate, exceed fifty dollars (\$50.00)." The candidate participated in a primary and general election; therefore, the maximum cash contribution limit for each contributor was \$100 (\$50 for the primary and \$50 for the general). The candidate's campaign records indicate the following cash contributions were received by the campaign that are over the campaign finance limits:

- An individual made three contributions totaling \$500 to the campaign. \$200 of the contributions were received in cash, \$100 over the cash contribution limit;
- An individual made a \$200 cash contribution to the campaign, \$100 over the cash contribution limit;
- An individual made a \$500 cash contribution to the campaign, \$400 over the cash contribution limit;

The \$600 in cash contributions received in excess of the cash contribution limits represents approximately 28% of the \$2,145 cash contributions received by the candidate for the 2018 Pre-General reporting period.

4. Gayle Jordan violated T.C.A. § 2-10-105(f) by failing to maintain contributor data for \$1,421 in contributions.

Gayle Jordan did not maintain or obtain sufficient campaign records to verify compliance with all campaign finance statutes for \$1,421 in contributions received. Gayle Jordan's campaign records indicated that she received cash contributions totaling \$770 for which she cannot identify the contributors (anonymous contributions). In addition, the campaign records show the candidate used an electronic payment service to collect contributions from sales. The service appears to have collected \$651 (prior to fees) and deposited the funds into the campaign account. However, the candidate's records have no detail to show who made purchases or the amount paid. The campaign finance statute defines contribution such that a purchase of an item from the campaign would be a campaign contribution from the purchaser. As the campaign failed to maintain contributor records for sales, the sales are anonymous contributions. Without the specific contributor's names and amounts contributed, we could not determine Gayle Jordan's compliance with the following campaign finance statutes for the cash contributions:

- T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.
- T.C.A. §2-10-311(a) limits cash contributions to \$50 per election for each contributor.

RECOMMENDATION TO CANDIDATE

Gayle Jordan should amend her 2018 Pre-General Campaign Financial Disclosure Statement to ensure that she reports all contributions received and properly itemizes all contributions from individuals who contributed over \$100 during a reporting period. In addition, she should amend her report to properly report the election and contributor names for cash contributions. Gayle Jordan should return all funds received in excess of the cash contribution limits. In reporting for future elections, Gayle Jordan 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 finding with Gayle Jordan, she chose to take corrective action on her report prior to the Registry's approval of the audit. Gayle Jordan amended her 2018 Pre-General Campaign Financial Disclosure Statements on March 16, 2019 and amended her 2018 Fourth Quarter report on March 20, 2019. Summary of the corrections are listed below,

Correction Action - Finding 1 and 2:

On her amended 2018 Pre-General report, Gayle Jordan increased un-itemized contributions by \$257.95. The corrections increase contributions by \$482.95 to report all previously unreported contributions noted in Finding 1, while reducing the amount by \$225 for contributions, which were required to be itemized, noted in Finding 2. On the same amended report, Gayle Jordan also increased itemized monetary contributions by adding \$225. The \$225 addition was done by adding four new itemized contributor contributions. The corrections properly amend her 2018 Pre-General report for the contributions noted in Finding 1 and 2.

Corrective Actions - Finding 3:

Gayle Jordan refunded \$600 to the three contributors identified as being over the cash limit. The candidate provided copies of the campaign checks refunding the money to the various contributors. As all the checks were written on 3/18/2019, the return of contributions were properly reported as contribution adjustments on the amended 2018 Fourth Quarter report submitted March 20, 2019.

Corrective Actions - Finding 4:

Gayle Jordan followed the Registry staff recommendations and donated \$1,421 to two charitable or civic organizations (these were the anonymous funds that could not be used for campaign purposes). The candidate provided copies of the checks and other documents to support the donations to charitable organizations. As the donations were made on 3/22/2019, the donations are being reported on the amended 2018 Fourth Quarter report submitted on March 20, 2019.

Correction Action - Audit Conclusion:

On her amended 2018 Pre-General report amended on March 16, 2019, Gayle Jordan also split six cash contributions of \$100 reported to the general election to be reported \$50 to the primary election and \$50 to the general election. She also split a \$100 cash contribution reported to one contributor to be \$50 from the contributor and \$50 from the contributor's spouse. The corrections properly report the errors noted in the audit conclusion.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance will review the 2018 Contribution Audit of Gayle Jordan's 2018 Pre-General report during the April 10, 2019 regular monthly meeting. Approval and any subsequent actions taken by the board will be documented in the board minutes.