



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

**Board Requested Audit of
Mayor Bill Ketron's 2018 Rutherford County Mayor Campaign
for the period from January 1, 2018 through July 31, 2019**

STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE REGISTRY OF ELECTION FINANCE

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February 10, 2021

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 Mayor Bill Ketron's 2018 election campaign for Rutherford County Mayor for the period January 1, 2018 through July 31, 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 Mayor Bill Ketron's 2018 Rutherford County Mayor
Campaign for the period January 1, 2018 through July 31, 2019

AUDIT OBJECTIVES

The objectives of the audit were to determine Mayor Bill Ketron's (hereinafter "Mayor Ketron") 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 Pre-Primary, 2018 Second Quarter, 2018 Pre-General, 2018 Third Quarter, 2018 Fourth Quarter, and 2019 Annual Mid-Year Supplemental Campaign Financial Disclosure Statements for the mayoral election; and, to recommend appropriate actions to correct any deficiencies.

FINDINGS

- 1. Mayor Ketron failed to provide supporting documentation for \$12,925.96 in available campaign funds disclosed as the beginning balance on the 2018 First Quarter Statement. Failure to support this amount either indicates a failure to comply with T.C.A. § 2-10-107(e), which requires the proper reporting of available campaign funds during each reporting period, or a failure to maintain held campaign funds in an allowable campaign account as defined by T.C.A. § 2-10-131(a). If the funds available were improperly reported, the candidate would likely be non-compliant with T.C.A. § 2-10-107(a)(2)(B) by failing to report all disbursements of campaign funds during the period in which they were incurred.**
- 2. Mayor Ketron failed to report \$44,449.57 in monetary campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). Included in the \$44,449.57 are the following:**
 - \$2,097 in cash or cash equivalents for which Mayor Ketron maintained no contributor records to support the source of each contributions**
 - \$800 in contributions where the disclosed amount was understated.**
- 3. Mayor Ketron failed to report \$16,507.68 in campaign contributions resulting from the use of his personal credit card for campaign purchases as required by T.C.A. §§2-10-105(a) and 2-10-107. In non-compliance with the same statutes, Mayor Ketron also failed to report \$16,507.68 in disbursements to his personal credit card, which returned those contributions.**

- 4. Mayor Ketron failed to report \$14,029.30 in campaign contributions related to purchases made on the campaign's behalf using funds from unknown sources in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107. In addition to failing to report the contributions, Mayor Ketron failed to maintain any contributor records to support the source of the funds which appears to be non-compliant with T.C.A. §§ 2-10-212(c) and 2-10-105(f).**
- 5. Mayor Ketron failed to report \$19,328.98 in in-kind campaign contributions received by the mayoral campaign in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107.**
- 6. Mayor Ketron appears to have failed to comply with T.C.A. § 2-10-310 by accepting \$14,800.85 in restricted contributions received during legislative session while serving as an elected Member of the Tennessee General Assembly.**
- 7. Mayor Ketron received \$8,728.98 in contributions in excess of campaign contribution limits in non-compliance with T.C.A. § 2-10-302.**
- 8. Mayor Ketron reported \$4,600 in contributions which were not received by the campaign in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A).**
- 9. Mayor Ketron failed to report \$66,043.06 in disbursements incurred by the mayoral campaign as required by T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the unreported disbursements are \$7,585.26 in disbursements that were understated and a \$106.46 unreported obligation and obligation payment.**
- 10. Mayor Ketron's disclosures reported \$14,689.07 in disbursements that appear not to have occurred. The reporting of disbursements that were never paid, and may never have been owed, appears non-compliant with T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the \$14,689.07 are \$235 in disbursements that were overstated.**
- 11. Mayor Ketron has failed to comply with T.C.A. §§ 2-10-212(c) and 2-10-105(f) by failing to retain sufficient disbursement records to determine the purpose and proper disclosure of several expenditures as noted in Finding 12 and throughout the audit report. However, the audit identified \$43,502.91 in specific disbursements that were unsupported and also appear to be in non-compliance with T.C.A. §2-10-114, which prohibits certain uses of campaign funds.**
- 12. Mayor Ketron failed to provide a supporting record for several expenses, including the \$43,502.91 in expenses noted in Finding 11. In addition to those expenses, the audit identified an additional \$2,512.96 incurred by the campaign for which Mayor Ketron failed to retain a receipt, invoice, or other supporting document to support the campaign purpose disclosed. Mayor Ketron is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.**
- 13. Mayor Ketron failed to report the use of a vehicle, purchased by Mayor Ketron's Senate Campaign, by the mayoral campaign and for mayoral campaign activities in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). Mayor Ketron also failed**

to maintain records to support the use of the senate campaign purchased vehicle by the mayoral campaign to properly report and determine the expenses incurred by the mayoral account as required by T.C.A. §§ 2-10-212(c) and 2-10-105(f).

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INTRODUCTION

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 July 31, 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 statements. As noted above, the Members requested the audit cover activities from January 1, 2018 through June 30, 2019; therefore, the audit reviewed Mayor Ketron’s disclosures on the 2018 First Quarter, 2018 Pre-Primary, 2018 Second Quarter, 2018 Pre-General, 2018 Third Quarter, 2018 Fourth Quarter, and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mayor Ketron filed to run as a candidate in the May 1, 2018 general election for Rutherford County Mayor. Mayor Ketron filed an Appointment of Political Treasurer Statement with the Rutherford County Election Commission on September 8, 2017, appointing Kelsey Ketron as political treasurer for the 2018 election. On March 5, 2020, after the audit period but during audit testing, Mayor Ketron filed an amended Appointment of Treasurer form naming Jimmy Davis as political treasurer for the 2018 election.

Mayor Ketron's first campaign finance disclosure statement during the audit period was the 2017 Early Year-End Supplemental Disclosure Statement filed on January 31, 2018. The last report for the audit period was the 2019 Annual Mid-Year Supplemental Disclosure Statement filed on July 15, 2019. The 2019 Mid-Year report indicated \$20,502.77 cash on hand, no outstanding obligations, and no outstanding loans. Mayor Ketron has not completed the filing requirements for the 2018 election.

OVERVIEW OF FINANCIAL ACTIVITIES

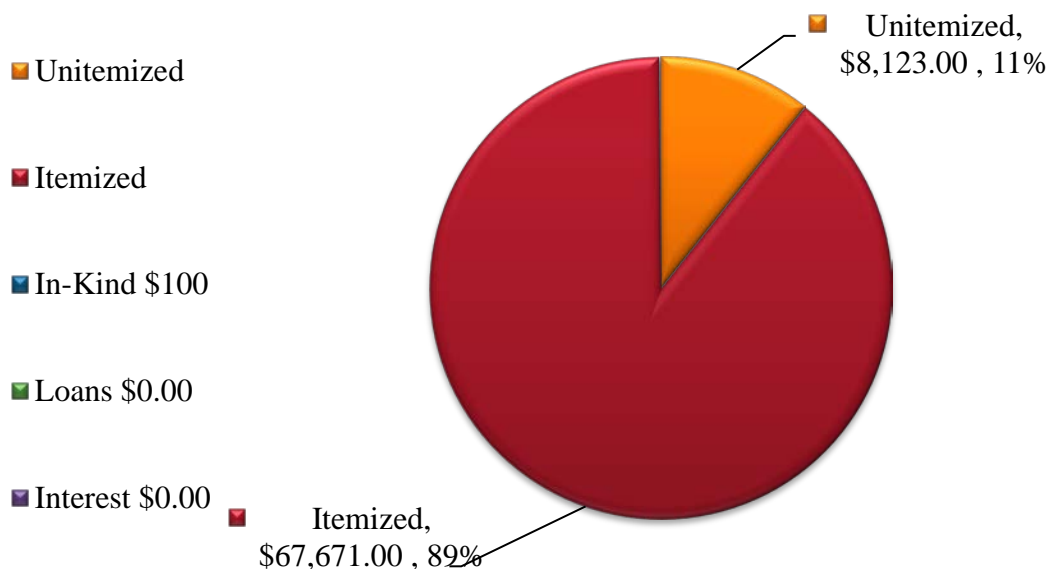
The following financial amounts are a summary of the financial disclosures made by the candidate for the 2018 election. The summarized amounts are from the following disclosure reports: 2017 Early Year-end Supplemental, 2018 First Quarter, 2018 Pre-Primary, 2018 Second Quarter, 2018 Pre-General, 2018 Third Quarter, 2018 Fourth Quarter, and 2019 Annual Mid-Year supplemental reports after amendments. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2018		\$0.00
Receipts		
Un-Itemized	\$0.00	
Itemized	8,123.00	
Loans received	67,671.00	
Interest	0.00	
Total receipts		\$75,794.00
Disbursements		
Un-Itemized	0.00	
Itemized	55,291.23	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		\$55,291.00
Cash on hand at June 30, 2019		\$20,502.77
Loans outstanding at June 30, 2019		\$0.00
Obligations at June 30, 2019		\$0.00
Total in-kind contributions received		\$0.00

CHARTS

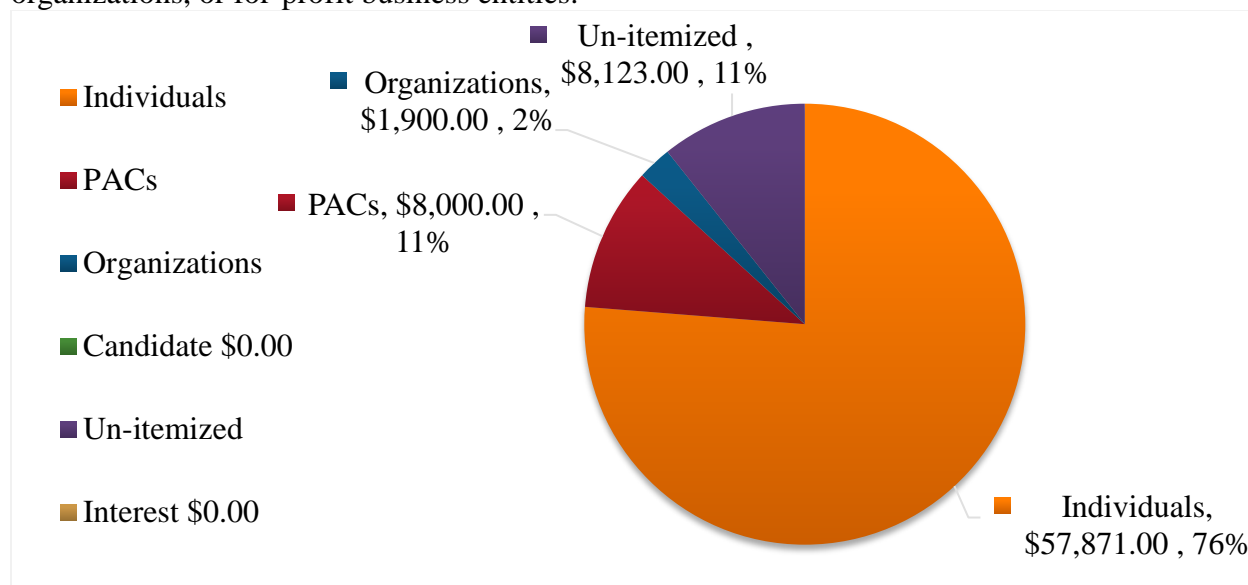
2018 ELECTION CAMPAIGN CONTRIBUTIONS

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



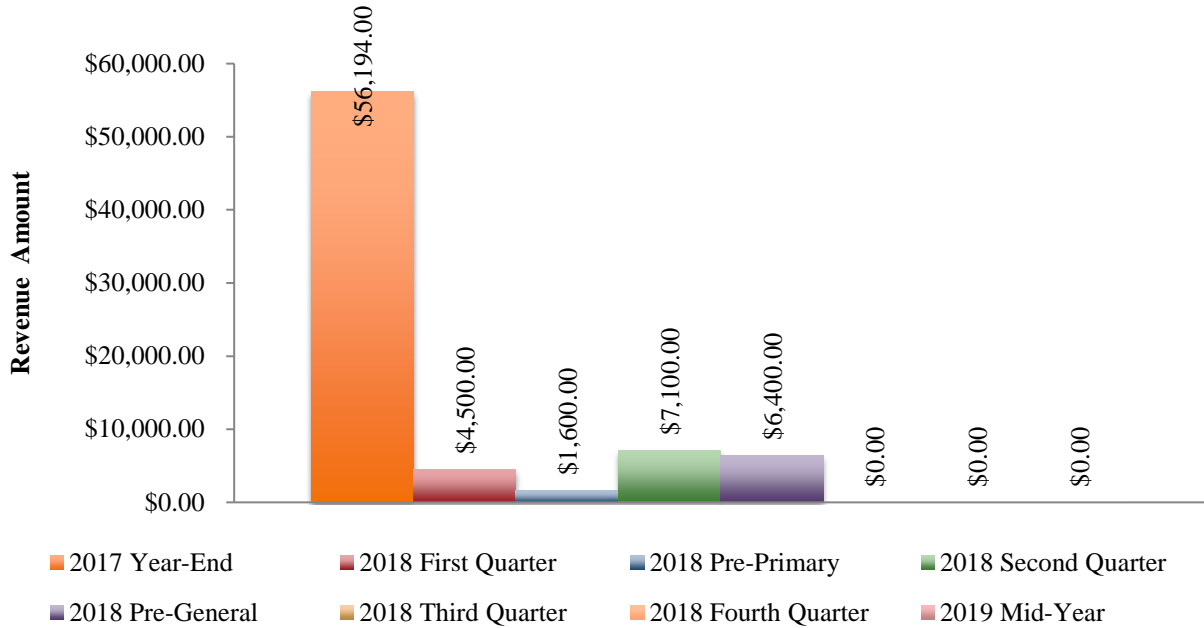
2018 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the 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.



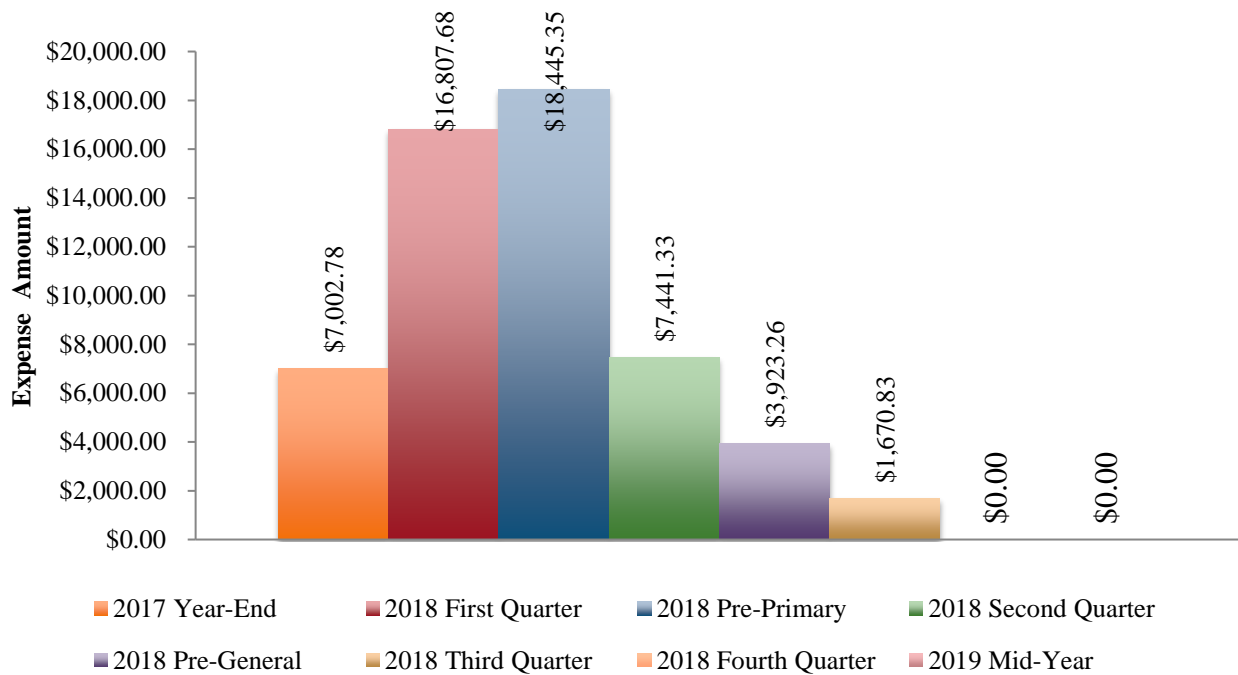
2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

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

Beginning and Ending balances (available campaign funds reported as being held)

Audit Objectives :

The objectives of this audit of beginning and ending balances were to determine whether:

- all campaign funds reported as being held by the campaign are supported by bank account records or other financial documentation to support their availability; and
- all held campaign funds are retained in allowable accounts as prescribed in T.C.A. § 2-10-131.

Audit Methodology:

The Registry obtained Mayor Ketron's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019. The Registry requested Mayor Ketron provide all campaign records to support campaign activity including supporting the available balance of campaign funds at the commencement of the audit period. Mayor Ketron's records to support the available campaign funds consists of bank statements for the mayoral bank accounts. 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 Mayor Ketron, the Registry also obtained by subpoena the same bank account records. The subpoena request included records for contributions, all bank statements, and detailed deposit data showing all checks deposited into the campaign account. The following steps were performed on the campaign records:

- The documentation was reviewed to determine if the \$49,191.22 in available campaign funds reported by the candidate as the beginning balance of the 2018 First Quarter report were supported by the applicable bank records.
- The ending balance on each of the candidate disclosures during the audit period were evaluated to determine if they were being reported in compliance with T.C.A. § 2-10-107(e).

Audit Conclusions:

Mayor Ketron's 2018 First Quarter Campaign Financial Disclosure Statement indicated the campaign was holding \$49,191.22 in campaign funds on January 16, 2018 for the 2018 Mayoral campaign. Mayor Ketron's bank records indicate on January 16, 2018 the bank accounts held \$36,265.26 in campaign funds. The difference between the amount reported and the amount supported in the bank account is \$12,925.96. Mayor Ketron provided no additional records to support that the entire balance disclosed existed or was disbursed. Therefore, the audit cannot determine whether \$12,925.96 of the amount disclosed was available on January 16, 2018. Finding 1 details the errors resulting from the inability to support the existence of the beginning

balance reported by Mayor Ketron. Included in Finding 1 is the effect the unsupported \$12,925.96 has on all the subsequent disclosure statements.

FINDING

- 1. Mayor Ketron failed to provide supporting documentation for \$12,925.96 in available campaign funds disclosed as the beginning balance on the 2018 First Quarter Statement. Failure to support this amount either indicates a failure to comply with T.C.A. § 2-10-107(e), which requires the proper reporting of available campaign funds during each reporting period, or a failure to maintain held campaign funds in an allowable campaign account as defined by T.C.A. § 2-10-131(a). If the funds available were improperly reported, the candidate was likely non-compliant with T.C.A. § 2-10-107(a)(2)(B) by failing to report all disbursements of campaign funds during the period in which they were incurred.**

Mayor Ketron's 2018 First Quarter Campaign Financial Disclosure Statement discloses a beginning balance of \$49,191.22 in campaign funds on January 16, 2018 for the 2018 Mayoral Campaign. However, Mayor Ketron's mayoral campaign bank statements indicate that on January 16, 2018 the mayoral campaign bank accounts held \$36,265.26 in campaign funds. The difference of \$12,925.96 is both unexplained and unsupported.

The beginning balance on the 2018 First Quarter Statement is a carry forward amount from the ending balance reported on the 2017 Year-End Statement. The disclosure statements were designed for the candidate to report all activity such that the ending balance and subsequent beginning balance reflect the campaign funds held at the end/beginning of each reporting period. When proper disclosures are made, the ending balance will be properly reported. This process allows the candidate to comply with T.C.A. § 2-10-107(e), which requires the candidate to report the unexpended balance of campaign resources (balance available for future disbursement) to the Registry as part of the candidate's disclosure reports. Relatedly, T.C.A § 2-10-131 requires that campaign funds maintained (available and held for future disbursement) by the candidate must be held in a bank account or credit union account that is federally insured. Thus, the ending balance amount reported should be reconcilable to the amount held in the campaign's related bank accounts to maintain compliance with the statute. Reconcilable means a consideration of uncleared checks, deposits in transit, and other timing reporting differences. The reconciliation is like a commonly performed bank reconciliation but adds additional items for campaign finance disclosure requirements.

Mayor Ketron's disclosures indicate that on January 15, 2018 (which is near the beginning of the audit period), there should have been \$49,191.22 in campaign funds maintained in related bank or credit union accounts. However, Mayor Ketron provided supporting documentation for the one bank account at Wilson Bank & Trust for the mayoral campaign. After performing a reconciliation of activity, the audit determined that the account held \$36,265.26 on January 15, 2018. The difference of \$12,925.96 represents missing funds (unaccounted for) at the commencement of the audit.

Mayor Ketron was asked about the \$12,925.96 in missing funds (unaccounted for) and has provided no additional information to justify or explain the reason for the difference between the reported balance and the actual balance, or to indicate an alternative location of any additional

campaign funds. As a result of the lack of information provided, and as the amount is not in the campaign account at or near the beginning of the audit period, the audit can provide limited information on the \$12,925.96 missing/unaccounted for funds. The audit can determine the following:

- If the \$12,925.96 in funds were available as reported on January 15, 2018, the candidate has failed to demonstrate compliance with T.C.A § 2-10-131, which requires that those funds be held in a federally insured bank account or insured credit union account at that point in time or subsequently.
- If the \$12,925.96 in funds were not available as reported, then the candidate has incorrectly reported both the ending balance on the 2017 Year-End Disclosure Statement and the beginning balance of his 2018 First Quarter Disclosure Statement in non-compliance with T.C.A. § 2-10-107(e). In addition, if these funds were not available as reported, then it would appear likely that the funds were disbursed from the account at some point in time prior to the audit. If so, each disbursement was required to be reported in the proper period in accordance with T.C.A. § 2-10-107(a)(2)(B). Therefore, it appears that disbursements were unreported.
- As noted above, the Board requested audit period is from January 1, 2018 to July 31, 2019. The auditor can only perform limited assessments of activities on disclosures from January 1, 2018 to January 15, 2018 or after June 30, 2019 to July 31, 2019. This is because the related disclosure reports for those periods are for much longer than the audit period, making a partial reconciliation problematic.

However, the audit did review contributions from January 1, 2018 to January 15, 2018, and noted the following:

- The campaign bank records indicate that on January 2, 2018 two contributions totaling \$2,000 were deposited. These contributions were properly reported on the 2017 Year-End disclosure. These amounts are included in the reported disclosure balance of \$49,191.22.
- The campaign bank records indicate that on January 11, 2018 nine contributions totaling \$13,000 were deposited, which appear to be unreported on the 2017 Year-End disclosure. All of these contributions were required to be reported as itemized contributions, as the individual amount of each contribution exceeded \$100, however, none of these contributions appear in the itemized contributions disclosed on the 2017 Year-End Statement. (The failure to report these contributions is included in Finding 2 Item 1 of this audit report). This \$13,000 in unreported contributions appears not be included in the reported disclosure balance of \$49,191.22 at the beginning of the 2018 First Quarter based on the audit test work. The unreported amount indicates possible additional unreported disbursements or missing funds prior to January 15, 2018.

- Although the deposit is after January 15, 2018, the campaign bank records indicate that on January 19, 2018 two contributions totaling \$2,100 were deposited, which appear to be unreported contributions received during the 2017 Year-End reporting period. Although the contributions were deposited into the bank account during the 2018 First Quarter, they appear to have been received prior to the beginning of the 2018 First Quarter on January 16, 2018. They also appear to be received prior to the commencement of legislative session on January 9, 2018. These contributions were both made in the form of checks; one written on January 8, 2018 for \$100 from an individual and the other written on December 22, 2017 for \$2,000 from a PAC. Based on the dates of the checks and deposit dates, these checks appear to have been received just prior to session and deposited shortly after the start of session. As such, each check was required to be reported on the 2017 Year-End Disclosure Statement. The audit test work indicates they were unreported. Additional details of the unreported contributions appear at Finding 2 Item 2. Also, the \$2,100 in unreported contributions appears not to be included in the reported disclosure balance of \$49,191.22 at the beginning of the 2018 First Quarter based on the audit test work. The unreported amount indicates possible additional unreported disbursements or missing funds prior to January 15, 2018.

The audit also reviewed disbursements from January 1, 2018 to January 15, 2018 and noted the following:

- The campaign bank records indicate two disbursements between January 1 and January 15 of 2018. The first disbursement, for \$1000, occurred on January 2, 2018 and the second disbursement, for \$2000, occurred on January 9, 2018. Both disbursements were issued to Mayor Ketron's Capital One credit card (World Account). Also, both disbursements were required to be reported on the 2017 Year-End disclosure statement, however, neither disbursement appears to have been disclosed or have related expenses disclosed. (The failure to report the disbursements is included in Finding 9 Item 1). Therefore, it appears that a portion of the missing \$12,925.96 relates to the \$3,000 in disbursements noted. Also, the audit cannot determine whether the disbursements were allowable, which is noted in Finding 11 Item 1.
- Although the auditor performed a limited review of activities of the campaign prior to January 15, 2018, the auditor was made aware of and obtained as part of the audit, records a Finding of Indictment by the Grand Jurors of Rutherford County. The indictment was sworn to on April 9, 2019 and included 14 counts (15 to 29) that indicated possible improper disbursements of campaign funds from Mayor Ketron's Senate campaign, Mayoral campaign, and Quest PAC (Mayor Ketron's self-controlled political campaign committee or PAC, candidate controlled PACs are commonly referred to as Leadership PAC) by the Mayoral Campaign Treasurer, Kelsey Ketron. Kelsey Ketron was also the appointed treasurer for both the senate campaign and Quest PAC at the time of the indictment. This indictment included an appendix which showed several checks from the various accounts noted in the indictment. Those checks

included checks written from the mayoral campaign account to Universal International Insurance Agency, Inc. (“UII”), prior to the audit period. UII is a business owned by Mayor Ketron and Kelsey Ketron. The checks are from a Wilson Bank & Trust account in the name of Bill Ketron for County Mayor. The following are details of the checks from the indictment:

- Check 0 (Check appears to be a counter type check and has the additional number 238899) in the amount of \$2,000 is undated and cleared the bank account on November 11, 2017. This check is signed by Kelsey Ketron.
- Check 1005 in the amount of \$1,500 is undated and cleared the bank on December 5, 2017. This check is signed by Kelsey Ketron.

A review of the Mayor Ketron’s 2017 Year-End Disclosure Statement indicates that Mayor Ketron previously reported no disbursements of campaign funds to UII. As such, it appears that a portion of the missing \$12,925.96 relates to the \$3,500 in check disbursements noted in the indictment. The audit cannot determine an allowable reason for campaign funds to be disbursed to UII, nor has one provided by Mayor Ketron. Mayor Ketron, through his attorney, speculated that the disbursement could be a payment for an expense paid for the campaign by UII. However, Mayor Ketron has provided no supporting evidence indicating this in fact occurred. Therefore, the audit determined that each disbursement to UII is an improper transfer of campaign funds for personal use. The use of campaign funds for personal use is prohibited by T.C.A. § 2-10-114(b)(1).

The additional checks to UII included in the indictment related to the Mayoral campaign account were written during the audit period. These checks total \$20,075 and are not related to the \$12,925.96 of unaccounted for funds. These checks are discussed further in Findings 9 and 11.

The audit can determine the following related to the audit reports disclosed during the audit period. the candidate filed the following reports with the following related ending balances:

- 2018 First Quarter reported ending balance \$36,883.54
- 2018 Pre-Primary reported ending balance \$20,038.19
- 2018 Second Quarter reported ending balance \$19,696.86
- 2018 Pre-General reported ending balance \$22,173.60
- 2018 Third Quarter reported ending balance \$20,502.77
- 2018 Fourth Quarter reported ending balance \$20,502.77
- 2019 Mid-Year Supplemental reported ending balance \$20,502.77

The related bank account balances at the end of each period are listed below:

- 2018 First Quarter bank balance at March 31, 2018 was \$13,082.52.
- 2018 Pre-Primary bank balance at April 21, 2018 was \$3,732.52.
- 2018 Second Quarter bank balance at June 30, 2018 was \$733.59.

- 2018 Pre-General bank balance at July 23, 2018 was \$4,091.56.
- 2018 Third Quarter bank balance at September 30, 2018 was \$1,028.73.
- 2018 Fourth Quarter bank balance at January 15, 2019 was \$140.69
- 2019 Mid-Year bank balance at June 30, 2019 was \$68.69.

The disclosure reports and bank balances listed above show that Mayor Ketron has repeatedly reported an available balance that is not supported by the campaign bank account. While the reported available balance is slowly being reduced, it appears that the reduction is related to the improper reporting of additional deposits made into the campaign account and the improper reporting of disbursement activities, both by the campaign and through the candidate's personal funds. These various activities are outlined in the remaining sections of the audit report. Based on the data provided, the candidate has failed to comply with T.C.A. § 2-10-107(e), which requires the candidate to report the unexpended balance (available balance) of campaign funds at the end of each reporting period listed.

The Mayor Ketron's disclosures starting with the 2018 Fourth Quarter statement appear to indicate no activity is ongoing related to the mayoral campaign. The bank records appear to indicate limited activity occurred though the 2018 Fourth Quarter which was unreported and will be noted in the remaining sections of the audit report. The bank records show that from January 15, 2019 (the end of the 2018 Fourth Quarter) until July 31, 2019 (the last bank statement provided for the audit period), the mayoral campaign account is being slowly depleted by an unreported monthly bank service fee in the amount of \$12 per month. (The unreported fees are noted in Finding 9.) Mayor Ketron has filed two reports subsequent to the audit period, the 2019 Year-End Supplemental and 2020 Mid-Year Supplemental. Both reports continue to report the \$20,502.77 balance as available, which indicates that Mayor Ketron is continuing to report no subsequent activity. However, as the bank balance was only \$56.69 at July 31, 2019, the end of the audit period, if no activities occurred except the continuation of the monthly \$12 fee, the account would have had no available funds by the end of the 2019 Year-End reporting period.

CONTRIBUTIONS AND RECEIPTS

Audit Objectives :

The objectives of this audit of contributions, receipts, and loans were to determine whether:

- all campaign contributions from individuals. Political Campaign Committees and Multicandidate Political Campaign Committees [more commonly called Political Action Committees or PACs] were within campaign limits;
- all contributions were from allowable sources;
- 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;
- 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, and reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107; and,
- all loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained Mayor Ketron's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019. The Registry requested Mayor Ketron provide all campaign records to support all contributions, loans, and interest that he received during the period from January 1, 2018 to July 31, 2019. Mayor Ketron's campaign records for contributions included bank statements from Wilson Bank & Trust. The bank records were for one account in the name of "Bill Ketron for County Mayor". The Members of the Registry of Election Finance, as part of the request for audit, requested and provided authority to the Registry staff to issue subpoenas for the audit. Therefore, the Registry Audit Staff prepared and issued subpoenas for records for any Ketron Mayoral campaign bank accounts at Wilson Bank & Trust. The records were requested for the period of January 1, 2018 to July 31, 2019 (the audit period). The subpoena request included records for contributions such as all bank statements, detailed deposit data, and copies of all deposited checks. The records from the candidate and subpoenas were used to complete the following procedures:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2018 to June 30, 2019 totaled

\$19,600 as reported by Mayor Ketron. Given that the audit period was January 1, 2018 to June 30, 2019, the campaign records were reviewed to determine the amount of contributions received from January 1, 2018 to January 15, 2018.

- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared. The reconciliation was used to determine if the candidate deposited all funds into a campaign bank account and was maintaining funds in compliance with T.C.A. § 2-10-131(a). The reconciliation was used to determine the candidate's compliance in properly reporting the funds in the campaign account on the campaign disclosures.
- Listings of monetary contributions were prepared and compared to the candidate's disclosures reports during the election to determine if campaign contributions from individuals and PACs complied with the campaign contribution limit law, 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.
- 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 the campaign contribution limit law, 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 as reported by Mayor Ketron.

Audit Conclusions:

Mayor Ketron's campaign financial disclosure statements from January 16, 2018 to June 30, 2019 indicated the campaign received contributions totaling \$19,600. However, Mayor Ketron's mayoral bank records indicate deposits related to the same reporting periods of \$46,399.57. The audit noted a deposit during the audit period on January 19, 2018 for \$2,100, but the deposit appears to relate to activity prior to January 16, 2018 and, therefore, the deposit is being excluded from the \$46,399.57 deposit amount, making the adjusted amount \$44,299.57. The difference between the \$19,600 reported by Mayor Ketron and the \$44,299.57 deposited into the mayoral bank account is \$24,699.57. The \$24,699.57 difference is the result of failing to report several campaign contributions received and other activity associated with deposits or credits in the campaign's bank accounts. The unreported activity included the following:

1. Mayor Ketron failed to report the following contributions:
 - a. Contributions from six contributors totaling \$3,750 were unreported during the 2018 First Quarter. An additional \$1,100 in cash contributions from an unknown source(s) was also unreported and deposited during the period.

- b. Contributions from eight contributors totaling \$16,617.61 were unreported during the 2018 Second Quarter reporting period.
- c. Contributions from two contributors totaling \$1,250 were unreported during the 2018 Pre-General reporting period. An additional \$997 in cash contributions from an unknown source(s) was also unreported and deposited during the period
- d. Contributions from six contributors totaling \$4,600 were unreported during the 2018 Third Quarter reporting period.
- e. A contribution from Mayor Ketron of \$234.96 was unreported during the 2018 Fourth Quarter reporting period.

The total of unreported contributions is \$28,549.57. T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A) require candidates to report all contributions received during the applicable reporting period. The details of these transactions and Mayor Ketron's noncompliance with the statutory reporting requirements are further detailed in Finding 2.

2. Mayor Ketron's 2018 Pre-Primary disclosure report understates contributions received by \$50. Mayor Ketron reported \$950 in unitemized contributions for which he provided no records to identify the source(s) of the contributions. The audit noted two deposited items during this period that are unreported: 1) a check from a contributor for \$500, and 2) \$400 in cash deposited from unknown sources. The audit procedures appear to indicate that neither item was reported. There is, however, some possibility that the two items were part of the \$950 in un-itemized contributions reported. The audit cannot confirm either possibility with a 100% certainty and Mayor Ketron has provided no documentation or explanation for the discrepancy. Assuming the items were reported in the \$950 amount, Mayor Ketron has still overstated his contributions received by \$50 during the period. Additionally, if assumed that these items were included within the unitemized amount above, the \$500 check would be improperly reported as unitemized. Further, the \$400 cash is unsupported as to the source. Although no detailed Finding is provided for the \$500 check or \$400 cash deposit, each are detailed in the end of unreported contributions in Finding 2 and the end of Finding 8 which documents the reporting of un-incurred contributions.
3. Mayor Ketron understated two contributions totaling \$800. The understatement is similar to failing to report contributions and, as such, the details of the understated contributions appears in Finding 2.
4. Mayor Ketron double reported nine contributions totaling \$4,600. Resulting in contribution to be overstated by \$4,600. The details of the double reported contribution are report in Finding 8.

In addition to the unreported contribution and improperly disclosed contribution noted above from January 16, 2018 to June 30, 2019, the audit identified three deposits from January 1 to January 15, 2018 that total \$15,000 from thirteen contributors that appear to relate to the 2017

Year-End Statement. (Contributions reviewed during this time were evaluated based on deposits made into the campaign account, rather than the amount disclosed during the 2017 Year End reporting period, due to the scope of the audit). Also, the audit noted one deposit on January 19, 2018 for \$2,100 from two contributors that appears to relate to the 2017 Year-End Statement. The audit procedures indicate that only two of these contributions, totaling \$2,100, were properly reported. The \$15,100 from thirteen contributors was unreported by Mayor Ketron. Details of the unreported contributions appear in Finding 2.

In addition to the unreported or improperly reported contributions noted above, the audit procedures noted the following failures to comply with other campaign finance statutes:

5. In addition to failing to properly report \$2,097 in cash contribution received, as noted in Items 1 and 4 above, Mayor Ketron failed to maintain any contributor records to support the source of the contributions. Details concerning the unsupported deposits are reported in Finding 2.
6. Mayor Ketron's campaign records and campaign finance disclosure statements indicate that a portion of two expenses disclosed were expenses paid on a Capital One credit card ("World" account). (This is a personal credit card account in the name of Bill and Theresa Ketron and has been identified by Mayor Ketron as the only credit card used for campaign activity. Further, this is the only credit card account for which all statements during the audit period have been provided to the Registry for the audit). However, the campaign records indicate that purchases made on this card were not immediately reimbursed. The campaign account indicates \$33,087 in payments to this card were made during the audit period; however, those payments are in amounts that are not reflective of the amounts incurred on the card. These payments include disbursements prior to the expenses incurred and significantly after the expenses were incurred. The Registry has advised that expense-only (where only the expense itself is reported rather than requiring multiple entries to reflect the various steps in the transaction as a whole) reporting can only be made on credit card transactions if the following occurs:
 - The expense(s) are completely reimbursed.
 - The reimbursement directly relates to the campaign expense(s) incurred and is supported by campaign records maintained by the candidate.
 - The reimbursement is timely made. Reimbursement should be immediately as possible. At a minimum in the same reporting period or immediately thereafter (This has usually been advised as the report due date).

Mayor Ketron's reimbursement meets none of the conditions above. Thus, each time an expense was paid on the credit card and disclosed as an expense on the mayoral campaign disclosure, a contribution was required to be reported. The records indicate Bill Ketron was using his personal assets to temporarily pay campaign expenses until a reimbursement was or could be made from the campaign account. In order to disclose the temporary use of Mayor Ketron's assets/funds properly, each purchase reported from the credit card

should also have been disclosed as an equivalent contribution from Mayor Ketron (either as a loan or direct monetary contribution). Any subsequent payment to the credit card would be shown as reductions of Mayor Ketron's credit card related contributions. However, Mayor Ketron failed to report the contribution related to those purchases. The total of the purchases made on the credit card identified as mayoral related during the audit period was \$16,507.68. (The audit noted an additional \$28.99 expense that was incurred on the card; however, the audit determined the expense was incurred by the senate campaign and therefore could not also be incurred by the mayoral campaign.) Thus, Mayor Ketron failed to report \$16,507.68 in campaign contributions for expenses paid for temporarily on behalf of the campaign. Additional details related to these unreported contributions are provided in Finding 3. Relatedly, Mayor Ketron failed to report \$16,507.68 in contributions adjustments represented by payments to the credit card. This is also detailed in Finding 3.

Finally, the remaining \$16,579.32 in disbursements were unreported expenses as noted in Finding 9. Additionally, the audit cannot identify a campaign purpose for the \$16,579.32 disbursement to Mayor Ketron's personal credit card, which makes the disbursements non compliant T.C.A. §2-10-114, as detailed in Finding 11.

7. Similar to the expenses paid on Mayor Ketron's personal Capital One credit card ("World" account), as noted in Item 6 above, the campaign records and campaign finance disclosure statements indicate that several expenses were also paid with resources from unknown sources. The payments were mostly made by an unidentified Capital One credit card; however, one payment was made in cash. The total of these payments is \$14,029.30. The funds for these payments all represent contributions to the campaign that were unreported. As there is no associated contributor data, the contributions are anonymous and have the similar issues noted for the anonymous cash noted in Item 5 above and detailed in Finding 2. Details of the payments and their non-compliance with the campaign finance statutes are noted in Finding 4.
8. Mayor Ketron failed to report \$19,328.98 of in-kind contributions provided to the Mayoral campaign in non-compliance with the campaign finance statutes. Details concerning the unreported in-kind contributions are reported in Finding 5.
9. In 2018, while a candidate for Rutherford County Mayor, Mayor Ketron was also serving as an elected member of the State Senate. The General Assembly was in legislative session during 2018 from January 9, 2018 until April 27, 2018. T.C.A. § 2-10-310 restricts members of the Tennessee General Assembly from soliciting or collecting campaign contributions during the legislative session. The statute has some exceptions for limited collections and soliciting for legislative members running for local offices. The campaign records appear to indicate Mayor Ketron failed to comply with T.C.A. § 2-10-310 by accepting \$14,800.85 in restricted contributions while an elected member of the General Assembly during legislative session (See Finding 6). In addition, Mayor Ketron failed to maintain sufficient records to determine compliance with T.C.A. § 2-10-310 relative to one \$500 contribution received while Mayor Ketron was serving as an elected member of the General Assembly during legislative session (See Finding 6).

10. Mayor Ketron's campaign records indicate that the campaign received \$3,578.13 in contributions in excess of the campaign contribution limits in violation of T.C.A. § 2-10-302, as detailed in Finding 7.
11. Mayor Ketron reported receiving a \$1,500 contribution from a contributor on April 26, 2018 on the 2018 Second Quarter statement. The campaign records indicate that the contribution was actually received on or before March 29, 2018, when the check was deposited. Therefore, the contribution was reported one reporting period late in non-compliance T.C.A. § 2-10-105. The records also indicate that the contribution was for \$1,800, not \$1,500 as reported. (The \$300 understatement is included in the \$800 noted in Item 3 above.) The records also indicate that the contribution was a restricted contribution for an elected member during legislative session. The contribution also being included in \$14,800.85 noted in Item 9 above. No detailed finding was noted for the late reporting of the contribution, as the other errors noted for the contribution appear to be more significant than reporting the contribution one period late.

FINDING(S)

2. Mayor Ketron failed to report \$44,449.57 in monetary campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). Included in the \$44,449.57 are the following:

- **\$2,097 in cash or cash equivalents for which Mayor Ketron maintained no contributor records to support the source of each contributions.**
- **\$800 in contributions where the disclosed amount was understated.**

Mayor Ketron failed to report \$44,449.57 in monetary contributions deposited into the mayoral campaign account during the period from January 1, 2018 to July 31, 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 unreported funds were deposited into the mayoral bank account and total \$44,449.57. Included in the \$44,449.57 amount are two contributions the candidate reported, but the amount reported was less than the amount received in the deposit by \$800. Understatements of the contribution amounts is similar to failing to report contributions and is a violation of the same statutes. Also included in the unreported contributions are \$2,097 in cash contributions for which Mayor Ketron failed to retain contributor data. Details of the transactions noted are detailed below. The campaign bank records indicate the following related to the unreported contributions amounts deposited into the campaign account:

2017 Early Year-End Supplemental Disclosure Statement

1. On January 11, 2018, Mayor Ketron deposited a total deposit amount of \$13,000 into the mayoral bank account from nine contributors, who each gave over \$100 by check. In order to comply with T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A), Mayor Ketron is required to disclose each contribution as an itemized contribution on the 2017 Early Year-End Supplemental Disclosure Statement and provide contributor data for each contribution.

Mayor Ketron's 2017 Year-End Statement failed to include an itemized disclosure for all nine contributions. Mayor Ketron's 2017 Year-End Statement does report \$7,173 in unitemized contributions. As it is possible Mayor Ketron could have improperly reported a portion of these contributions within \$7,173 amount, Mayor Ketron was requested to provide any supporting documentation to show any of the contributions from the deposit were included the reported unitemized amount. However, Mayor Ketron has provided no records to either support the \$7,173 amount or to demonstrate that any portion of this amount was related to the January 11, 2018 deposit. As such, the audit procedures appear to indicate the entire \$13,000 deposit was unreported by Mayor Ketron.

2. On January 19, 2018, Mayor Ketron deposited \$2,100 into the mayoral bank account, which was composed of two checks. One check was written on December 22, 2017 for \$2,000 and issued by a PAC. The other check was written on January 8, 2018 for \$100 by an individual. Based on the check dates, both checks should be reported on the 2017 Early Year-End Supplemental Disclosure Statement; however, based on the deposit date, both contributions were reportable on the 2018 First Quarter statement. Both statements were reviewed, and the contributions do not appear as itemized contributions on either report, nor are there any unitemized contribution(s) reported on the 2018 First Quarter. As noted in Item 1 above, Mayor Ketron's 2017 Year-End Statement does report \$7,173 in unitemized contributions, but Mayor Ketron has provided no records to support the reported unitemized amount. As there is no indication that the contribution(s) were properly reported, the audit procedures has determined that the entire \$2,100 deposit was unreported by Mayor Ketron. The audit did note that the \$100 contribution would be properly reported if it were included in the unitemized contribution amount.

The audit has also determined that these two contributions should have been reported on the 2017 Year-End Statement. T.C.A. §2-10-107(a)(2)(A) states the statements under contribution will list all contributions "received". Therefore, the candidate should report contributions when received. As such, candidates have been advised that they must report contributions when in their hands or the possession of their agents. As the contribution was not reported and no record was maintained to show date received, the audit cannot determine the "received" date. The audit can only determine the contributions were likely received after they were written (assumes check date is a properly written, which appears likely) and before deposit. The audit practice is to normally use the best data available for assessing "received" when no documentation is maintained. In most cases, that is the disclosure date or deposit date. However, there is some consideration made for the start of legislative session when the campaign finance statutes restrict soliciting and collecting contributions. In 2018, Tennessee's General Assembly gavelled into session on January 9. After that date, the PAC check would have been restricted and the individual check would be restricted if not from a resident of Rutherford County. (The check address is Rutherford County so the contribution would still be allowable for the mayoral campaign.) The dates on the check and the relatively short time of the actual deposit after the commencement of session appears to indicate the checks were most likely received on or before January 9, in order to be compliant with the session restrictions. As such, the contribution would be reportable on the 2017 Year-End Statement's reporting period, which covered activities from the start of the mayoral campaign to January 15, 2018.

2018 First Quarter Disclosure Statement

3. On March 1, 2018, Mayor Ketron deposited \$1,750 into the mayoral campaign account; included in the deposit was \$1,000 cash. Mayor Ketron has provided no record to show the source of the cash contribution(s). The funds were deposited during the 2018 First Quarter reporting period, there appears to be no related contribution(s) reported, and there were no unitemized contributions reported during the period. As such, the audit has determined that Mayor Ketron has failed to report this \$1,000 in contributions. Since the campaign failed to maintain contributor records for the cash contribution(s), the contributions are considered anonymous contributions and cannot be used for campaign purposes. As such, Mayor Ketron has failed to maintain or obtain sufficient campaign records to verify compliance with all campaign finance statutes relative to this \$1,000 in cash contribution(s). Without the specific contributor(s) names and the exact amounts contributed, the audit could not determine compliance with the following campaign finance statutes:
 - 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.
 - T.C.A. §§2-10-310(a)(2) and 2-10-310(a)(3) establish requirements that must be met by members of the General Assembly who are also candidates for local office in order to solicit and accept contributions during the legislative session; full compliance with these sections cannot be determined without additional data.
4. The March 1, 2018 deposit of \$1,750 noted in Item 3 above also included a \$250 check from an individual. The check date and deposit date indicate that the contribution should be reported on the 2018 First Quarter statement. Mayor Ketron failed to report the check on the 2018 First Quarter or any other campaign finance disclosure. The contribution also appears to be in non-compliance with T.C.A. §§2-10-310(a)(2) and 2-10-310(a)(3) relative to soliciting funds during session, which is noted in Finding 6.
5. On March 8, 2018, Mayor Ketron deposited \$2,100 into the mayoral campaign account; included in the deposit was \$100 cash. Mayor Ketron has provided no record to show the source of the cash contribution(s). The funds were deposited during the 2018 First Quarter reporting period, there appears to be no related contribution(s) reported, and there were no unitemized contributions reported during the period. As such, the audit has determined that Mayor Ketron has failed to report this \$100 in contributions. Since the campaign failed to maintain contributor records for the cash contribution(s), the contributions are considered anonymous contributions and cannot be used for campaign purposes. As such,

Mayor Ketron has failed to maintain or obtain sufficient campaign records to verify compliance with all campaign finance statutes relative to this \$100 in cash contribution(s). Without the specific contributor(s) names and the exact amounts contributed, the audit could not determine compliance with several statutes, which are noted in Item 3 above.

6. As noted in Item 5, on March 8, 2018, Mayor Ketron deposited \$2,100 into the mayoral campaign account; also included in the deposit were two contributors' checks. One check was written on February 28, 2018 by an individual for \$500. The other check was written on January 12, 2018 by a PAC for \$1,500. These contributions were made and deposited during the 2018 First Quarter reporting period, however, Mayor Ketron appears to have made no related disclosure to report either contribution. As such, Mayor Ketron has failed to report the \$2,000 in contributions. In addition to being unreported, the \$1,500 PAC contribution appears to be non-compliant with T.C.A. §§2-10-310(a)(2) and 2-10-310(a)(3) relative to soliciting funds during session, which is noted in Finding 6.
7. On March 30, 2018, Mayor Ketron deposited \$1,500 into the mayoral campaign account; included in the deposit were two contributors' checks. One check was written on March 26, 2018 by an individual for \$500. The other check was written on March 7, 2018 by a PAC for \$1,000. These contributions were made and deposited during the 2018 First Quarter reporting period, however, Mayor Ketron appears to have made no related disclosure to report either contribution. As such, Mayor Ketron has failed to report the \$1,500 in contributions. In addition to being unreported, these contributions also appear to be non-compliant with T.C.A. §§2-10-310(a)(2) and 2-10-310(a)(3) relative to soliciting funds during session, which is noted in Finding 6.

2018 Second Quarter Disclosure Statement

8. On April 26, 2018, Mayor Ketron deposited \$1,000 into the mayoral campaign account; included in the deposit were two contributors' checks. One check was written on April 22, 2018 by an individual for \$500. The other check was written on April 24, 2018 by a different individual for \$500. These contributions were made and deposited during the 2018 Second Quarter reporting period; however, Mayor Ketron appears to have made no related disclosure to report either contribution. As such, Mayor Ketron has failed to report an additional \$1,000 in contributions.
9. On April 30, 2018, Mayor Ketron deposited \$9,617.61 into the mayoral campaign account; included in the deposit were the following four contributors' checks:
 - A check written by an individual on April 27, 2018 for \$1,000
 - An undated check written by a PAC for \$2,314.11 (Quest PAC)
 - An undated corporate check for \$1,303.50 (UII)
 - A check written by a PAC on April 27, 2018 for \$5,000

Each of these checks appears to have been written and were deposited during the 2018 Second Quarter reporting period, however, Mayor Ketron appears to have made no related

disclosure to report the four contributions. As such, Mayor Ketron has failed to report the \$9,617.61 in contributions.

The Quest PAC check comes from Mayor Ketron's leadership PAC. The check appears to be the final amount of funds in Quest PAC bank account near the end of April. The check appeared to be intended to close-out the Quest PAC bank account transferring the funds to the mayoral campaign, The check was also unreported by the PAC and is noted in the Quest PAC audit report which was released previously..

Universal International Insurance Agency, Inc ("UII") is a family owned business in which Mayor Ketron is majority owner. The funds deposited into the mayoral bank account on April 30, 2018 appear to be from an incorporated business's general funds, and not withdrawn by the owner from his equity in the business or salary payments to any employee of the business. Therefore, the contributions are from UII as an entity, not its owners, and should have been reported as a contribution to the mayoral campaign by UII. In addition, both this audit and the previous audit of the Mayor Ketron's Senate Campaign have shown that UII has made contributions in excess of \$1,000 in a calendar year, and therefore, meets the definition of a "political campaign committee", as defined by T.C.A. § 2-10-102(12). Therefore, UII was required to register with the Registry of Election Finance as a single candidate committee by filing the Appointment of Political Treasurer form prior to making its first contribution to the senate campaign per T.C.A. § 2-10-105(e). After registration, the PAC would have been required by T.C.A. §§ 2-10-105(a) to file campaign finance disclosures statements with the Registry of Election Finance from the first time the PAC made a contribution(s) to the senate campaign through the time of its last contribution to any candidate or political campaign committee. However, UII failed to register as a political campaign committee despite making contributions in excess of \$1,000 to Mayor Ketron's campaigns during the 2018 campaign cycle.

UII was also required to file an Appointment of Political Treasurer form with the Rutherford County Election Commission prior to its first contribution to the mayoral campaign based on the same statutory requirements and definitions. After registration, the resulting PAC would have been required to file campaign finance disclosure statements with the Rutherford County Election Commission, by virtue of its contributions to a local candidate for office in Rutherford County, from immediately prior to its first contribution to a local candidate to the last such contribution. However, PACs who make contributions to both state and local candidates are generally allowed to provide copies of state filings, based on the state filing schedule, to the local election commission to satisfy the local filing requirements. If UII chooses to follow that allowance, the reports filed on the state level would be mirrored on the local level and would commence when the first contribution was given to either campaign and when the last contribution was made to either campaign. However, UII failed to register and file reports both with the state and local election commission. As this represents non-compliance with campaign finance statutes by the business, and not either the mayoral or senate campaigns, no detailed finding for the business's non-compliance was noted. However, it was noted in this finding because Mayor Ketron is both the senate candidate and mayoral candidate that received the contributions and is the owner of the business. Therefore, Mayor Ketron would

presumably have some responsibility for registering the business and ensuring it disclosed properly.

10. On May 18, 2018, Mayor Ketron deposited \$5,000 into the mayoral campaign account. This deposit consisted of one contributors' check from an individual written on May 8, 2018 for \$5,000. The check was written and deposited during the 2018 Second Quarter reporting period. However, Mayor Ketron appears to have made no related disclosure to report this contribution. As such, Mayor Ketron has failed to report the \$5,000 in contributions. Further, in addition to being unreported, this \$5,000 contribution exceeds the allowable campaign finance limits for an individual, which is noted in Finding 7.
11. On June 18, 2018, Mayor Ketron deposited \$1,000 into the mayoral campaign account. This deposit consisted of one contributors' check from a PAC written on May 31, 2018 for \$1,000. The check was written and deposited during the 2018 Second Quarter reporting period. However, Mayor Ketron appears to have made no related disclosure to report the contribution. As such, Mayor Ketron has failed to report this \$1,000 contribution.

2018 Pre-General Disclosure Statement

12. On July 12, 2018, Mayor Ketron deposited \$6,897 into the mayoral campaign account; included in the deposit was \$997 cash. Mayor Ketron has provided no record(s) to show the source of this cash contribution(s). The funds were deposited during the 2018 Pre-General reporting period, there appears to be no related contribution(s) reported, and there were no unitemized contributions reported during the period. As such, Mayor Ketron has failed to report \$997 in cash contributions. Since the campaign failed to maintain contributor(s) records for the cash contribution(s), these contributions are considered anonymous contributions and cannot be used for campaign purposes. Further, without the specific contributor(s) names and the exact amounts contributed, the audit could not determine compliance with several additional statutes, which are noted in Item 3 above.
13. On July 20, 2018, Mayor Ketron deposited \$1,250 into the mayoral campaign account; included within the deposit were two contributors' checks. One check was written on July 4, 2018 by an individual for \$250. The other check was written on July 19, 2018 by a different individual for \$1,000. These checks were written and deposited during the 2018 Pre-General reporting period, however, Mayor Ketron appears to have made no related disclosures to report either contribution. As such, Mayor Ketron has failed to report this \$1,250 in contributions.

2018 Third Quarter Disclosure Statement

14. On July 26, 2018, Mayor Ketron deposited \$3,000 into the mayoral campaign account; the deposit consisted of two contributors' checks. One check was written on July 22, 2018 by an individual for \$1,500. The other check was also written on July 22, 2018 by a different individual for \$1,500. These checks were written and deposited during the 2018 Third Quarter reporting period, however, Mayor Ketron appears to have made no related disclosures to report either contribution. As such, Mayor Ketron has failed to report this additional \$3,000 in contributions.

15. On August 1, 2018, Mayor Ketron deposited \$1,000 into the mayoral campaign account; the deposit consisted of two contributors' checks. One check was written on July 27, 2018 by an individual for \$500. The other check was written on July 30, 2018 by a different individual for \$500. These checks were written and deposited during the 2018 Third Quarter reporting period, however, Mayor Ketron appears to have made no related disclosures to report either contribution. As such, Mayor Ketron has failed to report this \$1,000 in contributions.
16. On August 13, 2018, Mayor Ketron deposited \$600 into the mayoral campaign account; this deposit consisted of two contributors' checks. One check was written on August 2, 2018 by an individual for \$500. The other check was also written on August 2, 2018 by a different individual for \$100. These checks were written and deposited during the 2018 Third Quarter reporting period, however, Mayor Ketron appears to have made no related disclosures to report either contribution. As such, Mayor Ketron has failed to report this additional \$600 in contributions.

2018 Fourth Quarter Disclosure Statement

17. On January 8, 2019, Mayor Ketron deposited \$234.96 into the mayoral campaign account; this deposit consisted of one check issued by the TN Association of Professional Bail Agents Education Fund and dated December 15, 2018. The check memo line indicated the group was reimbursing an expense related to travel for ALEC. However, Mayor Ketron has reported no expenses related to ALEC on the mayoral campaign disclosures (no such disclosure was reported on either the senate or Quest PAC disclosures in 2018). As such, it appears that this was a reimbursement of expenses paid by some source other than campaign funds to Mayor Ketron and the funds would appear to be his personal funds. When the funds were deposited into the campaign account, they became reportable campaign contributions from Mayor Ketron. The funds were deposited during the 2018 Fourth Quarter reporting period, however, Mayor Ketron appears to have made no related disclosures to report the contribution. As such, Mayor Ketron has failed to report this additional \$234.96 in contributions.

The list above shows 33 contributions totaling \$41,552.57 which were deposited into the mayoral bank account and were unreported by Mayor Ketron. The list includes \$2,097 in cash that was deposited into the mayoral campaign and was unreported. For the \$2,097 in cash contributions, Mayor Ketron has failed to maintain records to identify the source of the funds. Therefore, each of these contributions were considered anonymous and could not be tested for full compliance, as noted in Item 3.

In addition to the contributions that were completely unreported, Mayor Ketron also understated contributions received by reporting an amount less than the amount actually received. Understating a contribution received results in a similar failure to report a contribution received, except that the difference between the amount reported and the amount actually received is the amount that remains unreported. The understated amounts total \$800. The two contributions which were understated are detailed below:

18. On March 29, 2019, Mayor Ketron deposited a check written on March 23, 2018 by a contributor for \$1,800 into the mayoral campaign account. Based on the dates the check was written and deposited, the check was required to be disclosed on the 2018 First Quarter statement. A review of that statement showed the contribution was unreported. However, a review of subsequent filings by Mayor Ketron shows a reported contribution from the same contributor on the 2018 Second Quarter statement dated April 26, 2018 in the amount of \$1,500. A review of the campaign's bank deposits indicates no other contributions were received from this contributor in April. Also, the review of the 2018 Second Quarter statement indicated several previously reported contributions being double reported from prior reports. Based on this data, it appears that Mayor Ketron failed to report the contribution originally, but when these duplicate contributions were reported, the contribution was finally reported as well. However, the reported disclosure was mis-dated, on the wrong report, and reported as \$300 less than the amount actually received.

Accordingly three separate instances of non-compliance with the campaign finance statutes are noted in this finding, all relating to T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A). These statutes require that candidates who receive contributions in excess of \$100 (as this contribution is) to report the contribution on the date "received", on the disclosure statement in which the contribution was "received", and in the amount actually received. Mayor Ketron failed to report the proper date of the contribution, on the proper statement, and in the correct amount. The contribution had to have been received between the date the check was written, March 23, 2018 (assuming the written date is accurate, which appears likely based on the deposit date), and the date of deposit, March 29, 2018. Both of those dates are in the 2018 First Quarter reporting period. Further, the reported date of April 26, 2018 for the contribution appears to be improper, as the contribution was deposited nearly a month prior. However, for this Finding, the most significant instance of non-compliance is the improper reporting of the amount of the contribution as \$1,500 instead of \$1,800 that was received. Thus, Mayor Ketron has understated the contribution by \$300, effectively failing to report \$300 in contributions from the contributor.

The audit noted that part of the cause for failing to report the proper amount may relate to the issue that two entries would have been required to report this contribution, as the entire \$1,800 could not be allocated to one election because it exceeds campaign contribution limits for an individual contributor per election. Instead, the contribution would have needed to have been reported in two entries and two separate portions of contribution should have been allocated to both the primary and general elections. The audit has not prepared a separate finding for the other two areas of non-compliance, as the reporting out of period and with the wrong date appears to be more related to double reporting of expenses, which is noted in Finding 8 and appears minor in comparison to the other instance of non-compliance for the contribution. In addition to noncompliance with T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A), the contribution also appears to be in non-compliance or unsupported as compliant with T.C.A. §§ 2-10-310(a)(2) and 2-10-310(a)(3) relative to soliciting funds during session, as noted in Finding 6.

19. On July 12, 2019, Mayor Ketron deposited a check written on July 11, 2018 by the Fallaw Living Trust (Silvia Fallaw trustee) for \$2,000 into the mayoral campaign account. Based on the dates the check was written and deposited, the check was required to be disclosed on the 2018 Pre-General statement. A review of the 2018 Pre-General Statement shows a contribution from Silvia Fallaw for \$1,500. This appears to be the disclosure related to this check, however, Mayor Ketron again understated the contribution by reporting the value of the contribution as \$1500, rather than \$2000, an understatement of \$500. Again, there appears to be an indication that the understatement maybe related to the requirement to disclose the contribution in two entries and to allocate the contribution to the primary and general elections.

In addition to understating the contribution, the audit noted a possible issue in identifying the contributor which could be found to be improper. Mayor Ketron has listed the trustee as the contributor instead of the trust fund that made the contribution. In prior decisions by the Members of the Registry of Election Finance, the Registry has determined that Trusts meet the definition of an entity who can make campaign contributions per T.C.A. § 2-10-102. As such, it would appear that the Trust is the contributor, not the trustee. In this case, the trustee and trust may be related, which could have prompted the candidate's disclosure, as the prior ruling by the Registry appeared to indicate such a relationship would not preclude the Trust from making the contribution on its own. Although no instance of non-compliance is being reported, the information is provided for the current Members consideration.

The unreported contributions of \$41,552.57, the unreported cash contributions of \$2,097, and the \$800 in understated contributions equals the 44,449.57 identified as unreported in the header of this finding. The audit test work did indicate two other contributions for which the audit could not determine if they were reported. During the 2018 Pre-Primary reporting period, the Mayoral campaign records show a deposit of \$1,550 on April 20, 2018. Mayor Ketron's 2018 Pre-Primary Disclosure statement shows \$1,600 in contributions (\$650 itemized and \$950 unitemized). Included within this deposit were the \$650 in itemized contributions, \$400 in cash (for which Mayor Ketron maintained no contributor data), and a \$500 check from an individual that was not reported in the itemized disclosures. Similar to the 2017 Year-End reporting period as noted in Items 1 and 2, Mayor Ketron provided no records as to what was included in the \$950 unitemized amount. Unlike the 2017 Year-End reporting period, the audit can determine what was received and what was reported. As there are no other disclosures for the \$400 in cash and the \$500 check, the audit test work indicates the amounts could be \$900 of the \$950 amount reported.

However, neither item, either the \$400 cash or the \$500 check, can be verified as being included within the reported unitemized contribution amount. There is indication that the \$500 check may not have been reported, as it was required to be itemized; if this amount were included within the reported unitemized contributions, this would fail to comply with T.C.A. § 2-10-107(a)(2)(A) which requires this contribution to be itemized. Likewise, without contributor data available, the audit cannot confirm whether the \$400 cash could have properly been reported as unitemized contributions. Further, the audit cannot confirm that these items were or were not included in the total unitemized contributions reported. The result is that the audit can only confirm that \$50 more than the amount received was reported (\$950-\$900). However, if these

amounts are not included in the \$950, the whole unitemized amount was improper and should not have been reported, as bank records do not reflect that this \$950 was received in any other manner. Lastly, the \$400 cash contributions, like the \$2,097 cash noted in the other part of this finding, are also anonymous and, similar to the cash contribution noted in Item 3, the audit cannot confirm that the contribution was made in compliance with all campaign finance statutes (See list of statutes in Item 3 above).

3. Mayor Ketron failed to report \$16,507.68 in campaign contributions resulting from the use of his personal credit card for campaign purchases as required by T.C.A. §§2-10-105(a) and 2-10-107. In non-compliance with the same statutes, Mayor Ketron also failed to report \$16,507.68 in disbursements to his personal credit card, which returned those contributions.

In addition to the unreported contributions noted in Finding 2, Mayor Ketron also failed to report \$16,507.68 in contributions to the mayoral campaign from himself between January 1, 2018 and 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 the campaign finance report when they are received. However, Mayor Ketron's campaign finance disclosures report two expenses that were not paid from the mayoral campaign's bank account but were paid on Mayor Ketron and Theresa Ketron's personal credit card (a Capital One credit card, "World Account"). Although the credit card receives payments from the campaign's bank account, these payments are not directly related to any specific expense or group of expenses and the payments to the credit card are significantly higher than the reported expenses. While the payments to the card totaled \$33,087, Mayor Ketron maintained no records to indicate the purpose of each payment or how it related to the expenses incurred on the card. Further, the payments are not made in a timely manner based on the expenses incurred. Therefore, the payments cannot be reconciled to the reported expenses.

As noted in the Contribution and Receipts Audit Conclusion section above, the Registry has advised candidates that they are permitted to report an expense for a credit card paid transaction only when the expense is properly and timely reimbursed. The expense-only reporting of the transaction can be made on credit card transactions if the following occurs:

- The expense or expenses are completely reimbursed.
- The reimbursement directly relates to the campaign expense(s) incurred and supported by campaign records maintained by the candidate.
- The reimbursement is timely made. Reimbursement should be immediately as possible. At a minimum in the same reporting period or immediately thereafter (This has usually been advised as the report due date).

However, Mayor Ketron's reimbursements meet none of the above requirements. When Mayor Ketron paid expenses on his personal card during a reporting period, he should have reported a contribution from himself (either as a loan or monetary contribution). The contribution demonstrates the use of his personal funds in the form of the credit card. Then, any subsequent payment to the credit card from the campaign account should be reported as return of a contribution

(these are reported on the online system as contribution adjustments) or as a loan repayment. These disclosures show the reduction of the previously reported contributions made for the credit card incurred expense(s) that were campaign related. The type of return disclosure should relate to the initial contributions reported.

The mayoral campaign records and Mayor Ketron's campaign disclosures indicate two expenses were incurred (purchases made) on Mayor Ketron's and Theresa Ketron's personal credit card requiring contribution disclosures. The total amount of the unreported contributions was \$16,507.68 during the audit period. As noted above, Mayor Ketron failed to report the \$16,507.68 in personal contributions related to those credit card transactions. Also, during the audit period, Mayor Ketron's campaign records show \$33,087 in payments to Mayor Ketron's personal Capital One credit card, which was used for campaign activity. The audit determined that it is likely that \$16,507.68 of those payments could be related to the expenses reported during the audit period and, therefore, that portion of the payments should have been reported as contribution adjustments to the \$16,507.68 in unreported contributions. However, Mayor Ketron failed to report those contribution adjustments. The remaining difference of \$16,579.32 (\$33,087-\$16,507.68) paid to the personal credit card could not be associated to any reported campaign expenses or campaign activity on the credit card or the campaign disclosures. Therefore, the \$16,579.32 payment appears to be solely a payment made to Mayor Ketron's personal credit card for personal expenses incurred on the card. The improper payment campaign funds to a candidate's personal card would be in non-compliance with T.C.A. §2-10-114(b)(1), which is detailed with other unallowable expenses in Finding 11.

Regardless of the payment purpose, the disbursement of the funds was required to be reported on the campaign finance disclosure reports; however, Mayor Ketron failed to report the \$16,579.32 of expenditures made to his personal credit card, which is noted in Findings 9.

Details of the two credit card transactions that resulted in the unreported contributions by Mayor Ketron are detailed in the items below:

1. On the 2018 First Quarter statement, Mayor Ketron disclosed an expenditure to Wax Printing for \$7,585. The disclosure indicates that the expenditure's purpose was for "Website, Photo and Video Services", however, the campaign bank account shows no direct payment for this expense. Instead, Mayor Ketron's personal Capital One credit card (World Account) does show a disbursement of \$7,585 March 2, 2018 to Wax Family Printing in Murfreesboro, which is during the 2018 First Quarter reporting period. As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$7,585 to the credit card. During the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron's Capital One credit card (World Account card), with \$14,000 disbursed prior to this first expense being incurred on the credit card. One of these payments was a \$8,000 payment made on Feb 28, 2018 (the day after the date of the invoice for these services and a few days prior to the March 2 disbursement). Although there is no direct relationship between the \$8,000 credit card payment and the \$7,585 expenditure, and Mayor Ketron has provided no records to indicate how payments to the credit card related to expense incurred, there may be an indirect relationship with this one payment. Also, based on the credit card

statement provided, the payment to the card may have needed to occur prior to the disbursement of \$7,585 on the credit card in order to have enough available balance on the card to process such a transaction.

In addition to the credit card payment noted above, Mayor Ketron has also provided two invoices from Wax Eloquent, which appears to be related to the payments made from the credit card during this reporting period. Wax Eloquent appears to be Wax Family Printing based on the business address and the records provided. One of these invoices was dated February 27, 2018 and addressed to “Bill Ketron for County Mayor” in the amount of \$13,170; the invoice indicated that the services provided were for website creation. The second of these invoices was also dated February 27, 2018 and addressed to “Bill Ketron for County Mayor” in the amount of \$2,000; the invoice indicated that the services provided were for photography. The total amount of these two invoices was \$15,170. Although these invoices are for expenses greater than the credit card payments made and reported by Mayor Ketron, these invoices appear to support the expenses reported. Also, the payment made to Wax Eloquent on Mayor Ketron’s personal credit card (\$7,585) appears to be only a half payment of the invoiced expenses. A photocopied invoice provided by Mayor Ketron shows a credit card receipt which appears to pay the other half of the expense (\$7,585) on April 30, 2018; however, that credit card represents an unidentified source of funds (the unidentified source card is also a Capital One credit card, but not the one provided by Mayor Ketron). The receipt indicates that the other \$7,585 (half payment) was made on April 30, 2018. The contribution resulting from the payment by the unidentified card is noted in Finding 4. Thus, beyond failing to report the contribution for both payments, Mayor Ketron also failed to report the complete cost of the expense, and the failure to report the other half of the expense is noted in Finding 9.

As noted above, the campaign records maintained by Mayor Ketron are insufficient to determine how payments made to Mayor Ketron’s identified personal Capital One credit card (World Account) are related to the expenses incurred and reported as campaign expenses. As noted above, during the 2018 First Quarter reporting period, Mayor Ketron made payments totaling \$20,000 to his personal credit card from campaign funds; of those funds, \$14,000 were disbursed to the credit card prior to any campaign expenses being incurred on the credit card. None of the payments made to Mayor Ketron’s personal credit card are for amounts matching any of the campaign expenses incurred on the card or either of the two reported expenses during this period. (See, Item 2 below). Mayor Ketron has provided no records to reconcile the payments made to his personal credit card to the expenses incurred. Therefore, there is no campaign record to indicate that the expenses on the card are being directly reimbursed. Thus, Mayor Ketron was required to report a contribution for the expenses when payment was made for a campaign expense using his personal card. Mayor Ketron failed to report the \$7,585 in contributions he made for this expense during the 2018 First Quarter period. In addition to failing to report the contribution when the \$7,585 payment was made by the credit card, a portion of the payments to the credit card would be a reimbursement of those contributions and Mayor Ketron was required to report the return of his contributions equal to the known expenses incurred of \$7,585. Mayor Ketron failed to report the \$7,585 contribution return. As noted above, there is some indication that payments were made to the card in preparation to incur

an expense, however, such transactions should not occur unless the exact amount of the expense is transferred, proper documentation is maintained, and payment is immediately made to the vendor for the expense. None of these appears to have occurred. Otherwise, payment in advance of expenses being incurred would be similar to a short-term loan (without terms or documentation) by the campaign to the candidate. Any such loans would be unallowable per T.C.A. § 2-10-114, as this would constitute the improper personal use of campaign funds between the time of transfer to the personal accounts until the time of disbursement for an allowable campaign purpose. This type of transaction would also appear to be unallowable per the investment statute, T.C.A. § 2-10-131, because when the funds are temporarily moved to a personal credit card account prior to disbursement, then the funds would no longer be maintained in a federal insured account as required.

2. Also, on the 2018 First Quarter Statement, Mayor Ketron disclosed an expense to Screenart for \$8,922.68. The disclosure indicates the expense was for “Signs & Magnets”. The campaign bank account shows no direct payment for this expense. However, Mayor Ketron’s Capital One credit card (World Account) does show a disbursement of \$8,922.68 on March 9, 2018 to Screenart (which is during the 2018 First Quarter reporting period). As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$8,922.68 to the credit card. However, during the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron’s Capital One credit card (World Account card). All of the disbursements to this credit card occurred prior to March 9, 2018, except for \$5,000 that was disbursed on March 8, 2018. Although there is no direct relationship between this \$5,000 payment and the \$8,922.68 expense, and Mayor Ketron has provided no records to indicate how payments to the credit card related to the expenses incurred, there may be an indirect relationship to the \$5,000 payment. Based on the credit card statements provided, and similar to the \$8,000 payment noted above, the \$5,000 payment to the card may have been needed prior to or in connection with the disbursement of a \$8,922.68 on the credit card in order to have enough available balance on the card to process such a transaction. In addition to the credit card payment noted above, Mayor Ketron also provided a receipt from Screenart that appears to support the expense disclosure made and the expense being incurred by credit card. Again, the campaign records are insufficient to determine how payments made to the identified Capital One credit card (World Account) of Mayor Ketron are relates to the expenses incurred. The payments made to Mayor Ketron’s personal credit card during the 2018 First Quarter totaled \$20,000 and all disbursements occurred prior to the expenses being incurred, except for the \$5,000 noted on the day before this expense. None of the payments made matched the amount of this expense or the two expenses reported during the period (See Item 1 above). Mayor Ketron has provided no record to reconcile the payments to the expenses incurred. Therefore, there is no campaign record that indicates the expenses on the card are being directly reimbursed. Mayor Ketron was required to report a contribution for the expenses when the payment was made on his personal card and Mayor Ketron failed to report this \$8,922.68 in the contributions during the 2018 First Quarter period. In addition to failing to report the contributions when the payment for the expense was paid by the credit card, a portion of the payments to the credit card would be a reimbursement of those expenses and Mayor Ketron was required to report

the return of his contributions equal to the known expense incurred of \$8,922.68. Mayor Ketron failed to report the \$8,922.38 contribution return.

The two expenses noted in Item 1 and 2 total \$16,507.68 and appear to be the only reported expenses that were incurred on the Mayor Ketron's Capital One credit card (World Account card) and that related to the mayoral account for the entire audit period. The only other expenses related to that card reported by Mayor Ketron was on the 2018 Pre-General Statement. On that statement, Mayor Ketron disclosed a Walmart expense for \$28.99 for fish fry supplies. The \$28.99 amount appears on the credit card on July 11, 2018 (which appears to be on or near the time of the Fish Fry). However, the same expense was also disclosed on the Senate Campaign disclosure and accounted for in the audit as being a Senate Campaign expense. As such, this cannot be an expense for the mayoral campaign also. Both campaigns appear to pay portions of the expenses for the "Fish Fry." Notations related to this event indicate this was not a fundraiser expense, but a "get out the vote" expense. Such an event, if not a fundraiser, would not require both campaigns to report all the related expenses (as expenses or in-kind contributions), but only the expenses each incurred. In this case, the expense was determined to have been incurred by the senate campaign, not the mayoral campaign. As such, this is an un-incurred expense. (Note: The amount for Walmart reported in the senate disclosures was \$70.15; the disclosure was for two incurred expenses of \$28.99 and \$41.16, both on the credit card). See additional information on un-incurred expense in Finding 10.

4. Mayor Ketron failed to report \$14,029.30 in campaign contributions related to purchases made on the campaign's behalf using funds from unknown sources in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107. In addition to failing to report the contributions, Mayor Ketron failed to maintain any contributor records to support the source of the funds which appears to be non-compliant with T.C.A. §§ 2-10-212(c) and 2-10-105(f).

As noted in Finding 2, Mayor Ketron failed to report contributions deposited into the campaign account and, as noted in Finding 3, Mayor Ketron failed to report contributions for expenses paid using his personal funds on the campaign's behalf on his identified personal credit card. This Finding also indicates that Mayor Ketron failed to report contributions related to expenses paid on the campaign behalf from an unknown source. The unreported contributions represented by these expenses paid on the campaign's behalf totaled \$14,029.30. As previously noted, T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A) require all contributions received to be reported on the campaign finance report when they are received. Mayor Ketron's campaign finance records show that there were expenses incurred by the campaign that were not paid from the mayoral campaign bank accounts but paid from an unknown source; as each of these payments come from funds outside the campaign account, each payment is a campaign contribution from the source of the payment of the funds.

As already noted, Mayor Ketron's campaign records are insufficient to identify the contributor of the funds used to pay the expense. The records only indicate a campaign expense was incurred and the method of payment. Also, Mayor Ketron failed to maintain or obtain sufficient campaign records to verify compliance with all campaign finance statutes for the contribution(s). Without the specific contributor(s) names and the exact amounts contributed, the audit could not determine compliance with the following campaign finance statutes:

- 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.
- T.C.A. §§2-10-310(a)(2) and 2-10-310(a)(3) establish requirements that must be met by members of the General Assembly who are also candidates for local office in order to solicit and accept contributions during the legislative session; full compliance with these sections cannot be determined without additional data.

Since the campaign failed to maintain contributor records for the contribution(s), the contributions are considered anonymous contributions. The Registry's previous rulings have made clear that anonymous contributions cannot be used for campaign purposes. In this case, the contributions were made in the form of funds spent for a campaign purpose when the contribution was made. As such, the audit cannot make any determination of the allowableness of such a transaction to occur in a campaign's activities or its uses, but past precedent suggests that these transactions were improper at the time the contributions were made. Details of these transactions are listed below:

1. As noted in Finding 3, Mayor Ketron's disclosed an expense to Wax Printing for \$7,585 on the 2018 First Quarter statement. The disclosure indicates the expense was for "Website, Photo and Video Services". The campaign bank account shows no direct payment for this expense. However, Mayor Ketron's Capital One credit card (World Account) does show a disbursement of \$7,585 on March 2, 2018 to Wax Family Printing in Murfreesboro. As noted in the Finding, the \$7,585 paid from Mayor Ketron's Capital One credit card (World Account) was an unreported campaign contribution. The Finding continued and noted that Mayor Ketron had provided two invoices from Wax Eloquent that appear to relate to two expenses that totaled \$15,170. The photocopied invoice shows a copy of a receipt for a credit card payment made on April 30, 2018 for one half of the expense, however, that credit card was from an unidentified account (but also a Capital One credit card). This payment would also be a contribution to the campaign because the funds are not from the campaign account. Although the audit is aware that there are other credit cards maintained by Mayor Ketron, he has provided no support to indicate this was one of his credit cards. In addition, Mayor Ketron has previously indicated that the only credit card that related to campaign activity was the Capital One credit card (World Account). Although the other audits conducted relative to Mayor Ketron's various campaign and PAC activities have shown that Mayor Ketron has used other credit cards, those activities were confirmed with his other credit card records. The audit has requested records pertaining to all credit and banking accounts used by Mayor Ketron during the audit period, however, Mayor Ketron has only provided statements to confirm specific transactions. However, this payment has not been confirmed with any credit card records to show the source of the payment. Therefore, Mayor Ketron's campaign records are

insufficient to identify the contributor of the \$7,585 used to pay the additional payment on April 30, 2018. Mayor Ketron's campaign disclosure statements failed to report any contribution to show the \$7,585 contribution was made to pay this expense on the campaign's behalf (either as a monetary contribution or in-kind contribution). Beyond the failure to report these two \$7,585 contributions (this anonymous contribution and the contribution from Mayor Ketron noted by Finding 3 Item I), Mayor Ketron also failed to report the complete cost of the expense. The failure to report the other half of the expense is noted in Finding 9.

2. In addition to the expense to Wax Eloquent / Wax Family Printing noted in Item 1, Mayor Ketron provided two additional invoices from this vendor. One Invoice (1803012) dated March 8, 2018 was for video production services in the amount of \$3,292.50. The other Invoice (1803113) dated March 14, 2018 was for Website Domain services in the amount of \$250. Both invoices were issued to Bill Ketron for County Mayor. The total of both invoices is \$3,542.50. Again, the photocopied invoice shows a credit card receipt for payment of these expenses. The credit card receipt was dated April 30, 2018 for the full \$3,542.50 amount. Also, the receipt was paid by a Capital One credit card, but not the one provided by the campaign. Mayor Ketron's records again were insufficient to identify the contributor of the \$3,542.50. Mayor Ketron's campaign disclosure statements failed to report any contribution to show the \$3,542.50 contribution made to pay this expense on the campaign's behalf (either as a monetary contribution or in-kind contribution). Beyond the failure to report the \$3,542.50 contribution, Mayor Ketron also failed to report the related expenses. The failure to report the expenses is noted in Finding 9.
3. Mayor Ketron's campaign records also included an invoice from Fastsigns that appears to have been paid, but not from the campaign account. This invoice was dated April 6, 2018 in the amount of \$1,783.44 and included a notation of "Ketron Mayor Signage". The invoice indicates that payment was made by a MasterCard credit card on April 6, 2018 for the full \$1,783.44 amount. Although Mayor Ketron's credit card (World Account) is a Mastercard, there is no \$1,783.44 payment on the credit card statements on or near April 6, 2018. Mayor Ketron's records again were insufficient to identify the contributor of the \$1,783.44, and Mayor Ketron's campaign disclosure statements failed to report any contribution to disclose that the \$1,783.44 contribution was made to pay this expense on the campaign's behalf (either as a monetary contribution or in-kind contribution). Beyond the failure to report the \$1,783.44 contribution, Mayor Ketron also failed to report the related expense. The failure to report the expense is noted in Finding 9.
4. Mayor Ketron's campaign records also included an invoice from Screenart that appears to have been paid, but not from the campaign account. This Screenart invoice was dated March 14, 2018 for magnetic car signs in the amount of \$938.36. The invoice was issued to "Bill Ketron for Mayor" and signed by Kelsey Ketron on March 16, 2018. The invoice also included a notation that the invoice was paid on March 16, 2018. However, there is no indication of how the invoice was paid. A review of the mayoral campaign's bank records showed no payment to Screenart for \$938.36 or any other entity in that amount. Although the signature by Kelsey Ketron the mayoral campaign treasurer indicates payment may have been made by Mayor Ketron, the records provided are insufficient to

show how the invoice was paid and Mayor Ketron's records again were insufficient to identify the contributor of the \$938.36 amount. Mayor Ketron's campaign disclosure statements failed to report any contribution to disclose that the \$938.36 contribution was made to pay this expense on the campaign's behalf (either as a monetary contribution or in-kind contribution). Beyond the failure to report the \$938.36 contribution, Mayor Ketron also failed to report the related expenses. The failure to report the expenses is noted in Finding 9.

5. On Mayor Ketron's 2018 Pre-General statement, Mayor Ketron disclosed an expenditure to TN Valley Ice for \$180. Mayor Ketron provided a receipt dated July 11, 2018 to support the purchase, which indicated that the payment was made in cash; however, the records provided show no indication of the source of the cash. A review of the mayoral campaign bank account shows no cash withdrawals or other disbursements on or near July 11, 2018 to indicate the cash was paid from the campaign account. Mayor Ketron has also provided no other record to show the source of the cash payment. Mayor Ketron's campaign disclosure statements also failed to report any contribution to show that the \$180 contribution was made to pay this expense on the campaign's behalf (either as a monetary cash contribution or in-kind contribution).

5. Mayor Ketron failed to report \$19,328.98 in in-kind campaign contributions received by the mayoral campaign in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107.

In addition to the unreported contributions noted in Findings 2, 3, and 4, Mayor Ketron also failed to report \$19,328.98 in advertising expenses that appear to have been in-kind contributions to the mayoral campaign. Failing to report contributions is in noncompliance with T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A), which require all contributions received to be reported on the campaign finance report when they are received. Additionally, T.C.A. § 2-10-107(c) requires that all in-kind contributions, which are contributions for which no monetary consideration is paid or promised, must be listed separately in the disclosure statement and excluded from the lists of other contributions and/or expenditures. Mayor Ketron's mayoral campaign finance records and Quest PAC records indicate that the campaign was provided with two ads on Mayor Ketron's behalf. One of these was paid for by UII, an incorporated business owned by the Ketrons. The other ad was paid for by Quest PAC, Mayor Ketron's Leadership PAC. Due to the connection of all three entities, the expenses appear to have been paid in coordination with Mayor Ketron, indicating that these are in-kind contributions. Details of each in-kind contribution is listed below:

QUEST PAC- \$9,578.13 Advertising In-Kind Contribution to the Mayoral campaign

As noted in the Quest PAC audit report, Quest PAC failed to report \$9,578.13 in in-kind contributions received on its PAC disclosures. The same in-kind contribution that Quest PAC failed to report is the same in-kind contribution the mayoral campaign failed to report. Quest PAC had to report the transaction because the payment of the ad did not come from the PACs funds, but the ad used the PAC disclaimer indicating it was a PAC activity. The mayoral campaign has to report the ad because it was produced in coordination with Mayor Ketron for the purpose of Mayor Ketron gaining the nomination in the primary election for Rutherford County Mayor.

As noted in the Quest PAC audit, Quest PAC disclosed a \$9,578.13 in-kind expense to Mayor Ketron's mayoral campaign on April 17, 2018 on the 2018 Second Quarter Disclosure statement. The expense was reported as paid to a direct mail and consulting firm for advertising. The transaction was one of three expenses reported on the disclosure to the vendor. However, the Quest PAC bank accounts show no disbursement of PAC funds for any of those expenses (see details of un-incurred expenses detailed in Finding 4 of the Quest PAC Audit Report related to the other two transactions.). The originally provided Quest PAC campaign records provided no support for the \$9,578.13 expense (including providing no records for how the expense was paid).

As such, Quest PAC officials were asked to verify that all expenses reported to this vendor were incurred and, if incurred, the source of the payments. Quest PAC and the vendor were able to provide documentation to show that the \$9,578.13 expense was PAC incurred activity that required reporting. The vendor's records show the expense was for direct-mail advertising. The mailer, which was provided, shows that the ad was in opposition to Mayor Ketron's opponent in the Rutherford County Mayoral Primary election in 2018 and included the disclaimer "Paid for by Quest PAC." The vendor indicated that the cost for the advertisement was \$9,578.13, which was paid. In response to the auditor's request for additional details regarding this expense, a letter from counsel for Mayor Ketron and Kelsey Ketron (the PAC officials) provided the following response concerning how various expenses were paid to the vendor, including the \$9,578.13:

- “...1. \$6,000 for polling conducted by
- 2. \$9,578.13 for printing and mailing a political ad;
 - I. These first two expenditures were paid together
 - II. First, on April 27, 2018, a wire transfer was made out of the Universal account in the amount of \$5,000 as a down payment for the political ad
 - III. Then, on April 30, 2018, the Mayoral campaign wrote a check in the amount of \$10,578.13, which covered (1) the remaining \$4,578,13 on the political ad invoice and (2) the entire \$6,000 due for the polling....”

The letter and related documents provided (or previously provided) confirms the payment amounts above were disbursed from the mayoral bank account and from UII's accounts. The letter then appears to indicate that, although they are not sure, the Ketrons believe this payment was for a campaign mailer, not the PAC mailer. The vendor did provide another campaign mailer; however, per the vendor, that mailer was for \$9,750.85 (see UII in-kind contribution in the next section of this Finding) and has the mayoral disclaimer.

Based on the data provided by both the vendor and the PAC, it appears that the ad was PAC activity in the amount of \$9,578.13. However, the ad was not paid for by the PAC and therefore, is not a PAC expense as the PAC reported. The ad was purchased by two entities; Mayor Ketron's Mayoral Campaign paid \$4,578,13 (this payment was also miss-reported on the mayoral campaign disclosures as noted in the Disbursement and Obligation Audit Conclusion of this report) and UII paid \$5,000. As such, those purchases are contributions to Quest PAC. Since these are purchases and not monetary contributions, the contributions are in-kind contributions and reportable as outlined in T.C.A. § 2-10-107(c). Although the original expense disclosures reported

by Quest PAC were improper and should be removed, the disclosure did properly note that this ad was an in-kind contribution to Mayor Ketron's mayoral campaign from the PAC. The ad purchase run by the PAC, even though paid by other entities, meets the definition of a PAC in-kind contribution to the mayoral campaign. It is in-kind over independent as Mayor Ketron has effective control over all the entities involved by being the candidate in the mayor election, president of the PAC, and owner of UII.

Although it was unlikely the mayoral campaign intended to make an in-kind contribution that was going to be returned through an in-kind contribution back to itself (which is somewhat inferred in the Quest PAC response letter's assessment), the records indicate that this is effectively what occurred. The transaction happening in such a manner appears to be the result of improper oversight of each entity's campaign activities and the failure to maintain separate accounting for the campaign, the PAC, and the business.

There appears to be no restriction in the campaign finance statutes to restrict a campaign from giving an in-kind contribution to a PAC that will be returned to the campaign by an in-kind contribution. There also appears to be no campaign finance benefit to making such a transaction. (There may be a benefit by using a different disclaimer, but that was not assessed in this audit as the disclaimer statute is not within the Registry's authority). There does appear to be at least one drawback to the campaign as a result of processing such a transaction based on the campaign finance statutes; by processing such a transaction in this manner, the campaign has reduced the amount Quest PAC can contribute to the mayoral campaign for the primary election and has put Quest PAC over the PAC limit to the mayoral campaign for the primary election.

As noted in the Quest PAC report and based on all the data provided above, the full ad amount cost of \$9,578.13 should be reported on the mayoral campaign's disclosure report as an in-kind contribution from Quest PAC. Mayor Ketron failed to report that \$9,578.13 contribution on his mayoral campaign disclosure statements.

Also as noted in the Quest PAC audit, the campaign limit for contributions to a local campaign for the primary election in 2018 from a PAC was \$7,800. This expense alone was over this contribution limit by \$1,778.13. Mayor Ketron's mayoral campaign was in non-compliance with the campaign limits law by directing and accepting such a contribution from Quest PAC over the campaign finance limits, which is further noted in Finding 7.

UII- \$9,750.85 Advertising In-Kind Contribution to the Mayoral campaign

As noted in the Quest PAC audit report, UII paid for an advertising expense on behalf of the mayoral campaign in the amount of \$9,750.85. The payment of the ad expense is an in-kind expense to the mayoral campaign. The Quest PAC audit report noted the following concerning the expense and the related \$9,578.13 expense noted above.

Directly from the Quest PAC audit report Finding 4 Item B:

“Quest PAC's 2018 Second Quarter Disclosure Statement reports three expenses to a media consultant. All three expenses were reported as in-kind expenses to Mayor Ketron's

mayoral campaign. The expense amounts were \$6,000, \$9,750.85, and \$9,578.13, and all were paid to the same vendor. Two of the expenses (\$6,000 and \$9,750.85) were identified by the audit as being un-incurred Quest PAC expenses. The original and subsequent submission of records provided no documentation to support the three expenses in the PAC records. The PAC provided no documentation on how the expenses were paid. In the auditor's experience, it is unusual to report an advertising expense that was not incurred; as such, both the vendor and the PAC officials were asked to provide any documentation they may be able to obtain for the expenses.

The vendor provided information that the expenses were paid and the form of some of the payments. The vendor also indicated that the \$6,000 expense was a fifteen-question survey that was conducted between April 2 and April 4, 2018, which was paid for by a check (Check number 1018). The vendor indicated the \$9,750.85 charge was for a direct mail piece for Ketron for Mayor. The vendor also provided a copy of the ad, which includes Mayor Ketron's mayoral campaign disclaimer. The vendor indicated the mail piece was paid for by two wires transfers: one on April 18, 2018 for \$5,000 and one on April 20, 2018 for \$4,750.84. The vendor indicated the \$9,578.13 was for a direct mail piece for Quest PAC (the ad was provided and has the Quest PAC disclaimer).

The Quest PAC officials noted that two invoices had been previously provided. The audit confirmed the submission and noted the two invoices were included in records noted as mayoral records. The two invoices were for \$9,578.13 and \$9,750.85 mailer expenses. Both invoices indicated they should be billed to Bill Ketron for County Mayor; however, the vendor noted in its response that all expenses for Mayor Ketron would be under one account regardless of the campaign designation or PAC designation as a standard business practice for their firm. The Quest PAC officials then provided the following statement through their attorneys:

“...From these records, it appears the payment of these expenses were as follows:

- 1. \$6,000 for polling conducted by [Vendor];*
- 2. \$9,578.13 for printing and mailing a political ad;*
 - i. These first two expenditures were paid together.*
 - ii. First, on April 27, 2018, a wire transfer was made out of the Universal account in the amount of \$5,000 as a down payment for the political ad.*
 - iii. Then, on April 30, 2018, the Mayoral campaign wrote a check in the amount of \$10,578.13, which covered (1) the remaining \$4,578,13 on the political ad invoice and (2) the entire \$6,000 due for the polling.*
- 3. \$9,750.85 for printing and mailing a separate political ad*
 - i. This was paid for in two separate wire transfers from Universal*

- ii. *First, on April 18, 2018, a down payment in the amount of \$5,000 was paid by wire transfer from the Universal account.*
- iii. *Then, on April 20, 2018, the remaining \$4,750.85 was paid by a separate wire transfer from the Universal account.*

Based upon these records, we assume that the \$9,578.13 expenditure was related to the Mayoral ad, while the \$9,750.85 expenditure was related to the Quest PAC ad... ”

The vendor provided information and PAC officials’ data appears to be similar, with one difference. The vendor’s records indicate the \$9,578.13 expense was the ad for Quest PAC and the \$9,750.85 was the campaign expense. The Quest PAC Officials are indicating the opposite. Since the vendor should be the best source for how the expense was incurred, the audit relied on the vendor data. Regardless, the PAC official’s response indicates the ad was not paid for by the PAC, and as such, it was not a PAC expense. The \$9,578.13 was determined to be a Quest PAC ad that was reportable (which also appears to be supported by the disclaimer used in the ad). At the same time, the payments for the ad on Quest PAC’s behalf were in-kind contributions to Quest PAC from the two entities that paid for the ad, as listed by the PAC officials. (The ad was also an in-kind-contribution from Quest PAC to the Mayoral campaign). The failure to report the in-kind contributions are detailed in Finding 2. In order to be a correct disclosure, the \$9,578.13 expense would need to be removed, but unlike the other expenses noted below that were not Quest PAC activity, this was Quest PAC activity that appears to be mis-reported, not an un-incurred expense like the other two expenses. See additional details on the misreporting of the activity noted in Finding 2.

As noted above, the vendor’s records indicate that the \$6,000 expense was a fifteen-question survey that was conducted between April 2 and April 4, 2018 and was paid for by a check (check 1018). The PAC officials indicated that the \$6,000 was paid by the mayoral campaign (the audit confirming the check referenced by the PAC official was check 1018). However, Quest PAC’s 2018 Second Quarter disclosures reported the \$6,000 expense and indicated it was for the mayoral campaign. The mayoral campaign’s 2018 Second Quarter disclosure statement also appears to report the polling expense to the vendor for the improper amount of \$6,200. Based on all the data provided, the \$6,000 expense appears to be a Mayor Ketron mayoral campaign expense and not a Quest PAC expense. The \$6,000 expense was improperly reported by Quest PAC when Quest PAC did not incur the expense.

Regarding the \$6,000 expense, the audit also noted that although there is no restriction on a campaign giving a PAC an in-kind contribution that in turn would be returned back to the campaign by an in-kind contribution, there appears to be no benefit for the campaign (see Finding 2 which discusses such a transaction in detail). In fact, such a transaction would be more a detriment to the mayoral campaign and Quest PAC, as it would represent additional contributions to the mayoral campaign for the primary election which were over

the limit (see Finding 5). Unlike the \$9,578.13 expense noted above, there is no disclaimer or other item that would require the expense to be a Quest PAC expense. As both the mayoral campaign and Quest PAC both reported the expense and the mayoral campaign paid the expense, it appears it may not have been the intent of Mayor Ketron to run the expense through Quest PAC. Therefore, as noted above, the audit determined the Quest PAC expense was an un-incurred expense of Quest PAC and should not have been reported by Quest PAC. The expense was an expense of the mayoral campaign and the reporting errors noted for the improper amount and period reported are noted in the mayoral audit report.

The vendor indicated the \$9,750.85 charge was for a direct mail piece for Ketron for Mayor paid by two wire transactions. The PAC officials' response indicates the two wire transfers came from the funds of UII. The ad provided by the vendor indicated the ad was for the Bill Ketron Mayoral Campaign as the disclaimer indicated, paid for by the mayoral campaign. Quest PAC's 2018 Second Quarter disclosure reports the \$9,750.85 expense and indicated it was for the mayoral campaign. The mayoral campaign's 2018 Pre-Primary disclosure statement also appears to report part of the ad expenses to the vendor. The mayoral disclosures show a \$4,111.20 for mailer postage and \$5,162.15 for mailer. These amounts are the line item amounts on the invoice for the \$9,750.85 expense except for the \$477.50 tax charge. Regardless of the facts listed in the PAC official's response, it appears the mayoral campaign reported the \$9,750.85 expense as a mayoral expense, not the \$9,578.13 it partially paid. Based on all the available data provided, the \$9,750.85 expense appears to be an ad expense of the mayoral campaign and not activity of Quest PAC. Quest PAC has again reported a PAC expense that was not incurred by the PAC by reporting the \$9,750.85 expense.

Regarding the \$9,750.85 expense, the audit noted that although there is no restriction on a campaign running the \$9,578.13 transaction through the PAC, there was no benefit to the campaign (including no avoidance of the campaign limits statutes). This is not correct for this transaction. This is because the expense was paid by an incorporated business. When the expense is paid by such a business on a PAC's behalf, the contribution to the PAC can be in an unlimited amount and the business would not need to register the business as a PAC. However, a business providing the same contribution to the mayoral campaign would be limited by the campaign finance limits and would trigger the PAC registration and reporting requirements when those disbursements were over \$1,000 annually. In addition, the campaign finance limits laws contain a conduit provision in T.C.A § 2-10-303(5) that effectively restricts this type of transaction from being a PAC expense. The statute keeps directed contributions on a campaign's behalf from being passed through a PAC to avoid the contribution limits. It states when such activity occurs, instead of being a PAC expense and PAC contributions to the campaign, the transaction is a contribution from the source that paid the expense to the campaign. In this case, Mayor Ketron has effective, if not actual control, of each entity (the contributor UII, Quest PAC, and the mayoral campaign). UII would therefore become an in-kind contributor to the campaign for each transfer on the day each transfer occurred and in aggregate of \$9,750.85, regardless if the activity was reported as a pass through by Quest PAC. The mayoral campaign and Quest PAC both reported the expense, and the it appears it may not have been the intent of

Mayor Ketron to run the expense thru Quest PAC. As noted above, the audit determined the Quest PAC expense was an un-incurred expense of Quest PAC and should not have been reported by Quest PAC. The audit also determined it was a duplicate exception to show the expense as PAC pass through activity. The audit did determine the \$9,750.85 was an in-kind contribution from UII to the mayoral campaign. Several non-compliance issues with the transaction by the mayoral campaign were noted in the mayoral audit report. Also included in that report is UII's non-compliance with campaign statutes requiring registration and reporting such contributions by an incorporated business."

As noted in the quoted report above, the \$9,750.85 was determined to be an in-kind contribution from an incorporated business (UII) to Mayor Ketron's Mayor Campaign. Mayor Ketron's Mayoral Campaign disclosures do not report the in-kind \$9,750.85 contribution being received.

Additionally, as noted above and in Finding 2 Item 9 of this report, UII is Universal International Insurance Agency, Inc ("UII"), a family owned business in which Mayor Ketron is majority owner. The funds appear to be from an incorporated business's general funds and not withdrawn by the owner from his equity in the business or salary payments to any employee of the business. Therefore, the contributions are from UII, not its owners, and should have been reported as a UII contribution. In addition, this audit and the previous audit of the Mayor Ketron's Senate Campaign has shown that UII has made contributions in excess of \$1,000 in a calendar year, and meets the definition of a political campaign committee, or PAC, as defined in T.C.A. § 2-10-102(12). Therefore, UII was required to register as a single candidate committee by filing the Appointment of Political Treasurer form with the Registry of Election Finance prior to making the first contribution to one of Mayor Ketron's campaigns per T.C.A. § 2-10-105(e). However, UII failed to register and file disclosure statements. Additional information can be found in Finding 2 Item 9 related to UII's failure to file.

The campaign contribution limits to a local campaign for the primary election in 2018 from a PAC was \$7,800. However, this \$9,750.85 in-kind expenditure alone was over this limit by \$1,950.85 (As noted above, the ad was a primary ad and no portion of the expense can be allocated to the general election). Therefore, Mayor Ketron's mayoral campaign was in non-compliance with the campaign limits law by directing and accepting such contribution from a PAC in excess of the campaign finance limits law, which is also noted in Finding 7.

Quest PAC payments to the Mayor Ketron personal credit card

In addition to the two in-kind contributions noted above, the audit also indicates that there could be an additional \$1,500 in-kind contribution to Mayor Ketron's Mayoral Campaign; however, this potential contribution was not included in the value quoted in this finding's header, as the full assessment of the transaction could not be determined in its relation to the mayoral campaign. The probable in-kind contribution appears to be the result of payments made by Quest PAC to Mayor Ketron's personal credit card. The payments could not be positively identified as an allowable expense of Quest PAC, and therefore, appears to be for the benefit of Mayor Ketron. Such a transaction would be considered an in-kind contribution to one of Mayor Ketron's campaigns.

As noted in the Quest PAC audit (Finding 3 Item c), on March 12, 2018, Quest PAC's bank account reports an electronic payment to a Capital One Credit Card for \$1,500. The bank statement showed the notation "KETRONWILLIA" after a reference number that appears to contain part of a credit card account number. The records appear to indicate this was the Capital One credit card (World Account) in the name of Mayor Ketron and Theresa Ketron. The credit card statements provided disclose a payment received on March 9, 2018 for \$1,500, which is assumed to be the same payment made by the Quest PAC bank account on March 12, 2018. The finding noted Quest PAC failed to report the \$1,500 disbursement in non-compliance with the reporting statutes. Quest PAC's initial and subsequent record submissions had no support for the purpose of the expense, including why the expense was being paid to a candidate's personal credit card. As the payment was made to a credit card, if there were reimbursed PAC expenses, the PAC was required to report each vendor that received a payment of the PAC campaign funds and the purpose of the payment by T.C.A. § 2-10-107(a)(2)(b). However, a review of the credit card statement indicated no single vendor was paid exactly \$1,500. This indicates that this payment was either an in-kind contribution to pay personal expenses of the candidate or reimbursement to the PAC's controlling candidate for multiple expenses paid on the candidate's credit card on behalf of Quest PAC. As the audit could not make any additional assessment of the expense, the auditor again asked Quest PAC officials to explain the expenses. (The details of their response are in the Quest PAC audit report.) The response appeared to indicate that the \$1,500 was a reimbursement of expenses incurred by the candidate on Quest PAC's behalf. Although that assessment could be true, there are several issues with the response and supporting spreadsheet such that the audit cannot confirm the expenses provided are the expenses that were incurred. The response used indecisive terms such as "maybe" or "believed to be" campaign or PAC related expenses. As such the response has not actually confirmed these are the related expenses. The response also notes the difficulty in reestablishing records when records were not adequately obtained or maintained along with improper and incomplete disclosures both which are required by statute. The response, however, if correct, gives additional errors for the PAC beyond the failure to report PAC incurred expenses and the possible improper payment of candidate personal expenses, which are detailed in the Quest PAC Audit report.

The Quest PAC audit continued to note the audits cannot confirm what is or was not a PAC related expense from the response, nor have the PAC officials definitively identified any expenses on the credit card as a Quest PAC expenses. The audit did not consider any of the expenses provided as being unreported and improperly reported PAC expenses (or PAC expenses at all). Thus, the audit went back to the original transaction and the effect of the \$1,500 payment to Mayor Ketron's personal card, which was disbursed on March 12, 2018. The original fact remains that Quest PAC failed to report the disbursement of the \$1,500 on its 2018 First Quarter Campaign Finance Disclosure. Whether the missing disclosure is one expense or multiple expenses cannot be determined due to lack of documentation.

In addition to being unreported, the expense appears to be for the benefit of Mayor Ketron for payment of campaign expenses or personal expenses on his personal credit card. If campaign related expenses were incurred, which campaign these expenses were incurred for cannot be determined (Senate or Mayoral) due to a lack of documentation. In either case, the expenses are unreported in-kind expenses from the PAC to Mayor Ketron and unreported in-kind contributions

to one of the campaigns. Even if the expenses paid were personal, the disbursements would still be in-kind contributions and attributable to one of the campaigns per the definition of campaign contribution in T.C.A. § 2-10-102. However, the audit cannot determine what amount would be attributable to each of Mayor Ketron's campaigns, and if portions are attributable to both campaigns, how much is attributable to each campaign cannot be determined due to lack of documentation.

The in-kind expense/contribution from the PAC to Mayor Ketron also appears to be unallowable. While there are limited restrictions on PAC disbursements, the primary restriction placed on PAC disbursements is the limit on the amount of contributions a PAC can give a candidate (included in the limit are direct monetary contributions, loans, and in-kind contributions). However, since in-kind expenses incurred on behalf of a candidate by PACs are also in-kind contributions for the candidate, there are campaign restrictions that could affect a PAC's disbursement to a campaign. Campaigns have statutory restrictions on how they can use campaign contributions, including the restriction on personal use, which would include in-kind contributions. Thus, a PAC's in-kind expenses to pay the personal expenses of a candidate may not be unallowable to the PAC, but the candidate who receives the benefit is restricted from accepting the in-kind contribution based on T.C.A. § 2-10-114. If any or all the expenses paid were personal, the disbursement for those expenses would be unallowable to the campaign. Since Mayor Ketron has effective control of all three (Mayor Ketron's Senate Campaign, Mayor Ketron's Mayoral Campaign, and Quest PAC), he should be aware paying such an expense would have been unallowable to the campaign and the funds would have to be returned to the PAC.

Regardless of the allowableness of the expense related to the payment of personal expenses, the other restriction on PACs is giving contributions to legislative members during session. This disbursement, either to the campaigns or for personal expenses, was also during legislative session when the Mayor was still a Senator in the State of Tennessee and was incurred when the legislature was in session in 2018; therefore, it was an unallowable expense due to the black-out restrictions. The expense, regardless of the purpose or the campaign for which it relates, meets the definition of an in-kind contribution to Mayor Ketron and is subject to the restrictions outlined in T.C.A. § 2-10-310. Therefore, regardless of all the above, the expense was unallowable as a disbursement during session for the benefit of a legislative member by Quest PAC and was prohibited from being accepted by either of Mayor Ketron's campaigns.

6. Mayor Ketron appears to have failed to comply with T.C.A. § 2-10-310 by accepting \$14,800.85 in restricted contributions received during legislative session while serving as an elected Member of the Tennessee General Assembly.

Mayor Ketron appears to have received \$14,800.85 in contributions during the 2018 legislative session in violation of T.C.A. § 2-10-310, which restricts members of the General Assembly from soliciting or collecting contributions while in legislative session. However, the statute includes an exception for certain contributions solicited or collected when a Member of the Tennessee General Assembly is running for local elected office in Tennessee. During 2018, Mayor Ketron (then Senator Ketron) was a Member of the Tennessee General Assembly who was a candidate running for Rutherford County Mayor (a local elected office in Tennessee).

T.C.A. § 2-10-310(a) states as follows:

“(2) (A) During such period, a member of the general assembly who is a candidate for a local public office shall be permitted to conduct fundraising events and solicit or accept contributions for such campaign for local public office only under the following conditions:

- (i) Such fundraising events may be held only in the county in which such member is a candidate for local public office;*
- (ii) Solicitations and acceptance of contributions for such purposes may only be made from individuals residing in such county;*
- (iii) Such fundraising events shall not be held, nor contributions be solicited nor accepted, on state property;*
- (iv) The member shall not be permitted to solicit or accept, directly or indirectly, any actual or in-kind contribution during such period from a lobbyist or employer of a lobbyist; and*
- (v) No other member of the general assembly or the campaign committee of such other member shall be permitted to solicit or accept contributions during such period for the member campaigning for local public office.*

(B) It shall be unlawful for any lobbyist or employer of a lobbyist to make any contribution to such member's campaign committee during such period for any purpose

(3) All contributions raised as a result of fundraising or a fundraising event authorized and held in accordance with subdivision (a)(2) shall be reported on a form prescribed and provided by the registry of election finance for such purposes. Such form shall be filed with and attached to the applicable campaign finance disclosure report. The following disclosures shall be made on such form:

- (A) The amount of contributions collected as a result of such fundraising event;*
- (B) The date and place such fundraising event was held;*
- (C) The dates on which such contributions were accepted; and*
- (D) All other information required by law to be reported on a campaign financial disclosure report.”*

In 2018, the Tennessee General Assembly convened for legislative session on January 9, 2018 and adjourned on April 27, 2018. Mayor Ketron's campaign bank records indicate he received several contributions during session which cannot be verified as having been received by individuals residing in Rutherford County. Although "individual" is not defined by statute, the Bureau's Counsel has advised that "individual" means a living human and does not include other entities included within the statutory definition of "person" at T.C.A. 2-10-102(9)(A). Further, an Attorney General's Opinion issued in 2002 specifically found that the term "individual" does not include multicandidate political campaign committees. Op.Atty.Gen. No. 02-049, April 17, 2002, WL 649058. Thus, Mayor Ketron was prohibited from accepting contributions from business entities of any type, associations, clubs, and PACs, along with non-residents, during the legislative session regardless of location. The audit therefore identified the following transactions which appear to be in non-compliance with the statute:

1. On March 1, 2018, Mayor Ketron deposited a check for \$250 from an individual written on January 22, 2018. Both the deposit date and check date indicate the contribution was received during legislative session and was reportable on the 2018 First Quarter reporting period. However, the contribution was unreported as noted in Finding 2 Item 4. In addition to being unreported, the contribution appears to be in non-compliance with the exception to the legislative restriction on taking contributions during session. Mayor Ketron has provided no evidence to indicate that the contributor was a resident of Rutherford County, Tennessee; instead, the records provided appear to suggest that the contributor is a Davidson County resident, as the address on the check reflects a residential address in

Nashville, TN. Without additional supporting documentation to show the contributor was a Rutherford County resident, the contribution appears unallowable and Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$250 contribution that was prohibited during legislative session.

2. On March 8, 2018, Mayor Ketron deposited a check for \$1,500 from a PAC written on January 12, 2018. Both the deposit date and check date indicate that the contribution was received during legislative session and was reportable on the 2018 First Quarter reporting period; however, the contribution was unreported, as noted in Finding 2 Item 6. In addition to being unreported, the contribution appears to be in non-compliance with the exception to the legislative restriction on taking contribution during session. The contribution appears to be non-compliance with the exception to the legislative restriction on taking contribution during session, as the PAC is not an individual. Therefore, Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$1,500 PAC contribution that was prohibited during legislative session.
3. On March 22, 2018, Mayor Ketron deposited a check for \$250 from a business written on March 13, 2018. The check was reported on the 2018 First Quarter Disclosure Statement as received on March 13, 2018. The disclosure shows the contribution was received during the during legislative session. The contribution appears to be non-compliance with the exception to the legislative restriction on taking contribution during session, as the business is not an individual. Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$250 PAC contribution that was prohibited during legislative session.
4. On March 29, 2018, Mayor Ketron deposited a check for \$1,800 from an individual written on March 23, 2018. The check was reported on the 2018 Second Quarter Disclosure Statement as received on April 26, 2018; as a result, the contribution was improperly reported as occurring on a different date and on the wrong disclosure statement. (The audit has not prepared a separate finding for the other two areas of non-compliance as the reporting out of period and with the wrong date appears to be more related to double reporting expense which is noted in Finding 8.) Also, the contribution was understated when reported by \$300, as noted in Finding 2 Item 18 (which includes additional details on the reporting and the reason for the Findings report). The contribution also appears to be non-compliance with the exception to the legislative restriction on taking contribution during session. Mayor Ketron has provided no evidence to establish that the individual was a resident of Rutherford County, Tennessee; instead, the records suggest that the contributor was a Davidson County resident, as the address on the check reflects a residential address in Nashville, TN. Without additional documentation to show the contributor was a Rutherford County resident, the contribution appears unallowable and Mayor Ketron appears to have failed to comply with T.C.A. § 2-10-310 by taking a \$1,800 contribution that was prohibited during legislative session.
5. On March 30, 2018, Mayor Ketron deposited a check for \$1,000 from a PAC written on March 7, 2018. Both the deposit date and check date indicate that the contribution was received during the legislative session and was reportable on the 2018 First Quarter reporting period. However, the contribution was unreported, as noted in Finding 2 Item 7.

In addition to being unreported, the contribution appears to be non-compliance with the exception to the legislative restriction on taking contributions during session. The contribution appears to be non-compliance with the exception to the legislative restriction on taking contribution during session, as the business is not an individual. Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$1,000 PAC contribution that was prohibited during legislative session.

6. On April 20, 2018, Mayor Ketron deposited a check for \$250 from a business written on April 20, 2018. The check was reported on the 2018 Pre-Primary Disclosure Statement as received on April 18, 2018. (The audit noted the date reported is likely incorrect as a contribution could not be received before being written or deposited, but changing the date by two days has no effect on the evaluation of the contribution and is a minor error which was not noted in any detail Finding). The disclosure shows the contribution was received during the during legislative session. The contribution appears to be non-compliance with the exception to the legislative restriction on taking contribution during session as the business is not an individual. Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$250 contribution that was prohibited during legislative session.
7. As noted in Finding 5, UII provided an in-kind contribution to Mayor Ketron's Mayoral campaign in the amount of \$9,750.85. Based on the campaign records provided, the payment for the ad was made in two parts with one payment of \$5,000 being made on April 18, 2018 and the other payment of \$4,750.85 being made on April 20, 2018. Both payments were made during legislative session. As noted in Finding 5, UII was required to register as a PAC in order to give contributions over \$1,000 in a calendar year to candidates (or a candidate); however, UII failed to register. For purposes of this finding, whether UII is evaluated as an incorporated business giving contributions or a PAC giving the contributions, is immaterial as either entity would be prohibited from making contributions during the legislative session to Mayor Ketron. Therefore, Mayor Ketron has failed to comply with T.C.A. § 2-10-310 by accepting a \$9,750.85 contribution that was prohibited during legislative session.

In addition to the \$14,800.85 in contributions noted above, the audit was unable to determine the compliance of one contribution. This contribution was written by an individual for \$500 on March 26, 2018; however, the check had no address information to indicate a residential address within Rutherford County. This check was also unreported and is identified as unreported in Finding 2, Item 7. The contributor also made a second contribution of \$1,000 outside of session; this check was written on July 19, 2018 and deposited on July 20, 2018. Again, this second check has no address information to indicate a residential address. Again, the contribution was unreported, as noted in Finding 2 Item 13. Therefore, the audit cannot determine the individual's residence from the data provided by the candidate. The name of the contributor is a common name, making an internet search or property search an unreliable method of identifying the contributor. Accordingly, the campaign finance statutes require candidate to maintain sufficient records to determine compliance. In this instance, Mayor Ketron has failed to maintain such a record for compliance. Relatedly, in order to properly comply with the reporting requirements to disclose such a contribution (over \$100), T.C.A. § 2-10-107 (2)(A)(ii) requires candidate to make a best effort to obtain addresses. There is no indication in the campaign records that Mayor Ketron

has made any “best effort” attempt to obtain this information. Again, the lack of campaign records establish that Mayor Ketron has failed to maintain records sufficient to determine compliance with respect to the March 26, 2018 contribution.

7. Mayor Ketron received \$8,728.98 in contributions in excess of campaign contribution limits in non-compliance with T.C.A. § 2-10-302.

Audit records indicate that Mayor Ketron received \$8,556.26 in contributions above the contribution limits listed in T.C.A. §2-10-302. These contributions include two primary ads run for the benefit of Mayor Ketron’s Mayoral Campaign, both of which appear to be under Mayor Ketron’s direction or control. One ad was run by Quest PAC, Mayor Ketron’s leadership PAC, using the PAC disclaimer in the ad. The other ad was paid for by UII, Mayor Ketron’s business. As noted above, UII met the definition of a political campaign committee and, accordingly, should have registered as a PAC. Therefore, both contributions would be subject to the PAC limits. Details of the activities that were over the limits, including the two ads, are listed below:

1. On May 18, 2018, Mayor Ketron deposited a check from an individual written on May 8, 2018 for \$5,000. The check header only identified one holder of the account. Mayor Ketron’s campaign records indicated no other potential contributors and the check itself did not identify any other potential contributor. In 2018, the maximum contribution an individual could give Mayor Ketron for the mayoral election was \$3,000 (\$1,500 for the primary and \$1,500 for the general election). Therefore, the additional \$2,000 exceeded campaign contribution limits. There is no indication in the campaign records to suggest that any funds were returned to the contributor. Therefore, Mayor Ketron has accepted \$2,000 in contributions in excess of campaign finance limits.
2. As noted in Finding 5, UII made an in-kind contribution to Mayor Ketron’s Mayoral campaign in the amount of \$9,750.85, which was unreported. As noted in that Finding, the contribution was related to an ad that UII paid for on behalf of Mayor Ketron’s campaign. This ad was a support ad for the primary election and its disclaimer indicated that it was paid for by Mayor Ketron’s campaign. As noted in Finding 6 Item 7, based on the campaign records provided, payment for the ad was made in two parts with one payment of \$5,000 on April 18, 2018 and the other payment of \$4,750.85 on April 20, 2018. Both payments occurred during legislative session and were unallowable. Additionally, UII was required to register as a PAC, but failed to do so. As UII meets the definition of a PAC, this \$9,750.85 contribution is being evaluated based on the PAC limits. In 2018, the maximum contribution a PAC could give Mayor Ketron for the mayoral election was \$15,600 (\$7,800 for the primary and \$7,800 for the general election). Unlike monetary contributions, which can be allocated or designated to either election based on the contributors’ directions or the candidate’s choice of allocation if not directed, this was an in-kind contribution for the purchase of an ad for the primary election. As such, a contribution can only be allocated to the primary election. Therefore, the maximum cost of the ad that could have been provided by UII and be within the campaign contribution limits was \$7,800. As noted, UII paid \$9,750.85 for the ad; this is \$1,950.85 over the contribution limit. Therefore, Mayor Ketron accepted \$1,950.85 in contributions in excess of the campaign finance limits and has failed to comply with T.C.A. § 2-10-310 by taking a \$9,750.85 contribution that was prohibited during legislative session.

3. Finding 5 of the Quest PAC audit report noted that Quest PACs disclosures, PAC records, and Mayor Ketron's 2018 mayoral campaign disclosures indicate that Quest PAC provided Mayor Ketron's 2018 Mayoral campaign with \$12,578.13 in contributions for the primary election. The maximum contribution a registered PAC, like Quest PAC, could make to a local candidate for the primary election in 2018 was \$7,800. The \$12,578.13 in contributions exceeds the contribution limit set forth in T.C.A § 2-10-302(b) by \$4,778.13. The Quest PAC audit report also determined, based on the records obtained for the audit, that Quest PAC made the following contributions to Mayor Ketron (Quest PAC's controlling candidate) and the associated Mayoral and Senate Campaigns:
- Quest PAC's 2017 Early Year-End Supplemental Disclosure Statement reports a \$3,000 campaign contribution to Bill Ketron on September 8, 2017. Mayor Ketron's 2018 Rutherford County mayoral campaign's 2017 Early Year-End Supplemental Statement reports the same \$3,000 contribution from Quest PAC for the primary election on September 8, 2017.
 - Quest PAC records indicate that Quest PAC paid for a joint fundraising event for Quest PAC and Mayor Ketron's 2018 Senate Campaign. The records indicated the expense amount was \$8,242.67 and that half the expenses which is \$4,121.33 was an in-kind contribution to the senate campaign.
 - Quest PAC disbursed \$1,500 to Mayor Ketron's personal credit card. (This is the same \$1,500 noted in Finding 5 of this Audit Report that was provided for the boards consideration, but not included with unreported in-kind contributions noted in the header of the finding). The purpose of the expense could not be determined, but the expense appears to be an in-kind contribution to Mayor Ketron. Quest PAC's documentation was insufficient to support the purpose of the expense, and as such, the audit cannot determine whether the contribution related to a Mayor Ketron Senate expense, a Mayor Ketron Mayoral expense, or a personal expense. Further, this contribution occurred during the 2018 legislative session in violation of T.C.A. § 2-10-310. (This was not included in Finding 6 of this audit report because the audit could not determine to which campaign it would relate). As the contribution was unallowable per T.C.A. § 2-10-310 regardless of purpose, the contribution was not included in the aggregate contributions to Mayor Ketron's mayoral campaign.
 - The Quest PAC Audit Report indicates that Quest PAC made an in-kind contribution for an advertising expense in the amount of \$9,578.13 on May 7, 2018 to Mayor Ketron's mayoral campaign. This expense has been determined to have been an in-kind contribution from Quest PAC, in which the PAC paid for an advertisement in opposition to Mayor Ketron's primary opponent. This advertisement included a disclaimer stating that the advertisement was paid for by Quest PAC. The expense did not occur in May 2018 but occurred in April 2018. The records indicate that the expense was paid in part by a wire transfer on April 27, 2018 (the day legislative session ended) and that the remainder was paid by check on April 30, 2018 (after the close of legislative session).

The Quest PAC Audit Report's Finding 2 also noted that a portion of the expense was paid by the mayoral campaign. While there is no restriction to prohibit a campaign paying a PAC expense that will be returned to the campaign in the form of an in-kind contribution, there is a detriment to the campaign because the expense, even though paid for partially by the campaign, must still be reported as an in-kind contribution to the campaign. Thus, regardless of the portion of the expense that was paid by the mayoral campaign, the whole \$9,578.13 is an in-kind contribution from Quest PAC to the mayoral campaign. Finally, because the ad was related to the primary opponent, the contribution is a primary contribution. As noted in Finding 5 of this audit report, the in-kind contribution was also unreported by Mayor Ketron's Mayoral Campaign.

- Quest PAC's bank records indicate that a check (#1094) for \$2,314.11 was written to "Ketron for County Mayor", which cleared the bank on May 1, 2018. Quest PAC failed to report the contribution. Mayor Ketron's 2018 Mayoral Campaign also failed to report the campaign contribution from Quest PAC. See Finding 2 Item 9 of this Audit Report. Since, the mayoral campaign failed to report the contribution, the contribution was not allocated to an election by the campaign. Quest PAC also did not appear to designate the contribution. Therefore, the audit cannot determine the election for which the check was intended. However, as the check cleared on the day of the primary election and at the time Quest PAC was over the primary limit, the audit determined it was likely Mayor Ketron would have elected to allocate the contribution to the general election.

The resulting aggregate totals by election for each campaign are listed below. As noted above, the \$1,500 amount was not included in the totals below, as the entire transaction was determined to be unallowable due to legislative session. The \$1,500 amount was only included in the Finding because, if allowable, it would indicate additional contributions to Mayor Ketron's Mayoral and Senate Campaigns.

- Mayor Ketron's Senate Campaign's 2018 primary election \$4,121.33
- Mayor Ketron's Senate Campaign's 2018 general election \$0.00
- Mayor Ketron's Mayoral Campaign's 2018 primary election \$12,578.13
- Mayor Ketron's Mayoral Campaign's 2018 general election \$2,314.11

The summary shows Quest PAC made \$12,578.13 in contributions to Mayor Ketron's primary election. The \$12,578.13 is \$4,778.13 over the \$7,800 Consumer Price Index adjusted limit for 2018 elections outlined in T.C.A § 2-10-302(b). Therefore, Mayor Ketron's Mayoral Campaign failed to comply with the campaign contribution limits law by accepting \$4,778.13 more than the campaign finance limit from Quest PAC for the primary election.

The audit also noted that it is unusual for a candidate to be collecting on two separate campaigns for election in the same year. In 2018, the mayoral elections were held in May (primary) and August (general), while the Senate elections were held in August (primary) and November (general). The qualifying deadline for the Mayoral election was in February 2018 and the qualifying deadline for the Senate election was in April 2018. Although there may be

restrictions on qualifying for both elections in the election statutes, there appears to be no restriction in the campaign finance statutes for collecting or expending funds on two elections in the same year. Further, T.C.A § 2-10-302(b) places limits on the PAC by election, and not by candidate. However, as noted in Mayor Ketron's Senate audit report, collecting and spending funds for an election in which the candidate appears to have no intent to run (Mayor Ketron's 2018 Senate Campaign), while also collecting for an election for another office which the candidate was seeking (Mayor Ketron's Rutherford County 2018 Mayoral Campaign), could bring into question whether expenses or contributions to Mayor Ketron's Senate Campaign are campaign expenses or campaign contributions to Mayor Ketron's Senate Campaign as defined in T.C.A § 2-10-102.

The three items above show that Mayor Ketron received \$2,000 from an individual, \$1,950.85 from UII, and \$4,778.13 from Quest PAC in excess of the campaign contribution limits. The total of the three is the \$8,728.98.

8. Mayor Ketron reported \$4,600 in contributions which were not received by the campaign in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A).

Mayor Ketron appears to have failed to comply with T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A) by reporting \$4,650 in contributions where the associated funds cannot be verified as being deposited into a bank account. T.C.A. § 2-10-105(a) requires every candidate for state public office to file a statement of all contributions received and expenditures made by such candidate. Reporting contributions that were not received, at a minimum, violates the spirit of the law, which is to promote transparency for the public, if not the letter of the law, by obscuring the truth with fictional data. Also, T.C.A. § 2-10-105(f) requires candidates to maintain all records used by the candidate to complete their disclosure statements for at least two years following the date of the election to which the records refer or the date of the document, whichever is later. The statute is violated where records cannot be produced to support the reported information. Further, T.C.A. § 2-10-107(e) requires that all statements filed shall list any unexpended balance, any deficit, and any continuing financial obligations; reporting unsupported data results in an inaccurate reporting of the closing balance of each statement and violates the statute. Each time a contribution is reported that was not received, the amount available reported as the ending balance is improperly inflated. Therefore, each of the improper disclosures violates the requirements T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

Mayor Ketron's Mayoral Campaign Disclosures and bank records indicate nine contributions, totaling \$4,600, for which Mayor Ketron has provided no supporting documentation to verify that the funds were deposited into a campaign account. The contributions were disclosed as follows:

1. Shreibaman, Amnon \$1,500
2. Luffman, Marty \$250
3. Thompson, James \$300
4. Construction Concepts of TN \$250
5. Adkins, Carl \$200
6. Turner, James \$200
7. Elam II, Edward \$1,000

8. Morgan, Sheri \$500
9. Weatherford, Jack \$400

All of these purported contributions were reported on the 2018 Second Quarter Statement, but there are no records to indicate the contributions occurred during that period. Further, all nine contributions were also reported in prior periods, when it appears the contributions were actually received based on the campaign records. Eight of these nine contributions were reported previously on the 2018 First Quarter, and the ninth was reported on the 2018 Pre-Primary Statement. Therefore, it appears that each of these nine contributions is actually a duplicate reported contributions. When the duplicate contributions were report Mayor Ketron disclosed the date April 26, 2018 as the date of receipt. While, this April date appears to have no relation to the actual contributions, the date itself would be proper for the reporting period if the contributions had been received on this date. The total aggregate amount of the duplicated contributions is \$4,600.

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 and reported in compliance with T.C.A. §§ 2-10-107 and 2-10-114.

Audit Methodology:

The Registry obtained Mayor Ketron's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to July 31, 2019. The Registry requested that Mayor Ketron provide his campaign records to support all disbursements made and expenses incurred during the period from January 1, 2018 to July 31, 2019. As noted in the update to the Members on November 13, 2019, Mayor Ketron provided a listing of all bank accounts used by the campaign on October 1, 2019. Also noted at the same time was the additional submission of records by Mayor Ketron on October 14, 2019, which was noted as limited in scope. The items received on October 14, 2019 related to the audit(s) included the following:

1. A letter from Kelsey Ketron providing an explanation of various expense transactions. Included in the letter was an explanation for missing records which, according to her, were missing due to the execution of a search warrant by the Murfreesboro Police Department.

The auditor was subsequently able to obtain records from the Hamilton County District Attorney related to items obtained through the warrant and noted by Kelsey Ketron in her letter as missing due to the search warrant. The records were reviewed but no relevant data for campaign contributions or expenses was noted in those records that was not already available to the auditor from other submissions by the candidate or by subpoena.

2. Exhibit A – Copies of contributor checks for the mayoral campaign.
3. Exhibit B – Credit card transaction listing from an unknown credit card. A subsequent submission indicated that the transactions were from the Capital One credit card of Bill Ketron (Mayor Ketron) and Theresa Ketron (World Account). Also in Exhibit B were a check disbursed from the mayor's account and three invoices and receipts for what appears to be mayoral expenses.
4. Exhibit C – Check stubs for the 2018 mayoral account and check stubs for the 2018 senate account.

Also as noted in the November 13, 2019 notification to the Members, the Registry had issued subpoenas to the banks where Mayor Ketron indicated the mayoral campaign had bank accounts. Since that update, the bank has complied with the subpoena. Thus, all the subpoenaed bank records have been obtained. The documents included bank statements from January 1, 2018 to July 31, 2019 and copies of all disbursement checks which cleared those accounts. For the mayoral campaign, there was a single account with Wilson Bank & Trust. in the name of “Bill Ketron for County Mayor”.

Prior to the November 13, 2019 update to the Members, the auditor became aware of the need to obtain Bill Ketron and Theresa Ketron’s personal credit card information. The audit also determined that there was a need to obtain bank account records for Universal International Insurance Agency, Inc (“UII”), a family owned business of the Ketron’s. Realizing those records would be needed to complete the audit procedures and may require additional subpoenas authorized by the Members of the Registry, the authority to subpoena was requested and approved by the Members at the November 13, 2019 meeting.

On February 17, 2020, Mayor Ketron through his attorneys provided his bank records for the senate campaign, the mayoral campaign, and Quest PAC. He also provided copies of his Capital One credit card statements (World Account) and bank records for UII. Due to the submission by Mayor Ketron additional records were not subpoenaed by the Registry as the records provided appeared to be complete. However, after detail testing began, the audit noted additional credit card transactions not related to the Capital One card (World Account) as addressed in several Findings in the Senate, Mayor and Quest PAC Audit Reports. These other associated credit cards could be subpoenaed, and additional information obtained; however, due to the request to complete the audit by the Members of the Registry as quickly as possible, additional subpoenas were not issued. The auditor determined that sufficient information was available to assess the transactions for the purpose of the audit, without noting a scope limitation for the limited time. After the February 17, 2020 submission, the records available for the audit of the mayoral campaign account activities for disbursement and expenses included the following:

- A. Bank statements for the Wilson Bank & Trust mayoral campaign account from January 1, 2018 to July 31, 2019.
- B. Copies of all disbursement checks from the mayoral campaign bank accounts.
- C. Copies of Mayor Ketron and Theresa Ketron’s personal credit card statements to support purchases reported that were paid on one of their personal credit card accounts from Capital One (World Account).
- D. Bank statements for UII from January 1, 2018 to July 31, 2019.
- E. A letter of explanation of MTSU BRAA expenses and campaign truck expenses by Kelsey Ketron, the campaign treasurer.
- F. Copies of twelve invoices or receipts from various vendors for expenses incurred or activities related to the Mayor Ketron’s mayoral campaign.

Although the campaign records for the mayoral campaign included some records provided to support the purpose of the disbursements made and/or expenses incurred, Mayor Ketron's supporting records for the other audits were limited such that the only documents received for expenditures were disbursement records (canceled check, credit/debit card transactions on credit card statements, or electronic transfer records reported on the bank statement records), which show only the payee and the amount of the expense. Although Mayor Ketron reports the purpose of an expense on his disclosures, the receipt, invoices, contracts, or other documentation from the vendor is needed to verify the purpose reported is accurate and allowable. Due to the lack of these records for those audits and the partial records provided for the mayoral audit, the auditor initiated a process of rebuilding purpose records for the campaign account by requesting invoices and receipts from various vendors and making additional inquiries of Mayor Ketron and the treasurer. The additional receipts, invoices, or other records provided are noted throughout the audit reports. Details related to the lack of documentation for expenses noted in this audit report are noted in Findings 12 & 13. 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 \$48,288.45.
- 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.
- A listing of expenditures reported and incurred were reviewed to determine if all expenditures were reported, reported in the proper period, reported in compliance with T.C.A. §§ 2-10-105, 2-10-107 and 2-10-114.

Audit Conclusion:

Mayor Ketron's Mayoral Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicate that the campaign had expenses totaling \$48,288.45. However, Mayor Ketron's mayoral campaign bank account records indicate that the campaign disbursed \$82,596.14 for the same period. This \$34,307.69 difference is the result several errors, including failing to report all expenses that were incurred, the improper reporting of expenses that were not incurred from the campaign account, and improperly reporting activity that was paid on Mayor Ketron's personal credit card. The various errors noted are in the list that follows, along with the reference to the finding detailing the errors. Also included in this listing are several expenses that were incurred but not disbursed from the campaign account and were not disclosed; these amounts are not part of the discrepancy noted above, as they are not included within either the \$48,288.45 reported or the \$82,596.14 disbursed from the mayoral campaign account. In these instances, the campaign has failed to report both expenditures and contributions (References to the Findings addressing the failure to report these contributions are noted below.)

1. Mayor Ketron failed to report expenses totaling \$49,181.50 related to the mayoral campaign account as required by T.C.A. §§ 2-10-105 and 2-10-107. Mayor Ketron failed to report an additional \$13,849.30 in campaign expenses that were not paid from the mayoral campaign account as required by T.C.A. §§ 2-10-105 and 2-10-107. Details of the unreported expenses are in Finding 9. The following listing summarizes the unreported expenses by reporting period.

- On the 2018 First Quarter report, Mayor Ketron failed to report \$19,625.06 in expenses that were disbursed from the campaign account. One of these expenses was an obligation payment for activity that should have been reported during the 2017 Year-End reporting period as an obligation.

Also, during 2018 First Quarter reporting period, Mayor Ketron failed to report \$12,065.86 in expenses that were incurred for campaign activity but were not paid for from the campaign account.

- On the 2018 Pre-Primary report, Mayor Ketron failed to report \$4,500 in expenses that were disbursed from the campaign account.

Also, during 2018 Pre-Primary reporting period, Mayor Ketron failed to report \$1,783.44 in expenses that were incurred for campaign activity but were not paid for from the campaign account.

- On the 2018 Second Quarter report, Mayor Ketron failed to report \$11,277.13 in expenses that were disbursed from the campaign account.
- On the 2018 Pre-General report, Mayor Ketron failed to report \$6,321.48 in expenses that were disbursed from the campaign account.
- On the 2018 Third Quarter report, Mayor Ketron failed to report \$6,262.83 in expenses that were disbursed from the campaign account.
- On the 2018 Fourth Quarter report, Mayor Ketron failed to report \$1,123.00 in expenses that were disbursed from the campaign account.
- On the 2018 Mid-Year report, Mayor Ketron failed to report \$72 in expenses that were disbursed from the campaign account.

2. Mayor Ketron failed to report the full amount of all expenses incurred. Mayor Ketron understated two expenses by \$7,585.26. The failure to report the full amount of each expense incurred is required by T.C.A. §§ 2-10-105 and 2-10-107. The understated expenses also represents an unreported expenses and is included in Finding 9.

3. Mayor Ketron has failed to comply with T.C.A. §§ 2-10-105 and 2-10-107, which requires reporting of expenses incurred by the campaign and disbursements of campaign funds, by reporting several expenses that were not paid from the campaign account or any other

candidate related accounts provided to the audit. In addition, Mayor Ketron failed to comply with T.C.A. § 2-10-107(e), which required the reporting of the available campaign funds at the end of each period, by understating the campaign's available balance at the end of each reporting period as a result of each reported expense that was not actually incurred. Mayor Ketron disclosed un-incurred expenses totaling \$14,459.07. Details of the in un-incurred expenses are in Finding 10. The following list summarizes these disclosed but un-incurred expenses by reporting period.

- On the 2018 Pre-Primary report, Mayor Ketron reported a \$9,273.35 expense that was not incurred by the campaign. The expense reported appears to have been an in-kind contribution to the campaign by UII.
 - On the 2018 Second Quarter report, Mayor Ketron reported a \$489.18 expense that was not incurred by the campaign. There is no record to indicate this expense was ever incurred on behalf of the campaign.
 - On the 2018 Pre-General report, Mayor Ketron reported \$3,025.71 in expenses that were not incurred by the campaign. There is no record to indicate any of these expenses were ever incurred on behalf of the campaign.
 - On the 2018 Third Quarter report, Mayor Ketron reported \$1,670.83 in expense that was not incurred by the campaign. There is no record to indicate this one expense was ever incurred on behalf of the campaign.
4. Mayor Ketron overstated the amount of two transactions by \$235. The overstatement of expenses is effectively the same as reporting expenses that were un-incurred as noted in Item (3). Details of these transactions are also included in Finding 10.
 5. During the 2018 Pre-General reporting period, Mayor Ketron reported a \$180 expense. While this expense appears to have been incurred on behalf of the campaign, based on a receipt provided, it was not paid for by campaign funds. Instead, it appears that the expense was paid for in cash from an unknown source. Although the reporting of the transaction was proper, the \$180 represents a difference from the amount reported and the bank activity noted in the paragraph above. This cash also represents an unreported contribution, as noted in Finding 4 Item 5.

In addition to the unreported and improperly reported expenses noted above from January 16, 2018 to June 30, 2019, the audit identified the following activities between January 1 and January 15, 2018 (relating to the 2017 Year-End reporting period) and between July 1, 2019 and July 31, 2019 (relating to the 2019 Year-End reporting period) which appear to be non-compliant with the campaign finance statutes:

1. Mayor Ketron failed to report three transactions totaling \$3,000 in disbursements from the mayoral campaign account from January 1 to January 15, 2018 and \$12 from July 1, 2019 to July 31, 2019 as required by T.C.A. §§ 2-10-105 and 2-10-107. Details of the unreported expenses are in Finding 9.

The mayoral campaign disclosures and campaign records also indicate that Mayor Ketron's campaign also had additional issues beyond those related to reporting and differences between the campaign's bank account and its reported activity for disbursements and expenses. The audit noted the following additional issues:

1. Mayor Ketron was failed to comply with T.C.A. §§ 2-10-212(c) and 2-10-105(f) by failing to retain sufficient disbursement records to determine the purpose and proper disclosure of several expenditures, which is noted in Finding 12 and throughout the audit report. Additionally, the audit identified \$43,502.91 in specific disbursements that were unsupported and that also appear to be in violation of T.C.A. §2-10-114, which prohibits certain uses of campaign funds. These items are detailed in Finding 11.
2. Mayor Ketron also failed to provide a supporting record for numerous expenses, including \$43,502.91 in expenses that were completely unsupported and determined to have been unallowable, as detailed in Finding 11. In addition to those expenses, the audit identified \$2,512.96 in expenses incurred by the campaign where Mayor Ketron failed to retain a receipt, invoice, or other supporting document to support the campaign purpose disclosed. Mayor Ketron was required by T.C.A. §§ 2-10-212(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made. These items are detailed in Finding 12.

Finally, as reported in Mayor Ketron's Senate Audit Report, Mayor Ketron used a senate purchased campaign vehicle for activities associated to his mayoral campaign. As noted in that audit, those activities do not represent senate campaign expenses but are mayoral campaign expenses. These campaign vehicle expenses were neither reported by the mayoral campaign nor paid for by the mayoral campaign. As such, the mayoral campaign either has unreported expenses and reimbursements owed to the senate campaign account or has received unreported in-kind contributions from the senate campaign account by virtue of the mayoral campaign's use of the senate campaign's asset. Further, as noted in the Senate Audit, the value of these expenses/contributions could not be accurately assessed due to the lack of records pertaining to the mayoral campaign's use of the vehicle. In order to provide the details of those transactions in this report, an additional section was added entitled "Improper reporting of use of Senate Campaign Asset by Mayoral Campaign" to address this issue.

FINDING(S)

9. Mayor Ketron failed to report \$66,043.06 in disbursements incurred by the mayoral campaign as required by T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the unreported disbursements are \$7,585.26 in disbursements that were understated and a \$106.46 unreported obligation and obligation payment.

Mayor Ketron failed to report \$66,043.06 in disbursements and/or expenses incurred between January 1, 2018 to July 31, 2019 for the mayoral campaign. Campaign records provided and obtained for the audit indicated forty-six transactions by the campaign account, totaling \$52,193.50, which were not reported. The records also indicate another four transactions, totaling \$6,264.30, reflecting in unreported expenses that were not paid from the mayoral campaign account. Finally, two reported transactions were understated by \$7,585.26. Understated transactions also represent unreported expenses, as the amount of each understatement represents an unreported campaign expenditure.

T.C.A. § 2-10-105(a) requires candidates to report all expenditures (disbursements of campaign funds) incurred by the campaign account. T.C.A. § 2-10-107(2)(B) details how those expenditures must be reported based on the amount of the disbursement made to each vendor during a reporting period (commonly known as itemized and unitemized disclosures). When Mayor Ketron failed to report an expense, or understated an expense, each failure was in non-compliance with both statutes. Relatedly, T.C.A § 2-10-107(e) requires candidates to disclose the current available balance of campaign funds at the end of each reporting period. The Registry's reporting procedures and online reporting system were developed to assist candidates in compliance with all statutes, including T.C.A § 2-10-107(e). When a candidate prepares proper disclosures, including properly reporting all expenditure amounts incurred by the campaign, the system will calculate the balance on hand at the end of each period (ending balance) to comply with this statute. Each time an expense is unreported or understated the available balance amount calculated is overstated. Therefore, each improper disclosure also represents a failure to comply with T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

Details of the forty-six unreported expenditure transactions reflected within the campaign's records, totaling \$52,193.50, are listed as follows by reporting period:

2017 Year-End unreported disbursements

1. The mayoral campaign bank account indicates that two disbursements of campaign funds, totaling \$3,000, were made by electronic payment to Mayor Ketron's personal credit card (the Capital One credit card ("World" account). The records provided show that payments were made on January 2, 2018 and on January 9, 2018 in the amount of \$1,000 and \$2,000, respectively. Mayor Ketron has provided no documentation to show that these transactions were reported or to support the purpose of these expenditures. The audit also cannot identify any reported expenses on the disclosure statement that would appear to be related to these payments. Therefore, the \$3,000 appears to be unreported disbursements of campaign funds. Additionally, Mayor Ketron has provided no support for the purpose of

this disbursement to the personal credit card. Based on the lack of support, it appears the expense was an unallowable use of campaign funds, which is detailed in Finding 11.

2018 First Quarter unreported disbursements

2. As detailed in Finding 3 of this audit report, Mayor Ketron's campaign records and campaign finance disclosure statements indicate that a portion of two expenses disclosed were expenses paid on a Capital One credit card ("World" account). (This is a personal credit card account in the name of Bill and Theresa Ketron and has been identified by Mayor Ketron as the only credit card used for campaign activity. Further, this is the only credit card account for which all statements during the audit period have been provided for purposes of this audit.) The campaign account does indicate \$33,087 in payments to this card were made during the audit period; however, those payments are in amounts that are not reflective of the amounts incurred on the card and these various disbursements were made both prior to the expenses incurred and significantly after the expenses were incurred. The Registry has advised that expense-only reporting (where only the expense itself is reported rather than requiring multiple entries to reflect the various steps in the transaction as a whole) can only be made on credit card transactions if the following occurs:

- The expense(s) are completely reimbursed.
- The reimbursement directly relates to the campaign expense(s) incurred and is supported by campaign records maintained by the candidate.
- The reimbursement is timely made. Reimbursement should be immediately as possible. At a minimum in the same reporting period or immediately thereafter (This has usually been advised as the report due date).

Mayor Ketron's reimbursements meet none of the above conditions. Thus, each time an expense was paid on the credit card and disclosed as an expense on the mayoral campaign disclosure, a contribution was required to be reported. The records indicate Bill Ketron was using his personal assets to temporarily pay campaign expenses until a reimbursement was or could be made from the campaign account. In order to disclose the temporary use of Mayor Ketron's assets/funds properly, each purchase reported from the credit card should also have been disclosed as an equivalent contribution from Mayor Ketron (either as a loan or direct monetary contribution). Any subsequent payment to the credit card would be shown as reductions of Mayor Ketron's credit card related contributions. However, Mayor Ketron failed to report the contribution related to those purchases. The total of the purchases made on the credit card identified as mayoral related during the audit period was \$16,507.68. (The audit noted an additional \$28.99 expense that was incurred on the card; however, the audit determined the expense was incurred by the senate account and therefore could not also be incurred by the mayoral account). Thus, Mayor Ketron failed to report his \$16,507.68 in campaign contributions and contribution adjustments, which was detailed in Finding 3.

On the 2018 First Quarter report, Mayor Ketron disclosed an expenditure to Wax Printing for \$7,585. The disclosure indicates that the expenditure's purpose was for "Website, Photo and Video Services", however, the campaign bank account shows no direct payment for this expense. Instead, Mayor Ketron's personal Capital One credit card (World Account) does show a disbursement of \$7,585 March 2, 2018 to Wax Family Printing in Murfreesboro, which is during the 2018 First Quarter reporting period. As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$7,585 to the credit card. During the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron's Capital One credit card (World Account), with \$14,000 disbursed prior to this first expense being incurred on the Credit card. One of these payments was a \$8,000 payment made on Feb 28, 2018 (the day after the date of the invoice for these services and a few days prior to the March 2 disbursement). Although there is no direct relationship between the \$8,000 credit card payment and the \$7,585 expenditure, and Mayor Ketron has provided no records to indicate how payments to the credit card related to expense incurred, there may be an indirect relationship with this one payment. Also, based on the credit card statement provided, the payment to the card may have needed to occur prior to the disbursement of \$7,585 on the credit card in order to have enough available balance on the card to process such a transaction.

Also, on the 2018 First Quarter statement, Mayor Ketron disclosed an expense to Screenart for \$8,922.68. The disclosure indicates the expense was for "Signs & Magnets". The campaign bank account shows no direct payment for this expense. However, Mayor Ketron's Capital One credit card (World Account card) does show a disbursement of \$8,922.68 on March 9, 2018 to Screenart (which is during the 2018 First Quarter reporting period). As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$8,922.68 to the credit card. However, during the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron's Capital One credit card (World Account card). All of the disbursements to this credit card occurred prior to March 9, 2018, except for \$5,000 that was disbursed on March 8, 2018. Although there is no direct relationship between this \$5,000 payment and the \$8,922.68 expense, and Mayor Ketron has provided no records to indicate how payments to the credit card related to the expenses incurred, there may be an indirect relationship to the \$5,000 payment. Based on the credit card statements provided, and similar to the \$8,000 payment noted above, the \$5,000 payment to the card may have been needed prior to or in connection with the disbursement of a \$8,922.68 on the credit card in order to have enough available balance on the card to process such a transaction. In addition to the credit card payment noted above, Mayor Ketron also provided a receipt from Screenart that appears to support the expense disclosure made and the expense being incurred by credit card.

Again, the campaign records are insufficient to determine how payments made to the identified Capital One credit card (World Account) of Mayor Ketron relates to the expenses incurred. The payments made to Mayor Ketron's personal credit card during the 2018 First Quarter totaled \$20,000 and all disbursements occurred prior to the expenses being incurred, except for the \$5,000 noted on the day before this expense. None of the payments

made matched the amount of this expense or the two expenses reported during the period (See Item 1 above). Mayor Ketron has provided no record to reconcile the payments to the expenses incurred. Therefore, there is no campaign record that indicates the expenses on the card are being directly reimbursed. Thus, Mayor Ketron was required to report a contribution for the expenses when payment was made on his personal card. Mayor Ketron failed to report the contributions and contribution adjustment for both expenses, as noted in Finding 3.

For purposes of this finding, the remaining difference between the credit card payments of \$20,000 and the credit card expenses during the report period which are \$16,507.68 equals \$3,492.32. Although the payments made are likely not connected to the expenses as noted above and were not properly reported as noted in Finding 3, they do have a netting effect on the disclosures, except for the \$3,492.32. The \$3,492.32 reflects disbursements to Mayor Ketron's personal credit card for no identified campaign purpose and those disbursements were not reported. The failure to report the \$3,492.32 amount is included in the \$66,043.06 of this finding. The disbursement of funds for no identified campaign purpose to Mayor Ketron's personal credit card is noted in Finding 11.

3. The mayoral campaign bank account records indicate that a disbursement of campaign funds cleared the bank account on January 29, 2018 in the amount of \$14,500 paid to UII (check #1523, undated) This disbursement was not disclosed on any of Mayor Ketron's campaign disclosure reports, nor were any related expenses reported on any report. It should be noted that this check was included within the appendix to the Rutherford County Finding of Indictment against Kelsey Ketron as an improper distribution of funds to the business. Mayor Ketron has provided no support for the purpose of this disbursement to UII. Based on the indictment and the lack of supporting documentation, it appears that this expense was an unallowable use of campaign funds, which is detailed in Finding 11.
4. The mayoral campaign bank account records indicate that a disbursement of campaign funds was made by means of a cash withdrawal on February 6, 2018 in the amount of \$1,276.28. The withdrawal was signed for by Kelsey Ketron, Mayoral Campaign Treasurer. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. Additionally, Mayor Ketron has provided no records to support the purpose of the withdrawal of cash funds. Based on the lack of supporting documentation and no relatable disclosure being made, it appears the disbursement was an unallowable use of campaign funds, which is detailed in Finding 11.
5. The mayoral campaign bank account records indicate that a disbursement of campaign funds was made by means of a check (#1009) to Murfreesboro Symphony Orchestra in the amount of \$250. This check was written on February 8, 2018 and cleared the mayoral bank account on February 28, 2018. Neither this disbursement, nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports, including the 2018 First Quarter when the expense was incurred.
6. Mayor Ketron's mayoral campaign records included an invoice from Navigation Advertising LLC dated December 4, 2017 in the amount of \$106.46. The copied invoice appeared to be part of an email between the company and Kelsey Ketron, also dated

December 4, 2017. The mayoral campaign bank records also reflect that a payment was made by check (#1012) to Navigation Advertising LLC in the amount of \$106.46 on February 1, 2018 (these funds cleared the bank on February 13, 2018). Therefore, the invoice appears to indicate that an expense or obligation was incurred in December of 2017. However, there is no disclosure of the expense or an obligation on the 2017 Year-End Statement. The check indicates that the expense or obligation was paid in February 2018 during the 2018 First Quarter reporting period; again, no disclosures were made relating to this transaction. Based on the data provided, on December 4, 2017, the campaign had incurred an obligation to Navigation Advertising LLC that could be properly estimated as to the amount due. As such, Mayor Ketron was required to report an obligation on the 2017 Year-End Statement to Navigation Advertising LLC. Then, when the payment was made in February, in order to remove the obligation and report the disbursement of funds, an obligation payment was required to be reported. Mayor Ketron failed to report the obligation, which is required by T.C.A § 2-10-107(e). Additionally, Mayor Ketron failed to report the obligation payment as required by T.C.A §§ 2-10-105 and 2-10-107. Obligation payments are a form of disbursement of campaign funds and are campaign expenses; as such, the failure to report the obligation payment has been included with the other unreported expenditures. No detail finding for obligation and obligation reporting has been provided.

2018 Pre-Primary unreported disbursements

7. The mayoral campaign bank account records indicate that two disbursements of campaign funds, totaling \$2,000, were made by electronic payment to Mayor Ketron's personal credit card (The Capital One credit card ("World" account)). These disbursements were made on April 6, 2018 for \$1,000 and on April 11 for \$1,000; however, the disbursements were not reported nor were any related expenses disclosed. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of these disbursements to his personal credit card. Accordingly, these disbursements represent an unallowable use of campaign funds, which is detailed in Finding 11.
8. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$500 was made by check (#1014) to Evening Exchange Club. This check was written on April 5, 2018 and cleared the mayoral campaign bank account on April 9, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure.
9. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$2,000 was made by check (#1017) to "Bill Ketron for Senate". This check was written on April 20, 2018 and cleared the mayoral bank account on April 23, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. The disbursement, which is a contribution to Mayor Ketron's Senate Campaign, was also not reported on the senate campaign's disclosures, as noted in the Mayor Ketron's Senate Campaign Audit Report. As noted in Mayor Ketron's Senate Campaign Audit Report, Mayor Ketron, through his counsel, has speculated that this disbursement may not have been intended as a campaign contribution, no sufficient records or documentation have been provided to support that speculation.

2018 Second Quarter unreported disbursements

10. The mayoral campaign bank account records indicate a disbursement of campaign funds in the amount of \$1,000 was made by electronic payment to Mayor Ketron's personal credit card (The Capital One credit card ("World" account) on April 24, 2018. Neither the disbursement nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Based on the lack of supporting documentation and no reliable disclosure being made, it appears the disbursement was an unallowable use of campaign funds, which is detailed in Finding 11.
11. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$10,578.13 was made by check (#1018) to Direct Edge on April 30, 2018 and cleared the mayoral bank account on May 1, 2018. This payment relates to two separate expenses. The first expense, in the amount of \$6,000, was for polling services; however, this expense was improperly overstated as \$6,200 (See Finding 10). The remaining \$4,578.13 expense related to direct mail services and is part of several expenses that were improperly reported by Quest PAC and the mayoral campaign. Mayor Ketron failed to report this expense \$4,578.13, which was for a portion of a direct mail piece that was run by Quest PAC using the Quest PAC disclaimer. This expense should have appeared on the 2018 Second Quarter disclosure as an in-kind contribution to Quest PAC. Although other expenditures to Direct Edge were reported on the 2018 Second Quarter disclosure, this expense was omitted from the report. A more detailed description of all the violations related to this transaction, along with the other transactions corresponding to two separate ads run by the PAC and mayoral campaign (one ad each), are in Finding 5 and Finding 7 Item 3
12. The mayoral campaign bank account records indicate that the following two disbursements of campaign funds were made by check to UII in May 2018:
 - Check 1020 written on 05/21/2018 for \$4,575
 - Check 1021 written on 05/25/2018 for \$1,000

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. It should be noted that these checks were included within the appendix to the Rutherford County Finding of Indictment against Kelsey Ketron as an improper distribution of campaign funds to the business. Mayor Ketron has provided no support for the purpose of this disbursement to UII. Based on the indictment and the lack of supporting documentation, it appears that this expense was an unallowable use of campaign funds, which is detailed in Finding 11.

13. The mayoral campaign bank account records indicate that disbursements of campaign funds by electronic transfer were initiated by Wilson Bank & Trust for bank service fees as follows:
 - Bank Service fee on May 31, 2018 for \$12
 - Bank Service fee on June 29, 2018 for \$12

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. It appears that the bank charges these fees when the account balance is not maintained at a certain level.

14. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$100 was made by check (#1023) to Jeremy Nickens on June 20, 2018 and cleared the mayoral bank account on June 27, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure. In addition to failing to report the expense, Mayor Ketron has maintained no record to show why \$100 was disbursed to this individual. Based on the lack of supporting documentation and no relatable disclosure being made, the audit is unable to determine that this expenditure was for an allowable purpose, as detailed in Finding 11.

2018 Pre-General unreported disbursements

15. The mayoral campaign bank account records indicate that three disbursements of campaign funds totaling \$1,750 were made by electronic payment to Mayor Ketron's personal credit card (The Capital One credit card ("World" account) These disbursements were made on July 9, 2018 for \$500, July 20, 2019 for \$750 and July 23, 2018 for \$500. These disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of these disbursements to his personal credit card. Accordingly, these disbursements represent an unallowable use of campaign funds, which is detailed in Finding 11.
16. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$3,171.48 was made by electronic payment to an unknown credit card on July 20, 2018. Although the bank records are sufficient to show the credit card is a Capital One credit card, these records are insufficient to identify the credit card account or the holder of the account. However, these bank records are sufficient to determine that this credit card is *not* the same Capital One credit card ("World" account) identified by Mayor Ketron as the only card used for campaign related expenses. Further, the credit card statements relating to Mayor Ketron's identified credit card confirm that no payment for \$3,171.48 was made to that account on or about July 20, 2018. Neither this disbursement nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of this disbursement to an unidentified credit card. Accordingly, this disbursement represents an unallowable use of campaign funds, which is detailed in Finding 11.
17. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$300 was made by check (#1027) to Kerry West on July 11, 2018 and cleared the mayoral bank account on August 3, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. In addition to failing to report the expense, Mayor Ketron has maintained no record to show why \$300 was disbursed to this individual. Based on the lack of supporting documentation

and no reliable disclosure being made, the audit is unable to determine that this expenditure was for an allowable purpose, as detailed in Finding 11.

18. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$100 was made by check (#1030) to Smyrna Senior Center on July 23, 2018 and cleared the mayoral bank account on August 10, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports.
19. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$1000 was made by check (#1031) to Rutherford County Republican Party on July 23, 2018 and cleared the mayoral bank account on September 4, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports.

2018 Third Quarter unreported disbursements

20. The mayoral campaign bank account records indicate that the following five disbursements of campaign funds, totaling \$4,500, were made by electronic payment to Mayor Ketron's personal credit card (the Capital One credit card ("World" account)):
 - \$1,250 paid on August 2, 2018
 - \$750 paid on August 7, 2018
 - \$1,000 paid on August 7, 2018
 - \$1,000 paid on August 10, 2018
 - \$500 paid on August 10, 2018

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of these disbursements to his personal credit card. Accordingly, these disbursements represent an unallowable use of campaign funds, which is detailed in Finding 11.

21. The mayoral campaign bank account records indicate that the following two disbursements of campaign funds, totaling \$1,750.83, were made by electronic payments to an unknown credit card:
 - \$180 paid on July 24, 2018
 - \$1,570.83 paid on August 7, 2018

Although the bank records are sufficient to show the credit card is a Capital One credit card, the records are insufficient to identify the credit card account or the holder of the account. However, the bank records are sufficient to determine that this credit card is *not* the same Capital One credit card ("World" account) identified by Mayor Ketron as the *only* card used for campaign related expenses. Further, the credit card statements relating to Mayor Ketron's identified credit card confirm that the payments were not made to that

account. Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of these disbursements to an unidentified credit card. Accordingly, these disbursements represent an unallowable use of campaign funds, which is detailed in Finding 11.

22. The mayoral campaign bank account records indicate that a disbursement of campaign funds, in the amount of \$12, was initiated by Wilson Bank & Trust by electronic transfer for more bank service fees on September 28, 2018. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports.

2018 Fourth Quarter unreported disbursements

23. The mayoral campaign bank account records indicate that the following two disbursements of campaign funds, totaling \$837, were made by electronic payment to Mayor Ketron's personal credit card ("World" account)

- \$423 paid on December 19, 2018
- \$414 paid on January 11, 2019

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to support the purpose of these disbursements to his personal credit card. Based on the lack of supporting documentation and no relatable disclosure being made, it appears the disbursement was an unallowable use of campaign funds, which is detailed in Finding 11.

24. The mayoral campaign bank account records indicate that the following three more disbursements of campaign funds were initiated by Wilson Bank & Trust by electronic transfer for bank service fees:

- Bank Service fee on October 31, 2018 for \$12
- Bank Service fee on November 30, 2018 for \$12
- Bank Service fee on December 31, 2018 for \$12

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports.

25. The mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$250 was withdrawn from the account in cash on November 6, 2018. The withdrawal was signed by Kelsey Ketron, Mayoral Campaign Treasurer. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. Additionally, Mayor Ketron has provided no records to support the purpose of the withdrawal of cash funds. Based on the lack of supporting documentation and no relatable disclosure being made, it appears the disbursement was an unallowable use of campaign funds, which is detailed in Finding 11.

2019 Mid-Year unreported disbursements

26. The mayoral campaign bank account records indicate that the following disbursements of campaign funds were initiated by Wilson Bank & Trust by electronic transfer for more bank service fees:

- Bank Service fee on January 31, 2019 for \$12
- Bank Service fee on February 28, 2019 for \$12
- Bank Service fee on March 29, 2019 for \$12
- Bank Service fee on April 30, 2019 for \$12
- Bank Service fee on May 31, 2019 for \$12
- Bank Service fee on June 28, 2019 for \$12

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports.

2019 Year-End unreported disbursements (Note: The reporting period is from July 1, 2019 to January 15, 2020; however, the audit only cover activity through July 31, 2019.)

27. The mayoral campaign bank account records indicate one final disbursement of campaign funds in the amount of \$12 was initiated by Wilson Bank & Trust by electronic transfer for bank service fees on July 31, 2019. Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports.

Details of the four unreported expenses paid from a source other than the campaign account or Mayor Ketron's Capital One Credit Card (World Account), totaling \$6,264.20, are as follows:

2018 First Quarter unreported disbursements

1. The mayoral campaign records included the following two invoices from Wax Eloquent, aka Wax Family Printing:
 - Invoice 1803012 dated March 8, 2018 for Video Production services in the amount of \$3,292.50
 - Invoice 1803113 dated Maarh14, 2018 for Website Domain services in the amount of \$250

The mayoral campaign records also included a copy of a credit card receipt, which was attached to one of these invoices, demonstrating that both invoices, totaling \$3,542.50, were paid in a single transaction by a Visa credit card. However, the owner of this Visa credit card is unknown. The campaign records confirm that the payment was not made by the Capital One Card (World Account) provided by Mayor Ketron or the campaign bank account. Neither this disbursement, the underlying invoices, nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Additionally, the funds used to pay the expense represents a contribution to the campaign. The contribution was unreported and anonymous as noted in Finding 4 Item 2.

2. The mayoral campaign records included an invoice dated March 14, 2018 (Invoice 23966) from Screenart in the amount of \$938.36 for magnetic car signs. The invoice is signed by Kelsey Ketron on March 16, 2018 and bears a notation indicating that the invoice was paid on March 16, 2018. However, there is no indication of how the invoice was paid. Nevertheless, the record appears to be sufficient to indicate that a campaign expense occurred and should have been reported during the 2018 First Quarter reporting period on March 16, 2018. Mayor Ketron's mayoral campaign disclosures show no expense to Screenart for \$938.36 or any expense reported that would appear to relate to this invoice. Additionally, the funds used to pay the expense is a contribution to the campaign. The contribution was unreported and anonymous as noted in Finding 4 Item 4.

2018 Pre-Primary unreported disbursements

3. The mayoral campaign records included an invoice dated April 6, 2018 (Invoice 561-22869) from Fastsigns in the amount of \$1,783.44 for "signs". The invoice includes notations indicating that the signs were picked-up on April 6, 2018 and paid for by a MasterCard payment on April 6, 2018. Based on this data, the expense should have been reported on the 2018 Pre-Primary Statement. However, Mayor Ketron's mayoral campaign disclosures show no expenditures to Fastsigns for \$1,783.44. The campaign records also indicate that the payment of the expense did not come from the campaign account or the Capital One Mastercard (World Account) credit card provided to the audit. Therefore, the expense was an unreported expense from an unknown source and a contribution to the campaign. The contribution was unreported and anonymous as noted in Finding 4 Item 3.

Finally, as noted above, Mayor Ketron also understated two expenses by \$7,585.26. Details of these understated transactions are set out below:

1. On the 2018 First Quarter Campaign Finance Disclosure Statement, Mayor Ketron disclosed an expense to Wax Family Printing AKA Wax Eloquent dated March 2, 2018 for \$7,585. Mayor Ketron's Capital One Credit Card (World Account) credit card statement indicates that a payment was made to Wax Family printing on March 2, 2018 for \$7,585. Mayor Ketron's campaign records also showed two invoices from Wax Eloquent in the amount of \$13,170 and \$2,000, respectively, totaling to \$15,170. One half of the expense payment, which is \$7,585, appears to be supported by a copy of a credit card receipt that was attached to one of these invoices. This receipt indicated that the payment was made by a Visa credit card; however, the owner/holder of this card is unknown and no records concerning this card have been provided for purposes of this audit. Therefore, the data provided shows that an expense of \$15,170 was incurred, rather than the \$7,585 that was reported. This means that Mayor Ketron's reported expenditures were understated by an additional \$7,585. Further, the \$7,585 expenditure paid by this unknown source indicates an additional unreported campaign contribution, as noted in Finding 4 Item 1.
2. On the 2018 Second Quarter Campaign Finance Disclosure Statement, Mayor Ketron disclosed an expense to Navigation Advertising for "Palm Cards" in the amount of \$232.15. However, Mayor Ketron's mayoral bank account indicates that check 1019, to Navigation

Advertising, was written for \$232.41. Based on these campaign records, Mayor Ketron understated the expense incurred by \$0.26.

As noted in the audit conclusions, Mayor Ketron reported \$48,288.45 in mayoral campaign expenses on his campaign finance disclosures. Finding 10 reports that \$14,689.07 of that disclosure was not actually incurred by the campaign. This leaves \$33,599.38 in actual expenses reported; however, this finding demonstrates that there was a total of \$68,043.06 in expenses that were incurred but not reported, the unreported amount being more than double the amount that was reported.

10. Mayor Ketron's disclosures reported \$14,689.07 in disbursements that appear not to have occurred. The reporting of disbursements that were never paid, and may never have been owed, appears non-compliant with T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the \$14,689.07 are \$235 in disbursements that were overstated.

Mayor Ketron's disclosures and supporting campaign records indicate that Mayor Ketron reported \$14,689.07 in expenses that were not paid from any source. No documents or other supporting records were provided to verify that the expenses were disbursed from any account controlled by Mayor Ketron or owned by the mayoral campaign. Included in this amount were eight reported transactions, totaling \$14,459.07, which were completely unsupported by any record provided by Mayor Ketron. The campaign records effectively indicate that these expenses never happened (were not incurred). In addition, there were two instances where Mayor Ketron reported an amount higher than the amount actually incurred. The overstated amounts in aggregate total \$235 and represent additional reported expenses that were not incurred.

T.C.A. § 2-10-105(a) requires every candidate for state public office to file a statement of all contributions received and expenditures made by such candidate. Reporting expenses that did not occur, at a minimum, violates the spirit of the law, which is to promote transparency for the public, if not the letter of the law, by obscuring the truth with fictional data. T.C.A. § 2-10-105(f) requires candidates to maintain all records used by the candidate to complete their disclosure reports for at least two years following the date of the election to which the records refer or the date of the document, whichever is later. The statute is violated where records cannot be produced to support the reported information. Additionally, T.C.A. § 2-10-107(e) requires that all statements filed shall list any unexpended balance, any deficit, and any continuing financial obligations; reporting unsupported data results in an inaccurate reporting of the closing balance of each report and violates the statute. Each time an expense is reported that was not incurred, whether by reporting an expense not paid or by overstating the amount of an expense, the amount available reported as the ending balance is improperly reduced. The effect on the reported balance is less campaign funds available are reported for future allowable expenses. Therefore, each of the improper disclosures is in non-compliance with the requirements T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

The following items outline the eight expenses, totaling \$14,459.07, that were included on the disclosure reports and which were never actually incurred or paid for by the campaign, according to the documentation available.

2018 Pre-Primary

1. Mayor Ketron's 2018 Pre-Primary Disclosure Statement discloses two itemized expenses: one for \$4,111.20 for mailer postage and the other for \$5,162.15 for mailers. Neither expense was disbursed by the campaign account or Mayor Ketron's identified credit card. This expense relates to the \$9,750.85 UII in-kind contribution noted in Finding 3. As noted in Finding 3, the vendor who created the mailer has reported that the \$9,750.85 charge was for a direct mail piece for Ketron for Mayor which was paid for by means of two wire transactions. The PAC officials' have reported that these two wire transfers came from the funds of UII. The vendor provided a copy of the mailer, which indicated in the required disclaimer of the ad was paid for by the mayoral campaign. Quest PAC's 2018 Second Quarter disclosure reports the \$9,750.85 expense and indicated it was for the mayoral campaign. The mayoral campaign's 2018 Pre-Primary Disclosure Statement also appears to report part of the ad expenses paid to the vendor. The mayoral disclosures show a \$4,111.20 for mailer postage and \$5,162.15 for mailer. These amounts are the line item amounts on the invoice for the \$9,750.85 expense, excluding the \$477.50 tax charge. Based on all the available data provided, the \$9,750.85 expense appears to be an ad expense of the mayoral campaign and not activity of Quest PAC. The \$9,750.85 ad also appears to not be an expense of the mayoral campaign, but an in-kind contribution from UII. As such, both the \$4,111.20 expense for mailer postage and the \$5,162.15 expense for the mailer that were reported are not expenses of the campaign and were not incurred by the campaign.

2018 Second Quarter

2. Mayor Ketron's 2018 Second Quarter Campaign Finance Disclosure Statement discloses an itemized expense to Jonathan's Grille for "Food for Primary Party" in the amount of \$489.18. However, a review of Mayor Ketron's credit card expenses shows several expenses to Jonathan's Grille in April, but only three during the 2018 Second Quarter and none in the amount of \$489.18. Also there appears to be no purchase on the primary election day, as indicated by the purpose of the reported expense. Although a candidate could combine expenses to the same vendor for reporting purposes during the same period, they must be for the same purpose. Further, the expense amounts noted on the credit card do not appear to have the appearance of purchases for a primary party. The closest expense to the date of the primary is April 27, but expenditure was for \$145.08. The closest expenditure to the reported amount paid was \$202.52 on April 21. As such, the audit can find no record to indicate this expense was incurred as reported and has determined this expense was not supported as having been an incurred campaign expense.

2018 Pre-General

3. Several expenses reported on Mayor Ketron's 2018 Pre-General Campaign Finance Disclosure Statement appear to relate to a fish fry event. While some of these expenses have been verified, the following expenses reported appear to have not been incurred, or if incurred, were not paid for from the mayoral campaign's funds; these expenditures total \$3,025.71.

- Mayor Ketron discloses an itemized expense to Palmer Wholesale with a stated purpose of "Food for Fish Fry" in the amount of \$2,293.68. However, Mayor Ketron's campaign records indicate no disbursement of \$2,293.68 to Palmer Wholesale or any other entity in that amount from the mayoral bank account or the credit card provided. Therefore, there is no evidence the expense was incurred.
- Mayor Ketron discloses an itemized expense to Concert Production with a stated purpose of "Stage for Fish Fry" in the amount of \$362.18. However, Mayor Ketron's campaign records indicate no disbursement of \$362.18 to Concert Production or any other entity in that amount from the mayoral bank account or the credit card provided. Therefore, there is no evidence the expense was incurred.
- Mayor Ketron discloses an itemized expense to Gordon Food Service Stores (GFS) with a stated purpose of "Fish Fry Supplies" in the amount of \$340.86. However, Mayor Ketron's campaign records indicate no disbursement of \$340.86 to Gordon Food Service Stores or any other entity in that amount from the mayoral bank account or the credit card provided. Therefore, there is no evidence the expense was incurred.

However, unlike the other two expense above, an expenditure to GFS was also reported on Mayor Ketron's Senate Campaign's Disclosure Statement in the amount of \$220.81, which did match transactions on Mayor Ketron's credit card (World account). The disclosure was noted as being overstated due to a credit in Finding 5 Item r within the Mayor Ketron's Senate Audit Report.

- Mayor Ketron discloses an itemized expense to Walmart with a stated purpose of "Fish Fry Supplies" in the amount of \$28.99. This expense does appear to have been incurred on Mayor Ketron's personal Capital One Credit Card (World Account) on July 11, 2018. However, this expenditure was reported on Mayor Ketron's senate campaign disclosure statements and has been determined to have been a senate expense. As such, this expenditure cannot also be an expense for the mayoral campaign. As a result, this is an un-incurred expense. (Note: The amount reported in the senate disclosures relating to this transaction was for \$70.15 representing two incurred expense of \$28.99 and \$41.16, both on the credit card.)

2018 Third Quarter

4. Mayor Ketron discloses an itemized expense to Puckett's with a stated purpose of "Election Night Watch Party" in the amount of \$1,670.83. However, Mayor Ketron's campaign records indicate no disbursement of \$1,670.83 to Puckett's or any other entity in that amount from the mayoral bank account or the credit card provided. Therefore, there is no evidence the expense was incurred.

The remaining items outline the two overstatement situations that, in aggregate, cause the reported expenses to be overstated by \$235.

5. Mayor Ketron's 2018 Second Quarter disclosure reports a payment to the Republican Party of Rutherford County for the "summer picnic" in the amount of \$100. However, campaign records show the amount paid to this vendor was \$65 (check 1022). Therefore, \$35 in expenses were overstated and never incurred.
6. As noted in Finding 9 Item 11, the mayoral campaign bank account indicates a disbursement of campaign funds by check (#1018) to Direct Edge for \$10,578.13 on April 30, 2018, which cleared the mayoral bank on May 1, 2018. The payment relates to two expenses: an ad expense and a polling expense. The \$4,578.13 paid toward the ad expense was addressed in Finding 9 Item 11. The payment for the polling expense was for \$6,000. Mayor Ketron reported the polling expense on this 2018 Second Quarter Disclosure Statement for the mayoral campaign, but incorrectly reported the amount as \$6,200. The payment information provided by the vendor and Mayor Ketron confirmed the amount was \$6,000 not \$6,200. Therefore, \$200 in expenses were overstated and never incurred.

As noted in the audit conclusion, Mayor Ketron reported \$48,288.45 in mayoral campaign expenses on the campaign finance disclosures during the audit period. The \$14,689.07 in noted expenses that were not actually incurred and paid indicates that approximately 30% of all the reported expenses from January 16, 2018 to June 30, 2019 were not incurred by the mayoral campaign.

11. Mayor Ketron has failed to comply with T.C.A. §§ 2-10-212(c) and 2-10-105(f) by failing to retain sufficient disbursement records to determine the purpose and proper disclosure of several expenditures as noted in Finding 12 and throughout the audit report. However, the audit identified \$43,502.91 in specific disbursements that were unsupported and also appear to be in non-compliance with T.C.A. §2-10-114, which prohibits certain uses of campaign funds.

Mayor Ketron's campaign records appear to show several instances where campaign funds, totaling \$43,502.91, were disbursed where no campaign expense can be identified. Included in these disbursements are \$16,579.32 which was disbursed to Mayor Ketron and Theresa Ketron's personal credit card (The Capital One World Account) and \$20,075 which was disbursed to UII in three checks. These disbursements appear to be a disbursement of campaign funds for personal use in violation of T.C.A. § 2-10-114, which prohibits personal use of campaign funds. The remaining disbursements include \$1,526.28 disbursed by means of two cash withdrawals by Kelsey Ketron, the Mayoral Campaign Treasurer, for no identified purpose; \$4,922.31 disbursed in three payments to a credit card for which the holder cannot be identified; and, \$400 paid to two individuals for no known campaign purpose. These transactions appear to be unallowable per T.C.A. § 2-10-114, as no allowable purpose for their disbursement can be identified. Details of each transaction are summarized below:

Disbursements to Mayor Ketron's Personal Credit Card

1. As noted in Finding 3 and Finding 9 Item 2, there were \$3,492.32 disbursed to Mayor Ketron's personal credit card without an identifiable campaign purpose. Mayor Ketron's campaign records and campaign finance disclosure statements indicate that a portion of

two expenses disclosed were expenses paid on a Capital One credit card (“World” account). (This is a personal credit card account in the name of Bill and Theresa Ketron and has been identified by Mayor Ketron as the only credit card used for campaign activity. Further, this is the only credit card account for which all statements during the audit period have been provided for purposes of this audit.) However, the campaign records indicate that purchases made on this card were not immediately reimbursed. The campaign account does indicate \$33,087 in payments to this card were made during the audit period; however, those payments are in amounts that are not reflective of the amounts incurred on the card. These payments include disbursements prior to the expenses incurred and significantly after the expenses were incurred. The Registry has advised that expense-only (where only the expense itself is reported rather than requiring multiple entries to reflect the various steps in the transaction as a whole) reporting can only be made on credit card transactions if the following occurs:

- The expense(s) are completely reimbursed.
- The reimbursement directly relates to the campaign expense(s) incurred and is supported by campaign records maintained by the candidate.
- The reimbursement is timely made. Reimbursement should be immediately as possible. At a minimum, in the same reporting period or immediately thereafter (This has usually been advised as the report due date).

Mayor Ketron’s reimbursement meets none of the conditions above. Thus, each time an expense was paid on the credit card and disclosed as an expense on the mayoral campaign disclosure, a contribution was required to be reported. The records indicate Bill Ketron was using his personal assets to temporarily pay campaign expenses until a reimbursement was or could be made from the campaign account. In order to disclose the temporary use of Mayor Ketron’s assets/funds properly, each purchase reported from the credit card should also have been disclosed as an equivalent contribution from Mayor Ketron (either as a loan or direct monetary contribution). Any subsequent payment to the credit card would be shown as reductions of Mayor Ketron’s credit card related contributions. However, Mayor Ketron failed to report the contribution related to those purchases. The total of the purchases made on the credit card identified as mayoral related during the audit period was \$16,507.68. (The audit noted an additional \$28.99 expense that was incurred on the card; however, the audit determined the expense was incurred by the senate campaign and therefore could not also be incurred by the mayoral campaign.) Thus, Mayor Ketron failed to report \$16,507.68 in campaign contributions for expenses paid for temporarily on behalf of the campaign. Additional details related to these unreported contributions are provided in Finding 3. Relatedly, Mayor Ketron failed to report \$16,507.68 in contributions adjustments represented by payments to the credit card. This is also detailed in Finding 3.

On the 2018 First Quarter report, Mayor Ketron disclosed an expenditure to Wax Printing for \$7,585. The disclosure indicates that the expenditure’s purpose was for “Website, Photo and Video Services”, however, the campaign bank account shows no direct payment

for this expense. Instead, Mayor Ketron's personal Capital One credit card (World Account card) does show a disbursement of \$7,585 March 2, 2018 to Wax Family Printing in Murfreesboro, which is during the 2018 First Quarter reporting period. As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$7,585 to the credit card. During the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron's Capital One credit card (World Account), with \$14,000 disbursed prior to this first expense being incurred on the Credit card. One of these payments was a \$8,000 payment made on Feb 28, 2018 (the day after the date of the invoice for these services and a few days prior to the March 2 disbursement). Although there is no direct relationship between the \$8,000 credit card payment and the \$7,585 expenditure, and Mayor Ketron has provided no records to indicate how payments to the credit card related to expense incurred, there may be an indirect relationship with this one payment. Also, based on the credit card statement provided, the payment to the card may have needed to occur prior to the disbursement of \$7,585 on the credit card in order to have enough available balance on the card to process such a transaction.

Also, on the 2018 First Quarter statement, Mayor Ketron disclosed an expense to Screenart for \$8,922.68. The disclosure indicates the expense was for "Signs & Magnets". The campaign bank account shows no direct payment for this expense. However, Mayor Ketron's Capital One credit card (World Account) does show a disbursement of \$8,922.68 on March 9, 2018 to Screenart (which is during the 2018 First Quarter reporting period). As noted above, there is no direct payment for this expense from the bank account, nor is there an indirect payment for \$8,922.68 to the credit card. However, during the 2018 First Quarter reporting period, \$20,000 was disbursed from the mayoral campaign account to Mayor Ketron's Capital One credit card (World Account card). All of the disbursements to this credit card occurred prior to March 9, 2018, except for \$5,000 that was disbursed on March 8, 2018. Although there is no direct relationship between this \$5,000 payment and the \$8,922.68 expense, and Mayor Ketron has provided no records to indicate how payments to the credit card related to the expenses incurred, there may be an indirect relationship to the \$5,000 payment. Based on the credit card statements provided, and similar to the \$8,000 payment noted above, the \$5,000 payment to the card may have been needed prior to or in connection with the disbursement of a \$8,922.68 on the credit card in order to have enough available balance on the card to process such a transaction. In addition to the credit card payment noted above, Mayor Ketron also provided a receipt from Screenart that appears to support the expense disclosure made and the expense being incurred by credit card.

Again, the campaign records are insufficient to determine how payments made to the identified Capital One credit card (World Account card) of Mayor Ketron are relates to the expenses incurred. The payments made to Mayor Ketron's personal credit card during the 2018 First Quarter totaled \$20,000 and all disbursements occurred prior to the expenses being incurred, except for the \$5,000 noted on the day before this expense. None of the payments made matched the amount of this expense or the two expenses reported during the period (See Item 1 above). Mayor Ketron has provided no record to reconcile the payments to the expenses incurred. Therefore, there is no campaign record that indicates

the expenses on the card are being directly reimbursed. Thus, Mayor Ketron was required to report a contribution for the expenses when payment was made on his personal card. Mayor Ketron failed to report the contributions and contribution adjustment for both expenses, as noted in Finding 3.

For purposes of this finding, the remaining difference between the credit card payments of \$20,000 and the credit card expenses during the report period of \$16,507.68 equals \$3,492.32. Although the payments made are likely not connected to the expenses as noted above and were not properly reported as noted in Finding 3, they do have a netting effect on the disclosures, except for the \$3,492.32. The \$3,492.32 reflects disbursements to Mayor Ketron's personal credit card for no identified campaign purpose and those disbursements were not reported.

The second set of payments to the personal credit card without support for a campaign purpose was noted in Finding 9 Item 1. The mayoral campaign bank account indicates that two disbursements of campaign funds, totaling \$3,000, were made by electronic payment to Mayor Ketron's personal credit card, the Capital One credit card (World account). The records provided show that payments were made on January 2, 2018 and on January 9, 2018 in the amount of \$1,000 and \$2,000, respectively. Mayor Ketron has provided no documentation to show that these transactions were reported or to support the purpose of these expenditures. The audit also cannot identify any reported expenses on the disclosure statement that would appear to be related to these payments. Therefore, the \$3,000 appears to be unreported disbursements of campaign funds. Additionally, Mayor Ketron has provided no support for the purpose of this disbursement to the personal credit card. Based on the lack of support, it appears the expense was an unallowable use of campaign funds.

All of the remaining payments to Mayor Ketron's personal credit card occurred after the 2018 First Quarter reporting period. There are no reported expenses after the 2018 First Quarter that are related to the Capital One Credit Card (World Account) except the one noted above. Therefore, all the remaining payments were determined to be improper payments to the candidates' personal credit card. (Note: each payment is also a campaign disbursement that was unreported and is noted in Finding 9.) Those remaining payments are as follows:

2018 Pre-Primary reporting period

- \$1,000 on April 6, 2018
- \$1,000 on April 11, 2018

2018 Second Quarter reporting period

- \$1,000 on April 24, 2018

2018 Pre-General reporting period

- \$500 on July 9, 2018

- \$750 on July 20, 2018
- \$500 on July 23, 2018

2018 Third Quarter reporting period

- \$1,250 on August 2, 2018
- \$750 on August 7, 2018
- \$1,000 on August 7, 2018
- \$1,000 on August 10, 2018
- \$500 on August 10, 2018

2018 Fourth Quarter reporting period

- \$423 on December 19, 2018
- \$414 on January 11, 2019

The total of all the payments to the credit card for no associated campaign purpose is \$16,579.32. Also, after the 2018 First Quarter, there were no identified expenses incurred on Mayor Ketron's personal credit card.

2. As noted in Finding 9 Item 3, the mayoral campaign bank account records indicate that a disbursement of campaign funds cleared the bank account on January 29, 2018 in the amount of \$14,500 paid to UII (check #1523, undated). This disbursement was not disclosed on any of Mayor Ketron's campaign disclosure reports, nor were any related expenses reported on any report. It should be noted that this check was included within the appendix to the Rutherford County Finding of Indictment against Kelsey Ketron as an improper distribution of funds to the business. Mayor Ketron has provided no support for the purpose of this disbursement to UII. Based on the indictment and the lack of supporting documentation, it appears that this expense was an unallowable use of campaign funds.

Similar to this check, two additional checks to UII were noted as unreported in Finding 9, Item 12. The mayoral campaign bank account records indicate that the following two disbursements of campaign funds were made by check to UII in May 2018:

- Check 1020 written on 05/21/2018 for \$4,575
- Check 1021 written on 05/25/2018 for \$1,000

Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. It should be noted that these checks were included within the appendix to the Rutherford County Finding of Indictment against Kelsey Ketron as an improper distribution of campaign funds to the business. Mayor Ketron has provided no support for the purpose of this disbursement to UII. Based on the indictment and the lack of supporting documentation, it appears that this expense was an unallowable use of campaign funds.

The total of all the payments to UII for no associated campaign purpose is \$20,075. All the remaining payments are after the 2018 First Quarter.

3. As noted in Finding 9 Item 4, the mayoral campaign bank account records indicate that a disbursement of campaign funds was made by means of a cash withdrawal on February 6, 2018 in the amount of \$1,276.28. The withdrawal was signed for by Kelsey Ketron, Mayoral Campaign Treasurer. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. Additionally, Mayor Ketron has provided no records to support the purpose of the withdrawal of cash funds. Based on the lack of supporting documentation and no relatable disclosure being made, it appears the disbursement was an unallowable use of campaign funds.

Also as noted in Finding 9 Item 25, the mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$250 was withdrawn from the account in cash on November 6, 2018. The withdrawal was signed by Kelsey Ketron, Mayoral Campaign Treasurer. Neither this disbursement nor any related expense was disclosed on Mayor Ketron's campaign disclosure reports. Additionally, Mayor Ketron has provided no records to support the purpose of the withdrawal of cash funds. Based on the lack of supporting documentation and no relatable disclosure being made, it appears the disbursement was an unallowable use of campaign funds.

The total of all the cash withdrawn from the campaign account by Kelsey Ketron with no known campaign purpose was \$1,526.28. Again, this would appear to be in violation of T.C.A. § 2-10-114, which prohibits the personal use of funds.

In order to provide complete information to the Registry Board Members for evaluating the cash transactions made by the campaign treasurer, it should be noted that campaign treasurers can be paid for services rendered at market value, but such compensation has to be reported and documented for the services rendered. A review of Mayor Ketron's disclosures indicates that no such payments were being made by the mayoral or senate campaigns. In addition, Quest PAC was making no such payments. It appears, based on those disclosures, that Kelsey Ketron was volunteering her services for each campaign and the PAC. There is also a relevant restriction at T.C.A. § 2-10-114(g) which prohibits payments to family members, unless for bona fide services performed. In these instances, the payment does not appear to be associated to her services as campaign treasurer and thus no bona fide services have been shown to justify the disbursement of such cash to the campaign treasurer.

4. As noted in Finding 9 Item 16, the mayoral campaign bank account records indicate that a disbursement of campaign funds in the amount of \$3,171.48 was made by electronic payment to an unknown credit card on July 20, 2018. Although the bank records are sufficient to show the credit card is a Capital One credit card, these records are insufficient to identify the credit card account or the holder of the account. However, these bank records are sufficient to determine that this credit card is *not* the same Capital One credit card (World account) identified by Mayor Ketron as the only card used for campaign related expenses. Further, the credit card statements relating to Mayor Ketron's identified

credit card confirm that no payment for \$3,171.48 was made to that account on or about July 20, 2018. Neither this disbursement nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of this disbursement to an unidentified credit card. Accordingly, this disbursement represents an unallowable use of campaign funds.

There was additional credit card payment to an unknown card noted in Finding 9 Item 21. The mayoral campaign bank account records indicate that the following two disbursements of campaign funds, totaling \$1,750.83, were made by electronic payments to an unknown credit card:

- \$180 paid on July 24, 2018
- \$1,570.83 paid on August 7, 2018

Although the bank records are sufficient to show the credit card is a Capital One credit card, these records are insufficient to identify the credit card account or the holder of the account. However, these bank records are sufficient to determine that this credit card is *not* the same Capital One credit card (World account) identified by Mayor Ketron as the only card used for campaign related expenses. Further, the credit card statements relating to Mayor Ketron's identified credit card confirm that these payments were not made to that account. Neither these disbursements nor any related expenses were disclosed on Mayor Ketron's campaign disclosure reports. Mayor Ketron has provided no documentation or supporting records to demonstrate the purpose of these disbursements to an unidentified credit card. Accordingly, these disbursements represent an unallowable use of campaign funds

Finally related to the unknown credit cards, Mayor Ketron has indicated in his submission that the only accounts with campaign activity are the campaign bank accounts and a Capital One credit card account in the name of Bill and Theresa Ketron (one account, but associated to two card numbers, which has been noted throughout the audit report as the World account). These are also the only accounts for which complete information was provided for the audit (i.e. all bank statement and or credit card statement for the audit period). As such the payments to an unknown card would appear to be for non-campaign activity and therefore would be unallowable under T.C.A. § 2-10-114(b)(1). The identity of the debit/credit card could also not be determined as the data was not provided in the original bank subpoena request or by Mayor Ketron. Due to other records provided, the auditor is aware that Mayor Ketron has an additional credit card, including another Capital One account, but the audit cannot confirm these transactions are related to that card.

5. As noted in Finding 9 Items 14 and 17, the mayoral campaign bank account indicates a disbursement of checks to individuals
 - Check 1023 to Jeremy Nickens written on June 20, 2018 (clear the bank June 27, 2018) for \$100.

- Check 1027 to Kerry West written on July 11, 2018 (clear the bank August 3, 2018) for \$300

Beyond being unreported as noted in Finding 9, Mayor Ketron has provided no documentation or supporting records to verify the purpose of these disbursements to individuals. Based on the lack of supporting documentation and there being no identifiable reason to disburse campaign funds to an individual, these expenses would appear to be an unallowable use of campaign funds.

12. Mayor Ketron failed to provide a supporting record for several expenses, including the \$43,502.91 in expenses noted in Finding 11. In addition to those expenses, the audit identified an additional \$2,512.96 incurred by the campaign for which Mayor Ketron failed to retain a receipt, invoice, or other supporting document to support the campaign purpose disclosed. Mayor Ketron is required by T.C.A. §§ 2-10-212(c) 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 Mayor Ketron and his treasurer, Kelsey Ketron, did not include all the documentation required to support the purpose of the disbursements made and/or expenditures incurred for the mayoral campaign. The failure to retain and maintain such disbursement records to support the disclosures is in non-compliance with T.C.A. §§ 2-10-212(c) and 2-10-105(f). 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 submitted records to support a few advertising expenses. Also, a vendor was able to assist in support some advertising expenses.

The Registry has identified several transactions types 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 501(c)(3) charitable organization, which is usually reported with the purpose “donation.” The audit process has also identified several vendors who do not have a standard business practice of issuing receipts when receiving funds. For example, most candidates and PACs who receive contributions do not generally 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 instances when a receipt cannot be obtained; however, such instances should be limited. When a receipt cannot be obtained, 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 payments received; signatures by a campaign employees on a listing or memo for work performed and payments

received; copies of tickets purchased; fliers, copies of ads run, script copies of broadcast ads, emails invitations to events attended; or other such documents to show the purpose for the activity being performed.

Mayor Ketron had a few such expenses as those listed above, mostly reported as donations and contributions. None of those transactions had documentation to support the activity beyond the check to the vendor or why no record was provided. However, solely based on the vendor paid and based on the information obtained, the auditor determined these transactions to be sufficiently supported for audit purposes.

In the detailed review, the audit also noted that several of the incurred expenses were for bank service fee related charges which were not reported, as noted in Finding 9. Bank charges for such fees also do not require receipts but can be solely supported by the campaign bank statements.

After the record rebuilding process, along with expenses identified as sufficiently supported and excluding the expenses noted in Finding 11, six expenses still exist totaling \$2,512.96 that remain unsupported by a receipt or invoice. The unsupported transactions are listed below:

a. Itemized expenses:

2018 Pre-Primary

1. WGNS	04/20/2018	\$772.00
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2018 Second Quarter

1. Navigation Advertising	05/17/2018	\$253.41
(This was the actual cost not the reported cost see Finding 9 Item 29)		
2. Creativity in Balloons	06/22/2018	\$270
3. Blackman Community Club	06/22/2018	\$500

2018 Pre-General

1. Craig Lynch	07/11/2018	\$217.55
2. The Grove at Williamson Place	7/11/2018	\$500

Unlike the expenses noted in Finding 11 that were determined unallowable, these six expenses have an identified campaign purpose in the disclosures and appear to be with vendors or individuals who provide (or could provide) the services noted. However, they remain unsupported by receipt, invoice, or other supporting document to support the campaign purpose disclosed.

Use of Senate Campaign Asset by Mayoral Campaign

- 13. Mayor Ketron failed to report the use of a vehicle, purchased by Mayor Ketron’s Senate Campaign, by the mayoral campaign and for mayoral campaign activities in non-compliance with T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). Mayor Ketron also failed to maintain records to support the use of the senate campaign purchased vehicle by the mayoral campaign to properly report and determine the expenses incurred by the mayoral account as required by T.C.A. §§ 2-10-212(c) and 2-10-105(f).**

As noted in Mayor Ketron Senate Campaign Audit Report,

“Mayor Ketron campaign records show the purchase of a Ford F-150 truck at the end of 2013. The records provided included the F-150 title. Although the title for the truck is in the name of William Franklin Ketron (Mayor Ketron) , not the senate campaign, based on statements from the candidate and the records provided indicate the truck was purchased on an installment loan with payments paid from the senate campaign bank account from senate campaign contributions.. The Registry audit staff is aware that it is a common practice for various campaign activities to be in the name of the candidate and not the campaign. Such activities can include bank account names, purchases by installments (Like the truck or advertising) or when contracted (advertising). In most cases this is due to the legal status needed to obtain the item such as a vehicle purchase agreement Most candidate campaign organizations in the State of Tennessee are not establish as a legal entity, such as an LLC, LLP, S-CORP, C-Corp or Non-for-Profit entity. As such the campaign and sometimes its related bank accounts do not have an official legal status like a business organization or individual. For this reason, the candidate will purchase items like the truck in question in the candidate’s name. However, regardless of the title, the vehicle was purchased with campaign funds and identified by Mayor Ketron as a campaign vehicle. As such, it is a senate campaign asset.

The purchase of a vehicle has been determined to be allowable expense, but the vehicle’s uses become restricted solely to campaign purposes. In this case the campaign vehicle can only be used for senate campaign activities or allowable senate office holder activities as defined in T.C.A. §§ 2-10-102(6) and 2-10-114(a)(7). Any other uses of the vehicle would be prohibited including personal use of the vehicle per T.C.A. § 2-10-114(b)(1). Candidates choose to make such purchases to ensure that any expense associated to the vehicle’s operations and upkeep become allowable campaign expenses. Such expenses include but are not limited to maintenance, tags, registration, insurance, and fuel. Candidates also choose this option to reduce the wear and tear on their personal vehicle. Candidates who elect to use their personal vehicle can only pay from the campaign account the portion of the vehicle’s expenses that are related to allowable campaign or officeholder activities.

As the senate campaign had an identified campaign vehicle the determination of the uses of the vehicle became part of the audit procedures to verify compliance as a campaign asset. The uses of the truck were determined based on statements provided by Mayor Ketron and Kelsey Ketron through their attorneys and in their initial response to the audit

records requests. Kelsey Ketron in the initial response to the request for records to complete the audit provided the following information on the truck's use.

“This truck has been used by my father to attend Senate Sessions in Nashville and as part of his campaigns (including as a moving billboard complete with magnets and, occasionally, a 4' by 8' sign in the bed of the truck).”

Kelsey Ketron then provides pictures showing its use in the past Senate campaigns and the Mayoral campaign. Mayor Ketron through his attorney response letter dated July 31, 2020 provided the following additional information.

“Was the truck driven for session or legislative work days? If so, was it the only vehicle used for that purpose?”

RESPONSE: *Yes, the truck was driven to Senate sessions. To the best of his recollection, it is the only vehicle then-Senator Ketron used for that purpose.*

... What legislative business was the truck driven for?

RESPONSE: *Other legislative business for which the truck was driven include: attending functions, attending Senate meetings, attending Chamber of Commerce and landfill meetings, attending fundraisers, attending volunteer projects with constituents, responding to and investigating constituent complaints (e.g., investigating claims of an unsafe street corner).*

... Was the truck used to carry signs for the mayoral race?

RESPONSE: *Yes. Kelsey Ketron provided photographic evidence of this in her prior letter to you, which is attached as **Exhibit 4**.*

... Was the truck used for any other activities in the mayoral race?

RESPONSE: *Yes. It was used to drive to various campaign events.*

The same letter indicated that the vehicle was not used for Quest PAC specific activities, for the day to day work of the Rutherford County Mayor office (Mayor Ketron indicated that an assigned county vehicle was provided for those activities) or for personal use.

For the purposes of full disclosures to the board and to show the Mayor's compliance in answering questions of the audit, the same letter indicated three exceptions where Mayor Ketron could recall when the truck was used outside of the Mayor campaign and Senate

activities. One was mayoral related to move a table for a breakroom for mayoral(county) staff. The other two instances were personal uses to haul waste from his property to the landfill.”

The Mayor Ketron Senate Campaign Audit Report then continues by noting the following noncompliance for the senate campaign for mayoral campaign use of the truck:

“Mayor Ketron’s disclosures overstated expenses associated to a Senate campaign purchased vehicle due to its use in Mayor Ketron’s Mayoral Campaign. The overstatement appears to make the senate account non-complaint with T.C.A. §§ 2-10-105(a) and 2-10-107 as either Mayor Ketron failed to report the uses of the vehicle by the mayoral account as in-kind expenses to his mayoral race or Mayor Ketron failed to report the reimbursement for expenses incurred by the mayor’s campaign as expense adjustments. Mayor Ketron did not transfer the actual funds from the mayor’s bank account to the senate bank account for the use of the truck to maintain the separate available funds for each account.”

The Mayor Ketron Senate Campaign Audit Report then details the following for the mayoral campaign’s use of the truck:

“Mayor Ketron also failed to comply with campaign reporting statutes each time the vehicle was used for the mayoral campaign and the related expenses were neither reimbursed to the senate campaign (and appropriately reported) nor reported as an in-kind contribution to the Mayoral campaign. However, unlike the per diem payments from the State of Tennessee, the audit cannot determine the amount of the expenses that were overstated related to the use of the truck by the mayoral campaign as no documentation was maintained for that purpose by Mayor Ketron

As noted in both Mayor Ketron and Kelsey Ketron’s statements the vehicle was used for mayoral campaign activities for Mayor Ketron’s campaign for mayor of Rutherford county. Each time the vehicle was used in the mayoral campaign the expenses reported on the senate campaign related to that use were no longer an allowable senate campaign expense as they were not a senate campaign expense or senate office holder expense. At the same time, the expense was an expense of the mayoral campaign required to be reported by the mayoral campaign. A review of the mayoral campaign disclosures shows no disclosures for the costs for the use of the senate owned vehicle. Again, at the same time it appears all cost associated to the vehicle were being charged to the senate campaign account. There is no documentation provided to show any reimbursement to the senate campaign account of the expenses for the use of the truck by the mayoral campaign or of any expense adjustments to reduce the expense incurred by the senate campaign account. Nor was there a transfer of funds from the mayoral account to the senate account (there is a \$2,000 check from the mayor account in April of 2018 noted in Finding 2 Item (b) of the Mayor Ketron Senate Campaign Audit Report as an unreported contribution but there is no documentation to indicate this is vehicle related expenses reimbursement or related to any other expense reimbursement).”

The same \$2,000 check appears in this audit report in Finding 9 as an unreported expense. The Mayor Ketron Senate Campaign Audit Report continues:

“In order to use the senate owned vehicle in the mayoral campaign, the mayoral campaign would have to pay all the associated expenses and report them, or purchase the truck from the senate account at the fair market value and then pay all the associated costs from the mayoral bank account. In either case all the related expenses would be required to be disclosed on the mayor’s campaign reports. Otherwise each time the vehicle was used the same amounts would have to be reported by the senate campaign as in-kind contributions from the senate to the mayor’s campaign and the related in-kind contribution would be reported on the mayor campaign disclosures.

The easiest way to use the vehicle for the mayoral campaign would have been the purchase of the vehicle from the senate campaign; however, such a purchase would restrict the vehicle usage for senate activity. Another way to accomplish the use of the truck by the mayoral campaign would have been to pay the fair market rental cost of such a vehicle on the date of it use along with paying the associated fuel cost on that day. This transaction would be the same as if the vehicle was rented from a normal vendor who rents vehicles.

As noted throughout the audit report. Mayor Ketron failed to maintain adequate records. The audit therefore can only determine the expenses that were paid, but not the purpose of each individual expense. This is especially true related to the truck’s fuel costs as Mayor Ketron did not maintain gas receipts or a travel log for the truck’s usage for senate business. Mayor Ketron also failed to maintain travel logs or fuel receipts for the truck usage for mayoral activities. If the vehicle use had been exclusively for senate activity being a senate asset, the initial assumption by audit would be all fuel purchases and vehicle expenses relate to the senate account unless otherwise supported. The vehicle dual use removes that initial assumption and therefore again requires additional documentation to support the purpose of each expenses reported as required by T.C.A. §§ 2-10-212(c) and 2-10-105(f), in order to determine senate or mayoral related expense. Unlike the State of Tennessee paid per diem amounts which are known, the mayoral expense amount cannot be determined at this point by the audit. The audit can only determine that a portion of the expenses reported would be mayoral expenses and not senate expense. The audit can also determine that any such expense amount would be an unallowable expense per TCA 2-10-114. Also, if Mayor Ketron intended to be paid back the expense from the mayoral account, Mayor Ketron failed to report the expenses adjustment along with failing to transfer the related funds between the bank accounts. The number of reporting adjustments would relate to the number of times the vehicle was used for mayoral activity.”

The Mayor Ketron Senate Campaign Audit Report also reports various vehicle expenses that were incurred by the senate campaign. As noted, the effect on the mayoral campaign is that the mayoral campaign had reportable activity for the use of the truck by the mayoral campaign. Those disclosures should have been made either as a series of in-kind contributions from the senate campaign or as obligations and obligations payments, if the intent was to repay the senate campaign for the mayor campaign expenses. In either case, Mayor Ketron failed to disclose the

activity. As such the Mayor Ketron's Mayoral Campaign Finance Disclosure statements do not fully report the assets used by the campaign.

RECOMMENDATION TO CANDIDATE

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

- Add all campaign contributions both monetary and in-kind received including personal contributions related to expenses paid from personal sources (credit card transactions). Also, all campaign contributions made from unknown sources should be reported.
- Add all campaign contribution adjustments for payments made to the campaign credit card based on the expenses to which they relate.
- Review prior reporting periods and verify all contribution have been properly reported, based on the findings in this audit report and correct as needed.
- Review prior reporting period and verify all contribution adjustments have been properly reported based on the findings in this audit report and correct as needed.
- Return all contributions in excess of the campaign finance limits to the applicable contributor and report the return as a contribution adjustment on the current campaign finance disclosure statement.
- Return all contributions that are non-compliant with restriction for taking campaign contribution to the applicable contributor and report the return as a contribution adjustment on the current campaign finance disclosure statement

Mayor Ketron should amend his campaign financial disclosure reports to accurately disclose campaign expenditures. To accurately report campaign expenditures, he should:

- Add expenditures that were not reported as noted in the audit report.
- Remove all expenses that were not incurred as noted in the audit report.
- Correctly report the amounts incurred for all expense that were overstated and understated as noted in the audit report.
- Review prior reporting period and verify all expenses incurred have been properly reported based on the findings in this audit report and correct as needed. The disclosures should include all disbursement of campaign funds whether they are allowable or not per T.C.A. §2-10-114.

Mayor Ketron should perform these procedures to accurately reflect all the mayoral campaign activities to the point that the campaign disclosures are reconcilable to the current available funds in the mayoral account.

The audit also would recommend that Mayor Ketron consider prior Registry Board recommendations and place funds into the campaign account for all expenses that were paid that were personal or business related and not campaign related and report the reimbursement as expenditure adjustments.

For any future reporting periods for any campaign, Mayor Ketron should establish procedures to ensure only activity related to the campaign for which the funds are intended occurs in the related account (separating Senate, Mayoral and Quest PAC transactions). The audit recommends Mayor Ketron establish procedures to disburse all campaign account related activity from the related campaign accounts. Mayor Ketron should limit the interactions between the various accounts. When the mayoral account uses a senate asset for the mayoral activity, the expense should be note as an in-kind contribution to the mayor's account or the mayoral account should immediately pay the expense. Personal transactions should not be processed in the campaign account. Similarly, the audit noted several transactions in which Mayor Ketron paid expenses personally. The candidate should limit the paying of campaign expenses from his personal funds by use of his or his spouses credit card as reimbursements of such expenses lead to reporting errors and lack of disbursement documentation. The audit recommends Mayor Ketron 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 Mayor Ketron'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 various campaign, 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 and would have noted the issue in the amount disclosed and the amount in the campaign account noted in Finding 1.

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

REGISTRY OF ELECTION FINANCE ACTIONS

The Members will review the campaign finance audit of Mayor Bill Ketron's campaign for Mayor of Rutherford County for the period of January 1, 2018 through July 31, 2019, during the February 10, 2021 regular meeting. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.