



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

**Campaign Finance Audit of
Nathaniel Varner
Election Year 2018**



Audit Team:

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STATE OF TENNESSEE



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April 20, 2023

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

Registry Members,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Nathaniel Varner's 2018 election campaign for House of Representatives, District 33. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

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

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

Sincerely,

Jay Moeck, CPA, CFE
Director of Audit

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

Audit Highlights
Nathaniel Varner
2018 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Nathaniel Varner'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 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 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

AUDIT AUTHORITY

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

AUDIT PURPOSE

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

AUDIT SCOPE

During non-election years, Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual reporting periods are from January 16 to June 30 and July 1 to January 15 of each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Nathaniel Varner’s disclosures on the 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, and 2018 Fourth Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Nathaniel Varner was a candidate in the August 2, 2018, primary election for House of Representatives District 33. Nathaniel Varner filed an Appointment of Political Treasurer Statement with the Registry on March 28, 2018, appointing himself as political treasurer.

The candidate's first financial disclosure for the 2018 campaign was the 2018 First Quarter Disclosure Statement filed on April 26, 2018. As of June 30, 2022, Nathaniel Varner's most recent financial disclosure was the 2022 Annual Mid-Year Supplemental Disclosure Statement, which was filed on July 9, 2022. The 2022 Annual Mid-Year Supplemental disclosed \$1,003 cash on hand, no outstanding obligations, and no outstanding loans. The candidate has not completed his 2018 election filings, and the candidate's next report will be the 2022 Annual Year-End Supplemental Disclosure Statement due on January 30, 2023.

OVERVIEW OF FINANCIAL ACTIVITIES

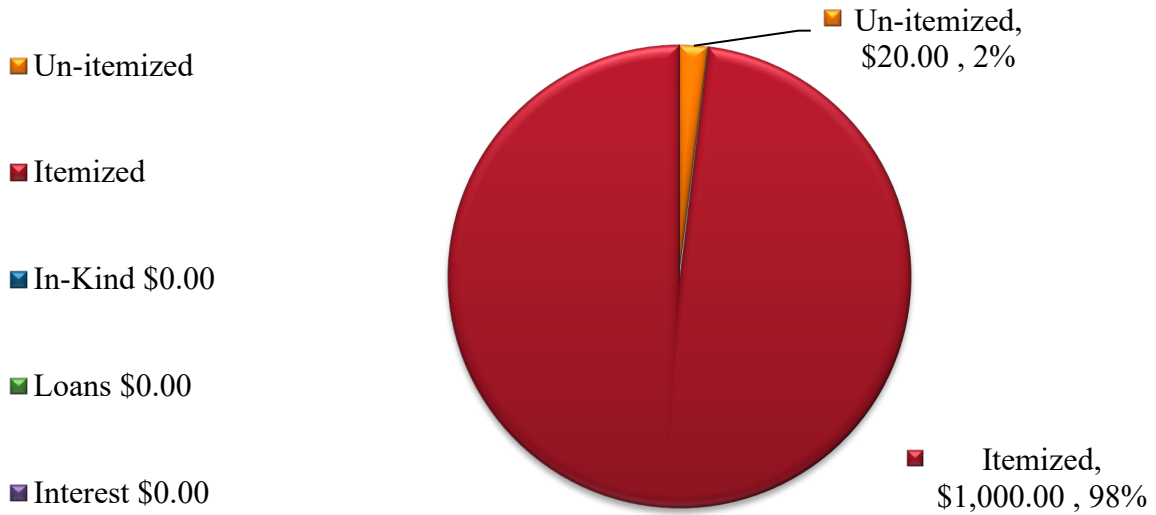
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, and 2018 Fourth Quarter reports after amendments. The amounts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

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2018		\$0.00
Receipts		
Un-Itemized	\$20.00	
Itemized	1,000.00	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$1,020.00</u>
Disbursements		
Un-Itemized	17.00	
Itemized	0.00	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$17.00</u>
Cash on hand at January 15, 2019		<u>\$1,003.00</u>
Loans outstanding at January 15, 2019		\$0.00
Obligations at January 15, 2019		\$0.00
Total in-kind contributions received		\$0.00

CHARTS

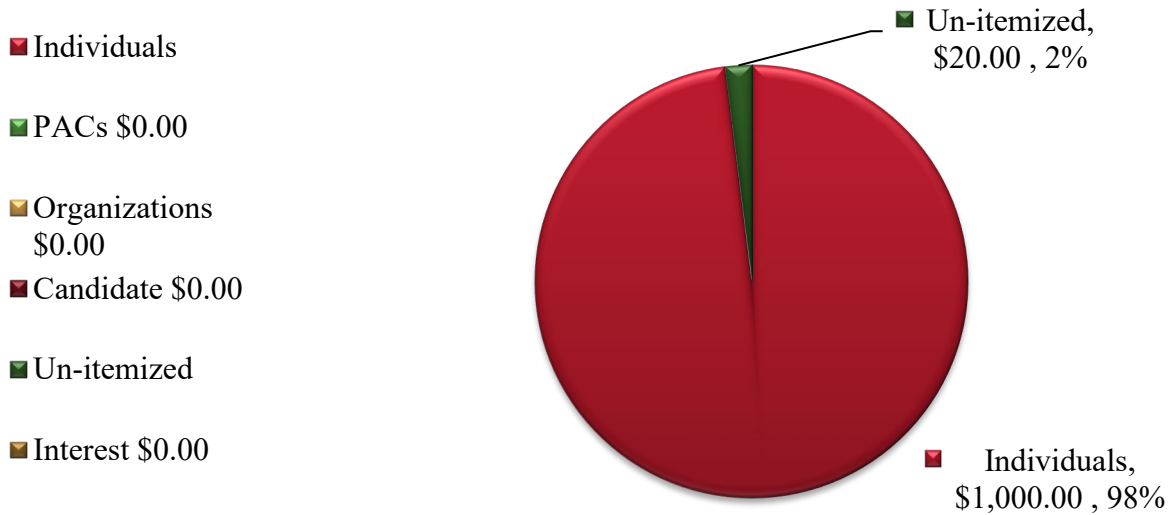
2018 ELECTION CAMPAIGN CONTRIBUTIONS

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



2018 ELECTION CONTRIBUTIONS BY SOURCE

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



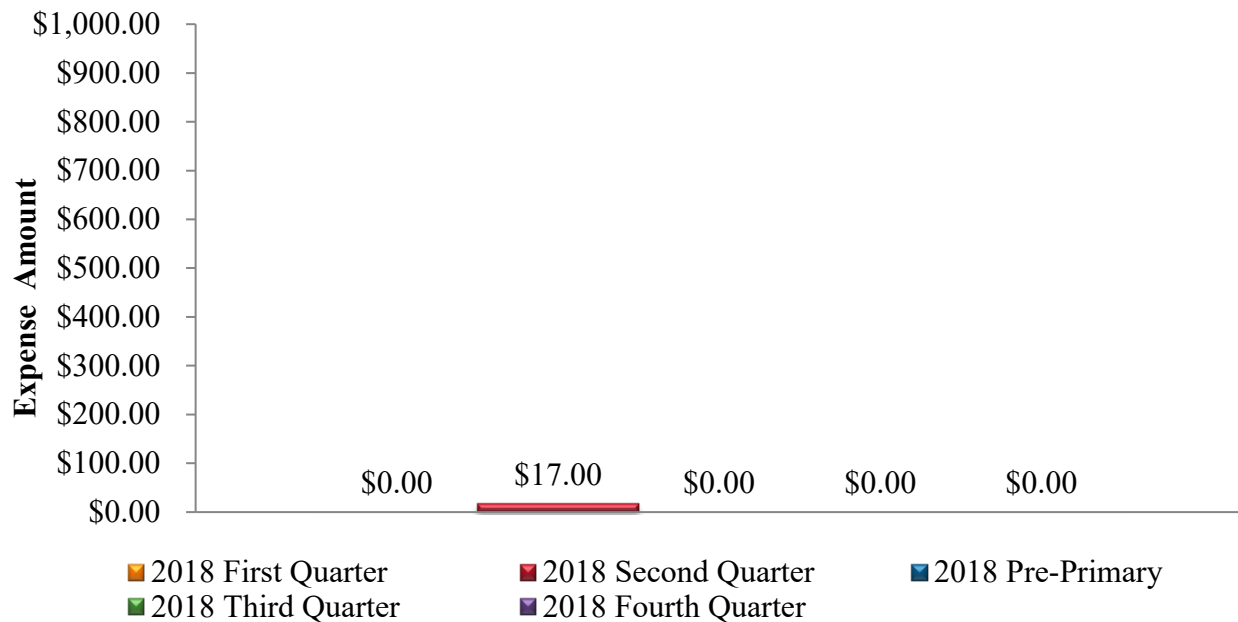
2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

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



2018 ELECTION EXPENSES BY REPORTING PERIOD

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



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

CONTRIBUTIONS AND RECEIPTS

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 (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;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, and reported in compliance with T.C.A. §§2-10-105 and 2-10-107; and
- all loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained Nathaniel Varner's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019. We requested Nathaniel Varner to provide all campaign records to support all contributions, loans, and interest that received during the 2018 election campaign. Nathaniel Varner's campaign records for contributions included bank statements, deposit slip(s), contributor check copies, and donor card data. The following steps were performed on Nathaniel Varner's campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2018 to January 15, 2019 totaled \$1,020.
- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared to determine if the candidate deposited all funds into

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

- Due to the small volume of contributions, all contributions were compared to the candidate's disclosures reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; 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.
- 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 limits, T.C.A. §2-10-301, et seq.
- The documentation was reviewed to determine if the candidate's loans and interest received from January 16, 2018 to January 15, 2019 totaled \$0.00.

Audit Conclusion:

Nathaniel Varner's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019 and the candidate's campaign records indicated that he received, deposited, and reported contributions totaling \$1,020. The test work indicated that the candidate received three contributions, which appear to have been properly reported by the candidate in compliance with the campaign finance reporting requirements. The campaign records and disclosures indicated that Nathaniel Varner had no in-kind contributions or loans. However, the campaign bank records do indicate the campaign account established had an interest earning component. The account earned only \$1 of interest posted on October 19, 2018 during the audit period. The candidate failed to report the interest earned. The failure to report interest earnings is non-compliant with T.C.A. §2-10-131(b). No detail findings for the errors was provided as the errors represent less than 1% of the transactions the candidate reported. However, the audit staff discussed the errors with Nathaniel Varner and the applicable campaign finance disclosure was amended to correct the failure to report interest.

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, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114.

Audit Methodology:

The Registry obtained Nathaniel Varner’s 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019. We requested Nathaniel Varner provide campaign records to support all expenses during the 2018 election campaign. Nathaniel Varner’s campaign records for expenses were bank statements. The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate’s disbursements from January 16, 2018 to January 15, 2019 totaled \$17.
- 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.
- All expenditures reported and incurred per the bank statements 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.

Audit Conclusion:

Nathaniel Varner’s 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019 and the candidate campaign records indicated that he had expenses totaling \$17. The test work indicated the candidate incurred only one expense to order checks, which appears to have been properly reported by the candidate in compliance with the campaign finance reporting requirements. The campaign records and disclosures indicated that Nathaniel Varner had no obligations.

RECOMMENDATIONS

RECOMMENDATION TO REGISTRY

We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry’s web site notwithstanding whether a significant penalty is assessed as outlined in T.C.A. §2-10-212(f). The report’s audit conclusions 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

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2018 campaign finance audit of Nathaniel Varner during the April 20, 2023 regular monthly meeting. The report contained no findings. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.