



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

**Board Requested Audit of
Mayor Bill Ketron's Senate District 13 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
404 James Robertson Parkway, Suite 104
Nashville, TN 37243-1360

REGISTRY MEMBERS
Tom Lawless, Chairperson
David Golden, Secretary
Paige Burcham Dennis
Henry Fincher
William J. (Paz) Haynes, III
Tom Morton

(615) 741-7959
Fax: (615) 532-8905
www.tn.gov/tref

EXECUTIVE DIRECTOR
Bill Young

December 7, 2020

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

Registry Members,

Enclosed are the agreed upon procedures for the board requested audit of Mayor Bill Ketron's election campaigns for Senate, District 13 for the period from 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 Senate District 13
Campaign for the period from 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 Second Quarter, 2018 Third Quarter, 2018 Fourth Quarter, and 2019 Annual Mid-Year Supplemental Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDINGS

- 1. Mayor Ketron failed to provide supporting documentation for \$127,535 in available campaign funds disclosed as the beginning balance on the 2018 First Quarter. 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 has likely violated T.C.A. § 2-10-107(a)(2)(B) for failing to report all disbursements of campaign funds during the period in which they were incurred.**
- 2. Mayor Ketron failed to report \$7,864.90 in campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). The unreported contributions also include \$300 in cash or cash equivalents for which Mayor Ketron maintained no contributor records to support the source of the contribution.**
- 3. Mayor Ketron failed to report \$15,100.81 in campaign contributions from the use of his personal funds/credit for purchases made through his personal credit card, as required by T.C.A. §§2-10-105(a) and 2-10-107. In non-compliance with the same statutes, Mayor Ketron failed to report \$7,000 in disbursements when payments were made to the credit card.**
- 4. Mayor Ketron failed to report \$7,965.27 in disbursements incurred by the Mayor Ketron's Senate Campaign, as required by T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the unreported disbursements are \$165 in disbursements that were understated.**

5. **Mayor Ketron's disclosures reported \$32,920.89 in disbursements that appear not to have been incurred. 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 \$32,920.89 are \$5,172.14 in disbursements that were overstated.**
6. **Mayor Ketron's disclosures overstated expenses associated with Mayor Ketron's Senate Campaign's purchased vehicle due the use of the vehicle in Mayor Ketron's Mayoral Campaign. The overstatement appears to make the Mayor Ketron's Senate Campaign non-complaint with T.C.A. §§ 2-10-105(a) and 2-10-107 either for unreported in-kind contributions to the mayoral race or for unreceived payments from the mayoral campaign that would be unreported expense adjustments. In addition, the campaign vehicle expenses were overstated by \$2,269.16 in 2018 for reimbursements paid to then Senator Ketron by the State of Tennessee.**
7. **Mayor Ketron failed to provide a supporting receipt, invoice, or other supporting document for 82 expenditures totaling \$20,204.57 incurred by the campaign. Mayor Ketron is required by T.C.A. §§ 2-10-219(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.**
8. **As noted in Finding 7, Mayor Ketron was in non-compliance with T.C.A. §§ 2-10-219(c) and 2-10-105(f) for failing to retain sufficient disbursement records to determine the purpose and proper disclosure of several expenditures. Regardless of that lack of records, the audit identified \$5,588.60 in disbursements that appear to be in violation of T.C.A. §2-10-114 which prohibits certain uses of campaign funds.**

Subsequent Audit Finding

9. **The Quest PAC audit noted, Mayor Ketron failed to report \$4,121.33 in-kind contribution from Quest PAC as required by T.C.A. §§2-10-105(a) and 2-10-107.**

TABLE OF CONTENTS

INTRODUCTION	<u>PAGE</u>
Audit Authority	1
Audit Purpose	1
Audit Scope	1
CAMPAIGN OVERVIEW	
Campaign Organization	2
Overview of Financial Activities	2
CHARTS	
2018 Election Campaign Contributions	4
2018 Election Contributions by Source	4
2018 Election Contributions by Reporting Period	5
2018 Election Expenses by Reporting Period	5
OBJECTIVES, METHODOLOGIES, CONCLUSIONS	
Beginning and Ending balances	6
Finding	7
Contributions and Receipts	12
Finding(s)	19
Disbursements and Obligations	28
Finding(s)	34
Subsequent Audit Finding	60
Recommendation to Candidate	62
Recommendation to Registry	63
RESOLUTIONS	
Registry of Election Finance Actions	64

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 disclosure 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 Second Quarter, 2018 Third Quarter, 2018 Fourth Quarter, and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements.

The audit also includes a review of activities reported by Mayor Ketron on a 2018 Year-End Supplemental Campaign Finance Disclosure Statement. The 2018 Year-End Supplemental Disclosure Statement was not part of the required disclosures for this campaign. The report is not required because the campaign was required to report a 2018 Third Quarter and 2018 Fourth Quarter. Those two disclosure statements cover the same reporting periods as the 2018 Year-End Supplemental. The statement was reviewed as it was filed by Mayor Ketron and appears to relate to activity during the audit period of January 1, 2018 to July 31, 2019 regardless of the report being unrequired.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mayor Ketron filed to run as a candidate in the August 2, 2018 primary election for Senate District 13. Mayor Ketron filed an Appointment of Political Treasurer Statement with the Registry on March 27, 2015, appointing Kelsey Ketron as political treasurer for the 2018 election. Subsequent to qualification for the race, Mayor Ketron choose to pursue the office of Rutherford County Mayor, and did not qualify for the Senate, District 13 election. As he transferred 2014 prior election funds to the Senate race and collected contributions and disbursed campaign funds from the Mayor Ketron's Senate Campaign, Mayor Ketron was required to file campaign finance statements. On March 4, 2020, after the audit period but during audit testing, Mayor Ketron filed an amended Appointment of Treasurer form naming Jimmy Davis as his political treasurer for the 2018 election

Mayor Ketron's first campaign finance disclosure statement during the audit period was the 2018 First Quarter Statement filed on April 13, 2018. The last Statement for the audit period was the 2019 Annual Mid-Year Supplemental Statement filed on July 15, 2019. The 2019 Mid-Year Statement indicated \$83,267.08 cash on hand, no outstanding obligations, and no outstanding loans. Mayor Ketron has not completed the filing requirement for the 2018 election.

OVERVIEW OF FINANCIAL ACTIVITIES (2018 ELECTION ONLY)

The following financial amounts are a summary of the financial disclosures made by the candidate for the 2018 election. The summarized amounts are from the following disclosure Statements: 2015 Early Mid-year Supplemental, 2015 Early Year-end Supplemental, 2016 Early Mid-year Supplemental, 2016 Early Year-end Supplemental, 2017 Early Mid-year Supplemental, 2017 Early Year-end Supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Third Quarter, 2018 Fourth Quarter, 2018 Annual Year-End Supplemental and 2019 Annual Mid-Year Supplemental Statements after amendments. The amounts displayed are for informational purposes only.

Summary of Financial Activity (Un-audited Amounts)

Cash on hand at January 16, 2015	\$95,293.08	¹
Receipts		
Un-Itemized	\$0.00	
Itemized	136,912.73	
Loans receipted	0.00	
Interest	16.05	
Total receipts	<u>\$136,928.78</u>	

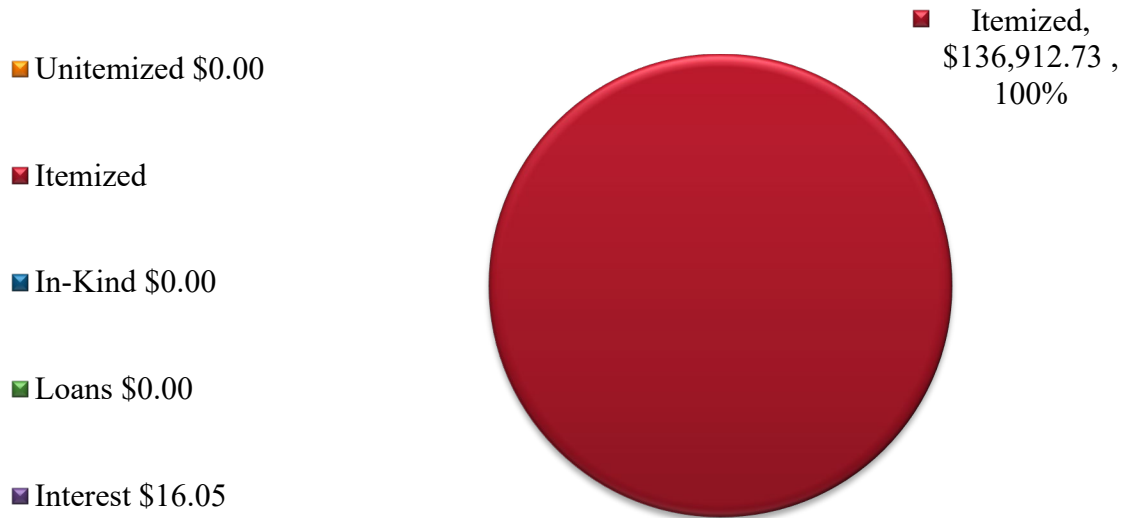
Disbursements		
Un-Itemized	0.00	
Itemized	148,954.78	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$148,954.78</u>
Cash on hand at June 30, 2019		<u>\$83,267.08</u>
Loans outstanding at June 30, 2019		\$0.00
Obligations at June 30, 2019		\$0.00
Total in-kind contributions received		\$0.00

1 The balance on hand at January 16, 2015 are funds transferred from the candidate's prior campaign.

CHARTS

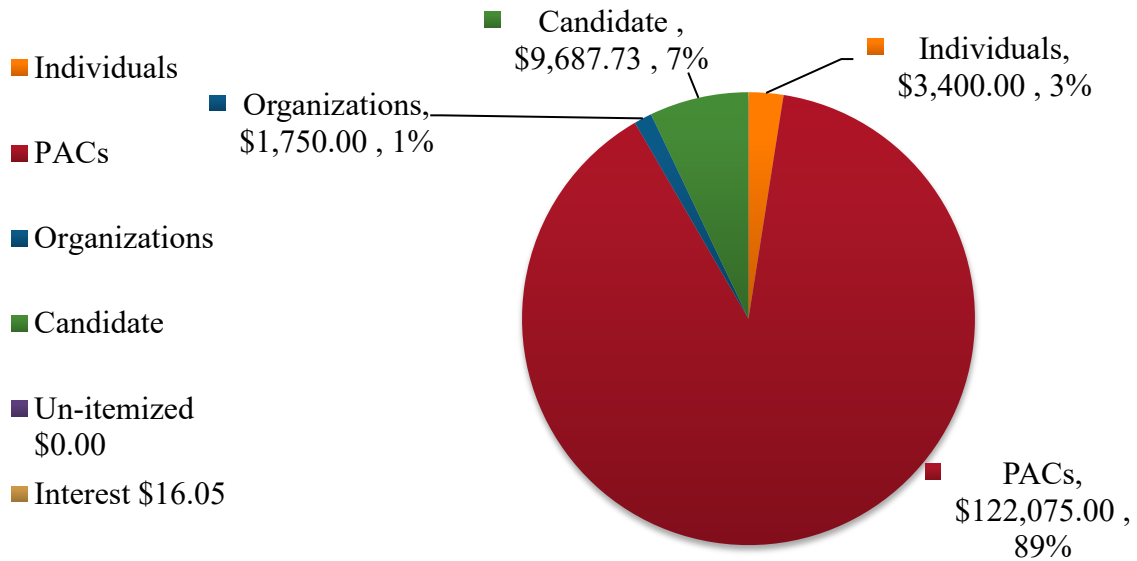
2018 ELECTION CAMPAIGN CONTRIBUTIONS

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



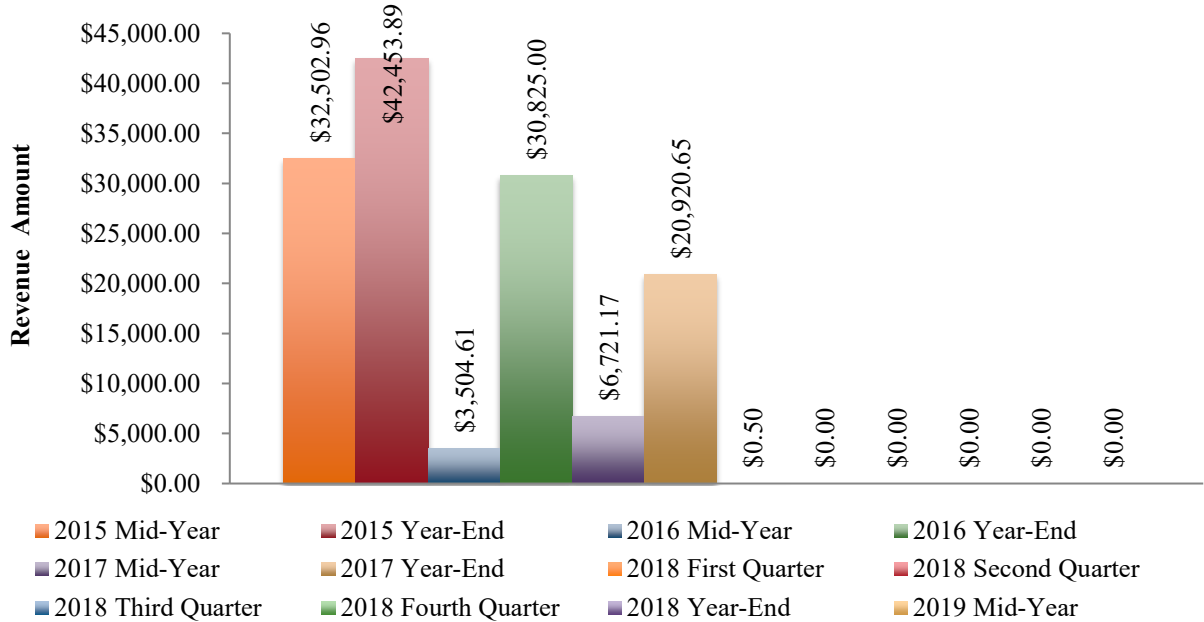
2018 ELECTION CONTRIBUTIONS BY SOURCE

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



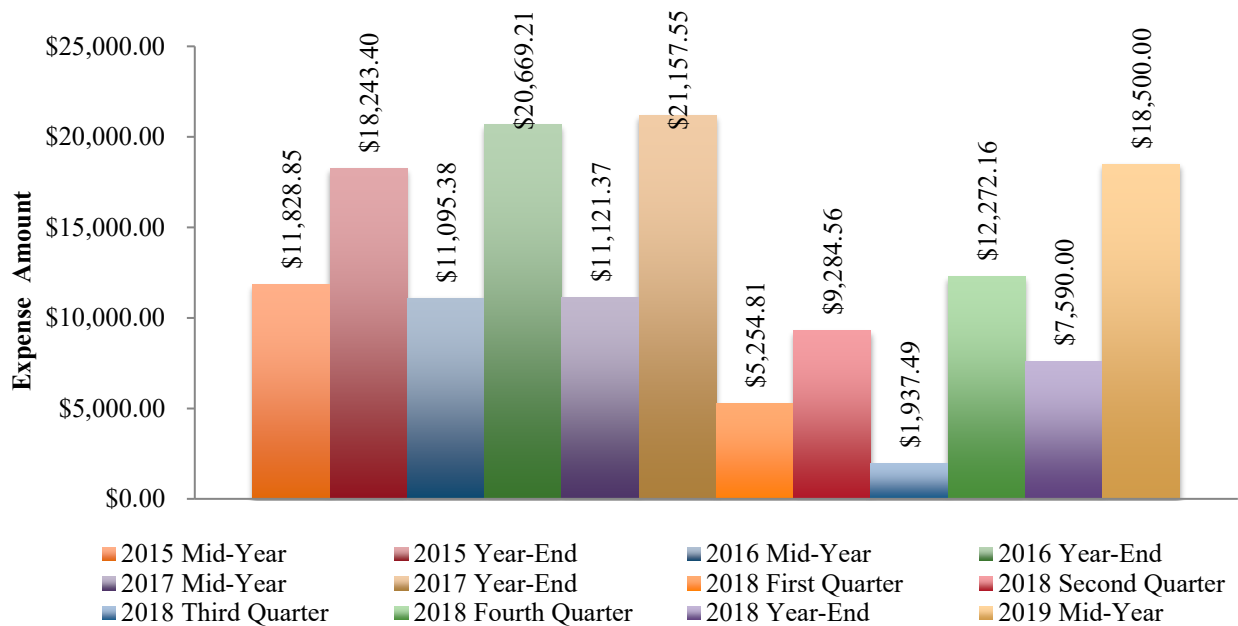
2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

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



2018 ELECTION EXPENSES BY REPORTING PERIOD

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



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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.
- 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 two 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 \$138,105.60 in available campaign funds reported by the candidate as the beginning balance of the 2018 First Quarter Statement were supported by the applicable bank records.
- The ending balance on each of the candidate's 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 \$138,105.60 in campaign funds on January 16, 2018 for the Mayor Ketron's Senate Campaign. Mayor Ketron's bank records indicate on January 16, 2018 the two bank accounts held \$10,570.60 in campaign funds. The difference between the amount reported and the amount supported in the bank account is \$127,535. Mayor Ketron provided no additional records to support the balance disclosed existed or was disbursed. Therefore, the audit cannot determine the \$127,535 disclosed was available on January 16, 2018. Finding 1 details the errors resulting from the inability to support the existence of the beginning amount by Mayor Ketron. Included in Finding 1 is the effect the unsupported \$127,535 has on all the subsequent disclosure statements.

FINDING

- 1. Mayor Ketron failed to provide supporting documentation for \$127,535 in available campaign funds disclosed as the beginning balance on the 2018 First Quarter. 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 has likely violated T.C.A. § 2-10-107(a)(2)(B) for 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 reports a beginning balance of \$138,105.60 in campaign funds on January 16, 2018 for the Mayor Ketron's Senate Campaign. However, Mayor Ketron's bank records indicates that on January 16, 2018 the two campaign bank accounts held \$10,570.60 in campaign funds. The difference of \$127,535 is 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 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 Statements. Relatedly, T.C.A § 2-10-131 requires that campaign funds maintained (available and held for future disbursement) must be held in a bank account or credit union account that is federally insured. Thus, this same ending amount should be reconcilable to the amount held in the campaign's related bank accounts to maintain compliance with the statute (and for the audit). 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 \$138,105.60 in campaign funds maintained in related bank or credit union accounts. Mayor Ketron provided supporting documentation for only two bank accounts: a money market account and business checking account at Franklin Synergy Bank for Mayor Ketron's Senate Campaign. After performing a reconciliation of activity, the audit determined that the two accounts combined held \$10,570.60 on January 15, 2018. The difference of \$127,535 represents missing funds (unaccounted for) at the commencement of the audit.

Mayor Ketron was asked about the \$127,535 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 only provide limited

information on the \$127,535 missing/unaccounted for funds. The audit can determine the following:

- If the \$127,535 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 \$127,525 in funds were not available as reported, then the candidate has incorrectly reported both the ending balance on his 2017 Year-End disclosure Statement and the beginning balance of his 2018 First Quarter Statement in non-compliance with T.C.A. § 2-10-107(e). In addition, it would appear likely that the funds were disbursed from the account. 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). As such disbursements were unreported.
- If the \$127,525 in funds were not available as reported, then the candidate has incorrectly reported both the ending balance on his 2017 Year-End disclosure Statement and the beginning balance of Mayor Ketron's 2018 First Quarter Statement in non-compliance with T.C.A. § 2-10-107(e). In addition, it would appear likely that the funds were disbursed from the account. 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). As such 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 statements 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 that the campaign deposited eight PAC contributions totaling \$7,450, which were reported on the 2017 Year-End disclosure. The campaign accounts appear to have no disbursements from January 1, 2018 to January 15, 2018, which suggests a large portion of the \$10,570.60 in the account on January 15, 2018 are the eight PAC checks deposited.
- 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 of 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 controlled PAC, commonly called a leadership PAC) by the Mayor Ketron's Senate Campaign Treasurer, Kelsey Ketron. This indictment included an appendix that showed several checks from the various accounts noted in the indictment. Those checks included checks written from Mayor Ketron's Senate 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 Midsouth Bank account in the name of Bill Ketron for State Senate. This is the account that becomes the Franklin Synergy Bank account provided for the audit period. The following are details of the checks from the indictment;

- Check 1176 appears to be written on August 5, 2016 for \$2,000 and cleared the bank account on August 5, 2016. This check is signed by Kelsey Ketron.
- Check 1193 is undated for \$3,000 and cleared the bank on May 19, 2017. This check is signed by Kelsey Ketron.
- Check 1157 appears to be written on March 25, 2016 is for \$2,000 and cleared the bank on March 25, 2016. This check is signed by Kelsey Ketron.

A review of the candidate's disclosure statements from 2015 through 2017 indicates that the candidate previously reported no disbursements of campaign funds to UII. As such, it appears that a portion of the missing \$127,535 would relate to the \$7,000 in check disbursements noted in the indictment. The audit cannot determine an allowable reason for campaign funds to be disbursed to UII, nor was one provided by Mayor Ketron. Mayor Ketron, through his attorney, speculated that the disbursement could be a payment for an expense paid for Mayor Ketron's Senate Campaign by UII. However, Mayor Ketron provided no supporting evidence indicating this had occurred. Therefore, the audit determined each disbursement to UII is an improper transfer of campaign funds for personal use. The use of campaign funds for personal use is noncompliant with T.C.A. § 2-10-114(b)(1).

One additional check to UII included in the indictment was related to Mayor Ketron's Senate Campaign account and was written during the audit period. Check 1528 for \$2,000 was issued from the Franklin Synergy Bank account. This check is not related to the \$127,535 and is discussed further in Findings 5, 6, and 7.

5. During the audit period the candidate filed the following reports with the related ending balances:
 - 2018 First Quarter reported ending balance \$132,851.29
 - 2018 Second Quarter reported ending balance \$123,566.73
 - 2018 Third Quarter reported ending balance \$121,629.24
 - 2018 Fourth Quarter reported ending balance \$109,357.08
 - 2018 Year-End reported ending balance \$101,767.08
 - 2019 Mid-Year reported ending balance \$83,267.08

The related bank account amounts at each period are listed below:

- 2018 First Quarter bank balance at March 31, 2018 was \$2,895.65.

- 2018 Second Quarter bank balance at June 30, 2018 was **(\$347.55)**. The bank balance is negative at this point.
- 2018 Third Quarter bank balance at September 30, 2018 was \$106.45.
- 2018 Fourth Quarter bank balance at January 15, 2019 was **(\$43.63)**. The bank balance is negative at this point.
- 2018 Year-End bank balance at January 15, 2019 was **(\$43.63)**. The bank balance is negative at this point. The balance on this statement is the same as the 2018 Fourth Quarter because the 2018 Year End reporting period ends on the same day. The 2018 Year-End Disclosure Statement was an improperly filed statement. The reporting period for that statement covers the period of July 1, 2018 to January 15, 2019 and those transactions should already appear on the 2018 Third Quarter and 2018 Fourth Quarter Statements, but do not. Mayor Ketron disclosed this additional statement with expenses that should have been disclosed on those other statements, resulting in noncompliance with the reporting statutes. See additional information in the audit conclusion for Disbursements and Obligations.
- 2019 Mid-Year bank balance at June 30, 2019 was \$0.00. The bank appeared to close the account by a bank adjustment for a negative balance of \$16,595.60 on June 14, 2019. However, the same \$16,595.60 amount was accepted by the bank in a deposit on July 3, 2019, which appears to clear the negative balance and close the account at \$0.00. The July 3, 2019 deposit appears to be non-campaign related activity, which was processed through the campaign account. See details in the audit conclusions for Receipts and the audit conclusion for Disbursements.

The disclosure statements 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 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 activities will be 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.

6. In completing other sections of the audit, the auditor became aware of discrepancies in reporting the payments for a campaign-purchased vehicle prior to the commencement of the audit period. The discrepancies could indicate additional disbursements that were not reported and could be a portion of the missing \$127,535. They may also indicate additional unreported expense reimbursements which appear to have been received by Mayor Ketron prior to the audit period. The unreported reimbursements would indicate additional funds should have been available which were unreported. The information on the vehicle and the items noted are in Finding 6. The exact amount for the unreported expenses and unreported

reimbursement was not determined because records for that period were not provided and the activity occurred outside the audit 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 non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107; and
- 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 Franklin Synergy Bank. The bank records were for account in the name of Mayor Ketron's (then Senator Ketron) Senate Campaign. There were two bank accounts a money market account and a business checking account. 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 Mayor Ketron's Senate Campaign bank accounts at Franklin Synergy Bank. 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 \$0.50 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 contribution received from January 1, 2018 to January 15, 2018.
- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared. 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 his campaign account on his campaign disclosures.
- Listings of monetary contributions were prepared and compared to the candidate's disclosures statements during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limit law, specifically T.C.A. § 2-10-301, *et seq.*; if contributions were properly reported; if contributions were reported in the proper period; 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 campaign contribution limit law, specifically T.C.A. § 2-10-301, *et Seq.*
- The documentation was reviewed to determine if the candidate's loans received from January 1, 2018 to June 30, 2019 totaled \$0.00 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 interest of \$0.50. There was no other reported revenue including contributions or expense refunds to the Mayor Ketron's Senate Campaign account during that period. However, Mayor Ketron's Senate bank records indicate deposits during the period of \$26,119.32. Included in the deposits and credits were three entries that were determined to not to be campaign contributions. These were as follows;

1. On May 31, 2018, \$1,257.58 was transferred from the Money Market account to the business check account. This transfer was only to combine the two Mayor Ketron's Senate Campaign accounts into one account. The \$1,257.58 is not an increase in available funds of the campaign. The activity has no reporting requirement.
2. On July 23, 2018, there was an expense refund that was credit for an expense incurred on the same day. The campaign bank account shows an electronic payment on July 23, 2018 of \$396.42 for a truck payment. The truck payment was an electronic payment also on the bank statement. The truck payment and bank reversing credit occurred on the same day.

The effect is no expense was incurred as the bank reversed the charge. As the charge and reversal occur all on the same day no reporting is required. The Registry has advised in the past that such a reversal on the same day is not required to be reported as it all occurred in one reporting period. The advisement was made to reduce the number of entries required to be keyed into the web-based system. The combined activity has no effect on the available campaign funds.

3. On July 3, 2019, Franklin Synergy Bank accepted a deposit of \$16,595.60. On June 14, 2019 Franklin Synergy Bank posted a \$16,595.60 credit to the bank account listed as “automatic charge off”. At the time of the automatic charge off by the bank the campaign bank account had a negative balance of \$16,595.60. The bank transaction appears to be to close out the account and create a debit to the bank of \$16,595.60 from Mayor Ketron’s Senate Campaign (commonly known as a bad debit account). The bank appears to accept the deposit on July 3, 2019 to clear that “bad debit” and close the account. The deposit funds on July 3, 2019 appeared to be all related to Kelsey Ketron. The deposit included the following items;
 - a. A \$14,000 check written on the account of Henry S Randolph III (Kelsey Ketron spouse) to Kelsey Ketron. The check having the notation “personal” in the memo line.
 - b. A \$2,500 from Kelsey Ketron’s personal account written to “Bill Ketron’s Senate”.
 - c. A certified check for \$95.60 from an unknown source. The certified check is effectively is cash deposited into the campaign account. Certified checks are issued by banks when funds (usually cash) are provided and verified to exists. The check is then certified by the bank as payable. The check indicates it is from and to the Senate account which was not possible (It could not be from and to the same source), Mayor Ketron was asked to explain the source. Based on a statement made from Mayor Ketron through his attorneys it is likely the cash supporting the bank certified check is from Kelsey Ketron.

Although the funds were deposited into a campaign account indicating possible contributions, the transactions may not be campaign contributions. Thus the \$16,595.60 listed in the deposited above would not be Kelsey Ketron making a campaign contribution that would be \$13,595.60 over the campaign limit but something else. As such, Mayor Ketron was asked the transactions related to this deposit. In a response letter from Mayor Ketron’s attorneys, dated July 31, 2020, Counsel provided following response to this summarized question;

“Can you explain the purpose behind the \$16,595.60 deposit into the Mayor Ketron’s Senate Campaign account on July 3, 2019?”

RESPONSE: *Shortly before that deposit was made, a clerical error resulted ~~on~~ in (sic) campaign funds being used to pay off the entirety of a personal credit card. The mistake was caught shortly thereafter, and this*

deposit was made to reimburse the campaign account for this inadvertent transfer.”

The response indicates the deposited items were not contributions. The response suggests that the deposit was Kelsey Ketron paying back her parents for personal transactions charged on her parents' credit card. The indication is also that the activity was processed through Mayor Ketron's Senate Campaign account. The response refers to a disbursement from the campaign account to Mayor Ketron and Theresa Ketron's personal Capital One credit card account on April 15, 2019 for \$16,592.97. At the time the payment was made to the credit card the Senate bank account only had \$31.37. Also, at the time the payment was made the bank charged an overdraft fee of \$34 related to the transaction. The transaction fee effectively spends the last \$31.37 available. The result is the bank account having a negative balance of \$16,595.60 after the payment and related fee are charged. Thus, a difference exists in the amount paid to the credit card \$16,592.97 and the amount of the deposit \$16,595.60 (\$2.63). When reviewing the Ketron's credit card the records indicate the \$16,592.97 amount effectively paid off the outstanding balance on the personal card of \$17,092.97 listed on their April 15, 2019 statement (It pays off the entire card all but \$500 which was paid from another source on March 29, 2019).

Based on all the data available the records indicate it is more likely that the deposit of Kelsey Ketron's funds totaling \$16,595.60 on July 3, 2019 was to pay the \$16,592.97 in charges on her parents' credit card as inferred in Mayor Ketron's statements. Thus, neither the expense transaction on April 15, 2019 of \$16,5292.97 nor the deposit on July 3, 2019 of \$16,595.60 appear to be campaign transactions. Instead, they appear to be personal transactions processed through the campaign account. Although processing a personal transaction through the campaign account is not specifically prohibited by statute it is not recommended. The process is also contrary to the Registry's rules and regulations, as outlined by the Tennessee Comprehensive Rules & Regulations (hereafter Tenn. Comp. R. & Regs.) 0530-01-01-.02(a). The Tenn. Comp. R. & Regs. recommend that campaign funds be separated from personal funds effectively recommending separate campaign accounts. The Tenn. Comp. R. & Regs. were established to assist candidate in maintain campaign funds properly. Proper maintenance of the campaign funds eases the complexity in determining campaign finance activities that are required to be reported by the candidates. The Tenn. Comp. R. & Regs. also assists candidates in their compliance with T.C.A. § 2-10-114 which includes a prohibition on using campaign funds for personal use. In the Ketron's transactions, the \$16,592.97 credit card payment along with \$16,592.97 of the \$16,595.60 deposited do not affect the reporting or result in the use of campaign funds. As there were no campaign funds available in the account the personal transaction is not using campaign funds even for the time between the expense until payment. If these transactions are personal, then the transactions are not reportable as the transactions are neither campaign contributions nor campaign expenses. However, the remaining \$2.63 of the deposit and the \$34 fee charged to the account do result in reporting errors. The net amount of the \$34 fee and the \$2.63 of \$31.37 was an improper use of campaign funds. The \$34 fee was an unreported bank charge which is more fully addressed in Finding 4 Item (e). The \$2.63 is an unreported expenses adjustment for the \$34.00 fee and the \$31.37

still unrepaid appears to be campaign funds improperly incurred for personal activity which is more fully detailed in Finding 8.

The removal of the three items (\$1,257.58, \$396.42, and \$16,592.97) from the \$26,119.30 in the bank account results in an audit adjusted amount of \$7,872.35. The difference between the \$0.50 reported by Mayor Ketron and the \$7,872.35 adjusted amount is \$7,871.85. The \$7,871.85 difference is the result of failing to report any activity associated with deposits or credits on the campaign's two bank accounts except for the three minor interest credits totaling \$0.50. The unreported activity included the following;

1. Mayor Ketron failed to report the following contributions;
 - a. A \$639.90 contribution from Mayor Ketron on March 8, 2018 (2018 First Quarter).
 - b. A \$2,000 contribution from Mayor Ketron on April 20, 2018 (2018 Second Quarter) from his Mayoral campaign account.
 - c. Four checks from Universal International Insurance Agency, Inc or UII, a family owned business of the Ketron's in which Mayor Ketron is a majority owner. The checks were as follows;
 - i. \$800 dated July 12, 2018 deposited July 16, 2018 (2018 Third Quarter)
 - ii. \$2,250 dated August 22, 2018 deposited August 22, 2018 (2018 Third Quarter)
 - iii. \$250 dated October 15, 2018 deposited October 15, 2018 (2018 Fourth Quarter)
 - iv. \$75 dated January 30, 2019 deposited January 30, 2019 (2019 Mid-Year)

In addition to not reporting the four checks from UII, the checks issued in 2018 total \$3,300 showing UII as an incorporated business that has made contribution of over \$1,000 in a calendar year. Thus, in 2018 UII meets the definition of a Political Campaign Committee as outlined in T.C.A. § 2-10-102(12). As a Political Campaign Committee, UII was required to register as a Single Candidate Political Campaign Committee prior to making the first contribution and file campaign finance filings from the 2018 Pre-Primary per T.C.A. § 2-10-105.

- d. A \$750 Verizon PAC contribution check issued on August 16, 2018 by Verizon PAC to Bill Ketron for Senate deposited on October 5, 2018 (2018 Fourth Quarter).
- e. A \$300 cash deposit on October 15, 2018 from an unknown source (2018 Fourth Quarter). Along with being unreported, the contribution is from an unknown source and therefore cannot be used for campaign purposes.

- f. A \$800 contribution from Mayor Ketron. The check written from the personal account of Senator Bill Ketron and Theresa Ketron and signed by Kelsey Ketron deposited on December 17, 2018 (2018 Fourth Quarter)

The total of unreported contributions is \$7,864.90. The reporting of all contribution received is required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). The details of these contribution transaction and Mayor Ketron's noncompliance with reporting requirements of the statute are further detailed in Finding 2

2. Mayor Ketron failed to report \$4.32 in interest earned on the two Mayor Ketron's Senate Campaign bank accounts. No detailed finding for the failure to report the interest was provided as the errors represent less than 1% of the revenue received by the campaign during the audit period.
3. Mayor Ketron failed to report a \$2.63 partial reimbursement payment for a \$34 bank fee improperly paid with campaign funds for a personal transaction processed in the campaign account (see Finding 3 and the information above).

In addition to the unreported deposits and credits noted above, Mayor Ketron's campaign records and campaign finance disclosure statements indicate that most of the expenses disclosed were expenses paid on a Capital One credit card. The credit card was in the name of Bill and Theresa Ketron. The campaign records indicate purchases were not immediately reimbursed or reimbursed at all. The campaign account does indicate \$7,000 in payments to the Capital One card. Those payments are in amounts that are not reflective of the amounts incurred. The payments are not timely to the expenses that can be determined as incurred. The Registry has advised that only expense reporting can be made on credit card transaction 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 items above such that only expense reporting could be made as advised. Thus, each time an expense was paid on the credit card and disclosed as an expense on Mayor Ketron's Senate Campaign disclosure, a contribution was required to be reported. The records indicate Mayor 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 identified during the audit period was \$15,100.81. Additional details related to these unreported contributions is provided in Finding 3. Relatedly, Mayor Ketron failed to report \$3,660.36 in contributions adjustments for payments to the credit card. This is also detailed in Finding 3. Finally, the records indicate Mayor Ketron paid to his credit card \$3,339.64 for expenses the audit cannot identify as campaign related. As the payment cannot be identified for a campaign purpose and was paid to Mayor Ketron's personal credit card the payment appears to be an unallowable use of campaign funds which is detailed in Finding 8.

FINDING(S)

- 2. Mayor Ketron failed to report \$7,864.90 in campaign contributions, as required by T.C.A. §§2-10-105(a) and 2-10-107(a)(2)(A). The unreported contributions also include \$300 in cash or cash equivalents for which Mayor Ketron maintained no contributor records to support the source of the contribution.**

Mayor Ketron failed to report \$7,864.90 in contributions deposited into Mayor Ketron's Senate Campaign account during the period from January 1, 2018 to June 30, 2019. T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A) require all contributions received to be reported on a campaign finance statement. The unreported funds were deposited into the Senate bank account and total \$7,864.90.

For much of 2018, Mayor Ketron's Senate account maintained a minimal balance and at times went into a negative or zero balance, up to the time the account was closed by the bank due to a negative balance. The campaign appears to rectify this imbalance on or about July 3, 2019 (See Finding 1). During this period, there were several deposits made into the account. In most cases, the deposits appear to have been an effort to maintain a positive account balance in order to pay limited expenses and fees charged to the campaign account. In effect, it appears the deposits were to maintain the solvency of the account. Due to this effort, there is some indication that the intent of the deposit may not have been to give a campaign contribution by the contributor in all instances. As such, the candidate was asked to explain the purpose of each deposit. No additional information was provided, with the sole exception being additional information for \$16,595.60 noted above in the Contribution and Receipts Audit Conclusion. However, as the remaining funds were placed into Mayor Ketron's Senate Campaign account and in most cases were subsequently used to pay expenses incurred by Mayor Ketron's Senate Campaign account or reimbursed to the candidate's credit card for reported expenses, the deposits appear to be contributions to Mayor Ketron's Senate Campaign and are reportable per T.C.A. §§ 2-10-105(a), 2-10-107(a)(2)(A) and 2-10-107(e). None of those deposits were reported.

The campaign disclosure and related campaign records indicate the following related to the unreported \$7,864.90:

1. A \$639.90 contribution from Mayor Ketron on March 8, 2018 (2018 First Quarter). This check was a reimbursement for expenses paid by Mayor Ketron personally, but the check was deposited into Mayor Ketron's Senate Campaign account. The check is from the Tennessee Senate Republican Caucus (a registered PAC) to Senator Ketron and there were notations on the check indicating that it was a reimbursement for two televisions purchased by Mayor Ketron. The PAC confirmed to the auditor that the payment was to reimburse Mayor Ketron for two televisions bought and placed into the gym at the Cordell Hull Building (the placement of the televisions in the gym has been confirmed by the audit). The PAC's support for the reimbursement was a phone screen shot of a Sam's Club shipping notice from the phone of Kelsey Ketron for two televisions in the amount of \$639.90. The same \$639.90 charge appears on Theresa Ketron's credit card on March 1, 2018. There is no related \$639.90 expense reported

on Mayor Ketron's Senate Campaign account disclosure. As such, the deposit is not a reimbursement of Mayor Ketron's Senate Campaign paid expenses, but a reimbursement paid to Mayor Ketron for a personally paid expense. It appears Mayor Ketron placed the funds into Mayor Ketron's Senate Campaign bank account. The funds are therefore personal funds of Mayor Ketron. When the check was placed into Mayor Ketron's Senate Campaign account and subsequently used to pay for Mayor Ketron's Senate Campaign account's reported and incurred expenses; the \$639.90 became a contribution from Mayor Ketron to the campaign. This contribution was not reported on the 2018 First Quarter statement.

2. A \$2,000 contribution from Mayor Ketron on April 20, 2018 (2018 Second Quarter). On April 20, 2018, the Senate account shows a deposit of a \$2,000 check from Mayor Ketron's Mayoral campaign account. This check was not reported as a contribution or expense adjustment and the purpose of the check to Mayor Ketron's Senate Campaign cannot be determined. The funds were placed into Mayor Ketron's Senate Campaign account and subsequently used to pay expenses reported by and incurred the campaign. Accordingly, the \$2,000 became a reportable contribution to Mayor Ketron's Senate Campaign. The Registry has determined in the past that a candidate's contributions from their campaign account are include as part of their individual contributions (personal contributions). As such, the \$2,000 contribution was required to be reported on the 2018 Second Quarter Statement as a contribution from Mayor Ketron.

In addition to being unreported, the check was written from an active local election campaign (an active campaign being defined in this audit report as a campaign for which the elections have not been incurred but for which campaign finance disclosures are being made) to an inactive state campaign for the same candidate (an inactive campaign being defined in this audit report as a campaign still filing campaign finance statements but for which elections have already occurred) T.C.A. § 2-10-310(c) prohibits unexpended campaign funds after a local election from being transferred to a state election for general assembly or governor. However, the funds noted above do not meet the definition of "unexpended after a local election" as the campaign was an active campaign (prior to the election). Nevertheless, the restriction could call into question as to whether such a transfer or contribution during the election would be an allowable expense by a local campaign to a state level campaign of the same candidate, as it may not meet the definition of a campaign expenditure in T.C.A. § 2-10-102(6) as being an expense for the purpose "the nomination for election or election of any person to public office" for the office they are currently seeking. Since the check is from the mayoral account and the distribution if unallowable would represent non-compliance by the mayoral campaign the same information will appear in the mayoral audit report for consideration of an allowable mayoral expense.

3. Four checks from Universal International Insurance Agency, Inc ("UII"), a family owned business in which Mayor Ketron is majority owner. The four checks were deposited into Mayor Ketron's Senate Campaign account. The checks were as follows:
 - \$800 dated July 12, 2018 deposited on July 16, 2018 (2018 Third Quarter)

- \$2,250 dated August 22, 2018 deposited August 22, 2018 (2018 Third Quarter)
- \$250 dated October 15, 2018 deposited October 15, 2018 (2018 Fourth Quarter)
- \$75 dated January 30, 2019 deposited January 30, 2019 (2019 Mid-Year)

Mayor Ketron did not report the checks deposited as a contribution or expense adjustment and the purpose of each check to Mayor Ketron's Senate Campaign cannot be determined. The funds were deposited and used to pay Mayor Ketron's Senate Campaign expenses incurred and reported, and thus appears to meet the definition of contributions. 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 each contribution should have been reported as a UII contribution on the dates and reports listed above.

In addition to not reporting the four checks from UII, contributions for the 2018 calendar year totaled \$3,300 (the first three checks on the list above). This means that UII, an incorporated business making campaign contributions in excess of \$1,000 in a calendar year, meets the definition of a Political Campaign Committee, or PAC, as outlined 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 prior to making the first contribution on July 12, 2018, per T.C.A. § 2-10-105(e). After registration, the PAC would have been required to file campaign finance disclosures statement for the 2018 Pre-Primary, 2018 Third Quarter, and 2018 Pre-General reporting periods per T.C.A. §§ 2-10-105(a) and 2-10-107(a). UII failed to register and file each statement. As this is non-compliance by the business and not Mayor Ketron's Senate Campaign no detail finding for the business's non-compliance was noted. However, it was noted in this finding as Mayor Ketron is both the Senate candidate that received the contributions and is the owner of the business. Thus, Mayor Ketron would have some responsibility for registering the business and ensuring it disclosed properly.

In addition, the \$250 UII contribution written and deposited on October 18, 2018 and the \$75 check written and deposited on January 30, 2019 were both made after Mayor Ketron resigned from the Senate on August 31, 2018. Both transactions also occurred after September 1, 2018, when he assumed his position as Rutherford County Mayor. The contributions occurred during a time when Mayor Ketron reported no loans outstanding, or other obligations outstanding for Mayor Ketron's Senate Campaign and while reporting a significant available balance. At this point in time, Mayor Ketron arguably should not have accepted any additional contributions for this campaign, as he no longer met the definition of a "candidate" for this office pursuant to T.C.A. § 2-10-102(3), he had no outstanding campaign obligations related to this campaign, and

he no longer held the office for which the campaign related, and therefore, no permissible expenditures could be made from this account and unexpended funds could only be distributed in accordance with T.C.A. § 2-10-114. Therefore, the collection of these contributions in such a situation would appear to call into question Mayor Ketron's intent and the statutory ability to collect contributions for Mayor Ketron's Senate Campaign once he was no longer a candidate or a state Senate officeholder, and had no outstanding obligations related to this campaign.

4. A \$750 Verizon PAC contribution check was issued on August 16, 2018 by Verizon PAC to Bill Ketron for Senate, which was deposited on October 5, 2018 (2018 Fourth Quarter). This check is the only audit identified deposited item that appears to be intended as contribution to Mayor Ketron's Senate Campaign account by the contributor. The check was written to Bill Ketron for Senate and was reported as a contribution to Bill Ketron (pulled from the state candidate listings on the online system) on the Verizon PAC 2018 Third Quarter Statement.

On September 1, 2017, then-Senator Ketron filed his appointment of treasurer form to begin collecting and spending funds for the Rutherford County Mayor's race. Mayor Ketron did not attempt to qualify for the 2018 Senate District 13 election in April 2018 (the election that is the basis for this campaign account). At this point in time, Mayor Ketron arguably should not have accepted any additional contributions for this campaign, as he no longer met the definition of a "candidate" for this office pursuant to T.C.A. § 2-10-102(3), had no outstanding campaign obligations related to this campaign, and had no significant officeholder expenses that could not be met by the reported available balance of the account. On May 1, 2018, Mayor Ketron won the Republican primary for the Rutherford County Mayoral nomination. Mayor Ketron then won the August 2, 2018 general election for mayor. On August 31, 2018 Mayor Ketron resigned from the Senate and assumed the Mayor's office on September 1, 2018. At this point in time, Mayor Ketron should not have accepted any additional contributions for Mayor Ketron's Senate Campaign, as he was no longer a candidate for this office or a state Senate officeholder and had no outstanding obligations, and therefore, no permissible expenditures could be made from this account and unexpended funds could only be distributed in accordance with T.C.A. § 2-10-114. Based on the check date of August 16, 2018, the Verizon contribution was written after Mayor Ketron had won the office of Mayor of Rutherford County but before resigning from the Senate.

This check apparently was intended for the Senate account and not the mayoral account, although the audit did not confirm this fact with the PAC, The facts that can be determined are that the check was received by the Mayor sometime after it was written, and was deposited on October 5, 2018. On the day the contribution was deposited in the Senate bank account, the Mayor should have been aware that he had resigned from the Senate office and he was likely not going to incur future campaign and office holder expenses for his Senate office. Also, Mayor Ketron should have been aware that his latest filed campaign finance statement at the time, the 2018 First Quarter Statement filed in April 2018, reported an available campaign balance of \$132,851.29

with no loans or obligations for the campaign. The applicable statement balance prior to the deposit is the 2018 Third Quarter Statement, which ends on September 30, 2018. The reported available balance was \$121,629.24. However, it should be noted that this statement was not filed till July 15, 2019, which means Mayor Ketron may not have been aware of the exact amount at the time of the deposit. This would again appear to bring into question the intent of the candidate in taking contributions to a campaign account after an election, after resignation from office, and while having a significant reported available balance and likely few to no additional allowable expenses to be incurred for campaign or office holder related activity.

The collection of Senate contributions after assuming the Mayor's office and resigning from the Senate, while reporting a significant available balance with no loans outstanding or obligations, will apply to both remaining items.

5. A \$300 cash deposit October 15, 2018 was made from an unknown source (2018 Fourth Quarter). Mayor Ketron's Senate Campaign bank account records show cash was deposited on October 15, 2018. Mayor Ketron again reported no related contribution or expense adjustment for these funds. The funds were used by Mayor Ketron's Senate Campaign account and appear to be contributions that should have been reported on the 2018 Fourth Quarter. This contribution was deposited after his resignation from the Senate.

Mayor Ketron also failed to maintain or obtain sufficient campaign records to verify compliance with all campaign finance statutes for the \$300 in cash contribution(s). Since the campaign failed to maintain contributor records for the cash contribution(s), the contributions are considered an anonymous contribution and cannot be used for a campaign purpose. Without the specific contributor(s) names and the exact amounts contributed, we 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.
6. A \$800 contribution from Mayor Ketron (2018 Fourth Quarter). The check was written from the personal account of Senator Bill Ketron and Theresa Ketron was signed by Kelsey Ketron and deposited on December 17, 2018. Mayor Ketron failed to report the check deposited as a contribution or expense adjustment, and therefore, the purpose of the check to Mayor Ketron's Senate Campaign cannot be determined. The funds were deposited and used to pay Mayor Ketron's Senate Campaign expenses incurred and reported and appears to meet the definition of a contribution. Finally, as the funds come from Mayor Ketron's personal joint account, the contribution should

be reported from Mayor Ketron and should be reported on the 2018 Fourth Quarter Statement. This contribution was also made after his resignation from the Senate.

The \$7,864.90 listed in the six items above are all the deposits and credits activity in Mayor Ketron's Senate Campaign bank account from January 15, 2018 to July 3, 2019 that related to contributions. Mayor Ketron did not report any contributions during the period of January 1, 2019 to July 3, 2019. In addition to these unreported contributions, an additional \$15,100.81 in contributions was unreported related to activities incurred on Mayor Ketron and Theresa Ketron's personal credit card and is outlined in Finding 3. Mayor Ketron did not report any deposits into the campaign account during the audit period, and he only reported a portion of the interest earned by one of the two Mayor Ketron's Senate Campaign accounts. The \$7,864.90 noted in this finding, the \$15,100.81 noted in Finding 3, and the \$10,570.60 that were available in the campaign account at the commencement of the 2018 First Quarter outlined in Finding 1 were the sources to pay all expenses incurred and paid from January 16, 2018 to June 30, 2019. As such the transactions noted in this finding appear to have no relation to the \$127,535 missing or disbursed without proper reporting noted in Finding 1.

3. Mayor Ketron failed to report \$15,100.81 in campaign contributions from the use of his personal funds/credit for purchases made through his personal credit card, as required by T.C.A. §§2-10-105(a) and 2-10-107. In non-compliance with the same statutes, Mayor Ketron failed to report \$7,000 in disbursements when payments were made to the credit card.

In addition to the unreported contributions noted in Finding 2, Mayor Ketron failed to report \$15,100.81 in contributions from himself to Mayor Ketron's Senate Campaign from January 1, 2018 to June 30, 2019. T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A) require all contributions received to be reported on the campaign finance statement when they are received. Mayor Ketron's campaign finance disclosures statements report several expenses that were not paid from Mayor Ketron's Senate Campaign bank accounts but were paid on Mayor Ketron and Theresa Ketron's personal credit card (a Capital One card). Although the credit card receives payments from the campaign bank accounts, the payments are not directly related to any specific expense or group of expenses. Mayor Ketron maintained no records to indicate the purpose of each payment and how it related to the expenses incurred. Therefore, the payments cannot be reconciled to the reported expenses. The payments are not made in a timely manner based on the expenses incurred.

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 reporting of the expense only can be made on credit card transaction 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 statement due date).

Mayor Ketron's reimbursement 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.

Mayor Ketron's Senate Campaign records and campaign disclosures indicate several expenses 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 \$15,100.81 during the audit period. As noted, Mayor Ketron failed to report \$15,100.81 in personal contributions related to those credit card transaction. Also, during the audit period, Mayor Ketron's campaign records show \$7,000 in payments to the Capital One credit card used for campaign activity. The audit determined it likely that \$3,660.36 of those payments related to the expenses reported during the audit period and should have been reported as contribution adjustments to the \$15,100.81 in unreported contributions. However, Mayor Ketron failed to report those \$3,660.36 in contribution adjustments. The remaining \$3,339.64 paid to the personal credit card could not be associated to any reported campaign expense or campaign activity on the credit card or the campaign disclosures. Therefore, the \$3,339.64 payment appears to be solely a payment made to Mayor Ketron's personal credit card for personal expense incurred on the card. Regardless of the payment purpose, the disbursement of the funds was required to be reported on the campaign finance disclosure. Mayor Ketron failed to report the \$3,339.64 expense incurred by the campaign. In addition, the \$3,339.64 of unreported expenses also appears to represent the use of campaign funds for personal use in non-compliance with T.C.A. §2-10-114(b)(1), which is detailed with other unallowable expenses in Finding 8.

Details of the credit card transactions that resulted in the unreported contributions by reporting period are detailed in the items below:

- a. On the 2018 First Quarter Statement, which had a reporting period of January 16, 2018 through March 31, 2018, the audit confirmed \$1,660.36 in expenses were reported on Mayor Ketron's Senate disclosures that were incurred on the Capital One credit card. During this same period, a \$5,000 electronic transfer to Capital One was made from the Mayor Ketron's Senate Campaign account on March 8, 2018. The campaign records are insufficient to determine how the \$5,000 payment relates to the \$1,660.36 expenses incurred and reported. (The payment is also made before all the expenses noted were incurred). Mayor Ketron provided no record to reconcile the payment 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 incurred. Mayor Ketron failed to report the \$1,660.36 in his contributions for this period. In addition to failing to report the contribution when the \$5,000 payment was made to the credit card, Mayor Ketron was required to report the return of his contributions equal to the known expense incurred of \$1,660.36. Mayor Ketron failed to report the \$1,660.36 contribution return.

Mayor Ketron also failed to report an expense incurred when the \$5,000 payment was made. The difference in the \$5,000 payment and the \$1,660.36 unreported contribution return is \$3,339.64. The \$3,339.64 amounts are the unreported expense(s). The \$3,339.64 amount is paid to the personal credit card, but no related expenses are reported for this amount during this period and no expenses were identified by Mayor Ketron from previous periods. As such, the \$3,339.64 part of the payment represents a disbursement of campaign funds that was unreported. As Mayor Ketron has provided no support to show the funds were used for a campaign purpose, the \$3,339.64 payment also appears a transfer of campaign funds to pay a personal expense (expenses on Mayor Ketron's personal card not Mayor Ketron's Senate Campaign related). The payment of personal expense with campaign funds is prohibited by T.C.A. § 2-10-114(b)(1). However, notwithstanding the prohibited nature of the transaction, the \$3,339.64 disbursement of campaign funds also is required to be reported per T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A). Mayor Ketron failed to report the expense in non-compliance with the reporting statutes. The prohibited nature of the disbursement is detailed in Finding 8.

- b. The audit determined that \$2,004.62 in expenses were reported on Mayor Ketron's 2018 Second Quarter Senate disclosures that were incurred on the Capital One card. The audit noted an additional payment to the Capital One card, during that period on April 30, 2018, for \$1,000. The audit also noted another a month after the reporting period for and another \$1,000 on July 30, 2018. Although the July payment occurs in the 2018 Third Quarter, that payment appears to be more relevant to these transactions. Mayor Ketron again failed to maintain or provide campaign records sufficient to determine the precise relation of the \$2,000 in payment to the \$2,004.62 expenses incurred and reported. Like the 2018 First Quarter, the April payment is made before all the expenses noted were incurred. The July payment is also significantly after the reporting period. The audit again determined the expense only reporting would be improper as direct and timely reimbursement did not occur. Thus, each time Mayor Ketron reports an expense during this period paid from his personal card, he was also required to show a contribution (either by loan or direct contribution) to show the use of his personal funds/credit. Mayor Ketron failed to report the \$2,004.62 in his contributions for this period.

In addition to failing to report the contribution when the payment was made to the credit card, Mayor Ketron was required to report the returns of his contributions (either as a loan repayment or a contribution adjustment based on the manner in

which the contributions were reported). Mayor Ketron failed to report the \$2,000 in contribution returns.

- c. On the 2018 Third Quarter Statement the audit determined \$649.62 in expenses reported on Mayor Ketron's Senate disclosures were incurred on the Capital One credit card. As noted above, the audit noted a \$1,000 payment made on July 30, 2018, but based on the expenses date and amounts incurred it appeared the payment was related to the 2018 Second Quarter and therefore the information related to that payment is in Item (b) above. Mayor Ketron provided no support to indicate how this was paid for from the campaign account. Also, there is no indication that these expenses were ever reimbursed as no subsequent payments were made to the personal card related to campaign activity. Mayor Ketron failed to report the \$649.62 in contributions for this period related to credit card transactions.
- d. On the 2018 Fourth Quarter Statement, the audit determined there were \$3,289.21 in expenses reported on Mayor Ketron's Senate disclosures that were incurred on the credit card. Mayor Ketron provide no support to indicate how this was paid for from the campaign account. There is no indication that these expenses were ever reimbursed as no subsequent payments were made to the personal card related to campaign activity. Mayor Ketron failed to report the \$3,289.21 in his contributions for this period.
- e. On the 2019 Mid-Year Statement, the audit determined there was one expense of \$7,419 reported on Mayor Ketron's Senate disclosures that was incurred on the credit card. Again, no reimbursement records were provided nor was subsequent payment made per the campaign records. Mayor Ketron failed to report the \$7,497 in his contributions for this period.

The \$15,100.81 itemized above represents all contributions that were received as a result of the credit card activity during the audit period. None of these contributions were reported by Mayor Ketron during the audit period. As noted in Finding 2 and the Audit Conclusion section of Contribution and Receipts above, Mayor Ketron failed to report any deposits into the campaign account during the audit period and only reported a portion of the interest earned by Mayor Ketron's Senate Campaign accounts as receipts for the period. The \$15,100.81 noted in this finding, and the \$7,864.90 noted in Finding 2, plus the \$10,570.60 that was actually available in the campaign account at the commencement of the 2018 First Quarter (noted in Finding 1) were the sources used to pay all expenses incurred during the audit period (including credit card expenses incurred and reported). The transactions noted in this finding appear to have no relation to the \$127,535 in funds either previously disbursed or missing as noted in Finding 1.

DISBURSEMENTS AND OBLIGATIONS

Audit Objectives :

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

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

Audit Methodology:

The Registry obtained Mayor Ketron's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to July 31, 2019. The Registry requested 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 on October 1, 2019 provided a listing of all bank account used by the campaign. Also note was the submission of records on October 14, 2019 which was noted as limited in scope. The items subsequently received on October 14, 2019 related to Mayor Ketron Senate audit, mayoral audit, and Quest PAC audit 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 obtain though 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 contribution or expenses was noted in those records that was not already available to the auditor form other submission 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. Also, in Exhibit B was 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 Mayor Ketron's Senate 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 statement from January 1, 2018 to July 31, 2019 and copies of all disbursement checks which cleared those accounts. For Mayor Ketron's Senate Campaign there are two bank accounts both with Franklyn Synergy Bank. One account is a money market account. The second account is a business checking account. Both accounts are in the name of Bill Ketron for Senate.

Prior to the November 13, 2019 update to the Members, the auditor became aware of the need to obtain Mayor Bill Ketron and Theresa Ketron's personal credit card information. The audit also determined the need to obtain the 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 Senate, mayoral and Quest PAC. He also provided copies of his Capital One credit card statements and bank records for UII. Due to the submission by Mayor Ketron the credit card records and UII bank records were not subpoena 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 [see Finding 4 Item (b)]. The associated credit card 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 the subpoena was 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, all the records available for the audit of Mayor Ketron's Senate Campaign account activities for disbursement and expenses include the following:

- A. Bank statements for both Franklin Synergy Bank Mayor Ketron's Senate Campaign accounts (money market and business account) from January 1, 2018 to July 31, 2019, or until the account was closed.
- B. Copies of all disbursement checks from both Mayor Ketron's Senate 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.
- 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.

The campaign records provided by Mayor Ketron did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The only documents received for expenditures were disbursement records (canceled check, credit/debit card transactions on credit card statement 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, 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 Mayor Ketron and the treasurer. No additional receipts or invoices have been provided, except for one. Details related to the lack of documentation and the additional receipt provided are reported in Finding 7. 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 \$54,839.02.
- 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. §§ 2-10-107 and 2-10-114 and reported in compliance with the Registry's rules.

Audit Conclusion:

Mayor Ketron's Senate Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicate that the campaign had expenses totaling \$54,839.02. Mayor Ketron's Senate Campaign account records indicate that the campaign disbursed \$35,432.34 for the same period. Included within the disbursed amount is \$16,592.97 that was disbursed to Mayor Ketron and Theresa Ketron's personal credit card account on April 15, 2019. As noted in the Contribution and Receipts Audit Conclusion section above, the \$16,592.97 disbursement was determined not to be campaign related, but part of a set of transactions that were personal and must be adjusted to show campaign related disbursements only. As such, the amount disbursed by the campaign must be adjusted to show campaign related disbursements only. The audit adjusted disbursement amount is \$18,839.37 (\$35,432.34 less \$16,592.97). The difference in the expenses reported and the amount disbursed by Mayor Ketron's Senate Campaign accounts is \$35,999.65 (\$54,829.02-\$18,839.37). The \$35,999.65 difference is the result several errors, including failing to report all expenses that were incurred, the improper reporting of expenses that were not incurred (expenses that were not paid from any source but reported) and improperly reporting of activity that was paid on the Mayor Ketron's personal credit card. The various errors noted are as follows, along with the reference to the finding detailing the errors:

1. Mayor Ketron failed to report seventy transactions totaling \$4,460.63 in disbursements from the Mayor Ketron's Senate Campaign account as required by T.C.A. §§ 2-10-105 and 2-10-107. Details of the unreported expenses are in Finding 4
2. Mayor Ketron failed to report the full amount of all expenses incurred. Mayor Ketron understated various reported expense transaction by \$165. The failure to report the full amount of the expense incurred is also required by T.C.A. §§ 2-10-105 and 2-10-107. The understated expenses also represent unreported expenses and are detailed in Finding 4
3. Throughout the audit period, Mayor Ketron reported expenses that were not disbursed from the campaign account and appear to have been disbursed from Mayor Ketron and Theresa Ketron's personal credit card. The audit was able to identify \$15,100.81 in expenses that appear to have been incurred on the credit card account. Also, the campaign records indicate the Senate accounts made three payments to the credit card supposedly related to campaign activity totaling \$7,000 (additional details are in Finding 3). The difference between the amount incurred and the amount disbursed to the credit card is \$8,100.81. The \$8,100.81 represents expenses reported that were not disbursed from the campaign account and therefore they are not included in the \$18,839.37 disbursement amount noted above. However, the error in reporting does relate to the \$15,100.81 and the \$7,000 not the net amount of the transactions. The audit has determined that each time an expense was paid on the personal credit card, Mayor Ketron is using his own funds or credit. Those funds should have been reported as contributions, (loans or monetary). Mayor Ketron failed to report those contributions, which is noted in Finding 3, which is equal to the \$15,100.81 in expense incurred. The subsequent payments would then need two different disclosures based on the activity at the time of the reporting of the payment. As the payment amounts are greater than the expense incurred and are not directly related to the expenses reported, a portion of the payment equal to the current reported contributions would be reported as a return of those contributions. The amount above the return of contribution amount would be a normal expense and reported as a disbursement to Capital One. Mayor Ketron did not report the payments either as returns of contributions or expenses to Capital One. The total of unreported returns of contribution was \$3,660.36 of the \$7,000 payment (see Finding 3). The remaining \$3,339.64 of the \$7,000 paid to Capital One appears to be an unreported expense detailed in Finding 4. The \$3,339.64 also appears to be an unallowable disbursement of Mayor Ketron's Senate Campaign funds for personal expenses in non-compliance with T.C.A. §§ 2-10-114(b)(1) which is detailed in Finding 8.
4. Mayor Ketron appears to have failed to comply with T.C.A. §§ 2-10-105 and 2-10-107, which requires reporting of expenses incurred by the campaign, and the disbursement 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 available amount for each of the expenses reported which were not incurred. Mayor Ketron's disclosed twenty-three un-incurred expenses total totaling \$27,748.75. Details of the \$27,748.7 in un-incurred expenses are in Finding 5.

5. Mayor Ketron overstated the amount of several expenses incurred. Mayor Ketron overstated expenses for approximately fourteen transactions by \$5,172.14. The overstatement of expenses is effectively the same as reporting expenses that were unincurred as noted in Item (4). Details of these transactions are also included in Finding 5.

The final difference in the amount deposited and amounts reported and incurred is a \$396.42 truck payment on July 23, 2018 that was also reversed on the same day. Although the candidate could have reported the expense and the expense adjustment, the Registry commonly does not require reporting of such a transaction as the reversal (which is effectively a refund) and expense occurred timely (same day) and are easily reconcilable (the amount is the same and both on the same bank statement). This is different than the personal credit card transactions, where reimbursements (refunded) are sporadic and in random amounts (appears paid based on funds being available and in round amount payments). Mayor Ketron had additional errors noted above that are the difference in expense incurred and reported. The audit noted the following additional errors.

6. Mayor Ketron's disclosures overstated expenses associated to Mayor Ketron's Senate Campaign purchased vehicle due to its use in Mayor Ketron's Mayoral Campaign. The overstatement appears to make the Senate account non-compliant with T.C.A. §§ 2-10-105(a) and 2-10-107 either for unreported in-kind contributions to the mayoral race or unreported payments and unreported expense adjustments for mayoral campaign expenses incurred. In addition, the campaign vehicle expenses were overstated by \$2,269.16 in 2018 based on reimbursements paid to then Senator Ketron by the State of Tennessee for travel reimbursement. Details related to these errors are reported in Finding 6.
7. Mayor Ketron failed to provide a supporting receipt, invoice, or other supporting document for 82 expenses totaling \$20,204.57 incurred by the campaign. Mayor Ketron is required by T.C.A. §§ 2-10-219(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made. Details of the transactions and errors noted are in Finding 7.
8. Mayor Ketron appears to have disbursed \$5,588.60 campaign funds for unallowable purposes per T.C.A. § 2-10-114 which is detailed in Finding 8.
9. Mayor Ketron failed to report expenses during the period they were incurred, in non-compliance with T.C.A. § 2-10-107(a)(2)(B). Mayor Ketron late reported twelve expenses totaling \$3,202.52 by one reporting period. In addition, Mayor Ketron filed a 2018 Year-End Supplemental Disclosure statement that was not required by statute. Mayor Ketron, by failing to qualify for the 2018 election for Senate District 13, (due to running for Rutherford County Mayor) only had four required statements to file in 2018. The required disclosures statement were; the 2018 First Quarter that covered January 16, 2018 to March 31, 2018; the 2018 Second Quarter that covered April 1, 2018 to June 30, 2018; the 2018 Third Quarter that covered July 1, 2018 to September 30, 2018; and the 2018 Fourth Quarter that covered October 1, 2018 to January 15, 2019. However, Mayor Ketron filed the 2018 Year-End Supplemental Disclosure statement, which also covers July 1, 2018 to January 15, 2019. The 2018 Year End covering the same periods as the 2018 Third Quarter and 2018

Fourth Quarter statements. The 2018 Year-End Supplemental Disclosure statement is for candidates not up for election in 2018 with open accounts.

A review of the 2018 disclosure statements after the 2018 Second Quarter Statement shows a misunderstanding of the reports and reporting periods. Although the reports appear to cover the year, they do not always relate to the complete period they should cover. The result was mis-reported dates on several statements and the twelve transactions noted being reported one reporting period late. The 2018 Year-End Supplemental Disclosure Statement included expenses reported that appear on no other report and were dated different than any other statement. As such it was determined these were candidate reported expenses even though the statement was not required. The 2018 Year-End Supplemental Statement reported expenses appear to be listed on the wrong statement by Mayor Ketron. However, all the reported expenses on the 2018 Year-End Supplemental were also not incurred as details in Finding 5 specifically Items (j), (k), & (l) relate to the 2018 Year-End Supplemental. No detail finding was noted for the misreporting by period or filing the extra disclosure statement, as the majority of the disclosures related to both have other significant findings, when transactions were noted as late reported a notation is made in the findings.

FINDING(S)

4. Mayor Ketron failed to report \$7,965.27 in disbursements incurred by Mayor Ketron's Senate Campaign, as required by T.C.A. §§ 2-10-105(a) and 2-10-107. Included in the unreported disbursements are \$165 in disbursements that were understated.

Mayor Ketron failed to report \$7,965.27 in disbursements and/or expenses incurred between January 1, 2018 to July 31, 2019 from Mayor Ketron's Senate Campaign account. Campaign records provided and obtained for the audit indicated seventy transactions incurred by the campaign account, totaling \$4,460.63, which were not reported. The records also indicate \$3,339.64 was improperly disbursed to Mayor Ketron's credit card for expenses that were not identified (See Finding 8) and the disbursement itself was not reported as an expense. Finally, six transactions were reported on campaign disclosure statements where Mayor Ketron reported an amount lower than the amount dispersed from the Senate account. The understated amount totals in aggregate \$165. The understated amount is also unreported expense, as understated expenses also represent campaign funds disbursed which were not reported.

T.C.A. § 2-10-105(a) requires candidate 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 developed reporting procedures and an online reporting system was 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 expense 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 fails to comply with T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

Details of the seventy unreported expenses, totaling \$4,460.63, are as follows:

- a. The campaign bank account shows a disbursement of campaign funds by check to Apextek on January 16, 2018 for \$30, which cleared the bank account on January 22, 2018. Although Mayor Ketron reports several expenses to Apextek during the 2017 Year-End reporting period, there is no Apextek expense reported on a disclosure statement that appears to relate to this payment on January 16, 2018. There is no disclosure of any payment to Apextek on the 2018 First Quarter Statement, when this expense was incurred. (The 2018 First Quarter Statement should include all expenses from January 16, 2018 to March 31, 2018; the expense is considered incurred on the date that the check is written, January 16, 2018). Based on the data provided and Mayor Ketron's disclosures, Mayor Ketron failed to report this \$30 disbursement. Relatedly, Mayor Ketron failed to maintain any receipt related documentation for this disbursement as detailed in Finding 7.

- b. The campaign bank account indicates a disbursement of campaign funds by check to Regions Consumer Bank Card for \$183.63. The check was written on January 18, 2018 and cleared the bank on January 23, 2018. Mayor Ketron's disclosure statements show no corresponding disclosure for this payment to a Regions debit/credit card. The disclosure statements also show no expenses that appear to relate to the \$183.63 payment. Therefore, the \$183.63 payment appears to be an unreported expense.

Mayor Ketron also provided no supporting receipts for any expenses incurred relating to this disbursement. Mayor Ketron also failed to provide the identity of the Regions credit card account that received this payment. Therefore, the audit cannot determine if the payment is to a Mayor Ketron held account, the treasurer's accounts (Kelsey Ketron) or to any other person. The audit records do indicate that Mayor Ketron, had or has a Regions card account. Without the documentation to show the credit card paid or purpose of the payment by receipt, the audit can make no determination if the disbursement is candidate related, treasurer related, Mayor Ketron's Senate Campaign related, mayor campaign related, or Quest PAC related. The failure to provide those records was noted in Finding 7. T.C.A. § 2-10-212(2)(B) specifically states that, with respect to a credit card transaction, the candidate must report each vendor paid not the payment to the credit card company. Also, those vendors could not be determined without the credit card statement. Relatedly, the audit cannot determine if this is one unreported expense or multiple unreported expenses.

Finally, Mayor Ketron has indicated in his submission that the only accounts used for Senate related activity is the two Mayor Ketron's Senate Campaign bank accounts and a one Capital One credit card account in the name of Bill and Theresa Ketron (this credit account is one account, but is associated with two distinct credit card numbers). These are also the only accounts for which statements have been provided for the audit. Based on that statement a payment to another card (Regions debit/credit card) would be for non-campaign related activity, and therefore, would be unallowable per T.C.A. §2-10-114(b)(1), which is detailed in Finding 8.

- c. The campaign bank account reports a disbursement of campaign funds by check to the American Heart Association for \$400. The check was written on February 9, 2018 and cleared the bank on February 20, 2018. This disbursement is not disclosed on Mayor Ketron's campaign disclosure statements.
- d. The campaign bank account reports a disbursement of campaign funds by check (#1528) to UII for \$2,000. This check was written on April 2, 2018 and cleared the bank on April 4, 2018. This disbursement is not disclosed on Mayor Ketron's campaign disclosure statements.

As noted in Finding 1, UII is a business owned by Mayor Ketron and Kelsey Ketron. Also as noted in that Finding, there was a Finding of Indictment by the Grand Jurors of Rutherford County for Kelsey Ketron which indicated there were several improper payments from the Senate account to UII. The check noted here was also included in

the appendix of that indictment and is the only check noted in the indictment for the Senate account that is also in the audit period. Mayor Ketron has provided no support for the purpose of this disbursement to UII. Based on the indictment and lack of support, it appears the expense was an unallowable use of campaign funds, which is detailed in Finding 8.

- e. The campaign bank account reports several disbursements, starting during the 2018 Second Quarter reporting period up until the closing of Mayor Ketron's Senate Campaign bank by electronic charge/transfer by Franklin Synergy Bank, for bank overdraft fees. The fees include a \$34 charge after an expense is incurred at a time when there are insufficient funds in the Senate account to process the transaction and a \$5 reoccurring overdraft charge that appears to be charged during a portion of the audit period when the account was negative. None of these overdraft fees were reported on any campaign finance disclosure by Mayor Ketron. In total, there were 65 charges for overdraft fees by the bank during the audit period and all were unreported. These 65 charges totaled \$847. These transactions are summarized as follows by month:
 - i. April 2018: 18 fees charged totaling \$235; of these 5 charges were for \$34 each and 13 charges were for \$5 each
 - ii. May 2018: 23 fees charged totaling \$173; of these 2 charges were for \$34 each and 21 charges were for \$5 each
 - iii. June 2018: 7 fees charged totaling \$64; of this 1 charge was for \$34 and 6 charges were for \$5 each
 - iv. July 2018: 11 fees charged totaling \$171; of these 4 charges were for \$34 each and 7 charges were for \$5 each
 - v. August 2018: 1 fee charged for \$34
 - vi. October 2018: 2 fees charged totaling \$68; both were charges of \$34
 - vii. November 2018: 1 fee charged for \$34
 - viii. December 2018: 1 fee charged for \$34
 - ix. April 2019: 1 fee charged for \$34

In addition to being unreported, a few of the \$34 charges appear to be unallowable because they were charges to the campaign incurred directly as a result of a disbursement that also appears to be unallowable. Those charges are detailed in Finding 8. Although a percentage of the \$5 fee could also be considered unallowable for the same reason, the \$5 fees were not directly relatable to specific disbursements and therefore the percentage was not estimated or reported as part of Finding 8.

- f. The October 2018 campaign bank statement reports a disbursement of campaign funds by check to the TN Domestic Violence Coalition for \$1,000. The check was written on October 5, 2018 and cleared the bank on October 11, 2018. There is no disclosure of this disbursement on any of Mayor Ketron's campaign disclosure statements.

As noted above, Mayor Ketron also failed to report the proper amount of several expenses. Details of these six transactions, totaling \$165, are outlined below:

- g. During the campaign Mayor Ketron disclosed several expenses to AT&T. The amounts reported appear to be less than the related amounts incurred. The understated AT&T expense amounts total \$74.64. The four improperly reported expenses are listed below:
 - i. On April 17, 2018, Mayor Ketron reported an AT&T expense for \$129.16 on the 2018 Second Quarter Statement. The campaign records indicate this relates to an electronic payment to AT&T on April 11, 2018 for \$129.59. The difference is \$0.43.
 - ii. On May 6, 2018, Mayor Ketron reported an AT&T expense for \$129.16 on the 2018 Second Quarter Statement. The campaign records indicate this relates to an electronic payment to AT&T on May 14, 2018 for \$129.97. The difference is \$0.81.
 - iii. On May 9, 2018, Mayor Ketron reported an AT&T expense for \$129.16 on the 2018 Second Quarter Statement. The campaign records indicate this relates to an electronic payment to AT&T on June 11, 2018 for \$129.97. The difference is \$0.81.
 - iv. On July 10, 2018, Mayor Ketron reported an AT&T expense for \$129.16 on the 2018 Third Quarter Statement. The campaign records indicate this relates to an electronic payment to AT&T on July 12, 2018 for \$201.75. The difference is \$72.59.

After looking at prior disclosures and the current reported amounts, it appears Mayor Ketron's campaign disclosures are reporting a standard amount that had been charged by AT&T in the past instead of the actual amount paid. The indication is that the campaign was failing to use either the AT&T bill or the bank records to determine actual costs incurred for preparing the campaign finance disclosures. The failure to review the disbursement records or bills appears to have directly resulted in understatements of the AT&T expenses and the failure to comply with the reporting statutes.

- h. On the 2018 Third Quarter Statement, Mayor Ketron disclosed a \$262.72 expense to Thornton's LLC for fuel that appears to be understated by \$86.36 based on the audit test work. During the audit period, Mayor Ketron reported several expenses to Thornton's LLC for fuel. The campaign records appear to indicate that all those expenses were incurred on a Capital One credit card in the name of Bill and Theresa Ketron. The reported amounts do not reconcile to any set of expenses, except for one disclosure on the 2018 Second Quarter. A \$304.84 Thornton's LLC expense (one of three reported on the 2018 Second Quarter) reported on April 17, 2018 appears to relate to charges on one credit card statement. The statement is for Mayor (Bill) Ketron's card and shows expenses to Thornton's LLC from March 18, 2018 to April 15, 2018 that total \$304.84. (The statement is dated March 19 to April 18, 2018.)

For each reporting period, the audit calculated the actual incurred cost during the period and the total amounts that were reported to determine the proper reporting of the fuel expense, the one exception being the same \$304.84 noted above and reported on 2018 Second Quarter. The audit was able to reconcile that amount to one specific credit card statement for Capital One. As such the audit determined that all the fuel expense on that statement were being reported by Mayor Ketron in the \$304.84 disclosure amount. Included in that statement were four fuel expense incurred in March which if reported when incurred would be included on the 2018 First Quarter. In this instance the audit included the four fuel transactions in the 2018 Second Quarter reporting period instead of the 2018 First Quarter period in which they were incurred. The audit determined the expenses that related to the \$262.72 reported on the 2018 Third Quarter were as follows;

- 07/02/2018: \$51.10 charged on Bill Ketron's card
- 07/12/2018: \$49.26 charged on Bill Ketron's card
- 07/16/2018: \$34.88 charged on Theresa Ketron's card
- 08/03/2018: \$57.00 charged on Bill Ketron's card
- 08/07/2018: \$57.16 charged on Bill Ketron's card
- 08/28/2018: \$45.03 charged on Bill Ketron's card
- 09/12/2018: \$54.65 charged on Bill Ketron's card

The charges for the 2018 Third Quarter reporting period total \$349.08. Therefore, the difference of \$86.36 represents an understatement of expenses. In most reporting periods the Thornton's LLC fuel disclosures were overstated. Those errors are detailed in Finding 5.

- i. On the 2018 Fourth Quarter Statement, Mayor Ketron disclosed a Kroger fuel expense on July 28, 2018 for \$55.52. Based on that disclosed date and a review of the campaign records, there is no related payment to Kroger fuel on or about that date. However, on August 15, 2018, Mayor Ketron's Capital One credit card statement shows an expense of \$59.52 to Kroger fuel. The audit determined this is likely the expense being reported, although the dates and amounts do not match. The result is the expense reported is understated by \$4.00. Also, both the incurred date and reported date are not during the 2018 Fourth Quarter reporting period, making the disclosure improper per T.C.A. § 2-10-105(a). T.C.A. § 2-10-105(a) requires disbursement to be reported in the period they are incurred. No detail finding was provided for details of mis-reported expenses and improper disclosure reporting, but this issue is noted in the audit conclusion of the Disbursement and Obligation Section.

The last unreported expense was the \$3,339.64 related to a payment to Mayor Ketron's credit card. The details of that transaction are as follows:

- j. On the 2018 First Quarter Statement, which had a reporting period of January 16, 2018 through March 31, 2018, the audit confirmed \$1,660.36 in expenses were reported on Mayor Ketron's Senate disclosures that were incurred on the Capital One credit card. During this same period, a \$5,000 electronic transfer to Capital One was made from

Mayor Ketron's Senate Campaign account on March 8, 2018. The campaign records are insufficient to determine how the \$5,000 payment relates to the \$1,660.36 expenses incurred and reported. (The payment is also made before all the expenses noted were incurred). Mayor Ketron provided no documentation to reconcile the payment to expenses incurred. Therefore, no campaign records have been produced that indicate the expenses on the card are being directly reimbursed. Thus, Mayor Ketron was required to report a contribution for the expenses incurred; however, Mayor Ketron failed to report the \$1,660.36 in contribution which is detailed in Finding 3. In addition to failing to report the contribution when the \$5,000 payment was made to the credit card, Mayor Ketron was required to report the return of his contributions equal to the known expense incurred of \$1,660.36. Mayor Ketron failed to report the \$1,660.36 contribution return which also noted in Finding 3.

Mayor Ketron also failed to report an expense incurred when the \$5,000 payment was made which is the error noted in this Finding. The difference in the \$5,000 payment and the \$1,660.36 unreported contribution return is the \$3,339.64. The \$3,339.64 amounts represent an unreported expense. The \$3,339.64 amount is paid to the personal credit card, but there are no related expenses reported for this amount during this period and no expenses were identified by Mayor Ketron from previous periods. As such, the \$3,339.64 part of the payment represents a disbursement of campaign funds that was unreported. As Mayor Ketron has provided no documentation to show the funds were used for a campaign purpose, the \$3,339.64 payment also appears to be a transfer of campaign funds to pay personal expenses (expenses on Mayor Ketron's personal card which were not identified as Mayor Ketron's Senate Campaign related). The payment of personal expenses with campaign funds is prohibited by T.C.A. §2-10-114(b)(1). However, notwithstanding the prohibited nature of the transaction, the \$3,339.64 disbursement of campaign funds also is required to be reported per T.C.A. §§ 2-10-105(a) and 2-10-107(a)(2)(A). Mayor Ketron failed to report the expense in non-compliance with the reporting statutes. The prohibited nature of the disbursement is detailed in Finding 8.

5. Mayor Ketron's disclosures reported \$32,920.89 in disbursements that appear not to have been incurred. 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 \$32,920.89 are \$5,172.14 in disbursements that were overstated.

Mayor Ketron's disclosures and supporting campaign records indicate that Mayor Ketron reported \$32,920.89 in expenses that were not paid from any source. No disclosures or records were provided to indicate that the expenses were disbursed from any account controlled by Mayor Ketron or owed by Mayor Ketron's Senate Campaign. Included in this amount were twenty-three reported transactions, totaling \$27,748.75, which were completely unsupported by any record provided by Mayor Ketron. The twenty-three reported transactions have no documented support they were paid from any source. The campaign records effectively indicate that these twenty-three expenses never happened (were not incurred). In addition, there were fourteen instances where Mayor Ketron reported an amount higher than the amount actually incurred. The overstated

amounts in aggregate total \$5,172.14 and represents 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 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. 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 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 thirty-seven improper disclosures violates the requirements T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

The following items outline the twenty-three expenses, totaling \$27,748.75, that were included on the disclosure statements and which were never actually incurred or paid for by the campaign, according to the documentation available.

- a. Mayor Ketron's 2018 First Quarter Disclosure Statement reports a payment was made to AT&T on January 16, 2018 in the amount of \$129.59. However, the campaign's records show no indication that AT&T was paid \$129.59 on or about January 16, 2018 as reported, despite the fact that the campaign's records do indicate that a similar monthly amount was paid and reported (sometimes incorrectly) on other statements filed during the audit period.
- b. Mayor Ketron's 2018 Second Quarter Disclosure Statement reports a payment was made to 1st Shot Basketball on April 17, 2018 in the amount of \$1,500. However, the campaign records show no indication that this transaction ever occurred as reported.
- c. Mayor Ketron's 2018 Second Quarter Disclosure Statement reports three separate payments were made to Apextek on April 17, 2018, May 6, 2018, and June 9, 2018 for \$30 each (totaling \$90). However, the campaign records show no indication that these transactions ever occurred as reported on or near the dates identified. (Mayor Ketron did pay Apextek \$30 in January 2018; however, this transaction was not reported on the appropriate disclosures and appears to be unrelated to the three Second Quarter transactions reported. [Also see Items (d), (e) and (j) for additional Apextek transactions])
- d. Mayor Ketron's 2018 Third Quarter Disclosure Statement reports another payment, in the amount of \$30, was made to Apextek on July 10, 2018. However, the campaign

records show no indication that this transaction ever occurred as reported. [Also see Items (c), (e), and (j) for additional Apextek transactions]

- e. Mayor Ketron's 2018 Fourth Quarter Disclosure Statement reports yet another payment, in the amount of \$30, to Apextek on August 8, 2018. However, the campaign records show no indication that this transaction ever occurred. The audit noted that the August 8, 2018 date is not during the reporting period. As noted, Item (g) of this finding and the Audit Conclusion for Disbursements and Obligations above, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings. [Also see Items (c), (d), and (j) for additional Apextek transactions]
- f. Mayor Ketron's 2018 Fourth Quarter Disclosure Statement reports another payment to AT&T, in the amount of \$129.16, on August 10, 2018. However, the campaign records do not reflect that this transaction ever occurred as reported, despite the fact that the campaign records do indicate that a similar monthly amount was paid and reported (sometimes incorrectly) on other reports filed during the audit period. The audit noted that the August 10, 2018 date is not during the reporting period. As noted in the Audit Conclusion for Disbursements and Obligations, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings. See additional information on AT&T transactions in Item (a) of this finding and Item (g) in Finding 4.
- g. Mayor Ketron's 2018 Fourth Quarter Disclosure Statement reports five payments to the MTSU Foundation for donations. The campaign records show no direct payments to the MTSU Foundation. The campaign records support several payments to MTSU BRAA, a payment to the MTSU Ticket Office and a payment to MTSU Alumni Events. Several of those payments appear to match some of the expenses reported as being to the MTSU Foundation. In this period, two of the five reported MTSU Foundation expenses appear to be the payments to MTSU Ticket office and MTSU Alumni Events noted in the campaign records. The remaining three MTSU Foundation reported expense appear to be un-incurred. These were as follows:
 - MTSU Foundation donation on July 28, 2018 for \$1,250
 - MTSU Foundation donation on August 10, 2018 for \$1,250
 - MTSU Foundation donation on September 9, 2018 for \$2,000

The campaign records provided do not indicate that the MTSU Foundation, or any other MTSU related entity, was paid the \$4,500 disclosed by Mayor Ketron. Relatedly, the audit noted that the expenses were reported with dates not applicable to the 2018 Fourth Quarter. As noted in the Audit Conclusion for Disbursements and Obligations above, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings. These three MTSU expenses are such an example of expenses with other significant issues. The improper reporting on the wrong disclosure report is

minor, as the audit has determined they were un-incurred and as such the expense should not be reported at all. [Also see Items (i), (k), (u) of this finding for other MTSU related transactions].

- h. Mayor Ketron's 2018 Fourth Quarter Disclosure Statement reports a payment in the amount of \$2,750 made to Special Kids on September 27, 2018. However, the campaign records have no indication that this transaction ever occurred as reported. Further, if made, this transaction should have been reported on the 2018 Third Quarter Statement when incurred; failure to properly report the expense when incurred is detailed in the Audit Conclusion for Disbursements and Obligations above, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings.
- i. Mayor Ketron's 2019 Mid-Year Disclosure Statement reports five expenses to the MTSU Foundation and an expense to MTSU BRAA. As noted above, the campaign records show no direct payments to the MTSU Foundation. During this reporting period the audit identified one payment to MTSU BRAA for \$7,497 that appears to relate to one of the five reported MTSU Foundation expenses. The payment and reported amount were not exact which is outlined in Item (u) of this Finding. The remaining four MTSU Foundation expenses and the MTSU BRAA expense reported appear to be un-incurred and are as follows;
 - i. MTSU BRAA donation on February 2, 2019 for \$2,000
 - ii. MTSU Foundation donation on January 7, 2019 for \$2,00
 - iii. MTSU Foundation donation on March 9, 2019 for \$2,000
 - iv. MTSU Foundation donation on May 24, 2019 for \$2,500
 - v. MTSU Foundation donation on June 17, 2019 for \$2,500

The campaign records provided show no indication that the MTSU Foundation, or any other MTSU related entities, were paid the \$11,000 disclosed by Mayor Ketron. The audit noted that the January 7, 2019 donation for \$2,000 is reported with a date not during the reporting period As noted by Item (g) of this Finding and in the Audit Conclusion for Disbursements and Obligations above, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings. [Also see Items (g), (k) & (u) of this finding for other MTSU related transactions]

In addition to the required disclosure reports filed, Mayor Ketron filed a 2018 Year-End Statement, which was not required for his campaign. However, the transactions identified in this disclosure included expenses that were not reported on any other statement. Based on the dates of the transactions, these items should have been disclosed on the 2018 Fourth Quarter Statement, which covered the same time period as the 2018 Year-End and was a required statement. By filing this report, Mayor Ketron further reduced the reported available balance of the campaign; however, these expenses were also not incurred by the campaign. The result is the same as if these transactions had been reported on the 2018 Fourth Quarter disclosure (as their dates indicate) in

reducing the available balance reported. It appears that Mayor Ketron intended was to report these expenses as Mayor Ketron's Senate Campaign activity. Therefore, the audit included these expenses among the reported campaign expenses that were not incurred.

- j. Mayor Ketron's 2018 Year-End disclosure reports three payments, in the amount of \$30 each (totaling \$90), to Apextek occurring on October 10, 2018, November 19, 2018, and December 14, 2018. However, the campaign records show no indication that these transactions ever occurred as reported [Also see Items (c), (d), and (e) for additional Apextek transactions].
- k. Mayor Ketron's 2018 Year-End disclosure reports another three payments made to the MTSU Foundation, each in the amount of \$2,000, on October 10, 2018, November 19, 2018, and December 14, 2018 (totaling \$6,000). However, the campaign records show no indication that these transactions ever occurred as reported, either to the MTSU Foundation or any other MTSU entity. Campaign records provide no support that payments were ever made to the MTSU Foundation directly. Also see items (g), (i), and (u) of this finding for other MTSU related transactions.
- l. Mayor Ketron's 2018 Year-End disclosure reports a payment made to TMO Memorial on October 8, 2018 in the amount of \$1,500. However, the campaign records provide no indication that this transaction ever occurred as reported.

The remaining items outline the fourteen overstatements situations that, in aggregate, cause the reported expenses to be overstated by \$5,172.14.

- m. Mayor Ketron's 2018 First Quarter disclosure reports a payment to the Rutherford County Republican Party on March 26, 2018 in the amount of \$1,250. However, campaign records show that the actual amount of this payment was \$1,200. Therefore, \$50 in expenses were overstated and never incurred.
- n. Mayor Ketron reported several expenses for fuel paid to Thornton's LLC. The disclosures reported are not by transactions but are groupings of transactions. The audit cannot confirm the individual transactions in each grouping because Mayor Ketron provided no record to indicate what transactions were reported in each grouping (See Finding 8). The campaign records indicate that all of these expenses were incurred on a Capital One credit card in the name of Bill and Theresa Ketron. Due to the lack of records provided, the audit cannot reconcile the transactions on the credit cards to the reported disclosures. As such the audit reconciled expenses incurred by period to expenses reported per period (Except in one case noted in Finding 4 Item (b).) In most cases, it appears that the reported expenses were overstated, except for one instance where a fuel expense was understated (See Finding 4). Again, overstating expenses artificially and inaccurately reduces the calculated remaining balance for the reporting period and is in violation of T.C.A. § 2-10-107(e).

The items below detail the calculation performed to determine the overstatement for Thornton's LLC fuel disclosed for each reporting period. As noted above the

overstatement for the Thornton's LLC fuel was determined by reporting period, readers of this report should take note that of the fourteen overstatement instances noted that which aggregate to \$5,172.14, the audit noted only three overstatement instances for Thornton's LLC. Noting one instance for each period an overstatement in total occurred. This assessment was regardless of the number Thornton's LLC entries reported by Mayor Ketron in the reporting period or the actual expenses incurred on Mayor Ketron's credit card which were determined to be campaign related.

- i. Mayor Ketron's 2018 First Quarter Statement overstated expenses paid to Thornton's LLC by \$120. Mayor Ketron reported the following two expenses, totaling \$629.79:
 1. 03/09/2018, \$286.01
 2. 02/10/2018, \$343.78

However, during the 2018 First Quarter reporting period, there were fourteen charges to Thornton's LLC, totaling \$509.79, on the Ketrons' Capital One credit card account:

1. 01/18/2018, \$46.25 (Bill Ketron's card)
2. 01/22/2018, \$33.35 (Bill Ketron's card)
3. 01/26/2018, \$44.00 (Bill Ketron's card)
4. 01/29/2018, \$15.80 (Bill Ketron's card)
5. 01/29/2018, \$33.53 (Theresa Ketron's card)
6. 02/05/2018, \$48.00 (Bill Ketron's card)
7. 02/10/2018, \$52.85 (Bill Ketron's card)
8. 02/18/2018, \$53.00 (Bill Ketron's card)
9. 02/23/2018, \$31.25 (Bill Ketron's card)
10. 02/26/2018, \$21.35 (Bill Ketron's card)
11. 03/05/2018, \$19.13 (Bill Ketron's card)
12. 03/08/2018, \$33.00 (Bill Ketron's card)
13. 03/11/2018, \$33.02 (Bill Ketron's card)
14. 03/15/2018, \$45.26 (Bill Ketron's card)

Therefore, the difference between the reported amount of \$629.79 and the actual incurred expenses of \$509.79 results in overstated expenses in the amount of \$120.

- ii. Mayor Ketron's 2018 Second Quarter Statement overstated expenses paid to Thornton's LLC by \$68.68. Mayor Ketron reported the following three expenses, totaling \$829.62:
 1. 04/17/2018, \$304.84
 2. 05/06/2018, \$235.59
 3. 06/09/2018, \$289.19

However, during the 2018 Second Quarter reporting period, there were eighteen charges to Thornton's LLC, totaling \$760.94, on the Ketron's Capital One credit card account (all attributed to Bill Ketron's card):

1. 03/18/2018, \$28.84
2. 03/22/2018, \$38.90
3. 03/25/2018, \$29.71
4. 03/30/2018, \$40.25
5. 04/01/2018, \$31.70
6. 04/07/2018, \$42.55
7. 04/09/2018, \$30.99
8. 04/13/2018, \$43.46
9. 04/15/2018, \$18.44
10. 04/21/2018, \$54.45
11. 04/23/2018, \$29.27
12. 04/29/2018, \$56.00
13. 05/03/2018, \$53.35
14. 05/05/2018, \$42.32
15. 05/30/2018, \$44.65
16. 06/06/2018, \$59.20
17. 06/07/2018, \$62.01
18. 06/11/2018, \$54.85

Therefore, the difference between the reported amount of \$829.62 and the actual incurred expenses of \$760.94, results in overstated expenses in the amount of \$68.68.

- iii. Mayor Ketron's 2018 Fourth Quarter Statement overstated expenses paid to Thornton's LLC by \$374.53. Mayor Ketron reported the following two expenses, totaling \$608.92;
 1. 07/28/2018, \$330.66
 2. 08/10/2018, \$278.26

However, during the 2018 Fourth Quarter reporting period, there were five charges to Thornton's LLC, totaling \$236.39, on the Ketrons' Capital One credit card (all attributed to Bill Ketron's card):

1. 10/08/2018, \$61.52
2. 10/16/2018, \$55.30
3. 10/24/2018, \$23.45
4. 11/13/2018, \$54.03
5. 11/27/2018, \$40.09

Therefore, the difference between the reported amount of \$608.92 and the actual incurred expenses of \$236.39, results in overstated expenses in the amount of \$374.53.

- o. Mayor Ketron's 2018 First Quarter disclosure reports three payments to Fifth Third Bank for installment loan payments as follows:
 - i. 1/21/2018 in the amount of \$396.42

- ii. 2/21/2018 in the amount of \$792.84 (with notations indicating 2 payments)
- iii. 3/21/2018 in the amount of \$396.42

Although Mayor Ketron provided no records to show the installment loan payment was for the vehicle purchase, Mayor Ketron has indicated the campaign vehicle was purchased. Mayor Ketron did provide the title for an F-150 truck that indicated that the previous lien holder was Fifth Third Bank. Although Mayor Ketron provided no documentation to indicate that this installment loan related to the truck (the loan agreement) nor provided the payment schedule for the truck payment (which could confirm the amount of payment). Based on Mayor Ketron's statements and the truck title alone, the audit determined the loan installment payments to Fifth Third Bank were related to the campaign vehicle. See additional information on the lack of records for the campaign vehicle and the uses of the campaign vehicle noted in Finding 7 & 8.

Mayor Ketron's Senate Campaign bank statement reports the loan installment payment of \$396.42 each month from January 2018 to November 2018. The payment being made each month by electronic payment. A December 2018 payment was also reported on the bank statement but at a lower amount of \$321.74. The lower amount appears to relate to a final payment and is consistent with the date noted on the title as when the lien cleared on the truck.

The bank statement reports one payment in each month, except for the July bank statement. The July 2018 bank statement reports two payments one on July 23, 2018 and another on July 25, 2018. However, the July 2018 bank statement also reports on July 23, 2018 a reversal credit for the July 23 installment payment was made by the bank. The reversal cancelling the first payment, resulting in only one payment going to Fifth Third Bank as a loan payment in the month of July. The bank statements therefore report one and only one payment each month from January 2018 to December 2018. The electronic transfers that would relate to the disclosures on the 2018 First Quarter disclosure occurred on January 22, 2018, February 21, 2018 and March 21, 2018. There is no duplicate payment supported for February 2018, therefore the February expense has been overstated by one payment amount of \$396.42.

- p. Mayor Ketron's 2018 Second Quarter disclosures report three more payments to Fifth Third Bank for installment loan for the campaign vehicle as follows:
 - 4/17/2018 in the amount of \$1,189.26
 - 5/06/2018 in the amount of \$1,189.26
 - 6/09/2018 in the amount of \$1,189.26

As noted in Item (o) of this Finding, the bank account reports only one payment per month. The bank statement reports those payments as \$396.42 except in December of 2018. The bank account reports the electronic payments to Fifth Third Bank, that relates to the 2018 Second Quarter Disclosures occurred on April 22, 2018, May 21, 2018, and June 21, 2018 and were each in the amount of \$396.42. The campaign records do not indicate any additional payments were made in the months of April, May or June, and

therefore, each of these reported expenses is overstated by \$792.84 (totaling \$2,378.52). The audit noted the amount disclosed is three times the monthly payment amount of \$396.42.

- q. Mayor Ketron's 2018 Second Quarter disclosure reports two expense were made to the MTSU Foundation on April 17, 2018 and June 9, 2018, both for \$1,250. As noted above, the campaign records show no direct payments to the MTSU Foundation. The campaign records do support several payments to MTSU BRAA. Several of those payments appear to match some of the expenses reported as being to the MTSU Foundation (MTSU BRAA is part of MTSU Foundation). The audit test work identified two payments to MTSU BRAA that appear to relate to the April 17, 2018 and June 9, 2018 disclosure by Mayor Ketron.

The campaign records indicate payments on March 24, 2018 and April 24, 2018, both for \$417. The audit determined these are the likely the expenses being reported by Mayor Ketron, although the dates and amounts do not match. The determination was made based on all payment made to MTSU BRAA at the beginning of 2018 and the MTSU Foundation disclosures made. The campaign records indicate that Mayor Ketron made four \$417 payments to MTSU BRAA in the beginning of 2018. Those four payments were matched to four disclosures made by Mayor Ketron. The four entries matched are the two noted in this item and two disclosures on the 2018 First Quarter disclosure dated February 10, 2018 and March 9, 2018. The campaign records indicate four payments for \$417 approximately monthly. The disclosures have the same pattern and similar reporting errors for overstated expenses as other items in the report. Therefore, this accounting appears to be the most reasonable allocation based on data provided. Additionally, Mayor Ketron provided a letter from MTSU BRAA to support the 2018 donations, the letter confirms the \$1,668 donation amount in 2018, which is four payments of \$417.

Based on the information detailed in the previous paragraph, the audit indicates the two disclosures on 2018 Second Quarter disclosure to the MTSU Foundation for \$1,250 were overstated. Each disclosure overstated by \$833 (The aggregate of the two being \$1,666)

As noted by the audit conclusion for Disbursements and Obligations, several expenses were improperly reported in the wrong reporting periods by Mayor Ketron. The audit did not provide a detail finding as most items had more significant issues in other findings. The March 24, 2018 payment would be one such expense with other significant issues. The improper reporting on the wrong disclosure report is minor, as the audit has determined it was significantly overstated. [Also see Items (g), (i), & (k) of this finding for other MTSU related transactions].

- r. Mayor Ketron's 2018 Third Quarter disclosure reports a payment made to GFS in the amount of \$220.81 on July 10, 2018. The campaign records indicate that this payment represents two purchases made at Gordon Food Services ("GFS") on the Ketrons' personal credit card on July 11, 2018, one in the amount of \$111.72 and one in the

amount of \$109.09 (totaling \$220.81). However, the credit card records indicate that, on July 20, 2018, the Ketrons received two refunds, in the amounts of \$10.92 and \$14.89, on their credit card from GFS. (There were no additional expenses at GFS on the credit card and the refund transactions references the July 11, 2018 payments). When such a credit transaction(s) occurs, the candidate has two options for reporting the refund. The candidate can report an expense adjustment to reduce the expense by \$25.81 or report the expense by the net amount of \$195. (Net reporting is allowed by the Registry when the expenses and adjustment occurs in the same reporting period as is the case in this instance.) Mayor Ketron failed to report the refunds received in either manner, resulting in the expense being overstated by \$25.81.

- s. Mayor Ketron's 2018 Fourth Quarter disclosure reports another set of payments to Fifth Third Bank for the installment loan for the campaign vehicle of \$1,189.26 on August 10, 2018. As noted in item (o) of this Finding, Mayor Ketron's Senate Campaign bank statement reports loan installment payments of \$396.42 each month from January 2018 to November 2018, the payments being made by electronic transfer. A December 2018 payment was also reported on the bank statement but at a lower amount of \$321.74 (the lower amount appears to related to the final payment and is consistent with the date noted on the tile as when the lien cleared on the truck for the installment loan). Mayor Ketron's disclosures for these monthly payments, in most instances, appear to be one entry per electronic transfer. This disclosure entry however was determined to be all three entries for the reporting period. Aggregate reporting of expense to a vendor is allowable by Registry recommendation, where the vendor and purposes are the same. The recommended practice can reduce the amount of entries a candidate needs to key into the online system for repeating expense. The audit determined the payments made related to the reported expense were as follows:
 - i. 10/22/2018 in the amount of \$396.42
 - ii. 11/21/2018 in the amount of \$396.42
 - iii. 12/21/2018 in the amount of \$321.24

However, the aggregate amount of the actual payments is \$1,114.08, a difference of \$75.18. The difference is caused by the last payment made in December of 2018; this payment appears to have been the payoff payment and was \$75.18 less than the normal month payment. It appears that, when reported, Mayor Ketron still disclosed the normal monthly payment instead of the payoff amount. This resulted is an overstatement for the reporting period of \$75.18.

- t. Mayor Ketron's 2018 Fourth Quarter disclosure reports a payment to BJ Restaurant on July 28, 2018 in the amount of \$47.66. Campaign records indicate that this payment is related to a charge appearing on Mayor Ketron's personal credit card in the amount of \$33.66 that posted to the credit card account on July 24, 2018. No other supporting documents were provided to support this expense. Therefore, the reported expense was overstated by \$14.00.
- u. Mayor Ketron's 2019 Mid-Year disclosure reports several payments made to the MTSU Foundation. One of those payments reported was for \$7,500 on April 24, 2019.

The campaign records show no direct payments to the MTSU Foundation during the audit period. The campaign records support several payments to MTSU BRAA during the audit period. Several of those payments appear to match some of the expenses reported as being to the MTSU Foundation (MTSU BRAA is part of MTSU Foundation). The audit test work identified a payment made to MTSU BRAA on April 24, 2019 in the amount of \$7,497 charged to Mayor Ketron's personal credit card. The charge appears to relate to the expense reported of \$7,500. The expense reported is \$3.00 more than the expense incurred on the card. Therefore, the expense is overstated by \$3.00. [Also see Items (g), (k) & (i) of this finding for other MTSU related transactions].

As noted in the audit conclusion, Mayor Ketron reported \$54,839.02 campaign expenses on the campaign finance disclosures during the audit period. The \$32,920.89 in expenses that were not actually incurred and paid indicates that approximately 60% of all the reported expenses from January 16, 2018 to June 30, 2019 were not incurred by Mayor Ketron's Senate Campaign account.

6. Mayor Ketron's disclosures overstated expenses associated with Mayor Ketron's Senate Campaign purchased vehicle due the use of the vehicle in Mayor Ketron's Mayoral Campaign. The overstatement appears to make Mayor Ketron's Senate Campaign non-complaint with T.C.A. §§ 2-10-105(a) and 2-10-107 either for unreported in-kind contributions to the mayoral race or for unreceived payments from the mayoral campaign that would be unreported expense adjustments. In addition, the campaign vehicle expenses were overstated by \$2,269.16 in 2018 for reimbursements paid to then Senator Ketron by the State of Tennessee.

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 Mayor Ketron's 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 Mayor Ketron's Senate Campaign bank account from Mayor Ketron's 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 Mayor Ketron's 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 Mayor Ketron's 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 Mayor Ketron's 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 Mayor Ketron's Senate Campaigns and Mayor Ketron 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.

These statements indicate the following instances of noncompliance with campaign statutes;

1. Mayor Ketron's disclosures overstated expenses associated to a Mayor Ketron's 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.
2. Mayor Ketron overstated expense by \$2,269.16 in 2018 by failing to report for reimbursements paid to then Senator Ketron by the State of Tennessee for travel reimbursement for legislative session and other legislative business for which the campaign vehicle was the source of transportation.

The statements of Mayor Ketron and his treasurer Kelsey Ketron state the vehicle was used to travel to and from legislative session and for Senate business including Senate workdays. Senators are paid a travel per diem to offset their cost to travel to and from legislative session and for various workdays throughout the year (workdays are for such things like committee meetings) by the State of Tennessee. Those per diem payments are paid to the Senate member regardless of how the expense was actually incurred and is set amounts based on statute and travel guidelines. Those per diem payments are designed to not only cover fuel but all associated vehicle expenses incurred due to the travel (i.e. wear and tear on the vehicle). As Mayor Ketron's Senate Campaign account is incurring all those expenses and not Mayor Ketron, each of those travel reimbursements represent a reduction to the cost of expenses Mayor Ketron's Senate Campaign account incurred for the vehicles use. Therefore, each payment made to then Senator Ketron (Mayor Ketron) for the per diem should have been transfer to Mayor Ketron's Senate Campaign account and the reduction of the expenses reported as an expense adjustment.

During the audit period Mayor Ketron was paid \$1,885.64 in travel per diem for the 2018 legislative session that started on January 9, 2018 and ended April 27, 2018. Mayor Ketron was also paid a travel per diem of \$383.52 for twelve workdays/meetings (three prior to session in January 2018 and nine from May 30 to August 21, 2018). The aggregate amount of the travel per diem in 2018 being \$2,269.16. Mayor Ketron failed to report the expense reduction related to these per diem payments and failed to transfer the funds to Mayor Ketron's Senate Campaign account.

The result is Mayor Ketron effectively converted Mayor Ketron's Senate Campaign money to funds available for his personal use through the state's per diem payments process. The conversion appears to be a violation of T.C.A. § 2-10-114(b)(1) which restricts the personal use of campaign funds.

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 Mayor Ketron's 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 Mayor Ketron's Senate Campaign related to that use were no longer an allowable Mayor Ketron's Senate Campaign expense as they were not a Mayor Ketron's 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 (see additional details in the mayoral campaign audit report). Again, at the same time it appears all cost associated to the vehicle were being charged to Mayor Ketron's Senate Campaign account. There is no documentation provided to show any reimbursement to the Mayor Ketron's 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 Mayor Ketron's 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) as an unreported contribution but there is no documentation to indicate this is vehicle related expenses reimbursement or related to any other expense reimbursement).

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 Mayor Ketron's 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 Mayor Ketron's 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 (See Finding 6) 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 audit can determine the truck expenses paid during the period. During the audit period Mayor Ketron incurred the following expenses for the vehicle that would have been partially or completely offset by State of Tennessee per diem payments or mayoral campaign reimbursements.

1. Twelve installment loan payments in aggregate that were \$4,681.86.
2. An expense to Advanced Auto Parts for \$10.96 the purpose of which is an unknown vehicle expense.
3. Fuel Purchases during the 2018 Legislative session (Session commenced on January 9, 2018 and adjourned on April 27, 2018). The actual expenses incurred from January 18, 2018 to April 23, 2018 totaling \$944.93.
4. Fuel Purchases after the 2018 Legislative session. The actual expenses incurred from April 29, 2018 to November 27, 2018 totaling \$1,015.37

Finally, as noted in Findings 4 and 5, T.C.A § 2-10-107(e) requires candidates to disclose the current available balance of campaign funds each reporting period. The available balance is calculated by the online system as the ending balance each reporting period. Each of the overstatements noted in this Finding will affect the available balances being reported. Therefore, each unreported per-diem payment and each unreported use by the mayor's campaign will also result in failure to comply with T.C.A § 2-10-107(e) by causing the available balance to be improperly reported.

7. Mayor Ketron failed to provide a supporting receipt, invoice, or other supporting document for 82 expenditures totaling \$20,204.57 incurred by the campaign. Mayor Ketron is required by T.C.A. §§ 2-10-219(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 any documentation to support the purpose of the disbursements made and/or expenditures incurred for the Mayor Ketron's Senate Campaign account. The failure to retain and maintain such disbursement records to support the disclosures is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f). 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 one record to support four MTSU BRAA disbursements made in 2018 totaling \$1,668.

In addition to the one replacement supporting documentation provided, 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. There were some cases in which these items could be compared to other state level candidate and PAC disclosures, those comparisons showed similar disclosures with no indication of errors.

In the detailed review, the audit also noted that several of the incurred expenses were for bank overdraft related charges which were not reported as noted in Finding 3 Item (c). Bank charges for such fees also do not require receipts but can be solely supported by the campaign bank statements. However, the audit was also able with the assistance of Mayor Ketron to obtain the bank activity report for each \$34 overdraft fee charged that details the exact transaction that incurred the fee.

After the record rebuilding process, along with expenses identified as sufficiently supported, 84 expenses still exist totaling \$20,204.57 that remain unsupported by a receipt or invoice. The unsupported transactions are listed below;

a. Itemized expenses:

2018 First Quarter

1. Advance Auto Parts	03/09/2018	\$10.96
2. AT&T	03/15/2018	\$129.59
3. AT&T	02/16/2018	\$129.59
4. Fifth Third Bank	03/21/2018	\$396.42
5. Fifth Third Bank	02/21/2018	\$396.42 (Reported as \$792.84 see Finding 5 item "o")
6. Fifth Third Bank	01/21/2018	\$396.42
7. Kroger	03/08/2018	\$46.60
8. Sam Club	02/10/2018	\$259.01
9. Thortons	01/18/2018	\$46.25
10. Thortons	01/22/2018	\$33.35
11. Thortons	01/26/2018	\$44.00
12. Thortons	01/29/2018	\$15.80
13. Thortons	02/05/2018	\$48.00
14. Thortons	02/10/2018	\$52.85
15. Thortons	02/18/2018	\$53.00
16. Thortons	02/23/2018	\$31.25
17. Thortons	02/26/2018	\$21.35
18. Thortons	03/05/2018	\$19.13
19. Thortons	03/08/2018	\$33.00
20. Thortons	03/11/2018	\$33.02
21. Thortons	03/15/2018	\$45.26
22. Thortons	01/29/2018	\$33.53

2018 Second Quarter

1. 5th & Taylor	04/17/2018	\$409.68
2. AT&T	05/14/2018	\$129.59 (Actual charged amount see Finding 4)
3. AT&T	04/11/2018	\$129.97 (Actual charged amount see Finding 4)
4. AT&T	06/11/2018	\$129.97 (Actual charged amount see Finding 4)
5. Fifth Third Bank	06/21/2018	\$396.42 (Reported as \$1,189.26 see Finding 5)
6. Fifth Third Bank	05/21/2018	\$396.42 (Reported as \$1,189.26 see Finding 5)
7. Fifth Third Bank	04/23/2018	\$396.42 (Reported as \$1,189.26 see Finding 5)
8. Thortons	05/30/2018	\$44.65
9. Thortons	06/06/2018	\$59.20
10. Thortons	06/07/2018	\$62.01
11. Thortons	06/11/2018	\$54.85
12. Thortons	04/21/2018	\$54.45
13. Thortons	04/23/2018	\$29.27
14. Thortons	04/29/2018	\$56.00
15. Thortons	05/03/2018	\$53.35
16. Thortons	05/05/2018	\$42.32

17. Thortons	03/18/2018	\$28.84 (Improper period see note 2 below)
18. Thortons	03/22/2018	\$38.90 (Improper period see note 2 below)
19. Thortons	03/25/2018	\$29.71 (Improper period see note 2 below)
20. Thortons	03/30/2018	\$40.25 (Improper period see note 2 below)
21. Thortons	04/01/2018	\$31.70
22. Thortons	04/07/2018	\$42.55
23. Thortons	04/09/2018	\$30.99
24. Thortons	04/13/2018	\$43.46
25. Thortons	04/15/2018	\$18.44

2018 Third Quarter

1. AT&T	07/12/2018	\$201.75 (Actual charged amount see Finding 4)
2. Fifth Third Bank	07/25/2018	\$396.42 (All three payment report in one entry)
3. Fifth Third Bank	08/21/2018	\$396.42 (All three payment report in one entry)
4. Fifth Third Bank	09/21/2018	\$396.42 (All three payment report in one entry)
5. Germantown Cafe	07/12/2018	\$35.39
6. Gordon Food Services	07/11/2018	\$111.72 (Reported GFS in combined entry)
7. Gordon Food Services	07/11/2018	\$109.09 (Reported GFS in combined entry)
8. Thortons	07/02/2018	\$51.10
9. Thortons	07/12/2018	\$49.26
10. Thortons	07/16/2018	\$34.88
11. Thortons	08/03/2018	\$57.00
12. Thortons	08/07/2018	\$57.16
13. Thortons	08/28/2018	\$45.03
14. Thortons	09/12/2018	\$54.65
15. WalMart	07/11/2018	\$41.16 (Reported in combined entry)
16. WalMart	07/11/2018	\$28.99 (Reported in combined entry)

2018 Fourth Quarter

1. BJ restaurant	07/24/2018	\$33.66
2. The Chop House	07/27/2018	\$42.12
3. Fifth Third Bank	10/22/2018	\$396.42 (All three payment report in one entry)
4. Fifth Third Bank	11/21/2018	\$396.42 (All three payment report in one entry)
5. Fifth Third Bank	12/21/2018	\$321.24 (All three payment report in one entry)
6. Krogers	08/15/2018	\$59.52
7. MTSU Ticket office	08/10/2018	\$1,645.00
8. MTSU Alumni Events	07/24/2018	\$140.00
9. Sams Club	09/28/2018	\$72.39
10. The Boulevard	07/20/2018	\$62.13
11. Thortons	10/08/2018	\$61.52
12. Thortons	10/16/2018	\$55.30
13. Thortons	10/24/2018	\$23.45
14. Thortons	11/13/2018	\$54.03
15. Thortons	11/27/2018	\$40.09

2019 Mid-Year

1. MTSU BRAA	04/24/2019	\$7,497.00
--------------	------------	------------

b. Unreported expenses: (See Finding 4)

1. Apextek	01/16/2018	\$30.00
2. Regions Consumer Bank Card	01/18/2018	\$183.63
3. UII	04/02/2018	\$2,000

The following details were noted related to these expenses:

1. The above lists contain several payments to Fifth Third Bank, Mayor Ketron indicated these payments were the installment loan payment for the campaign vehicle. Mayor Ketron provided the title for the vehicle and the payoff letter from the bank. He did not provide the installment loan agreement or payment schedule from the agreement to support the payments incurred or reported. (See details on the vehicle and related records in Finding 6).
2. Thorton's LLC fuel is listed several times in the above listing, these are the individual transactions that appear on the Ketrons' personal credit cards that are supposedly supporting the expenses reported. Mayor Ketron's disclosures summarize these expenses into a few entries or one entry each period. The fuel transactions are listed above in the reporting period the audit determined they relate to per the candidate's disclosures and are not based on the actual payment date. The candidate's summarized reported amounts were improperly reported by amount and sometimes in the wrong reporting period. As such the expenses are noted in several findings. The reported amounts were overstated, understated and in some cases appear unallowable (See Finding 4, 5, and 6). The Thorton's expenses also related to Mayor Ketron failing to report contributions for expenses paid with personal funds which is detailed in Finding 3.
3. Above is one expense each listed as MTSU BRAA, MTSU ticket office and MTSU Alumni Events. The candidate only reported one MTSU BRAA expense which was noted as not incurred in Finding 5. All these expenses were reported under MTSU Foundation. Additional information on the MTSU transaction can be found in Finding 4 & 5.

8. As noted in Finding 7, Mayor Ketron was in non-compliance with T.C.A. §§ 2-10-219(c) and 2-10-105(f) for failing to retain sufficient disbursement records to determine the purpose and proper disclosure of several expenditures. Regardless of that lack of records, the audit identified \$5,588.60 in disbursements that appear to be in violation of T.C.A. §2-10-114 which prohibits certain uses of campaign funds.

Mayor Ketron's campaign records appear to show four instances where campaign funds totaling \$5,557.23 were disbursed where no campaign expense can be identified. One disbursement of \$3,339.60 is to Mayor Ketron and his spouse's personal credit card. One disbursement is to a Ketron owned business. Both disbursements appear to be a disbursement of campaign funds for personal use in noncompliance of T.C.A. § 2-10-114 which prohibits personal use of campaign funds. The next of the four transactions relate to a payment to a credit card for which the holder cannot be determined. The final transaction was bank overdraft fees charged for a personal transaction processed through the bank account. These transactions appear to be unallowable per T.C.A. § 2-10-114. Details of each transaction are detailed below:

- a. On the 2018 First Quarter Disclosure, for the reporting period of January 16, 2018 through March 31, 2018 the audit confirmed \$1,660.36 in expenses reported on the Mayor Ketron's Senate disclosures that were incurred on the Capital One credit card, the first expense occurring on January 18, 2018 and the last expense on March 16, 2018. During this same

period, a \$5,000 electronic transfer to Mayor Ketron's person credit card was made from the Mayor Ketron's Senate Campaign account on March 8, 2018. The campaign records are insufficient to determine the relation the \$5,000 payment has to the \$1,660.36 expenses incurred and reported. The payment is also made before all the expenses noted were incurred. Accordingly, no campaign documentation was produced that indicates the expenses on the credit card are being directly reimbursed. Each time Mayor Ketron reports an expense paid from his credit card, he was also required to show a contribution (either by loan or direct contribution) which he failed to report per Finding 3 item (a).

In addition to failing to report the contribution when the payment was made to the credit card, Mayor Ketron was required to report the return of the contributions equal to the expenses incurred. Mayor Ketron's failure to report the \$1,660.36 return of contribution is noted in Finding 3 item (a)

The remaining difference in the \$5,000 payment and the \$1,660.36 contribution adjustment is \$3,339.64. This \$3,339.64 amount is paid to the credit card but there are no related expenses reported for this amount during this period nor identified by Mayor Ketron from previous periods. As such the payment appears to have no Mayor Ketron's Senate Campaign purpose. Therefore, the payment appears to be a transfer of campaign funds to pay a personal expense on Mayor Ketron's personal credit card. The payment of personal expenses with campaign funds is prohibited by T.C.A. § 2-10-114(b)(1). Mayor Ketron also failed to report the expense in non-compliance with the reporting statutes as noted in Finding 4 Item (j).

- b. The campaign bank account includes a disbursement of campaign funds by check to a Regions Consumer Bank Card for \$183.63. The check was written on January 18, 2018 and cleared the bank on January 23, 2018. Mayor Ketron's disclosures do not show this payment to a Regions debit/credit card. The disclosures also show no expense that appears to relate to the \$183.63 payment. Therefore, the \$183.63 payment appears to be an unreported expense as detailed in Finding 4 Item (b).

Mayor Ketron provided no supporting receipts for any expenses incurred by this disbursement. Mayor Ketron also did not provide the credit card statement to support expenses incurred. The failure to maintain sufficient campaign records is detailed in Finding 8. T.C.A. § 2-10-212(2)(B) specifically states in a credit card transaction the candidate must report each vendor paid, not payment to the credit card companies. Those vendors could not be determined without the credit card statement. Relatedly, the audit cannot determine if this is one unreported expense or multiple unreported expenses as it could represent payments to multiple vendors for multiple purposes.

Finally, Mayor Ketron has indicated in his submission that the only accounts with Senate 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). 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 payment to a Regions debit/credit card would be for non-campaign activity and therefore would be

unallowable per T.C.A. § 2-10-114(b)(1). The identity of the Regions 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 a Region's bank card, but the audit cannot confirm this transaction is related to that card.

- c. The campaign bank account includes a disbursement of campaign funds by check (Check Number # 1528) to UII for \$2,000 which was written on April 2, 2018 and cleared the bank on April 4, 2018. Mayor Ketron's disclosures show no disclosure for this payment to UII. Therefore, the disbursement is an unreported \$2,000 expense noted in Finding 4 Item (d). As noted in Finding 1, UII is Universal International Insurance Agency, Inc. a business owned by Mayor Ketron and Kelsey Ketron. Also as noted in that Finding, there was a Finding of Indictment by the Grand Jurors of Rutherford County against Kelsey Ketron which indicated that there were several improper payments from the Senate account to UII. The check noted here was also included in the appendix of that indictment and is the only check noted in the indictment for the Senate account that is also within the audit period.

Mayor Ketron has provided no support for the purpose of this expense to UII. Based on the lack of support for the disbursement to be campaign related this appears to be a disbursement of campaign funds for personal use in non-compliance with T.C.A. § 2-10-114. When this check was disbursed from the Mayor Ketron's Senate Campaign account there were insufficient funds within the account to pay the disbursement. However, Franklin Synergy Bank still processed the transaction, and charged the Senate account a \$34 overdraft fee. Although there is no restriction on the campaign account paying overdraft fees for campaign or office holder expenses, a fee charged on an expense that was unallowable would also appear to be in noncompliance with T.C.A. § 2-10-114 as the fee would not be campaign or officeholder related. Therefore, the \$34 charge related to the \$2,000 UII check is also determined to be an unallowable expense.

- d. As noted in the audit conclusion for Contributions and Receipts (see additional details in that section), on July 3, 2019, Franklin Synergy Bank accepted a deposit of \$16,595.60. The deposit appeared to be related to Kelsey Ketron. Based on the data provided, the deposit was determined not to be campaign contributions, but the repayment of an expense improperly paid through the campaign account to Mayor Ketron and Theresa Ketron's personal credit card account on April 15, 2019 for \$16,592.97. At the time of the payment the Senate bank account only had \$31.37 and when the expense was paid a \$34 overdraft fee was charged by the bank. The transaction and fee effectively spent the last \$31.37 available and resulted in a negative balance of \$16,595.60. The \$16,595.60 negative balance was cleared by the \$16,595.60 deposit on July 3, 2018. As such both the expense paid on April 15 and the deposit on July 3 are not campaign transactions, but a personal transaction processed through the campaign account.

Although processing a personal transaction through the campaign account is not specifically prohibited by statute it is not recommended as it can cause errors in reporting and the improper use of campaign funds for personal use. In this case, the \$16,592.97 in expenses and \$16,592.97 of the \$16,595.60 funds deposited do not affect the reporting or

result in the use of campaign funds (as there were no funds available to use) and do not represent contributions or expenses. However, the remaining \$2.63 of the deposit and the \$34 fee charged to the account do result in reporting errors and the net amount of the two (\$31.37) was the improper use of campaign funds. The \$34 fee was an unreported bank charge included in Finding 4 Item (e). The \$2.63 is an unreported expense adjustment for the \$34.00 fee and the \$31.37 still unrepaid is campaign funds used for an improper personal expense charged on the campaign account.

Subsequent Audit Finding

After the completion of the audit test work and during the finalization process for this audit report, the audit completed the test work related to the related audit for Quest PAC. The Quest PAC audit and reported an unreported in-kind contribution from Quest PAC to Mayor Ketron's Senate Campaign. A rereview of the Mayor Ketron's Senate Campaign noted the Mayor Ketron's Senate Campaign also failed to report the in-kind contribution from Quest PAC. The failure to report the in-kind contribution is therefore another finding for the Mayor Ketron's Senate Campaign. The finding related to that activity is noted below.

9. The Quest PAC audit noted, Mayor Ketron's Senate Campaign failed to report \$4,121.33 in-kind contribution from Quest PAC as required by T.C.A. §§2-10-105(a) and 2-10-107.

As detailed in Finding 3 of the Quest PAC audit report and detailed in Item a of that Finding, on January 2, 2018, Quest PAC's bank account reports an electronic payment to a Capital One Credit Card in the amount of \$8,242.67 (the same amount appears on the credit card statement being paid out to Jeff Ruby Steakhouse). The Quest PAC records, and PAC officials' statements indicate the payment was for joint fundraising event for Quest PAC and Bill Ketron's Senate Campaign held at Jeff Ruby Steakhouse on December 11, 2017.

As noted in the Quest PAC Finding, generally event cost for joint events are allocated equally, meaning that \$4,121.33 is attributable to one entity (Mayor Ketron's Senate Campaign) and \$4,121.34 to the other (Quest PAC). Although this allocation appears to be the standard allocation used by candidates and PACs in the State of Tennessee (and would be the recommendation by the Registry staff), the allocation of joint events costs is not specified in statute. Therefore, other reasonable allocations could be used, but should be documented and would have to be at a fair market value. As this expense was undisclosed by the Quest PAC or the Mayor Ketron's Senate Campaign, no allocation was reported. Therefore, the PAC officials were asked if the equal allocation was reasonable for this expense. The PAC officials responded through their attorneys with the following statement in an email dated October 9, 2020.

“...On **Question 2**, as set forth in the September 22 letter attached to your email, that event was paid for exclusively by QuestPAC. We believe that despite listing “Bill Ketron for State Senate” on the flyer, the vast majority (if not all) of the donations received that night were made out to QuestPAC, not Bill Ketron for State Senate. Accordingly, we believe the event should be allocated exclusively to QuestPAC...”

The email indicates that the event cost should be allocated exclusively to Quest PAC as a result of the collection made at the event. The allocation based on collections appears to be problematic for several reasons. First, if the allocation were made as proposed, where one group receives all the contributions and bears the responsibility of all expenses, the other entity still receives the advertising and other benefits of having the fundraiser, without showing the cost or in-kind contributions. Second, having an event where no contributions or limited contributions are received and where the event still occurs or has un-refundable event costs, using the candidate's proposed allocation would make the expense allocation undeterminable. The allocation suggested in the response does not consider the benefit each entity receives and fails to properly allocate that fair market value to each entity. Reporting such a fair market value does appear to be required for the Mayor Ketron's Senate Campaign and Quest PAC by the definitions of campaign contributions and expenses in T.C.A. § 2-10-102 and the reporting of in-kind contributions in T.C.A. §§ 2-10-107(c) and 2-10-107(d). Finally, notwithstanding the foregoing, the audit is unable to determine an equitable and appropriate allocation if Mayor Ketron is unable to confirm that the Mayor Ketron's Senate Campaign did not, in fact, receive any contributions as a result of this event. If any contributions were received by Mayor Ketron's Senate Campaign, these must be reported and verified for purposes of this audit. Therefore, the response's proposed allocation was determined inappropriate and invalid for assessing the allocation of the fundraising expense(s). Therefore, the audit used the standard 50/50 allocation for assessing the expense and the related disclosures.

Based on all the data provided, Quest PAC failed to report \$8,242.67 in joint fundraising expenses incurred in noncompliance with T.C.A. §§ 2-10-105(a) and 2-10-107. The PAC also failed to report the fair market value of the expenses that benefited Mayor Ketron's Senate Campaign. Therefore, the fair market value appears to be 50% of the expenses incurred, or the rounded amount of \$4,121.33. The failure to report the \$4,121.33 in-kind contribution to the Senate account in the expense disclosures is in noncompliance with T.C.A. §§ 2-10-107(c) and 2-10-107(d).

Mayor Ketron's 2018 Senate account was also required to report \$4,121.33. The in-kind contribution is reportable when the expense was incurred on December 11, 2017. A review of the Mayor Ketron's Senate Campaign disclosures reports indicates no disclosure was made for this \$4,121.33 in-kind contribution, which is also in noncompliance with T.C.A. §§ 2-10-105(a) and 2-10-107.

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 received including personal contributions related to expenses paid from personal sources (credit card transactions).
- Add all in-kind contribution received.
- Add all interest earned on campaign funds.
- 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.

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.
- Report all reimbursements and refunds received for expenses paid by the campaign and deposit all the related funds into the campaign account to maintain all campaign funds in a separate account.
- Review prior reporting periods to determine that all reimbursement and refunds received are reported and related funds deposited into the campaign account.

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

The audit also would recommend 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 noted 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 Senate, District 13 for the period of January 1, 2018 through July 31, 2019, during the December 7, 2020 regular meeting. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.