

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

**Campaign Finance Audit of
Representative Tandy Darby
Election Year 2022**

Auditor(s):

Jay Moeck, CPA, CFE
Director of Audit

STATE OF TENNESSEE



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May 12, 2026

Members of the Registry of Election Finance
WRS Tennessee Tower
312 Rosa L. Parks Avenue
Nashville, TN 37243-1360

Registry Members,

Enclosed is the report of the agreed-upon-procedures audit of Rep. Tandy Darby's 2022 election campaign for House of Representatives, District 76. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The audit procedures were developed and are intended to assist the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Laws and Campaign Contribution Limit Laws. The candidate is responsible for complying with campaign finance laws and ensuring the accuracy of campaign finance disclosures. The adequacy of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's internal audit group. Consequently, the audit group makes no representation regarding the adequacy of the agreed-upon procedures described in the report for any purpose other than assisting the Registry.

This report is for the information and use of the Members of the Tennessee Registry of Election Finance, as outlined; it is not intended for, and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. However, 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
Representative Tandy Darby
2022 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Rep. Tandy Darby'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 2021 Mid-Year Supplemental, 2021 Year-End Supplemental, 2022 First Quarter, 2022 Second Quarter, 2022 Pre-Primary, 2022 Third Quarter, 2022 Pre-General, and 2022 Fourth Quarter Campaign Finance Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

- 1. Rep. Tandy Darby failed to comply with T.C.A. §§2-10-105 and 2-10-107 by not reporting all campaign expenses when they were incurred. The campaign's procedures for various transaction types led to the late reporting of several expenses across one or more reporting periods.**
- 2. Rep. Tandy Darby was non-compliant with T.C.A. §2-10-107 by improperly reporting the vendor who provided campaign goods or services that received campaign funds disbursed.**

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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 four 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 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 from July 1 to January 15 each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general disclosures. Therefore, the audit reviewed Rep. Tandy Darby’s disclosures on the 2021 Mid-Year Supplemental, 2021 Year-End Supplemental, 2022 First Quarter, 2022 Second Quarter, 2022 Pre-Primary, 2022 Third Quarter, 2022 Pre-General, and 2022 Fourth Quarter Campaign Finance Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Rep. Tandy Darby was a candidate in the November 8, 2022, general election for House of Representatives District 76. Rep. Tandy Darby filed an Appointment of Political Treasurer Statement with the Registry on April 9, 2021, appointing Callie Croom Smithson as political treasurer.

The candidate's first financial disclosure for the 2022 campaign was the 2021 Early Mid-Year Supplemental filed on July 12, 2021. The last filing period for the 2022 election was 2022 Fourth Quarter; the disclosure was filed on January 25, 2023 (Amended on January 26, 2023). The 2022 Fourth Quarter indicated \$92,123.52 cash on hand, no outstanding obligations, and no outstanding loans. The candidate filed an Appointment of Political Treasurer Statement for the 2024 election on June 16, 2023, which transferred the remaining balance to the 2024 election. The transfer ended the 2022 election cycle disclosure statement requirements for future filings.

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: 2021 Mid-Year Supplemental, 2021 Year-end Supplemental, 2022 First Quarter, 2022 Second Quarter, 2022 Pre-Primary, 2022 Third Quarter, 2022 Pre-General, and 2022 Fourth Quarter Campaign Finance Disclosure Statements after amendments. The amounts displayed are for informational purposes only.

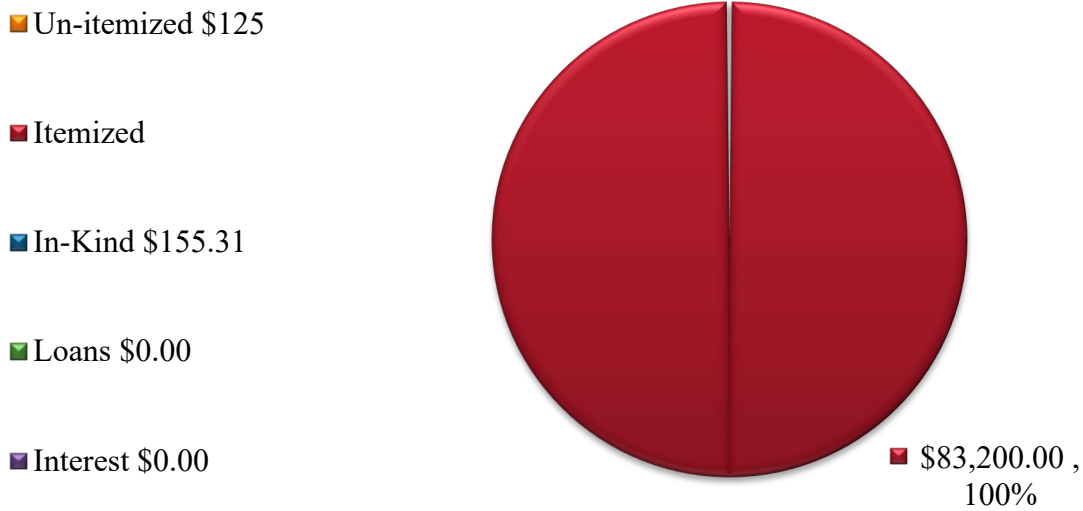
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Balance on hand on January 16, 2021		\$47,966.96 ¹
Receipts		
Un-Itemized	\$125.00	
Itemized	83,200.00	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$83,325.00</u>
Disbursements		
Un-Itemized	1,536.09	
Itemized	37,632.35	
Loan principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$39,168.44</u>
Balance on hand on January 15, 2023		<u>\$92,123.52</u>
Loans outstanding on January 15, 2023		\$0.00
Obligations on January 15, 2023		\$0.00
Total in-kind contributions received		\$155.31

¹ The balance on hand at 1/16/2021 is funds transferred from the candidate's prior campaign.

CHARTS

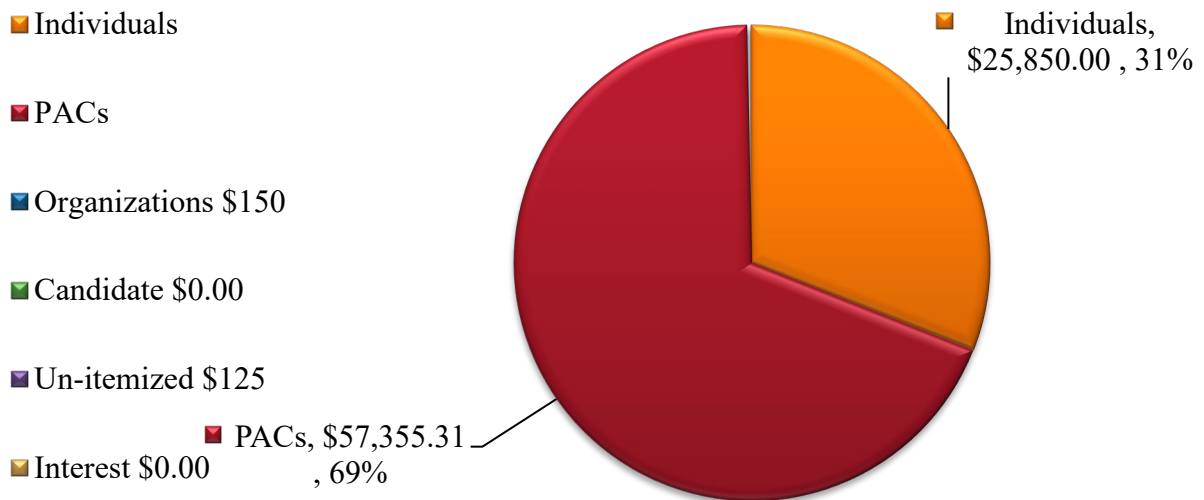
2022 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2022 election campaign.



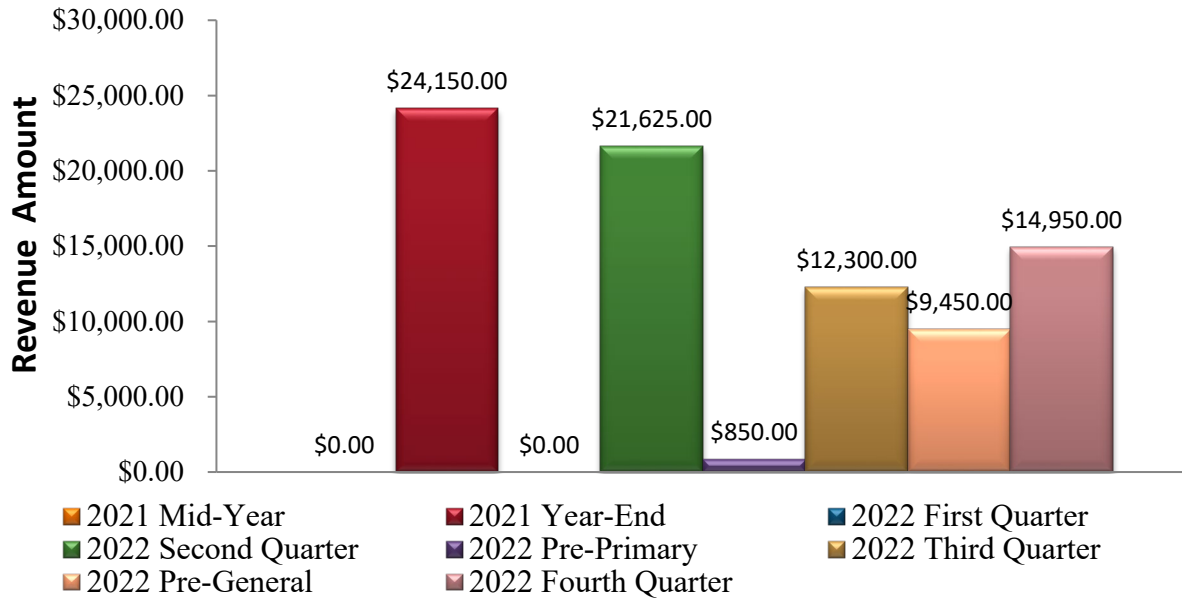
2022 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2022 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



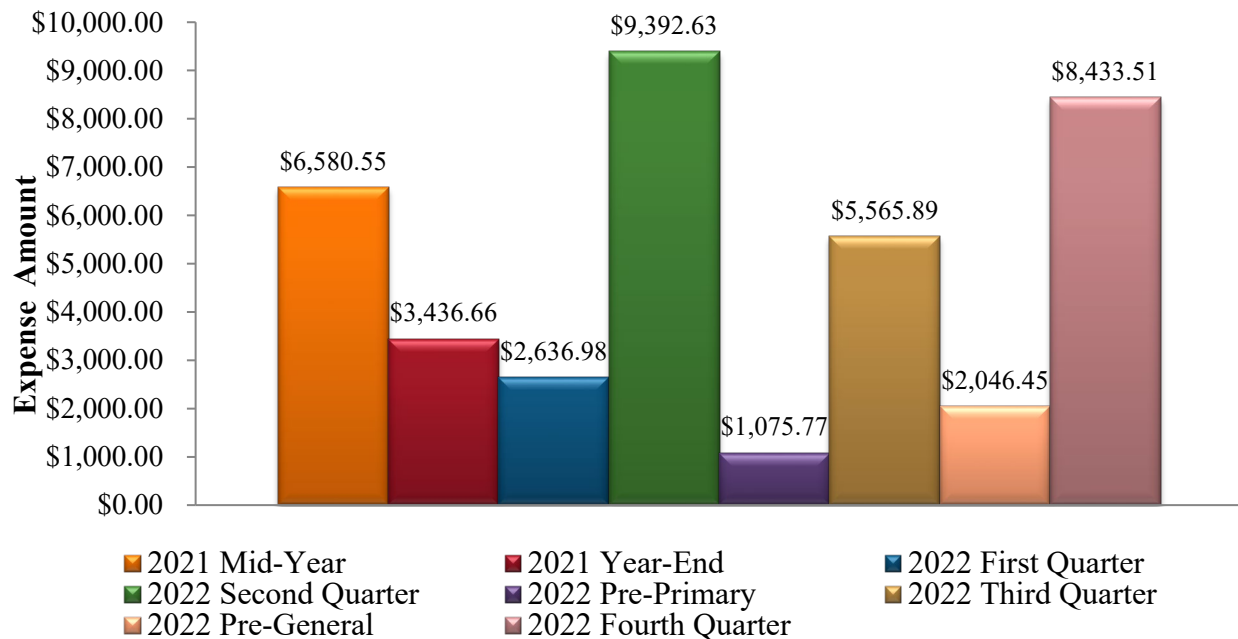
2022 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the candidate's contributions for the 2022 election campaign by reporting period.



2022 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the candidate's expenses for the 2022 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 Political Action Committees (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 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, 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 Rep. Tandy Darby's 2022 Campaign Financial Disclosure Statements from January 16, 2021, to January 15, 2023. We requested that Rep. Tandy Darby provide all campaign records to support all contributions, loans, and interest received during the 2022 election campaign. Rep. Tandy Darby's campaign records for contributions included bank statements, deposit slip copies, and contributor check copies. The following steps were performed on the campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2021, to January 15, 2023, totaled \$83,325.00.
- The documentation was reviewed to determine if the candidate's in-kind contributions, from January 16, 2021, to January 15, 2023, totaled \$155.31.

- 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 the campaign account on the campaign disclosures.
- A group of monetary contributions reported (nine significant contributions and a sample of 21 other contributions) was prepared and compared to the candidate's disclosures and campaign records to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were correctly reported; contributions were reported in the proper period; contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107.
- All in-kind contributions were compared to the candidate's disclosures and campaign records to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were correctly 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 verify the campaign received no loans from January 16, 2021, to January 15, 2023.

Audit Conclusion:

Rep. Tandy Darby's 2022 Campaign Financial Disclosure Statements from January 16, 2021, to January 15, 2023, disclose \$83,325.00 in monetary contributions received. The candidate's campaign records indicated that the campaign received and deposited contributions totaling \$83,321.70. The \$3.30 difference was the fees retained from contributions by an online service. These fees are added to the deposits to reconcile the total contribution received of \$83,325, as disclosed. The campaign reported receiving no interest or loans during the election, and no such activity was noted in the campaign records.

The campaign reported a \$155.31 in-kind contribution from a PAC; however, the audit determined the campaign received an additional \$97.03 of in-kind contributions from the same PAC. The audit records document that both the candidate and PAC failed to report one of the in-kind contributions. The candidate failed to report the \$97.03 contribution, and the PAC failed to report the \$155.31 contribution. To evaluate the activity, the Director of Audit contacted both the candidate and PAC about the matter. During those discussions, both corrected the disclosures to properly report the missing in-kind contributions. The failure of the candidate and PAC to report the contributions is non-compliant with T.C.A. §§2-10-105 and 2-10-107. In terms of the candidate and the audit, the improperly reported \$97.03 in in-kind contributions received is less than 1% of all the contributions received and reported. As the amount appears to be immaterial in nature, and the disclosures were corrected by both parties, no detailed finding was provided for the candidate or PAC.

The audit found one additional area of possible non-compliance related to contributions. This noncompliance is with T.C.A. §§2-10-105 and 2-10-107, and reporting contributions timely (when received). The campaign records indicate a few checks that appear to be held for long periods of time. As an example, the records include a check written by an individual, dated December 22, 2021. The check was not deposited until May 18, 2022. No additional records were provided. Unlike most checks received and deposited shortly after the date it was written, this appears to have been held up in processing, the reason being unknown (The date written does not appear to be misdated).

The issue is that, based on the written date, the check should be reported during the 2021 Year-End reporting period. Based on the deposit date, the check should be reported on the 2022 Second Quarter (which is when the candidate reported the contribution). The actual required reporting date per statute is the date the check was received by the candidate or their agent. The candidate is also required to support the received date by statute. It is common in the auditor's experience that candidates do not retain data for checks received dates and thus can only support the check date or the deposit date. Similarly, it is common for candidates to either always report the check date or the deposit date (regardless of the statutory date required). For auditing, the audit testing attempts to make a best guess between the two dates as to when the check may have been received when the proper received date is not documented. This is based on how often deposits are made and the gap between the dates for that campaign. This check gap is very large compared to any other by the campaign; thus, it appears it may have been reported late. The auditor notes the following:

- The check was written before the year-end of 2021 and before the legislative session started in 2022
- There is a restriction on this candidate for receiving contributions during the session that started on January 11, 2022 (start of session). The restriction ended on May 7, 2022 (end of session).
- The check was deposited on May 18, 2022, after the session and during the 2022 Second Quarter reporting period.
- The auditor is aware that there is a common misconception that checks cannot be deposited during a legislative session. The restriction is on receiving (or soliciting) contributions during the session. Contributions received before the gavel in of session at noon are allowable contributions (also after the gavel out on the last day of session). Thus, checks received before the session can be deposited during the session and reported on the year-end disclosures. It is for this specific reason that the year-end disclosures end on January 15, such that all contributions received before the session can be reported at the year-end.

As noted, the auditor **cannot confirm** why the check was held or who held it (the candidate or contributor). The records could support these possibilities:

- The candidate received the check before the session, held it, and deposited it after the session. In this case, the contribution was reportable on the 2021 Year-End and late reported on the 2022 Second Quarter (two reporting periods late).
- The candidate received the check between January 12, 2022, and May 6, 2022, held it, and deposited the check after the session. In this case, the check was late reported by one reporting period if received between January 12 and March 31, as those dates are during the 2022 First Quarter. However, the more important issue would seem to be that the contribution would be unallowable as it was received during the session.
- The candidate received the check on May 18, 2022 (because the contributor held the check). The candidate failed to note the date of the check, failed to maintain a record to show the date received, and (or) failed to

document why a check dated almost six months earlier was being deposited over returned and how it was compliant with the received date and session.

The audit ***can confirm*** the following: the check was deposited well after it was written, and the candidate failed to comply with the statute by not having a supporting record to show when the contribution was received. As noted, the campaign only had a few such checks with such delays (the example being the most extreme and the only one related to the legislative session). As the only non-compliance that can be confirmed by the audit records relates to documentation for the contribution received date, there is no detailed finding related to contributions documentation. The Director of Audit is reporting the issue only for full disclosure of all non-compliance noted during the audit to the Members of the Registry, even though the matter could be seen as immaterial. The audit report is also used for teaching proper documentation by making recommendations to the candidate (and those who read the audit reports). This matter is discussed in that section.

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

Audit Methodology:

The Registry obtained Rep. Tandy Darby's 2022 Campaign Financial Disclosure Statements from January 16, 2021, to January 15, 2023, and reviewed related expenses. We requested that Rep. Tandy Darby provide campaign records to support all expenses during the 2022 election campaign. Rep. Tandy Darby's campaign records for expenses included bank statements, cancelled checks, vendor receipts/invoices, and credit card statements. The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2021, to January 15, 2023, totaled \$39,168.44.
- 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 group of un-itemized and itemized reported expenses (Nineteen significant dollar expenses and a sample of 12 other expenses) were compared to the candidate's disclosures and campaign records of disbursements to determine if all expenditures were reported, reported in the proper period, and reported in compliance with T.C.A. §§2-10-107 and 2-10-114

Audit Conclusion:

Rep. Tandy Darby's 2022 Campaign Financial Disclosure Statements from January 16, 2021, to January 15, 2023, disclose expenses totaling \$39,168.44. The candidate campaign records for the same period reconcile such that the campaign records show the same \$39,168.44. The campaign bank records indicated that the same \$3.30 was not disbursed from the campaign account for the online fees noted previously. The campaign bank records also noted that one check cleared several months after the audit period; this check was properly reported when incurred (when the check was written).

The audit found the following areas of non-compliance related to expenses. The candidate's records and campaign practices resulted in several expenses being reported after they were incurred by one or more reporting periods. The details of the non-compliance appear in Finding 1. The audit also found the candidate misidentified the vendor that should have been disclosed. This is noncompliant with T.C.A. §2-10-107, and details are shown in Finding 2. The final area of non-compliance related to the campaign retention of receipts. As noted, the audit sample tested expenses; in that testing, it randomly selected two USPS transactions, one for \$74 and one for \$84, both of which were paid electronically and about a year apart. The candidate failed to maintain the receipt for either transaction. Based on the Director of Audits' experience, these would most likely be the annual payment for a PO box (partially confirmed with the fact that the campaign address is a post office box). The failure to maintain a receipt for expenses is non-compliant with the T.C.A. §§2-10-105(f) and 2-10/212(c). As this non-compliance was noted as part of an audit sample, common audit practice is to project the amount of non-compliance to other expenses. However, that projection is not being provided, as it is the auditor's opinion that it over projects the issue for an audit (regardless of being a small amount). The issue appears to be related to electronic payments, which may not always be recognized by the campaign as needing a receipt that is obtained and maintained (especially if received separately from the payment, which likely occurs with an annual USPS billing). The campaign has very few of those transactions. Thus, the two missing USPS receipts/invoices do not appear to be an indicator of a lack of receipting records by the campaign for most transactions. As the number of missing receipts is so small (and not projectable to the campaign as a whole), no detailed finding is reported. The Director of Audit does make a notation for expense record keeping in the recommendations for future activity.

FINDINGS

- 1. Rep. Tandy Darby failed to comply with T.C.A. §§2-10-105 and 2-10-107 by not reporting all campaign expenses when they were incurred. The campaign's procedures for various transaction types led to the late reporting of several expenses across one or more reporting periods.**

The audit testing found the candidate was non-compliant in terms of reporting timely expenses when incurred. T.C.A. §§2-10-105 and 2-10-107 outline when expenses must be reported by the campaign. The statute indicates expenses must be reported in the reporting period when the expense was incurred. The candidates' records and campaign practices have resulted in expenses being reported after they were incurred by one or more reporting periods. It also indicates that unpaid or contracted expenses to which the campaign has become obligated must also be reported as obligations outstanding at the end of each period. The sections below are labeled by transaction types to help illustrate the issues and practices of the campaign that resulted in the misreporting. Before those sections, there is an explanation of the Registry's recommended practices that may help readers to understand the sections after.

To assist candidates and simplify the amount of reporting required for expenses, the Registry policies, practices, and recommendations for reporting have included the ability to report expenses paid at the time the report is prepared as an itemized expense, even if the actual payment is made after a reporting period. This effectively reports the expenses earlier and avoids reporting an obligation one period and the obligation payment in the subsequent period. Providing data to the public in an earlier than required manner appears consistent with the intent of all the campaign finance reporting statutes. The Registry has also allowed the practice that obligations only need to be determined at the end of a reporting period or on an interim day for reporting. This keeps candidates from having to report obligations and obligation payments that all occur within the same reporting period. In most cases, campaigns incur expenses when payment is made. Such as when cash is paid, checks are written, or credit cards are presented for payment (regardless of when the transactions are processed by a bank, business, credit card company, or similar payment services). Obligations in most cases are incurred when contracts or agreements are made (oral or written) for any goods or services, and the amount is reasonably estimable. Obligations are also incurred when services are rendered (usually represented by the good or service being billed, invoiced, or receipted to be paid). Although there are variations to all the above, they are the basis for the majority of the activities of a campaign related to expenses (and disbursements).

End of period reporting non-compliance

The campaign had several expenses disclosed one period late; the issue appears to relate to checks that were written before the end of the reporting period but cleared the campaign bank account in the next period. Based on the campaign disclosures and bank account records, it appears that the campaign was reporting most expenses by the date the check or transaction cleared the bank account. Although expense date reporting is not required by statute on the normal campaign finance filings (it is a required disclosure on an interim report), the field is available on the system to assist the candidates in properly completing the disclosures. This field for the campaign indicates that the expenses are being reported on the date the check clears the bank in most cases. This usually happens when the disclosure is prepared solely based on the campaign bank account statement instead of using all supporting expense records (invoice, receipts, check register, bank statements, etc.). Reporting activity based on the bank transaction date (the clear date) that appears on the bank statements may be sufficient in some instances, but not all. The cleared date is only sufficient if the cleared date is the same as the date incurred (or both are in the same reporting period when filing a campaign finance statement). Even if different by a day, an expense incurred

at or near the end of a reporting period or during the interim period, or at any cut-off date (IE session blackout period), late reporting can occur. The late reporting is (or maybe) caused by delays in processing by the vendor, bank, or other payment processing services. The other issue is that as a result of checks being held before being disbursed, by either the candidate or the payee, slow processing occurs and causes late reporting

Contributions note: Similarly, a candidate reporting deposited contribution dates over the date received can have the same effect on contributions reporting. The audit testing indicates a similar pattern of reporting contribution based on the deposit date; however, it appears the campaign tended to check the cut-off periods and blackout period for session closer for contributions, which resulted in only a few mis-reported contributions as noted in the contribution audit conclusion. Readers of this report should be aware that expense date reporting is not required, as noted above, in most cases. Contribution date reporting is required by the date received by statute; the audit procedures, however, only report non-compliance when the date reported causes the contribution to be on the wrong disclosure statement in a late manner, similar to expenses.

It should also be noted that transaction dates could be close together, for example, an expense check was written on 1/15/2022 (thus incurred) but cleared on 1/19/2022, which is only four days apart. Those dates are in two different reporting periods that are about 3 months apart, which will cause a 1/15 incurred expense reported on 1/19/2022 to be disclosed almost three months later. The statute, as noted, does not require expense date reporting, but it does require reporting expenses during the reporting period when they were incurred; thus, this four-day difference in selecting the proper date causes a three-month delay in reporting and is noncompliant with the statute. Such delays can range from as short as a day in interim reporting, due to the 24-hour reporting requirement, to up to 6 months for the biannual reporting for a non-election year (long periods are possible if the transaction is extremely slow to process, such as being held). The audit testing included a reconciliation of the expenses deposited to the expenses report in each reporting period and for the interim reporting periods. This reconciliation noted several such transactions as follows that were late reported.

- Two checks (Checks 1101 and 1107) were written on 1/15/2022, indicating incurrence during the 2021 Year-End period. One check (1101) cleared on 1/19/2022, the other (1107) on 1/24/2022 during the 2022 First Quarter. Both checks were reported on the 2022 First Quarter disclosure, making each check disclosed one reporting period late.
- Check 1111 was written on 3/25/2022, indicating incurrence during the 2022 First Quarter period. The check cleared and was reported on 4/4/2022 during the 2022 Second Quarter. The check was disclosed one reporting period late.
- Check 1121 was written on 7/18/2022, indicating incurrence during the 2022 Pre-Primary period. The check cleared and was reported on 7/29/2022 during the 2022 Third Quarter. The check was disclosed one reporting period late. (Note: The intent of the pre-primary and pre-general disclosures appears to be to have data available to the public before an election day. The period endings are also the start of the interim reporting period for the primary and general election, which occurred between the dates. Thus, in addition to being one period late, this transaction, which occurred before the primary election, was not reported until after the primary election.
- Two checks (Checks 1127 and 1130) were written on 9/22/2022, indicating incurrence during the 2022 Third Quarter reporting period. Both checks cleared and were reported on 10/4/2022 on the 2022 Pre-General Disclosure. Both checks were disclosed one reporting period late.

- Check 1138 was written on 10/27/2022, indicating incurrence during the 2022 pre-general reporting period. The check cleared and was reported on 12/05/2022 during the 2022 Fourth Quarter. The check was reported one reporting period late. Readers of the report may note this check took almost two months to process. The check was to a school organization; such groups are known to hold checks for fundraising efforts till the end of the fundraising event period and then deposit all checks. This is what likely caused the extended delay.

Invoices – Services rendered and not paid, non-compliance

As noted above, when services are rendered and not paid but the amount was known or estimable, the campaign has a reportable expense; in such instances, the expense is reportable as an obligation if outstanding at the end of any reporting period. When payment is made on the obligation, the obligation payment is disclosed (instead of an itemized expense). The expense can also be early reported by reporting an itemized expense if payment has been made or is being made at the time the report is being prepared or filed. It should also be noted that candidates can amend reports at any time to correct non-compliance. As such, when a candidate becomes aware that an expense was not properly reported and may have been an obligation and obligation payment, the candidate could amend the proper report to disclose the itemized expense over amending two reports to show the obligation and obligation payment. Thus, using the early reporting method simplifies the correction.

The audit testing noted several transactions that indicate an obligation had occurred that was known and/or estimable and could have been contracted or agreed to in such a manner to make them reportable. The candidate failed to timely report several of these types of transactions as detailed in the bullet points below.

- The candidate disclosure showed an itemized expense to Thunderbolt Radio for advertising on 3/8/2021 (the check written and cleared on 3/12/2021). The amount of the expense was \$649.48. The supporting records were a billing statement dated 2/28/2024. The statement showed activity related to four invoices and two finance charges. Three of the invoices were dated 2/28/2021, the finance charges dated 1/31/2021 and 2/28/2021. All that activity totaled \$600.48. Although the billing statement shows the activity occurred on 2/28/2021 and the candidate reported the expense on 3/8/2021, both dates are in the 2021 Mid-Year reporting period and thus \$600.48 of the expense is reported in compliance with the statute being reported in the period in which it was incurred (Incurred on 2/28/2021, likely when invoiced and based on statement after the ads ran from 2/15 to 2/18/2021) The last invoice, however, which was for \$49 was incurred on December 31, 2020. The supporting record shows the invoiced date 12/31/2020 and notes the expense is for a Radio Christmas card, indicating the service was also received in December 2020. This indicates the \$49 expense was incurred during the 2020 Fourth Quarter reporting period. As such, the candidate had a reportable obligation on the 2020 Fourth Quarter to Thunderbolt Radio for \$49, and the obligation payment should be reported during the 2021 Mid-Year instead of including the amounts altogether when paid.

Auditor notes on radio ads: In the auditor’s experience, radio advertising, as noted above, is usually contracted or agreed upon prior to the services being rendered. These agreements usually have an estimated amount for the services to be rendered. The statute makes any such contracts or agreements reportable at the time of agreement (whether verbal or written, although verbal agreements need to be documented for the campaign records). The invoices for such services are usually the final amount that is required to be paid and may be lower than agreed upon. This is usually the result of the difference between the desired play amount and the available time provided by the station. As the candidate did not provide any such agreement or contracts, only the billing statement, the auditor’s findings are based solely on the billing statement, as those dates are known. The auditor is aware, if the services were contracted or agreed to before the date of the invoices (which would be likely in the auditor’s experience), the obligations would be reported at the time of the agreement based on the estimated or projected amount. Thus, the entire invoice may have been

made reportable as an obligation before the 2021 Mid-Year reporting period and the payment all be reported as obligation payments, making the entire expense activity reported late.

- The candidate's 2022 Pre-Primary disclosure showed an itemized expense to Lilly Moll as a “campaign worker” on 7/1/2022 (the check was written 7/8/2022 & cleared on 7/13/2022). The amount of the expense was \$703.43. The check memo line indicates June reimbursement and July invoice. The supporting records were an invoice and a reimbursement listing, along with the related receipts to be reimbursed. The invoice lists several services provided by the campaign worker, all indicating they were provided in June of 2022. The three reimbursed items were also incurred in June per the receipts [Two dated 6/6/2021, the other dated 6/23/2022, the same three expenses are noted in Finding 2 for improperly reported vendors]. The invoices and reimbursement appear to have all activity occurring in June and thus were reportable on the 2022 Second Quarter Disclosure. The candidate disclosed the expenses in one entry, one reporting period late.

The audit noted the following additional data: the invoice was undated, but the expense was dated 7/1/2022 by the disclosure. The check was written on 7/8/2022. The 2022 Second Quarter was filed on 7/11/2022. This appears to demonstrate that the campaign would have been aware of the services that were rendered in June, and payment was made before the submission of the 2022 Second Quarter Disclosures.

- The candidate's 2022 Fourth Quarter disclosure reported an itemized expense to Facebook for “advertising” on 11/1/2022 (the payment was made electronically on 11/1/2022). The amount of the expense was \$250.00. The support was a payment receipt that shows that the expense is for two postings as follows:
 - Meta posting campaign 10,958 impressions from October 19, 2022, to October 30, 2022, \$101.57.
 - Meta posting campaign 6,445 impressions from October 19, 2022, to October 30, 2022, \$148.43.

There is a notation on the receipt that indicates that the account was being billed because they reached a \$250 payment threshold. The receipt implies a couple of things. First, the services were received and completed in October. Second, either by contract or agreements (likely by request and under the service agreements made with Facebook when creating an account), the campaign can obtain services until the cost reaches \$250, at which point the campaign is billed. In this instance, the campaign had expenses that were incurred during the 2022 Pre-General but were reported late, some or all the expenses, on the 2022 Fourth Quarter (The 2022 Pre-General 2022 ended on October 29, 2022). With the understanding that the Auditor was not provided with the agreement for services from Meta/Facebook, nor does the Auditor know (or was provided) the process for requesting a posting with Meta (Facebook), nor provided the data given to a client of Meta at the time of such request for services to Meta/Facebook, the receipt appears to indicate it was likely when the posting was requested that the estimated or actual cost would be provided and that the campaign created an expense that was reportable by the campaign at that time. Based on the records that would be during the 2022 Pre-General on or before October 19, 2022, when the posting starts, the date the request was made was not provided. The expenses are either then reported as an obligation (2022 Pre-General) or obligation payment (2022 Fourth Quarter) or early reported itemized expense on 10/30/2022 on the 2022 Pre-General. The campaign only disclosed the final payment on the 2022 Fourth Quarter as an itemized expense, which late-disclosed the obligation status of the expense (or the majority part of the expense) at the end of the 2022 Pre-General. (This is another expense that should have been reported before an election, but the late reporting showed the expense one reporting period later, after the general election).

Reimbursements - Mileage - noncompliance

The campaign paid several mileage reimbursements during the audit period, and a review of prior and subsequent disclosures indicates those activities were occurring prior to and after the audit period. The campaign finance statute allows candidates to be reimbursed for mileage for campaign and office holder activities they attend or in which they incurred miles on their personal vehicle [Note: Mileage must exclude any mileage that is reimbursement from the state or other entities (such as session per diem payments) or if not excluded such reimbursement payments must

be placed into the campaign account and reported as reductions of mileage expenses. This campaign shows no such reimbursement deposits.] When candidates claim mileage reimbursement payment from the campaign account, those activities must be reported and properly documented, the same as any other campaign or office holder expense. The Registry has also allowed candidates not to disclose the use of a personal car as a campaign expense when not reimbursed. In this instance the assessment has been the expenses are not being compensated and thus are voluntary services of the candidate and thus exempt from disclosure as campaign expenses or in-kind contributions.

In the auditor's experience, candidates do not initially start claiming mileage but change over time as the candidate realizes the cost associated with using their personal vehicle for campaign or officeholder activities. In practice the Registry has allowed candidates to back claim reimbursement the first time such mileage claims are made, with the understanding the candidate needs the proper supporting records for the claim (Travel logs or similar support). However, candidates are advised the proper reporting is to amend the prior disclosure and report obligation in each period related to the mileage and then show an obligation payment for all in the period the check is written. After the first such entry, that identifies the mileage a campaign expense to the specific candidate. Mileage disclosure should continue whether reimbursed or not and report either as an obligation (if to be paid later) or in-kind contribution if not to be reimbursed, or as an itemized expense if reimbursed in each period as they are incurred and documented in the campaign records (Travel logs or equivalent records). The Registry allows these to be consolidated entries each period for all mileage to candidate in one entry dated the last day of travel per the period. However, the supporting documentation held by the campaign should support the specific purpose of the travel (how it is campaign or office holder related), the mileage per trip (or starting and ending odometer), the rate used and the amount to be reimbursed (or reported) that sums to the consolidated entry amount.

Rep. Tandy Darby's campaign as noted started mileage reimbursements prior to the audit period. Then they paid several mileage reimbursements during the audit period. The issue is the expenses were only reported when the reimbursement was paid not when the mileage activity was incurred. The result was several late reporting of mileage expenses. The details of the improper reporting are in the bullet points that follow:

Auditor's note – campaign mileage documentation by Rep Darby's campaign: This campaign keeps better records of mileage expenses than any other campaign the auditor has reviewed since his employment began in 2006. The candidate is using a mobile application to track campaign mileage (the app showing them as business miles). The records provided show a monthly summary of data including the miles related to the campaign and total miles driven by vehicle. It includes odometer readings, the rate used for the period, and the amount that was incurred (the amount to reimburse or report as an obligation). The only issue for the candidate's mileage records was the purpose of trips were not provided in the original request of records. The Director of Audit has seen few mileage logs or notes related to mileage reimbursement that document trip purposes. The Director of Audit has been told the system could give data on individual trips but that would not necessarily have the purpose of each trip. The candidate offered to attempt to tie that to schedules and other records he had. The auditor declined the offer, as noted the records were better than any other provided. The records are sufficient to show the candidate is not claiming most miles driven on the personal car as the app tracks total miles. The amount and timing of the mileage reimbursements appear to be consistent with normal campaign and unreimbursed office holder activity (not during session). Thus, the auditor determined that mileage appears reasonable in

amount, date and occurrence to be allowable mileage expenses that a campaign could incur. The auditor recommended to the candidate that they should modify their record keeping by adding purpose data either by trip or by month along with the monthly app report going forward, as future audit could indicate the lack of support to show the travel is for a specific campaign or officeholder activity. This audit determined the mileage expenses were allowable and reasonably documented and thus this report is more focused on the problem of late reporting such activity.

The misreported transactions are as follows in the bullet points below.

- The campaign’s 2021 Mid-Year discloses on 3/15/2021 a mileage reimbursement for \$110.83. The support was two months of records, January for \$73.25 and February for \$37.57 (There is a penny difference in support and expense payment that is assumed to be a minor calculation error, which is immaterial for finding). The 2021 mid-year reporting period starts on 1/16/2021, and although the individual travel records were not provided for January, the auditor determined it was highly probable that \$73.25 was incurred before January 16, 2021, and thus was reportable on the 2020 Fourth Quarter. The 2021 Mid-Year reporting was one period late. The basis of this assessment was not only that half the month was in the prior period, but that on January 12, 2021, the legislative session began. The audit testing noted, the campaign generally had few mileage activities during the session, assumable because session travel is reimbursed by the state and not refunded to the campaign account. Finally, the Director of Audit is aware that at the commencement of the year, but before the session there are several candidate-related events that occur, which could result in mileage claims. Thus, even without the details, there can be a high degree of certainty that \$73.25 relates to activity before 1/12/2021 and thus was reported one reporting period late.
- The campaign’s 2022 Third Quarter disclosed a mileage reimbursement for \$2,586.12 on 8/22/2022. The supporting app records covered September 2021 to July 2022, indicating all the expenses were for reporting periods before the 2022 Third Quarter. The audit determined the proper amount based on those records as follows: [Note: The 2022 Pre-Primary covers from 7/1/2022 to 7/25/2022. The app records support covers till 7/30/2022 (5 days more), as the daily activity was not provided, for simplification in reporting the entire July amount was noted as it should be on the 2022 Pre-Primary. The auditor recognizes that a portion of the \$334.88 could be in those last 5 days and properly reported.]

2021 YEAR-END

Sep-21 \$577.17 miles 1030.70
 Oct-21 \$63.22 miles 112.9
 Nov-21 \$441.73 miles 788.80
 Dec-21 \$337.15 miles 602.1
 Jan-22 \$13.46 miles 23
Total \$1,432.73

2022 1st Quarter

Feb-22 - NONE
 Mar-22 \$206.20 miles 352.50
Total \$206.20

2022 2nd Quarter

Apr-22 \$162.91 miles 278.50
 May-22 \$152.55 miles 260.80
 Jun-22 \$296.85 miles 507.40
Total \$612.31

2022 Pre-Primary

July-22 \$334.88 miles 535.80
Total \$334.88

The records indicate the candidate disclosed the majority, if not all the \$2,586.12 in mileage paid one to four reporting periods late. The candidate should have reported the amount each period as an obligation or in-kind contribution from the candidate. In August 2022, when reimbursement was paid to the candidate, the entries showing the obligations, payments or returns of the in-kind contribution of mileage should have been reported. It should be noted that all the expenses occurred before the primary election but were reported after the primary election.

- The campaign’s 2022 Pre-General discloses on 10/18/2022 a mileage reimbursement for \$652.17. The support covered August 2022 (\$374.81 miles 599.70) and September 2022 (\$277.36 miles 443.80). Indicating all the expenses were during the 2022 Third Quarter and thus report one period late by the candidate.

Reimbursements - other

The candidate's campaign disclosure on the 2022 Third Quarter reports an expense paid to Rep. Tandy Darby for \$500 on 9/27/2022, the purpose disclosed the expense as a reimbursement of a donation. There are multiple issues with the disclosure as follows:

- The reported vendor should not be the candidate but the person who received the donation.
- The purpose is donation but should be reported as "Donation" or "Donation reimbursed to candidate".
- The expense was not reported when incurred but only when reimbursed.

The original supporting records provided for this expense were incomplete to show the payment by the candidate was to a victim of a natural disaster from personal funds reimbursed by the campaign. After a few inquiries for the audit testing, the auditor was able to finally determine that the expense was paid several months before the reimbursement (in December of 2021). This means the expense should have been reported on the 2021 Year-End instead of four reporting periods later on the 2022 Third Quarter when reimbursed. Based on the records, it appears the expense went unnoticed as an intentional campaign expense to be reimbursed for several months and then identified. If the intent when paid was to refund the candidate the donation expense from the campaign account, a copy of the check, along with the notations for the donation's purpose, should have been placed in the campaign records. If it had been immediately reimbursed, the expense should be reported as an itemized expense to the constituent (with their address as required) on the 2021 Year-End. If not immediately reimbursed, the expense should be reported as an itemized obligation to the candidate, and the description should indicate this was a constituent's (by name) donation on the 2021 Year-End. Then, when reimbursed to the candidate in September of 2022, the obligation payment was disclosed. In both cases as this is generally an unreceipted expense, the candidate should have maintained in the campaign records, a copy of the personal check disbursed, a copy of the campaign check to the candidate, and some type of documentation such as a letter, email or memo that documents why this constituent is receiving the campaign funds and the date that occurred (Ideally such a document would be signed and dated by the receiving constituent, but if the document details the why and the proper disclosure data such as constituent address, the signature would not be required just recommended).

The candidate paid the campaign treasurer three times during the audit period and disclosed payments before and after the audit period. The payments indicated they relate to prior period services rendered. As examples: The campaign disclosed on the 2021 Mid-Year a \$1,500 payment to the treasurer on 2/4/2021 (Beginning of the 2022 two-year election cycle). The campaign disclosed on 4/22/2022 (2022 Second Quarter) a payment of \$2,500 to the treasurer (Mid of 2022 Election cycle). The campaign disclosed on 1/14/2023 (2022 Fourth Quarter) a payment of \$2,500 to the treasurer (End of 2022 Election cycle). The invoices show each was for campaign treasurer services

- Invoice 2020 dated 1/1/2021 shows the 02/04/2021 payment is for 2020 year.
- Invoice 2021 dated 1/1/2022 shows the 04/22/2022 payment is for 2021 year.
- Invoice 2022 dated 1/1/2023 shows the 01/14/2023 payment is for 2022 year.

The invoices and payments again show delays in disclosures, only the last (invoice 2022) being disclosed in the proper period based on an annual contracted amount indicated by the invoice and

payment. Invoice 2020 is not only reported one period late, but also a 2020 election cycle expense being reported during the 2022 election cycle. Invoice 2021 is disclosed two reporting periods late.

Although the annual basis of reporting could be deemed allowable by the Members of the Registry for such an expense. The auditor would indicate that the statute could also be deemed to require a more frequent disclosure of such expenses to match services incurred during the campaign finance disclosure periods (as an obligation). The historical payment records, to the treasurer, appear sufficient to indicate the campaign has established enough data to create a reportable obligation in each reporting period based on an estimated amount likely on the prior period's payment. [Note: the auditor realizes a candidate may choose a more frequent basis; the reporting period basis is the minimum required. The more frequent would appear allowable per the Registry's prior actions and the statute's intent.] Here is an example: the \$1,500 paid on 2/04/2022 was for the twelve months of service in 2020. In 2021, the obligation amount could be estimated at \$125 a month (\$1500/12) and disclosed. On the Mid-Year 2021 that covered 01/15/2021 to 6/30/2021, about six months, a \$750 obligation would be disclosed. Then, the Year-End 2021 covers about another 6 months, thus another \$750 obligation would be disclosed. Then, when the reimbursement is paid during the 2021 First Quarter, obligation payments for both would be disclosed. When the amount increases, itemized expenses are disclosed when reimbursed from the amount above the obligation, and then the subsequent years' obligations are adjusted to the new amounts. In the election year, the campaign would split the obligations up in shorter periods for the quarterly and pre-election periods.

The reason again is to show expenses as they are incurred and before elections, as appears to be the intent of the statute. The auditor realizes, based on his experience, that campaigns effectively mature over time in the way payroll and payroll activities occur. When campaigns start their existence, they may not pay or only pay treasurers (and other workers) based on the amount collected in the campaign process (available or leftover fund payments). Thus, earlier in a campaign's existence, an estimable amount may not be as easily determined. However, after multiple cycles of elections, consistent payments do make such reporting possible, and very probably required per statute. This campaign appears to have reached that point, and such reporting would also likely assist in the issue the candidate has with late disclosing other types of expenses.

Finding conclusion

The overall result is that the campaign practices and policies for reporting expenses (and somewhat in contributions, see audit conclusion for contributions) appear to be based on when the activity hits the campaign account. This is most likely because the person preparing the disclosure mostly or solely uses the campaign bank statement to prepare the disclosures. For both contributions and expenses, this is not consistent with the statute requirements to report based on when a contribution is received and when expenses are incurred. Although only minor instances of non-compliance were noted for contributions, there were more instances of non-compliance for expenses, such that in several instances, expenses are being reported late or much later in the election reporting process than they should be. This is non-compliant with multiple sections of T.C.A. §§2-10-105 and 2-10-107, which detail how and when such activity is required to be reported.

2. Rep. Tandy Darby was non-compliant with T.C.A. §2-10-107 by improperly reporting the vendor who provided campaign goods or services that received campaign funds disbursed.

Rep. Tandy Darby's campaign records and disclosures indicate the campaign reported the wrong vendor for several expenses. T.C.A. §2-10-107 details how vendor reporting is to occur for campaigns, included in those requirements is that the vendor reported must be the vendor who provided the goods and services, and thus was the ultimate recipient of the campaign funds disbursed. The campaign misreported the following expenses.

Improperly reported reimbursements

- The campaign disclosures show an expense reported as paid to a campaign worker for \$598.43. Although \$500 was properly reported for services completed by the campaign worker, the remaining \$98.43 was improperly reported, as those were reimbursements for services provided by other vendors. The receipts provided for the reimbursement show the proper vendors to report being Office Depot, Staples, and USPS. The same three expenses are noted in Finding 1 for being late reported.
- The campaign disclosure shows a \$500 expense paid to Rep. Tandy Darby (the candidate). The expense was reimbursement for a donation the candidate made to a constituent who was a victim of a natural disaster. The proper recipient (vendor) to report is the constituent who received the donation.

Misidentified vendor due to a similar name

- The last improperly identified vendor appears to be misidentified because the business name is similar to another vendor used by the candidate. The candidate reported an expense to Vistaprint, but the actual expense was paid to Vistago Print LLC (DBA Dirt Cheap Signs).

The misreported vendor amounts total to \$1,396.33, which is approximately 3.6% of all the expenses reported. All three errors were noted in the sample testing. Such errors are used to estimate a non-compliance rate for the entire population; in this case, that would be below 3.6 percent. However, the actual amount was not calculated (or provided) as it appears it may be misleading due to the last transaction noted above. The reason is that a large majority of the expense amount used to calculate the percentage comes from the last transaction. Unlike the other reimbursement items that could be systemic issues by the campaign in reporting certain reimbursements, the identification of the wrong vendor due to similar names is not a systemic error, making the projection skewed high to the expected error rate per the auditor's observation of all records provided.

INTERIM DISCLOSURES

Due to significant changes to the interim disclosure requirements effective in July 2022, the interim disclosures are now part of the campaign finance audits. The changes both lowered contribution thresholds and added expenditure reporting for candidates. Where in the past, limits on individual and PAC contributions had made the interim filing primarily irrelevant, the new changes make interim disclosures likely for a significant number of candidates. *For future*

elections, candidates need to be aware that the statute was modified again in 2025, and increases in the thresholds were made. The statute changes are effective as of January 1, 2026. The threshold increases will reduce the volume of reporting needed but will not make them irrelevant so audit testing will continue

For the 2021-2022 Campaign finance audit and Contribution audits, the Director of Audit determined that the audit reporting should be separated from all other reports in the audit report. This was based on the significant changes to statute, and because the Members of the Registry of Election Finance have previously been made aware of possible instances of non-compliance presented to them by the Bureau staff after the 2022 Primary and General election interim reporting periods occurred. During the presentation, the Members of the Registry elected to take no action on the presented possible non-compliance. Future audit reports will incorporate interim reporting into the other sections of the audit report.

Due to prior reporting, the Members of the Registry of Election Finance need to be aware that some of the transactions noted in any audit conclusion and audit findings for the 2022 election could repeat items they have already seen.

Audit Objectives:

The objectives of our audit of the interim report were to determine whether:

- all campaign contributions (including loans) from any source received during an interim reporting period that met the reporting thresholds were listed on an interim report as outlined in T.C.A. §2-10-105 (h).
- all reportable contributions received were disclosed on the proper interim report, as outlined in T.C.A. §2-10-105 (h)(3),
- all campaign disbursements to vendors or other payees made during an interim reporting period that met the reportable thresholds were reported on an interim report as outlined in T.C.A. §§2-10-105 (h).
- all reportable expenses received were disclosed on the proper interim report, as outlined in T.C.A. §2-10-105 (h)(3),
- all reportable obligations agreements during an interim reporting period that met the reportable thresholds were reported on an interim report as outlined in T.C.A. §§2-10-105 (h).

Audit Methodology:

The Registry obtained Rep. Tandy Darby's 2022 Campaign Financial Disclosure Statements from January 16, 2021, to January 15, 2023. The Registry also obtained all interim disclosure reports submitted by the candidate for the 2022 election interim reporting periods. As noted in *Contribution and Receipts*, the Director of Audit requested Rep. Tandy Darby to provide

all campaign records to support all contributions, loans, and interest received during the 2022 election campaign. As noted in *Disbursement and Obligations*, the Director of Audit requested that Rep. Tandy Darby provide campaign records to support all expenses during his 2022 election campaign. The following steps were performed on these records related to interim reporting:

- The documentation was reviewed to determine if any reportable contributions were required to be reported during the 2022 primary or general election interim reporting periods. Identified contributions were listed in a prepared memo related to interim reporting.
- The documentation was reviewed to determine if any disbursement or expense required reporting during the 2022 primary or general election interim reporting periods was identified. Identified expenses were listed in a prepared memo related to interim reporting.
- The documentation was reviewed to determine if any obligation or obligation payment noted in the prior determination required reporting during the 2022 primary or general election interim reporting periods was identified. Identified obligations and related subsequent payments were listed in a prepared memo related to interim reporting.

Audit Conclusion:

Rep. Tandy Darby had two applicable interim periods for the 2022 election. The primary period was July 26 to August 4, 2022, and the general period was October 30 to November 8, 2022. The interim reports showed that the candidate made one interim filing on November 8, 2022, to report one contribution of \$1,000 from a PAC. The campaign disclosures show the contributions made during the 2022 4th Quarter. The campaign records support both disclosures. The audit test work indicated that the disclosed contribution noted above was not the only contribution required to be disclosed on an interim disclosure. The candidate's disclosure and campaign records for the 2022 Fourth Quarter indicate the campaign received a check from TEAM KID PAC on 10/31/2022 for \$1,200 (The audit testing showing the check received 10/25/2022 was deposited on 10/31/2022, and the report by the candidate received on 10/31/2022). This makes the check reportable on the interim report that should have been filed by 11/1/2022.

Note: The audit testing assumed the deposit date was the received date as reported by the candidate, but the auditor was aware that this may not be the case. However, the auditor also knows if the date received was before the deposit; this only changes the non-compliance noted as follows. If the check was received by the campaign before deposit between the date written 10/25/2022 and 10/29/2022, the check was not required to be reported on an interim report; however, it would then have been improperly reported by reporting an inaccurate receive date of 10/31/2022 by the candidate and late reported by one reporting period. If received on 10/30, the interim reporting would still be required and due on 10/31 instead of 11/1.

Rep. Tandy Darby's campaign disclosure and campaign records do not indicate the campaign had any required interim report related to expenses or obligations activity. Thus, the audit test work concludes that the candidate appears to have failed to comply with the interim reporting requirements one PAC contribution noted above, by failing to file the activity on 10/31/2022 (same day) or 11/1/2022 (within the 24 hours required). No finding was noted as it is

the Director of Audit's opinion as it seems likely this was noted to the Members prior. During those notices the Members took no action on the possible non-compliance; this appears to indicate the Members recognize there may be a learning curve to the statutory changes in the first few periods and are allowing a small amount of non-compliance during that time.

RECOMMENDATIONS TO THE CANDIDATE

Although a recommendation to the candidate could be made to make corrections to multiple prior reports in 2020, 2021, and 2022 to report expenses in the proper period, the recommendation will not be made. Such a change can cause issues if not completed properly for the balanced disclosure of the campaign. As the expenses are reported, and the elections to which they relate are over, such corrections seem to be unnecessary in 2025. As noted below, the Director of Audit recommends changes to the campaign procedures to make sure expenses are identified and disclosed when incurred in future reporting. As noted in the audit conclusion for the contribution, the campaign has already corrected the unreported in-kind contribution noted. The only report correction from the audit remaining is that the candidate should correctly report vendors' misreporting noted in Finding 2.

Future elections (if applicable)

The candidate should review the campaign record-keeping system and disclosure reporting procedures and revise them to ensure they adequately meet the requirements of the campaign financial disclosure statutes. These should also be reviewed by those that assist the campaign in reporting and compliance. The following are the recommendations for such activities:

Contributions (reported when received)

The system should ensure that the campaign disclosure reports contributions when received by the candidate or the campaign's agents. Although the statute does not specify what is required for documents, the candidate should be aware that the statute does put on the candidate the responsibility to support the disclosures and compliance. For contributions, that means the candidate must be able to identify each contributor and that any funds, goods, or services are from that contributor's sources and not provided by others. The Director of Audit recommended procedures as follows, but is aware that other possible options are available that could maintain compliance:

- For check- Copies of contributor check received should be made on the day received and notations added to the copies or set of copies to show the date received. Those records should be grouped together by deposit and should be the basis for preparing the disclosures (This is then documented by either a deposit slip, deposit receipt, or notation of deposit date added to the copies or group of copies to indicate the disclosure statement on which they are reported). For reporting, copies of yet to be deposited checks received at the end of a reporting period and notations added to when those will be deposited and which disclosure they are reported on should also be maintained at the end of each reporting period.

- For Cash – A similar procedure should occur for cash contributions, however, instead of copies, a listing of contributors, the amount received, the date the cash was received and other reportable or contact data should be maintained either by day or event. The list then should be retained with the applicable deposit such that the amount on the listing matches in total cash deposited. These cash listings should be provided to the person who prepares the disclosure statements. Cash received before the end of the period but not deposited should be documented similarly to checks.

Postmarked contributions: The Registry allows the reporting of a postmark date for the date received. However, to disclose such a date, the postmarked envelope or package showing the postmark date must be retained and provided with the audit records.

- For online – The candidate should obtain a report from any online vendor of funds received by that vendor on the campaign’s behalf (the online service being an agent of the campaign). This report should show the payment data that identifies the contributor by name and billing address and includes the date the funds were received by the vendor, full amount received by the vendor, and the amount retained from those funds. The records should also indicate other required reportable data if collected by the vendor. The records also should note or reconcile to the check (or electronic payment to the campaign account) to transfer the collected funds to the campaign account.

Note: Online contributions are reported when received by the online service (not when transferred in net amount). The reportable contribution is the full amount received by the service. Any reduction in that amount for fees or the cost of goods is reportable as campaign expenses. (These fee expenses are always reportable regardless of how the services identifies who is paying the fees, candidate or contributor, and is also why the full amount received by the vendor before any reduction must be reported as the contribution).

Campaigns that allow individuals, PACs, businesses, political parties, or other groups to collect on their behalf must maintain the supporting records as listed above and provide those records to the campaign in a similar format in detail. As these contributions must be reported when received by those groups (which are agents of the campaign) these should be provided no later than the last date of each reporting period for proper disclosure.

Note: In addition to the above, for each itemized contribution disclosed, additional records are needed to report address, occupation, employer, or records to support the best effort of the campaign or its agents to obtain that data. As such, the Director of Audit recommends candidate get the full data for all contributions. However, at a minimum, the name, amount, date received, and support for the source of funds must be maintained, and it is recommended to have some type of contact data in case a full disclosure is required.

The Director of Audit reminds all candidates in this report, the check written date and deposit date are not the required reportable dates. The required date is the received date that is usually not documented by default, unlike a deposit (on the bank statement) or check date (if completed on the check). However, campaigns who verify every checks written dates match dates received and/or that do daily deposit anytime a contribution is received, could more reliable use the check written or deposit date, but still will need to be careful during the interim reporting periods which have daily disclosure requirement at specific thresholds and at the end of any reporting period to make sure all items received are reported on the proper disclosure. When using

check dates in this manner, the campaign would have to document both their practice of review and document any dates that checks are written and not received on the same day.

Note: In-kind contributions also need to be documented; such contributions can be a mix of notice letters that would be handled similarly to online service contributions. The letter should have all applicable dates and data to be used for the disclosure. Records for in-kind can also be similar to those noted for expenses in the section that follows. In either case, those records need to be obtained and maintained by the campaign.

Expenses (reported when incurred)

The system should ensure that the campaign discloses expenses when incurred. The statute puts the responsibility of proper disclosure and proper support on the candidate, but it is not specific in the documentation required for expenses. This means the candidate must be able to support when an expense was incurred for either expense or obligation disclosures (even though the date may not always be required to be disclosed on a disclosure statement). They also must have accurate vendor identification data, the amount of the expenses, and support that the expenses incurred were allowable.

As noted, it appears this campaign is basing its disclosure on the campaign bank statement alone, in most cases. The Director of Audit does not recommend such a procedure. The Director of Audit recommends that disclosures be prepared from all properly maintained campaign finance records. These should include the campaign check register (a list of checks written), invoices or receipts that have been received (paid or unpaid), and any other supporting expense records. They should also include any documents for any agreements (Verbal or non-verbal, formal contract, or informal contracts) that the campaign has made. They should include any records from candidate accounts when they pay expenses on the campaign's behalf (Reimbursement or not). They should include records for reimbursement paid to the candidate or others who paid expenses on the campaign's behalf. These records should be reviewed to verify that all expense activity is being reported in each reporting period.

The Director of Audit notes again that all expenses should have some supporting record beyond the disbursement check. Ideally, receipt, invoice, billing statement, payroll records, and other supporting documents. These support records should show the payee, the amounts, dates incurred, date paid, and how they are campaign or officeholder-related expenses. Beyond receipts/invoices, the candidate may and should maintain other records to support that expenses are campaign or office-holder-related, such as ad mockups, ad transcripts, photo-ready docs, copies of mailers, print ads, campaign signs, photos of goods received and their current use. Effectively, any other documentation to show the campaign received the good or service being disclosed is for the campaign or an office holder's activity. When a receipt or invoice is not provided, it should be requested or prepared and then signed by the payee. When unable to get those, the campaign should document why and obtain the other supporting type documents. When the receipts and invoices are not complete to show the purpose, such notation should be added.

- For example: A food receipt will tell the vendor, amount, dates, and goods provided, but may not indicate how the expense is campaign or officeholder-related; thus, the notation should be added "Dinner mtg with campaign consultant" or "Fundraiser on 6/15/2022".

The above is not all-inclusive but is a guide to expense disclosure and expense supporting. How the candidate elects to support those is not specified, but the lack of data to support the items noted above has already been deemed to be non-compliant by actions taken by Members of the Registry in other matters.

Reconciliations and bank statements

Finally, the candidate should reconcile the campaign bank account and other account records to the campaign disclosure statements for each reporting period (either as the disclosure is prepared or shortly after). This reconciliation should ensure that all campaign finance activities are properly recorded and reported by the statutes. This is when the campaign can verify checks that have not cleared the bank account or deposits not yet been made. A proper reconciliation can identify contributions that may not have been reported or expenses that may not have been entered based on the bank statements. This reconciliation should include taking the disclosure and verifying that the campaign has been retained and maintains all records for all activities reported. Then, also prepare the records to be maintained for inspection by the Registry in case of audits, complaint responses, or other investigation-type actions. This reconciliation time allows the candidate to attempt to replace any missing records earlier than an audit request will. It also allows the campaign to prepare replacements, gather other supporting records when necessary, or document why records are missing. It is recommended that all the records being kept that support the specific disclosure statement be kept together with a copy of the reconciled statement. These records are then ready for submission if requested by the Registry.

The Director of Audit is aware that most candidates themselves do not prepare the disclosure statement, but have others complete it on their behalf. As noted, the disclosure statements compliance is the responsibility of the candidate. Thus, each period, the Director of Audit recommends that the candidate review the disclosures, the reconciliations, and supporting records to make sure compliance is being maintained. Such reviews can trigger the candidate to note missing transactions or incomplete or inaccurate data, especially related to contributor occupation and employer disclosures or candidate personal account activity that needs to be reported (reimbursed or not).

Campaign Finance System and Registry Assistance Recommendation

The system developed under the direction of the Registry allows daily (24-hour) access to prepare the disclosure statement, so candidates do not have to wait for the end of the period to enter data. This also allows the candidates and those who assist to verify that records are maintained as they make those entries. The due dates after the reporting ending date are set to allow for finalization and reconciliation of the data being presented. The allowance to amend a report also allows for reconciliation and correction to occur after the due date. Registry staff, including the Director of Audit, are available during normal business hours, most days (central time zone), to assist and answer any reporting or system questions.

The Director of Audit notes that the system procedures have worked fairly well since the system was put in place in 2006, and audits, reviews, and filing, along with other compliance procedures of the Registry, still show a high percentage of compliance (above 90%) by candidates

and others who use the system. Thus, although the system is past due for an update or replacement, and the system does not have the advantage of newer systems, the procedures and recommendations of the Registry staff, when followed or requested, still let the system and candidate disclosures conform to the statute.

Thus, when a candidate, Member of the Registry, or the public has any issue related to the system notification or requests for assistance by the Registry Staff at the main line number or email address usually can solve those issues promptly or provide a reasonable workaround for the older systems' construction. Thus, the last recommendation is that candidates contact Registry staff (or review the Registry website) anytime they have a system or campaign finance question that they are unsure of how to document or how to report. The public can also use those services to assist in understanding the rules, statutes, and data that are available and the best ways to access the data from the online disclosure system.

RECOMMENDATION TO REGISTRY

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

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS

As noted in the recommendations to the candidate, the Director of Audit does not recommend changing the expenses reported in the wrong period. However, a correction was completed for the un-reporting in-kind contribution noted in the audit conclusions for contributions during the audit testing. A few minor reporting errors were noted to the candidate as a result of the audit for possible correction, those changes have yet to be completed but have no impact on the current disclosures.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2022 Campaign Finance Audit of Rep. Tandy Darby during their regular bi-monthly meeting on January 22, 2026. The meeting minutes will document the Members' approval and any subsequent actions