

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

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**Campaign Finance Audit of  
Governor Bill Lee  
Election Year 2018**

**Auditors:**

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Director of Audit

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January 23, 2025

Members of the Registry of Election Finance

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Registry Members,

Transmitted herewith are the agreed-upon procedures for the campaign finance audit of Bill Lee's 2018 election campaign for Governor. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The audit procedures developed are to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limit Laws. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's audit group. Consequently, we make no representation regarding the sufficiency of the agreed-upon procedures described in the report for any other purpose than aiding the Registry.

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

Respectfully,

Jay Moeck, CPA, CFE

Director of Audit

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

**Audit Highlights**  
Governor Bill Lee  
2018 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Governor Bill Lee's compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limit laws and regulations, accuracy and completeness of the disclosures on the 2017 Early Mid-Year Supplemental, 2017 Early Year-End supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General and 2018 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDING(S)**

The audit report contains no findings.

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## INTRODUCTION

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### **AUDIT AUTHORITY**

*Tennessee Code Annotated* (T.C.A.) §§2-10-207 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign financial disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(1), which requires the Registry to audit gubernatorial candidates that receive at least 10% of the vote during the general election.

### **AUDIT PURPOSE**

The Registry's campaign finance audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry's audits provide a tool for the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with enforcing 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 each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Governor Bill Lee's disclosures on his 2017 Mid-Year Supplemental, 2017 Year-End Supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, and 2018 Fourth Quarter Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Governor Bill Lee was a candidate in the November 6, 2018, general election for Governor. Gov. Lee filed an Appointment of Political Treasurer Statement with the Registry on April 24, 2017, appointing Robert Frederick Decosimo as political treasurer.

Gov. Lee's first financial disclosure for the 2018 campaign was the 2017 Mid-Year Supplemental report filed on July 17, 2017. As of June 1, 2018, Gov. Lee's most recent financial disclosure was the 2018 Fourth Quarter Report, which he submitted on January 25, 2018. The Fourth Quarter report indicated \$1,775,417.08 in cash on hand, \$232,626.11 in outstanding obligations, and \$5,583,000 in outstanding loans. On January 16, 2019, Gov. Lee filed his Appointment of Political Treasurer Statement for the 2022 election, transferring his remaining balances to the 2022 election. The transfer ended his 2018 election's reporting requirements. The campaign later amended the 2018 Fourth Quarter on February 23, 2022, and reduced the outstanding obligation to \$200,757.18 to be consistent with the actual amounts owed.

### OVERVIEW OF FINANCIAL ACTIVITIES

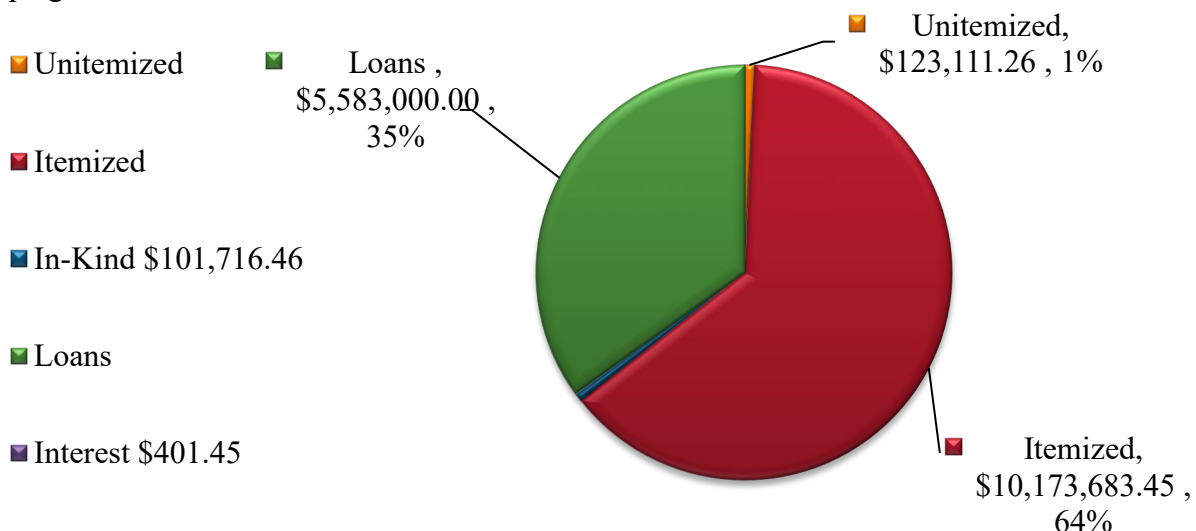
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2017 Mid-Year Supplemental, 2017 Year-End Supplemental, 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018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

| <u>Summary of Financial Activity</u>  |                        |
|---------------------------------------|------------------------|
| <u>(Un-audited Amounts)</u>           |                        |
| Cash on hand on January 16, 2017      | \$0.00                 |
| Receipts                              |                        |
| Un-itemized                           | \$123,111.26           |
| Itemized                              | 10,173,683.45          |
| Loans receipted                       | 5,583,000.00           |
| Interest                              | 401.45                 |
| Total receipts                        | <u>\$15,880,196.16</u> |
| Disbursements                         |                        |
| Un-itemized                           | 26,608.89              |
| Itemized                              | 14,065,406.48          |
| Loans principal payments              | 0.00                   |
| Obligation payments                   | 12,763.71              |
| Total disbursements                   | <u>\$14,104,779.08</u> |
| Cash on hand on January 15, 2019      | <u>\$1,775,417.08</u>  |
| Loans outstanding on January 15, 2019 | \$5,583,000.00         |
| Obligations on January 15, 2019       | \$232,626.11           |
| Total in-kind contributions received  | \$101,716.46           |

## CHARTS

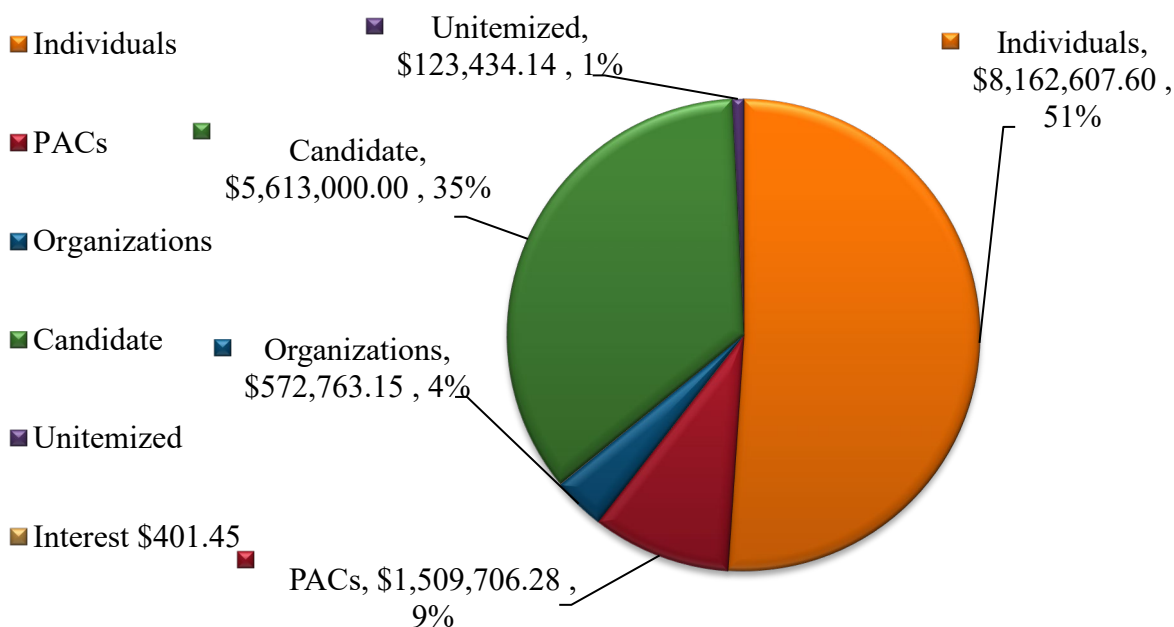
### 2018 ELECTION CAMPAIGN CONTRIBUTIONS

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



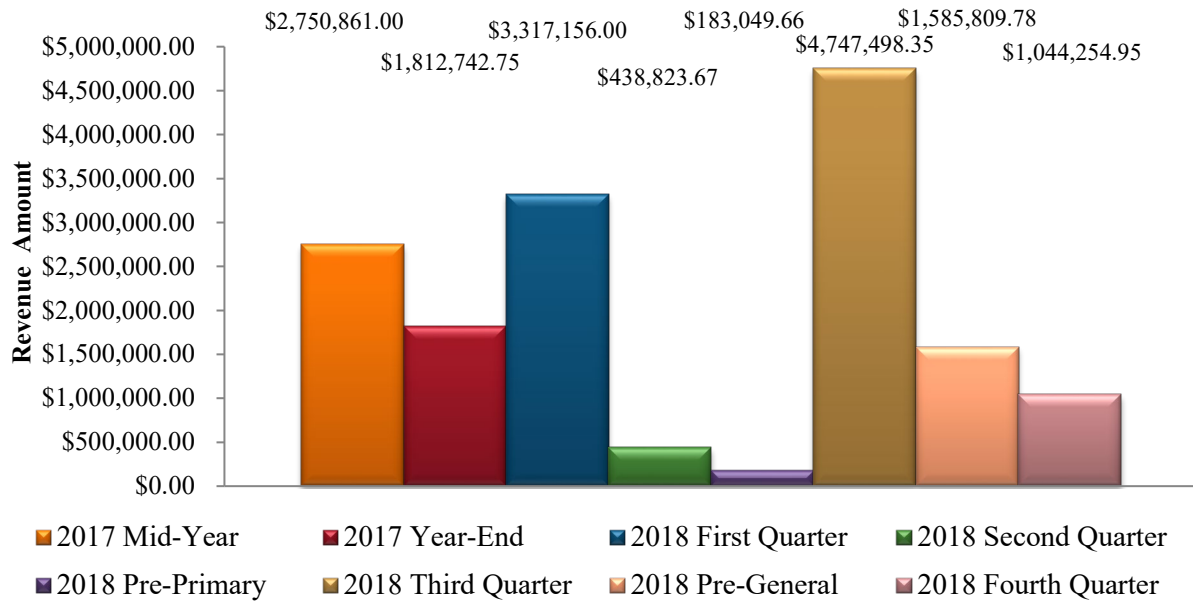
### 2018 ELECTION CONTRIBUTIONS BY SOURCE

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



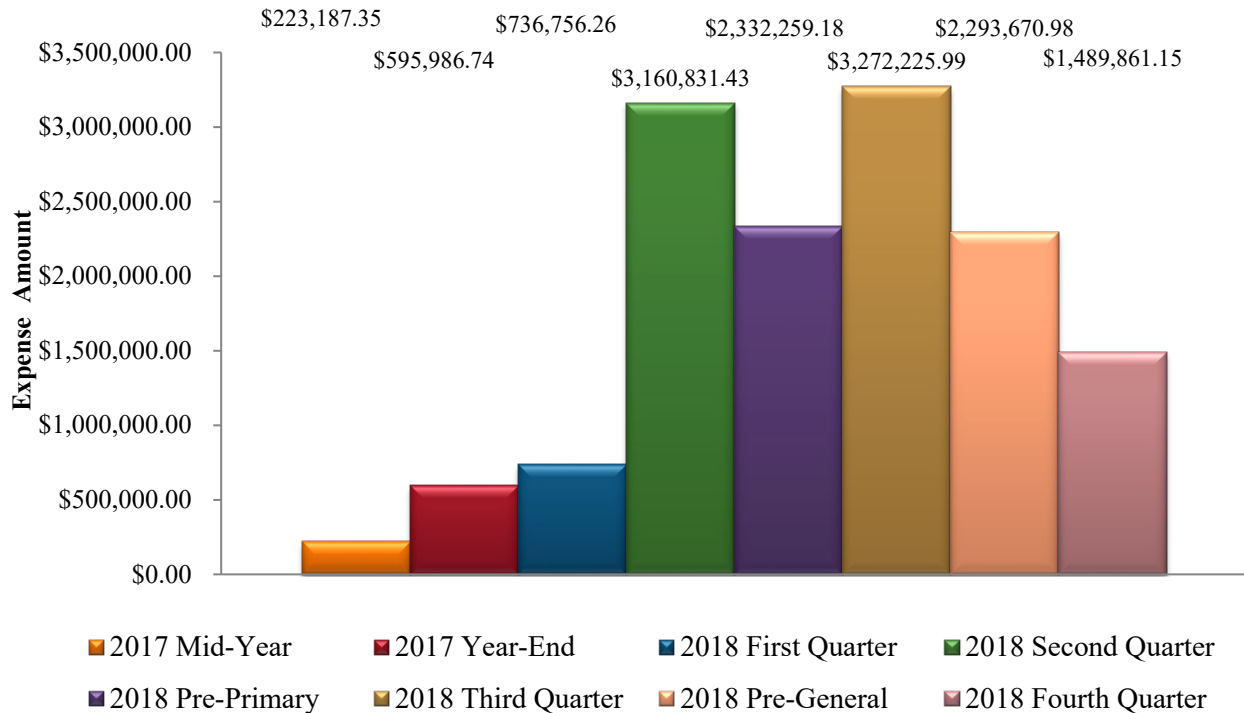
## **2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

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



## **2018 ELECTION EXPENSES BY REPORTING PERIOD**

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





## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **CONTRIBUTIONS AND RECEIPTS**

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

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

- All campaign contributions from individuals and Multi-Candidate Campaign Committees (hereafter and commonly referred to as PACs) were within campaign limits.
- All contributions were from non-prohibited sources.
- All contributions received were reported, reported in the proper period, and reported in compliance with T.C.A. §§2-10-105 and 2-10-107.
- Bank statements and deposit slips supported all monetary contributions received.
- All in-kind contributions were supported by a 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 in the proper period and reported in compliance with T.C.A. §§2-10-105 and 2-10-107.
- Loan agreements supported all loans received from lending institutions at market value.

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

The Registry obtained Governor Bill Lee's 2018 Campaign Financial Disclosure Statements from January 16, 2017, through January 15, 2019. We requested that Governor Lee provide the campaign records to support all contributions, loans, and interest received during the 2018 election campaign. Governor Lee's campaign records for contributions included bank statements, deposit slip copies, contributor check copies, contributor lists, and online contribution records or reports. The following steps were performed on the campaign's documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions from January 16, 2017, to January 15, 2019, totaled \$15,879,794.71 and interest received totaled \$401.45.
- A reconciliation of monetary contributions reported to funds deposited into the campaign account was prepared to determine if the candidate deposited all funds into

a campaign bank account and properly reported the funds in the campaign account on the campaign disclosures.

- A sample of 10 un-itemized and 14 itemized monetary contributions was prepared. Also, a listing of 243 monetary PAC contributions was prepared. The samples and PAC listing were compared to the candidate's disclosure statements during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were properly reported; contributions were reported in the proper period; contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107.
- The documentation was reviewed to determine if the candidate's loans received from January 16, 2017, to January 15, 2019, totaled \$5,583,000.
- A list of loans received and payments made by the source was prepared and compared to the candidate's bank statements to determine if the candidate deposited all loan proceeds into a campaign bank account and made all payments from campaign funds.
- The list of loans was compared to loan agreements or other supporting documentation to determine the source and terms of the loans received.
- The list of loans was reviewed to determine if all loan activity was reported to the Registry, reported in the proper period, and reported in compliance with T.C.A. §§2-10-105 and 2-10-107.

### **Materiality and Sampling**

Statutory audits attempt to provide an overall assessment of candidate compliance. However, in contrast to a board-requested investigative audit, where a full assessment of all activity and all statutory violations is requested, this audit does not include a full assessment of all activity. This audit employs the standard audit practices of materiality and sampling to complete the audit test work.

The Registry has currently set a 5% error rate for non-compliance. The rate is set to allow for minor errors that are non-systemic to the campaign operations that may occur but are not indicative of purposeful or neglective non-compliance (for example, keying errors, misplaced documents for single transactions, miscalculations of combined entries, timing of entries, etc.). This lets the auditor calculate the following amounts based on all contribution types and interest reported by Gov. Bill Lee's campaign for the 2018 Election.

|                             |                 |
|-----------------------------|-----------------|
| Total contribution/receipts | \$15,981,912.62 |
| Planning materiality (5%)   | \$ 799,095.63   |
| Tolerable error amount      | \$ 719,186.07   |
| Individual Significant item | \$ 239,728.69   |

These amounts are used to target areas to audit and specific transactions that should be reviewed. The Planning Materiality is indicated absent other non-statistical factors; any known or projected errors must exceed \$799,095.63 to be considered significant and not minor errors of the total contributions reported. The tolerable error amount is 90% of the planning materiality and targets testing areas with the highest potential for non-compliance. It effectively indicates in this audit that any area that has less than \$719,186.07 in contribution is unlikely to have non-compliance sufficient to report a finding of non-compliance. Thus, such an area would not require testing. The last amount is the individual significant item amount, which is 1/3 of the tolerable error in this audit, \$239,728.69. The individual significant item indicates any transaction of the amount, or more, could be significant for assessing non-compliance.

These percentage amounts and assessments are equivalent to or higher than regular auditing assessments when evaluating financial data. However, the Registry Audit group is aware that such assessments do not account for known areas that sometimes have higher error rates or can be skewed due to built-in limits to the data. Such limits to statistical assessments include the campaign finance limits laws and the \$100 itemized reporting requirement. Both these statutes skew contribution data to the cap on the contribution amount or the reporting amount. For example, the only way for a contribution to be proper and be an individual significant item of \$239,728.69 would be a candidate-made loan due to the campaign finance limits laws. As such, the audit assesses areas outside the materiality assessment and individual significant item amounts to provide additional data for assessing candidate compliance by the Registry Members. When such activities are performed, they are noted in the results reported in the audit conclusion.

A similar assessment is done for expenses (and includes obligations), the amount being as follows,

|                             |                 |
|-----------------------------|-----------------|
| Total expenses/obligations  | \$14,337,405.19 |
| Planning materiality        | \$ 716,870.26   |
| Tolerable error amount      | \$ 645,183.23   |
| Individual Significant item | \$ 215,061.08   |

However, there are no limits on a disbursement amount, so the statutes do not skew the amount as much. Regardless, the audit accounts for the \$100 un-itemized expenses by auditing areas outside of the materiality assessment and individual significant item amounts to provide additional data for assessing candidate compliance similar to contributions.

Finally, although the audit may project that an error noted in sampling is immaterial and does not support additional testing or assessment, due to both the nature of the audit and the requirement that the auditor report all known non-compliance with statutes, all instances of known non-compliance noted during the audit test work are reported in the audit conclusion regardless of the materiality assessment also provided.

### ***Audit Conclusion:***

Governor Bill Lee's 2018 Campaign Financial Disclosure Statements for January 16, 2017, through January 15, 2019, and the candidate's campaign records indicated that the campaign received contributions and interest totaling \$15,880,196.16. The disclosure indicates \$401.45 in

interest received. The disclosures reported that \$5,583,000 of the contributions were candidate loans. The disclosures show \$10,173,683.45 in itemized monetary contributions and \$123,111.26 in un-itemized monetary contributions (The \$10,173,683.45 is the net of the reported itemized contributions of \$10,231,283.45 and contribution adjustments of \$57,600.00). The disclosures report \$101,393.58 in itemized in-kind contributions and \$322.88 in un-itemized in-kind contributions.

The audit-adjusted campaign bank records indicated deposits of \$16,120,023.45. The audit adjusted out the known non-contribution deposits, usually related to expense adjustments (only known adjustments were made; not all deposits were reviewed for possible expense adjustments). The audit adjustments also added fees paid on contributions received by online vendors before the contributions were deposited. Candidates must report the total contribution amount before the fee removal; therefore, the fees removed before the deposit must be added back to assess contributions reported to contributions received.

When the \$16,120,023.45 in deposits is compared to the reported monetary contribution and interest of \$15,880,196.16, the difference is \$239,827.29 or 1.5%. However, the audit also recognized the reported contribution adjustments of \$57,600, affecting the comparison of deposits to the report. Thus, a reduction of \$57,600 from the \$239,827.29 should occur. The reduction makes the difference \$182,227.29 or 1.1%. In both instances, amounts are significantly below the materiality level of \$799,095.63, which was noted for this audit. Thus, despite the immaterial difference, the audit has determined that the contributions reported appear to have been received and deposited, and all contributions received were reported.

The Director of Audit notes that although the campaign records were highly detailed, the records of deposits and contributions were not maintained precisely by the reporting period, especially for online contributions; the audit cannot make a complete reconciliation without such detailed records. The Director of Audit was required to apply his judgment to the timing of the transactions and when they should have been reported. Such judgment is based on the statutory requirements. There were also issues in determining online contributions reported by the campaign compared to the audit assessments. Although the campaign could give additional records and the auditor perform a more complete reconciliation of the items to determine the exact cause, the audit materiality assessment indicates the causes are minor differences that would not be significant to report as findings even if the complete reconciliation was performed.

As indicated above, Governor Lee's disclosures have the following areas of the disclosures related to interest and contributions:

|   |                                    |               |
|---|------------------------------------|---------------|
| 1 | Itemized monetary contributions    | 10,173,683.45 |
| 2 | Un-itemized monetary contributions | 123,111.26    |
| 3 | Loans                              | 5,583,000.00  |
| 4 | Interest                           | 401.45        |
| 5 | Itemized in-kind contributions     | 101,393.58    |
| 6 | Un-itemized in-kind contributions  | 322.88        |

The planning assessment indicates that only itemized contributions and loans are significant for testing. (They exceed the \$799,095.63 amount.) The preliminary audit assessment indicated that \$123,111.26 in un-itemized contributions would be irrelevant; however, as noted above, the auditor knows this number is capped due to the reporting limit. The auditor is also aware of common errors in that reporting and the Tennessee Legislature's interest in this reporting area due to separate statutory audits of that un-itemized contribution in certain instances. As such, the audit tested all three areas. The testing performed for each type is outlined in the following section. Although interest was also assessed as immaterial, other audit procedures confirmed that the amount received in bank interest was \$401.45 and was reported correctly by the campaign and in the proper period. No instance of non-compliance was noted for interest. Finally, the preliminary audit assessment indicated that \$101,393.58 itemized and \$322.88 un-itemized in-kind contributions were irrelevant for compliance testing. The in-kind amount combined was also well below the individual significant amount of \$215,061.08. Therefore, no testing was performed in those areas.

### Loans

The \$5,583,000 in loans were reviewed for testing. The preliminary review indicates that reported individual loan transactions ranged from \$300,000 to \$1,900,000. All the transactions are above the individual significant transaction amount noted by the audit of \$215,061.08; as such, all loan transactions and activity were tested.

The \$5,583,000 in loans to the campaign were all from the candidate. The loans comprised transfers of the candidate's funds to the campaign account. The audit confirmed that the \$5,583,000 in loan funds were from the candidate's accounts and transferred to the campaign in the manner reported. No instance of non-compliance was noted in the audit testing of loans.

### Monetary Contributions

Itemized and un-itemized monetary contribution testing was done in two parts, as outlined in the following sections. PAC contributions and non-PAC contributions.

#### PAC Monetary Contributions

All reported itemized PAC activity was reviewed. As noted above, the auditor knows the campaign limits laws' effect on statistical assessments. In the case of this campaign, the campaign limit caps that amount below \$215,061.08 for individual significant items. However, the same limits allow PACs to contribute more than other contributors. As such, PAC contributors will be the larger dollar contributors to the campaign. Thus, PAC contributions were considered significant and tested. PAC contributions are also tested because itemized PAC contributions can be cross-indexed to the disclosures made by the PAC of the same contributions. The preliminary review indicated Gov. Bill Lee reported 243 itemized PAC contributions totaling \$1,509,706.28 (after adjustment for returns). As the number of reported transactions is relatively small and the PAC reporting can be cross-indexed, all PAC reported activity was detail tested for compliance.

The audit test work noted one instance of non-compliance based on the cross-index. The audit noted that BICO Associates PAC made a \$4,000 contribution on 8/22/2019, unreported by

the candidate. However, the audit test work showed the candidate did report a contribution from Ronald Belz for \$4,000 at about the same time. In the auditor experience, candidates frequently improperly report Ronald Belz instead of the PAC due to the contribution check layouts and signatures. A review indicated that is what occurred in this situation. The improperly reported name of a contributor who contributes more than \$100 is in non-compliance with T.C.A. §2-10-107(a)(2)(A). No detailed finding of non-compliance was provided as the error amount is immaterial and non-systemic to the campaign. The candidate was requested to correct the disclosures for the improperly reported contributor, and the corrections were made with the assistance of the Registry audit staff. (Audit Note: There is no projection to the population as all itemized PAC transactions were reviewed).

#### *non-PAC Monetary Contributions*

After testing the itemized PAC contributions, the remaining itemized contributions were tested by sample. Fourteen disclosures were randomly selected for testing throughout the campaign. The total amount of the sample was \$18,572 in contributions. The audit procedure performed showed no instances of non-compliance in the sample tested.

#### *Un-itemized Monetary Contributions*

Un-itemized monetary contributions were also sample tested. However, as noted, the un-itemized contributions reported were not material to the campaign. Thus, the auditor selected the most significant amount reported during a reporting period for testing. The period selected was the 2018 Third Quarter, during which the candidate reported \$46,105.38. The campaign's provided listing of contributors that were part of the reported contributors for the period totaled \$46,075.39. Although the list is not exactly \$46,105.38, the difference is immaterial. The difference is \$29.99 (or 0.06% of the reported un-itemized contributions on the report). As such, the listing was deemed sufficient for audit testing and sampling of un-itemized reported contributions. An un-itemized sample consisted of ten items that totaled \$427 in contributions. The audit procedure performed showed no instances of non-compliance in the sample tested.

### **DISBURSEMENTS AND OBLIGATIONS**

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

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

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

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

The Registry obtained Governor Bill Lee's 2018 Campaign Financial Disclosure Statements from January 16, 2017, through January 15, 2019. We requested that Governor Lee provide the campaign records to support all expenses incurred during the 2018 election campaign. Governor Lee's campaign expense records included bank statements with canceled checks, vendor receipts/invoices, credit card statements, and vendor-related documents. The following steps were performed on Governor Lee's campaign documentation:

- The documentation was reviewed to determine if the candidate's expenses from January 16, 2017, to January 15, 2019, totaled \$14,078,170.19.
- A reported expense schedule 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 and if all disbursements from the campaign account were reported.
- A sample of eleven expenditure disclosures and 22 significant expense disclosures were reviewed to determine if all expenditures were reported in the proper period and compliant with T.C.A. §§2-10-107 and 2-10-114.

### ***Audit Conclusion:***

Governor Bill Lee's 2018 Campaign Financial Disclosure Statements for January 16, 2017, through January 15, 2019, and the candidate's campaign records indicated expenses disclosed totaling \$14,104,779.08. The disclosure indicates that \$12,763.71 was for obligation payments. The disclosures show \$14,065,406.48 in itemized expenditures and \$26,608.89 in un-itemized expenditures (The \$14,065,406.48 is the net of the reported itemized expenditures of \$14,072,038.69 and contribution adjustments of \$6,632.21).

The audit-adjusted campaign bank records indicated disbursements of \$14,251,842.82. The audit adjusted for

1. Disbursements related to return itemized campaign contributions are not reported as campaign expenses but as contribution adjustments.
2. The online fees paid to vendors for online collections are removed before the contributions are placed into the campaign account. Thus, they never are disbursed from the campaign account. Those reported fee payments were added to the campaign account disbursements.

When the \$14,251,842.82 in deposits is compared to the reported expenses of \$14,104,799.08, the difference is \$147,063.74, or 1% of the reported expenditures. The difference is significantly below the materiality level of \$716,870.26, which was noted for this audit. Thus, despite the immaterial difference, the audit has determined that the expenditures reported appear to have been received and deposited, and all contributions received were reported.

The Director of Audit notes that although the campaign records were highly detailed, the records were not maintained precisely by the reporting period, especially for online contributions; the audit cannot make a complete reconciliation without such detailed records. This affects expenses as the online fees are reported based on the related contributions disclosed. The Director of Audit was required to apply his judgment to the timing of the transactions and when they should have been reported. Such judgment is based on the statutory requirements, including determining online contributions fee reporting. Although the campaign could give additional records and the auditor perform a complete reconciliation of the items to determine the exact cause, the audit materiality assessment indicates the causes are minor differences that would not be significant to report as findings even if the complete reconciliation was performed.

As indicated above, Governor Lee's disclosures have the following areas of the disclosures related to interest and contributions:

|   |                                          |               |
|---|------------------------------------------|---------------|
| 1 | Itemized expenditures (after adjustment) | 14,065,406.48 |
| 2 | Un-itemized expenditures                 | 26,608.89     |
| 3 | Obligation payments                      | 12,763.71     |

The planning assessment indicates that only itemized expenses are significant for testing. (They exceed the \$716,870.26 amount.) The preliminary audit assessment indicated that \$26,608.89 un-itemized expenditures would be irrelevant; however, as noted above, the auditor knows this number is capped due to the reporting limit. The auditor is also aware of common errors in that reporting. As such, the audit tested both itemized and un-itemized expenses. The testing performed is outlined in the following sections. Finally, the preliminary audit assessment indicated that \$12,763.71 in obligations payments were irrelevant for compliance testing. The amount is also well below the individual significant amount of \$215,061.08. Therefore, no testing was performed related to obligation payments.

#### Expenses/Disbursements

The sampling for expenses was done a little differently compared to contributions. In the case of expenses, all expenses were evaluated at the same time. First, all expenses were reviewed to determine significant items to review. The review examined each itemized expense reported, and each un-itemized expense category reported on the various disclosure statements. This review identified twenty-two itemized expenses over \$215,000 (The individually significant amount of \$215,061.08 rounded down). All twenty-two were tested for compliance. The total of the twenty-two expenses tested was \$8,252,632.57, or approximately 58.5% of all reported expenses. The remaining disclosures were placed in a population for random sampling. The sample selected eleven disclosures, ten itemized expenses reported, and one un-itemized expense category reported. The sample totaled \$21,074.90.

The testing resulted in the audit confirming that the expenses reported were disbursed from the campaign account and for the purposes disclosed, except for two instances of non-compliance. The first instance was when the candidate reported the wrong fuel vendor. The records indicate that a \$100 fuel expense reported as Exxon was paid to Mapco. The failure to report the proper vendor is noncompliant with T.C.A. §§2-10-107(a)(2)(B).



The second non-compliance was the candidate was unable to provide the supporting receipt for a \$137 meal expense. The expense payment appears to be part of a reimbursement for multiple expenses paid in the same payment. Thus, the campaign cannot support the \$137 disbursed to the business listed or for purchased meals. The failure to maintain the supporting records is noncompliant with T.C.A. §§ 2-10-212(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures.

Both errors were in the sample of items tested; thus, the error could be projected to the populations. The projection would indicate possible errors in the population of \$68,426.95 0.4% could have one (or both) of the errors. In the auditor's opinion, the project is not likely to be successful as the errors are unrelated to all expenses. Even separately, which is 0.2 % of each population, is doubtful. The first error appears unique to fuel vendors; due to the volume of transactions, additional fuel vendors may have been improperly reported by naming the wrong fuel vendor based on the number of transactions. However, as individual fuel expenses are small, it is unlikely to affect \$68,000 in expenses. Similarly, the missing receipt appears to be related to reimbursed or consolidated expense payments (payment to credit/debit card); again, the campaign has several such transactions; they appear to be related to small-dollar travel expenses (fuel, food, hotel bills). As noted, the missing receipt was only part of a larger reimbursement. The auditor is also aware that it is more common to find partial support in such transactions (usually related to collecting all the records). Thus, like the misreported vendor, this exception likely could affect a portion of several consolidated payments and reimbursement transactions related to food (and possibly fuel) but not all expenses. Thus, it is doubtful it affects \$68,426.95 in transactions due to the small dollar amount of such transactions.

The result is that the audit noted two instances of non-compliance in the sample. Both appear to be immaterial noncompliance, both individually and when projected to the population as a whole. The audit, however, determined that the possibility of non-compliance is immaterial and likely not to have occurred in the amount of the indicator based on the unique nature of the error to justify additional testing without board request. No detailed findings for expenses are provided, as no material, systematic errors were noted. The candidate was requested to correct the disclosure of the one improperly reported vendor. The correction was made with the assistance of the Registry audit staff.

## **RECOMMENDATIONS**

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### **RECOMMENDATION TO CANDIDATE**

As there are no findings, there is no specific recommendation for the candidate. However, the audit report indicates that the campaign has had some issues with supporting and reporting reimbursed or reimburse-type activities on a very limited basis. The Director of Audit recommends that the candidate and campaign staff note the minor errors not in the audit to guide them in identifying ways to improve reporting and supporting such transactions.

### **RECOMMENDATION TO REGISTRY**

The Director of Audit recommends the Registry approve the audit performed as being sufficient and complete. Finally, I recommend the Registry post the audit report to the Registry's web site notwithstanding whether a significant penalty is assessed as outlined in T.C.A. §2-10-212(f). The report and recommendations will assist current and future candidates in understanding the audit process, the purposes of Registry rules and types of procedures needed to comply with campaign finance laws.

## **RESOLUTIONS**

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

The Members of the Registry of Election Finance will review the report for Governor Bill Lee's 2018 Campaign Finance Audit during the January 23, 2025, regular monthly meeting. Approval and any subsequent actions taken by the board will be documented in the board minutes.