



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### Contribution Audit of Anthony Clark's 2014 First Quarter Campaign Finance Disclosure



#### **Audit Team:**

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# STATE OF TENNESSEE



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August 13, 2014

Members of the Registry of Election Finance  
404 James Robertson Parkway, Suite 104  
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Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Mr. Anthony Clark's 2014 First Quarter Campaign Financial Disclosure Statement for the 2014 election campaign for District Attorney District 1. 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 Laws 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 internal 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 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  
Audit Director

STATE OF TENNESSEE  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**

Anthony Clark

2014 First Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Mr. Anthony Clark'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 un-itemized contribution disclosures on his 2014 First Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

- 1. Anthony Clark violated T.C.A. §2-10-107(a)(2)(A)(iii) by overstating un-itemized contributions by \$5,845.**
- 2. Anthony Clark failed to maintain contributor data for \$2,472 in cash contributions.**
- 3. Anthony Clark failed to maintain his campaign bank account and campaign records to support receipt of \$930 of contributions.**

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

*Tennessee Code Annotated* (T.C.A.) §§2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign financial disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate's contributions reported as un-itemized contributions and the aggregate un-itemized contributions reported are greater than \$5,000.

### **AUDIT PURPOSE**

The Registry's contribution audits are 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 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 prepared to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

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 report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to only disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit reviewed only Mr. Clark's disclosures on his 2014 First Quarter report.

## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Mr. Anthony Clark is a candidate in the August 7, 2014 general election for the District Attorney for District 1. Mr. Clark filed an Appointment of Political Treasurer Statement with the Registry on February 5, 2014 appointing Harlan Clark as political treasurer.

The candidate's first financial disclosure for the 2014 campaign was the 2014 First Quarter report filed on April 10, 2014. The candidate's latest financial disclosure report for the 2014 election was the 2014 Pre-Primary report filed on April 29, 2014. The 2014 Pre-Primary report indicated \$621.10 cash on hand, no outstanding obligations and \$11,300 in outstanding loans. The candidate has not completed his 2014 election campaign reporting requirements.

### OVERVIEW OF FINANCIAL ACTIVITIES

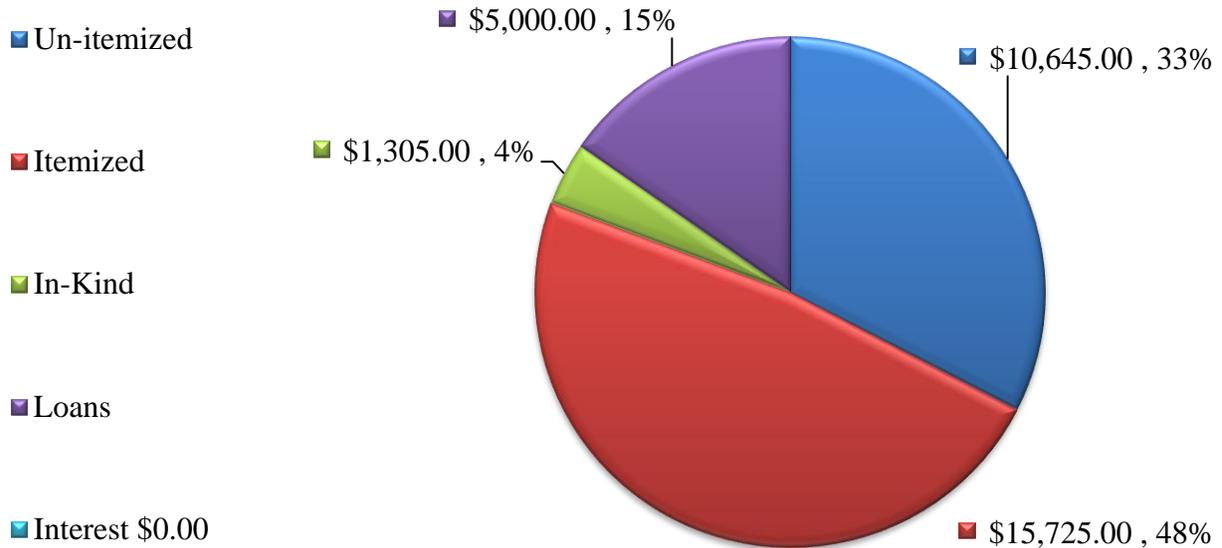
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2014 First Quarter (dated 4/10/2014) and 2014 Pre-Primary (date 4/29/2014) reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2014 First Quarter report. 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, 2014		\$0.00
Receipts		
Un-itemized	\$11,125.00	
Itemized	17,225.00	
Interest	0.00	
Loans received	11,300.00	
Total receipts		<u>\$39,650.00</u>
Disbursements		
Un-itemized	505.32	
Itemized	38,428.54	
Loans principal payments	0.00	
Total disbursements		<u>\$38,933.86</u>
Cash on hand at April 26, 2014		<u>\$716.14</u>
Loans outstanding at April 26, 2014		\$11,300.00
Obligations April 26, 2014		\$0.00
Total in-kind contributions received		\$1,305.00

## CHARTS

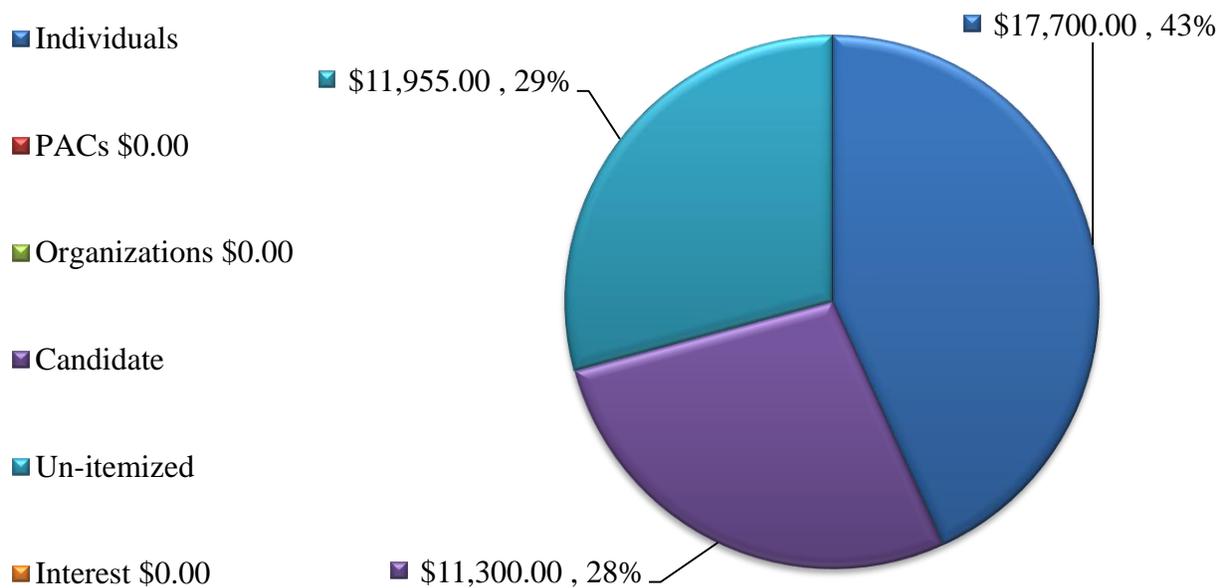
### 2014 FIRST QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2014 First Quarter report.



### 2014 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the candidate for the 2014 election campaign through the 2014 Pre-Primary disclosure report. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses



## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS**

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

The objectives of the audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

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

The Registry obtained Mr. Clark's 2014 First Quarter Campaign Financial Disclosure Statement to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. We requested Mr. Clark provide supporting documentation for the un-itemized contributions of \$11,475 that he reported on his 2014 First Quarter report. The candidate's campaign records included bank statements, bank account history reports, deposit receipts, copies of checks and un-itemized contributor lists (monetary and in-kind). The following steps were performed on Mr. Clark's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized monetary contributions received from January 16, 2014 thru March 31, 2014 totaled \$10,645 and un-itemized in-kind contributions of \$830.
- A list of monetary un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and 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.
- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, all contributions were in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were in compliance with the Registry's rules.

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

Mr. Clark's 2014 First Quarter Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions. The audit indicated the candidate overstated un-itemized contribution by \$5,845 (Finding 1). In addition, the candidate failed to maintain contributor data for all contributions resulting in receipt of \$2,475 in anonymous cash contributions (Finding 2). Finally, he failed to maintain his campaign bank account and campaign records to support receipt of \$930 of contributions reported (Finding 3).

The Registry audit staff sent notice of audit on April 17, 2014 concerning the audit of the 2014 First Quarter report as amended on April 10, 2014. The findings noted are based on this report. The candidate amended his 2014 First Quarter report again on April 21, 2014, after the audit notice. The report filed after the notification appears to confirm the \$5,845 in overstated un-itemized contributions noted in Finding 1. In addition, the amended report also showed an additional itemized in-kind contribution of \$1,500 and removal of two expenditures totaling \$5,749.45. As the audit relates to only un-itemized contributions and un-itemized contribution records obtained from the candidate, the relationship of the amended disclosure to the original report's un-itemized contributions cannot be determined. However, the amended disclosures have the appearance of errors in reporting contributions for direct paid expenses by the candidate in the original disclosure.

### **FINDINGS**

#### **1. Anthony Clark violated T.C.A. §2-10-107(a)(2)(A)(iii) by overstating un-itemized contributions by \$5,845.**

Mr. Clark reported \$10,645 in un-itemized contributions on his 2014 First Quarter report. By the candidate's contribution listings, the audit determined that the candidate had un-itemized contributions of \$4,800. The \$5,845 difference in the amount reported and supported is an overstatement of contributions. The overstatement is a violation of T.C.A. §2-10-107(a)(2)(A)(iii), which requires accurate reporting of contributions on campaign financial disclosure statements. The candidate appears to have confirmed the overstatement by amending the report after the audit notification. The amended First Quarter report submitted on April 21, 2014 shows un-itemized contributions as \$4,800 which is supported by the campaign records.

#### **2. Anthony Clark failed to maintain contributor data for \$2,475 in cash contributions.**

Mr. Clark did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for cash contributions. Mr. Clark's campaign records indicated that he received cash contributions totaling \$2,475 from anonymous contributors. The records indicate the funds were received by mail and at two offices throughout the month of March. The \$2,475 in cash contributions was approximately 23% of the un-itemized contributions reported by the candidate prior to audit notification and approximately 52% of the un-itemized contribution reported after audit notification. Without the specific contributor's names and amounts contributed we could not determine Mr. Clark's compliance with the following campaign finance statutes for the cash contributions:

- T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.
- T.C.A. §2-10-311(a) limits cash contributions to \$50 per election for each contributor.

### **3. Anthony Clark failed to maintain his campaign bank account and campaign records to support receipt of \$930 of contributions.**

Anthony Clark failed to properly maintain a campaign bank account and campaign records to support his 2014 First Quarter disclosure report. The candidate's records indicate \$19,995 was deposited into the campaign account during the first quarter reporting period. In addition, \$100 was deposited into the candidate's PayPal account, resulting in a total supported monetary receipts of \$20,095 during the reporting period. Mr. Clark's first quarter report indicated he received a total of \$31,370 in monetary contributions. Finding 1 above indicated this total amount reported was overstated by \$5,845. In addition, the candidate reported a \$5,000 loan, for which there is no campaign record to indicate that the funds were placed into the campaign account (the funds appear to relate to directly paid candidate expenses). After adjusting the candidate's disclosure for the overstatement and un-deposited loan, the candidate disclosed \$20,525 in contributions received. The candidate also indicated to the Registry that \$500 of the funds deposited were the candidate's personal funds which he failed to include in the calculation of his itemized loan. The result is a \$930 difference in total monetary contributions reported and monetary contributions received by the campaign (placed into the campaign account). The audit attempted to reconcile the un-itemized contribution lists provided by the candidate and his campaign disclosures for itemized contributions to the campaign deposits in order to determine which funds were not supported; however, the candidate records were insufficient and the audit was unable to reconcile individual contributions to the various deposits. Therefore, we cannot determine which contributions are not supported or whether they represent itemized or un-itemized contributions.

### **RECOMMENDATION TO CANDIDATE**

During a campaign, Mr. Clark should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that the candidate obtains and retains documentation for each contribution received. Mr. Clark should ensure that all campaign contributions received are deposited into the campaign account. Finally, the candidate should reconcile the campaign bank account to the campaign disclosure statements to ensure that all campaign finance activities are properly reported.

## **RECOMMENDATION TO REGISTRY**

We recommend the Members of the Registry consider the findings for possible further action. 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 and related findings will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

## **RESOLUTIONS**

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### **CANDIDATE'S CORRECTIVE ACTIONS**

After discussing the above findings with Anthony Clark, he chose to take corrective actions on his reports prior to the Registry's approval of the audit. Mr. Clark amended his 2014 First Quarter and 2014 Pre-Primary reports on July 11, 2014, as well as, submitting his 2014 Second Quarter report. A summary of the corrections on these reports are listed below, included in the summaries are corrections from the 2014 First Quarter report amended on April 21, 2014 noted in the audit conclusion and findings. There is no corrective action listed for Finding 3 as the finding relates to maintaining campaign records and not campaign finance disclosures.

#### ***Correction Action - Finding 1:***

On April 21, 2014, Mr. Anthony Clark amended his 2014 First Quarter after receiving the audit notice, reducing un-itemized contributions by \$5,845. The report properly amends his 2014 First Quarter report for the overstatement noted in Finding 1.

#### ***Correction Action - Finding 2***

After review of the draft audit report, the candidate followed the Registry staff recommendations and donated \$2,475 to various charities, schools, or civic organization (The \$2,475 in anonymous funds cannot be used for a campaign purposes). The candidate provided copies of the checks and other documents to support all qualifying donations. The candidate has previously reported qualifying donations and added three donations to the 2014 First Quarter report and one to the 2014 Pre-Primary report. In addition, Mr. Clark reported two donations on his 2014 Second Quarter report. The last donation has yet to be reported; however, the check for the donation was dated 7/1/2014 and therefore is not required to be reported until the 2014 Pre-General report is submitted.

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

The Members of the Registry of Election Finance reviewed the 2014 contribution audit of Mr. Anthony Clark during the August 13, 2013 regular monthly meeting. The report contained three findings. The Registry voted to accept and approve the audit report with no further action.