



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### Contribution Audit of Representative Darren Jernigan's 2012 First Quarter and 2012 Second Quarter Campaign Finance Disclosures



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March 13, 2013

Members of the Registry of Election Finance  
404 James Robertson Parkway, Suite 1614  
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Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Representative Darren Jernigan's 2012 First Quarter and 2012 Second Quarter Campaign Financial Disclosure Statement for his 2012 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The audit procedures developed are to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limit Laws. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's 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**

Representative Darren Jernigan

2012 First Quarter and 2012 Second Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Rep. Darren Jernigan'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 2012 First Quarter and 2012 Second Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDING**

- 1. Rep. Jernigan violated T.C.A. § 2-10-105(a) by failing to report \$384.01 in campaign contributions.**
- 2. Rep. Jernigan violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$700 in campaign contributions from contributors who contributed in excess of \$100.**
- 3. Rep. Jernigan failed to properly maintaining his campaign records and follow Registry rules for bookkeeping.**

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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 Rep. Jernigan's disclosures on his 2012 First Quarter and 2012 Second Quarter reports.

## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Rep. Darren Jernigan was a candidate in the November 6, 2012 general election for the House of Representatives for District 60. Rep. Jernigan filed an Appointment of Political Treasurer Statement with the Registry on January 3, 2012 appointing Colman Stant as political treasurer.

The candidate's first financial disclosure for the 2012 campaign was the 2011 Early Year-End Supplemental report filed on January 17, 2012. The candidate's latest financial disclosure report for the 2012 election was the 2012 Third Quarter report filed on October 10, 2012. The 2012 Third Quarter report indicated \$76,405.28 in cash on hand, no outstanding obligations, and no outstanding loans. The candidate has not completed his 2012 election campaign reporting requirements. The candidate's next report will be the 2012 Pre-General report due October 30, 2012.

### 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: 2011 Early Year-End Supplemental, 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary and 2012 Third Quarter reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2012 First Quarter and 2012 Second Quarter reports. The amounts displayed are for informational purposes only.

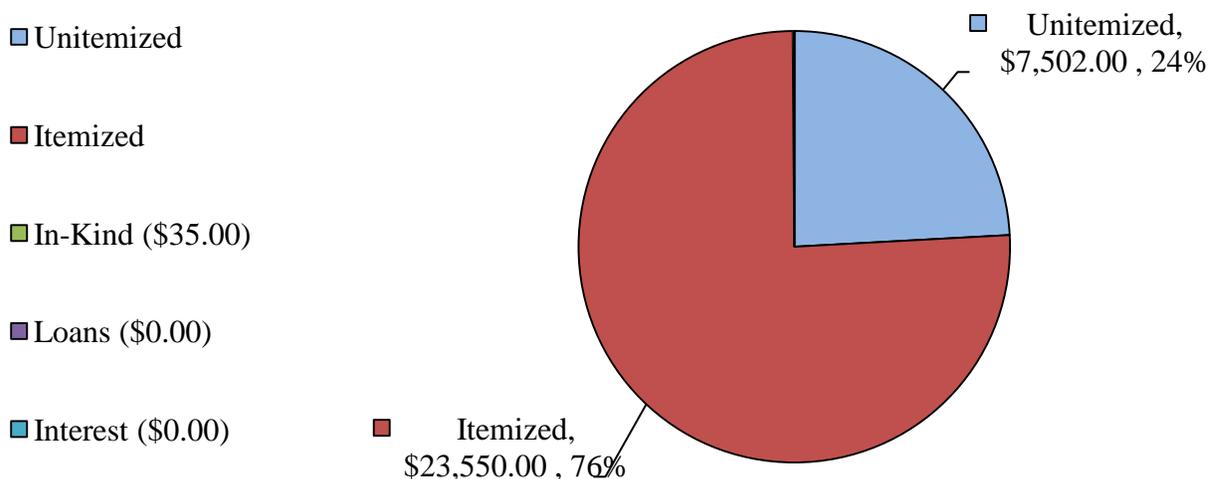
| <u>Summary of Financial Activity</u>    |             |                     |
|---|-------------|---------------------|
| <u>(Un-audited Amounts)</u>             |             |                     |
| Cash on hand at July 1, 2011            |             | \$0.00              |
| Receipts                                |             |                     |
| Un-itemized                             | \$22,162.18 |                     |
| Itemized                                | 84,000.00   |                     |
| Interest                                | 0.00        |                     |
| Loans received                          | 0.00        |                     |
| Total receipts                          |             | <u>\$106,162.18</u> |
| Disbursements                           |             |                     |
| Un-itemized                             | 1,656.59    |                     |
| Itemized                                | 28,100.31   |                     |
| Loans principal payments                | 0.00        |                     |
| Total disbursements                     |             | <u>\$29,756.90</u>  |
| Cash on hand at September 30, 2012      |             | <u>\$76,405.28</u>  |
| Loans outstanding at September 30, 2012 |             | \$0.00              |
| Obligations September 30, 2012          |             | \$0.00              |
| Total in-kind contributions received    |             | \$2,639.00          |

## CHARTS

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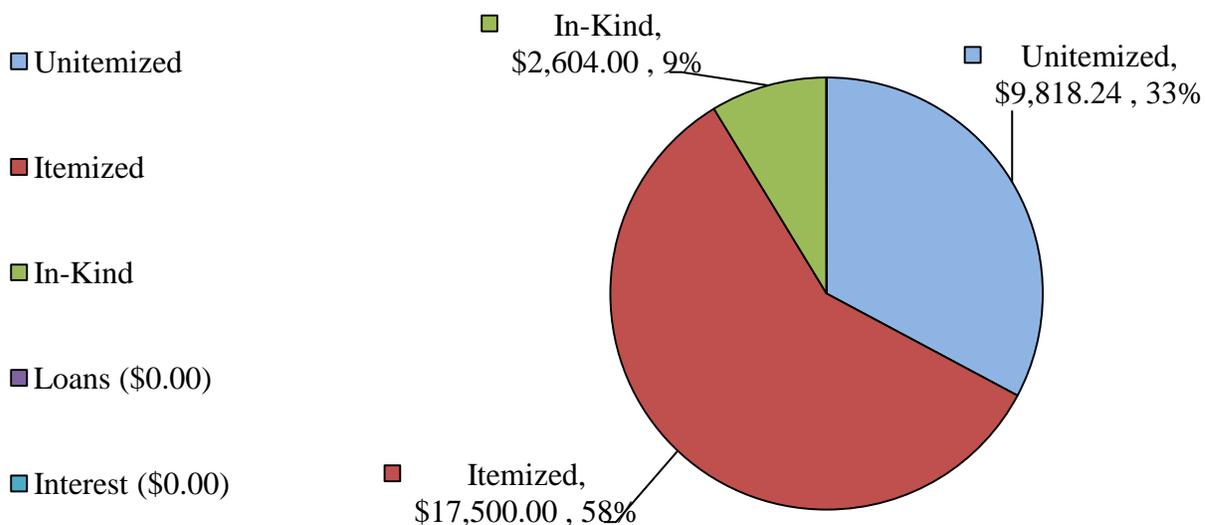
### 2012 FIRST QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2012 First Quarter report.



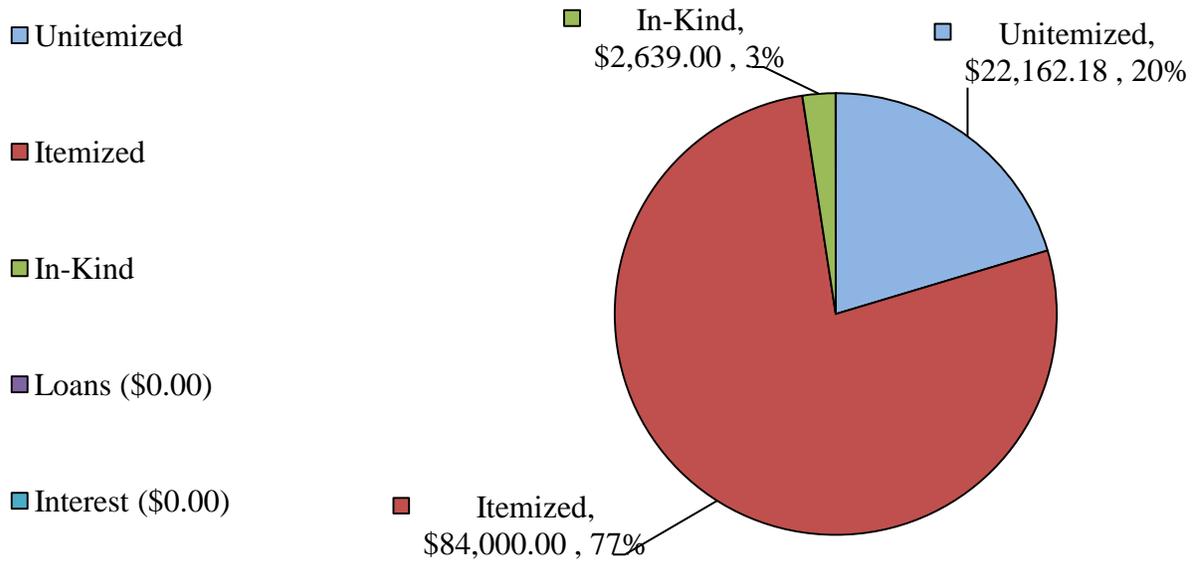
### 2012 SECOND QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2012 Second Quarter report.



**2012 ELECTION CAMPAIGN CONTRIBUTIONS (through third quarter election report)**

The following chart shows the contributions reported by the candidate for the 2012 election campaign through the 2012 Third Quarter disclosure report.



## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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

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

The objectives of our 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 Rep. Jernigan's 2012 First Quarter and 2012 Second Quarter Campaign Financial Disclosure Statements to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported on each report. We requested Rep. Jernigan provide supporting documentation for the un-itemized contributions of \$7,502 reported on his 2012 First Quarter report and \$9,818.24 reported on his 2012 Second Quarter report. Rep. Jernigan's campaign records included bank statements, deposit receipts, listing of campaign contributions and copies of contribution check copies. The following steps were performed on Rep. Jernigan's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized monetary contributions from January 16, 2012 thru March 31, 2012 totaled \$7,502 and in-kind un-itemized contributions received from the same period totaled \$35.00.
- The campaign records were reviewed to determine if the candidate's un-itemized monetary contributions received April 1, 2012 thru June 30, 2012 totaled \$9,818.24
- A list of 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:***

Rep. Jernigan's 2012 First Quarter and 2012 Second Quarter Campaign Financial Disclosure Statements reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions reported on each report. Based on the campaign records and the audit reconciliations performed, the candidate received un-itemized contributions totaling \$7,886.01 during the first quarter and \$9,701 during the second quarter. Therefore, the audit determined the candidate failed to report \$384.01 in contributions during the first quarter (Finding 1). In addition, the candidate overstated total un-itemized contributions received in the second quarter by \$117.24 (Finding 3). The candidate improperly included in the first quarter and second quarter reporting periods un-itemized contributions of \$700 from contributors who contributed in excess of \$100 during the reporting period (Finding 2). In addition, the candidate's campaign records were improperly maintained for \$170 in monetary contributions and \$35 in in-kind contributions in the first quarter (Finding 3).

### **FINDINGS**

#### **1. Rep. Jernigan violated T.C.A. § 2-10-105(a) by failing to report \$384.01 in campaign contributions.**

Rep. Jernigan reported \$7,502 in un-itemized monetary contributions on his 2012 First Quarter report; however, the audit and campaign records indicated the amount received was \$7,886.01 (included in this amount is \$150 reported in Finding 2). The \$384.01 difference is a failure to report campaign contributions received, a violation of T.C.A. §2-10-105(a). As un-itemized contributions are reported by total amount and not by contributor, the audit cannot determine which specific contributor's contributions were not reported.

#### **2. Rep. Jernigan violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$700 in campaign contributions from contributors who contributed in excess of \$100.**

Rep. Jernigan included in un-itemized contributions \$700 (\$150 during the first quarter and \$550 during the second quarter) that he received from individuals that were required to be itemized, as the contributor gave more than \$100 during the applicable reporting period. The failure to itemize the contributions is a violation of T.C.A. §2-10-107(a)(2)(A)(i) which requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information includes name, address, date of receipt, amount of the contribution, occupation and employer.

### **3. Rep. Jernigan failed to properly maintain his campaign records and follow Registry rules for bookkeeping.**

Rep. Jernigan did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes. Rep. Jernigan's campaign records indicated he received \$50 in contributions for which no contributor information was maintained. Without specific contributor's names and amounts contributed we could not determine Rep. Jernigan'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 per contributor.

In addition, Rep. Jernigan failed to follow Registry Rule 0530-1-1-.02(8) which states that a candidate should perform bank reconciliations that reconcile the bank account and campaign records to the financial disclosure statements. Therefore, the candidate appears to have overstated un-itemized contributions by \$117.24 during the second quarter. The disclosure stated un-itemized contributions of \$9,818.24; the audit can only find support totaling \$9,701. The difference is either an overstatement of contributions or the lack of campaign records to support the contributions. The lack of a reconciliation resulted in the failure to report \$384.01 in campaign contributions as noted in Finding 1. Additionally, the audit could not determine if \$120 of the contributions reported received were deposited into the campaign account. The Registry rule is guidance for the candidate to maintain campaign records and is not required; however, if this guidance was followed, he may have averted all the findings noted in this report.

#### **RECOMMENDATION TO CANDIDATE**

Rep. Jernigan should amend his 2012 First Quarter and 2012 Second Quarter reports to properly report all contributions received during the reporting periods. The candidate should itemize all contributions from individuals who contributed more than \$100 during each reporting period. In subsequent reporting periods, Rep. Jernigan should maintain contributor data for all campaign contributions received and reconcile campaign records to his campaign disclosures to ensure all disclosures are complete, accurate, and properly supported by the campaign records.

#### **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 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 types of procedures needed to comply with campaign finance laws.

## **RESOLUTIONS**

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

After discussing the above finding with Rep. Jernigan, he chose to take corrective action on his report prior to the Registry's approval of the audit. Rep. Jernigan amended his 2012 First Quarter and 2012 Second Quarter Campaign Financial Disclosure Statements on February 4, 2013.

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

On his amended 2012 First Quarter report, Rep. Jernigan added \$384.01 in un-itemized contributions. The corrections properly amended his 2012 Second Quarter report for the contributions noted in Finding 1.

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

On his amended 2012 First Quarter report, Rep. Jernigan reduced un-itemized contributions by \$150. In addition, he added \$150 in itemized contributions from one contributor. The corrections properly amend his 2012 First Quarter report for the contributions noted in Finding 2.

On his amended 2012 Second Quarter report, Rep. Jernigan reduced un-itemized contributions by \$550. In addition, he added \$550 in itemized contributions from three contributors. The corrections properly amend his 2012 Second Quarter report for the contributions noted in Finding 2.

#### ***Correction Action - Finding 3:***

On his amended 2012 Second Quarter report, Rep. Jernigan removed \$117.24 in un-itemized contributions. The corrections properly amend his 2012 Second Quarter report for the overstatement of contributions noted in Finding 3. There is no corrective action for the other amounts noted in Finding 3 as they relate to maintaining campaign records.

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

The Members of the Registry of Election Finance reviewed the 2012 contribution audits of Rep. Darren Jernigan during the March 13, 2013 regular monthly meeting. The report contained three findings. The Registry voted to accept and approve the audit report with no further action.