



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Representative Andrew Holt's 2016 Second Quarter Campaign Finance Disclosure



Audit Team:

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STATE OF TENNESSEE



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April 12, 2017

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

Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Representative Andrew Holt's 2016 Second Quarter Campaign Financial Disclosure Statement for the 2016 election campaign for the House of Representatives, District 76. 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

Representative Andrew Holt
2016 Second Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Rep. Andrew Holt'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 2016 Second Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

- 1. Rep. Holt failed to maintain contributor data for \$365 in cash contributions.**

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INTRODUCTION

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 only relates to disclosure on Rep. Holt's 2016 Second Quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Rep. Andrew Holt was a candidate in the November 8, 2016 general election for the House Representative for District 76. Rep. Holt filed an Appointment of Political Treasurer Statement with the Registry on July 14, 2015 appointing himself as political treasurer.

The candidate's first financial disclosure for the 2016 campaign was the 2015 Mid-Year report filed on July 15, 2015, which he later amended. The candidate's latest financial disclosure report for the 2016 election was the Amended 2016 Fourth Quarter report filed on February 14, 2016. The 2016 Fourth Quarter report indicated \$39,751.68 cash on hand, no outstanding obligations and no outstanding loans. The candidate has not completed his 2016 election campaign reporting requirements. The candidate's next report will be the 2017 Mid-Year report due July 17, 2017.

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: 2015 Year-End, 2015 Mid-Year, 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter 2016 Pre-General and 2016 Fourth Quarter reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2016 Second Quarter report. The amounts displayed are for informational purposes only.

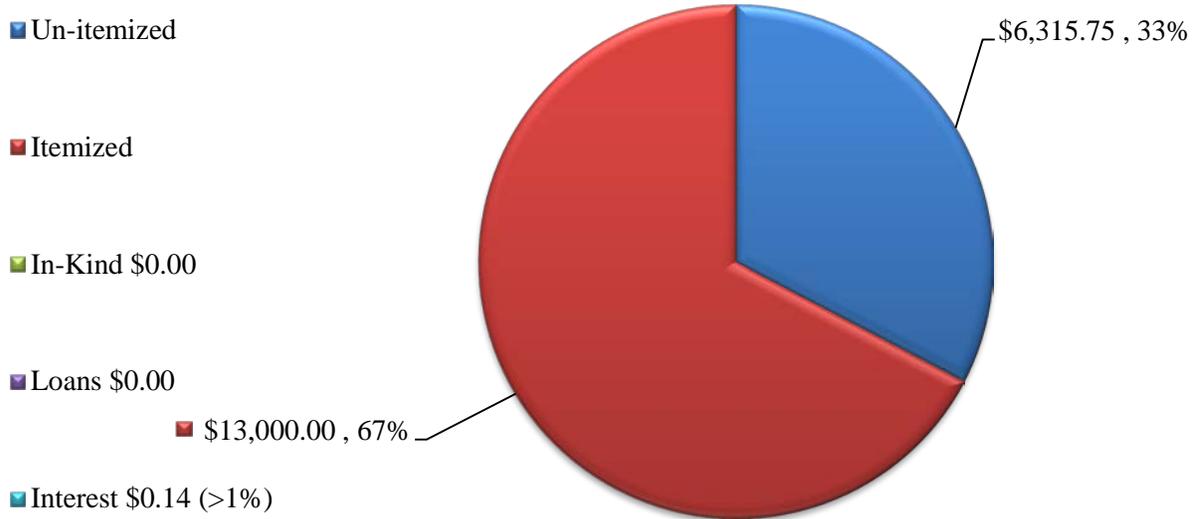
| <u>Summary of Financial Activity</u> | | |
|---------------------------------------|------------|--------------------------|
| <u>(Un-audited Amounts)</u> | | |
| Cash on hand at January 16, 2015 | | \$23,532.38 ¹ |
| Receipts | | |
| Un-itemized | \$9,630.91 | |
| Itemized | 81,450.00 | |
| Interest | 1.54 | |
| Loans received | 0.00 | |
| Total receipts | | <u>\$91,082.45</u> |
| Disbursements | | |
| Un-itemized | 7,219.68 | |
| Itemized | 67,643.47 | |
| Loans principal payments | 0.00 | |
| Total disbursements | | <u>\$74,863.15</u> |
| Cash on hand at January 15, 2017 | | <u>\$39,751.68</u> |
| Loans outstanding at January 15, 2017 | | \$0.00 |
| Obligations January 15, 2017 | | \$0.00 |
| Total in-kind contributions received | | \$0.00 |

¹ The balance on hand at 1/16/2013 is funds transferred from the candidate's prior campaign.

CHARTS

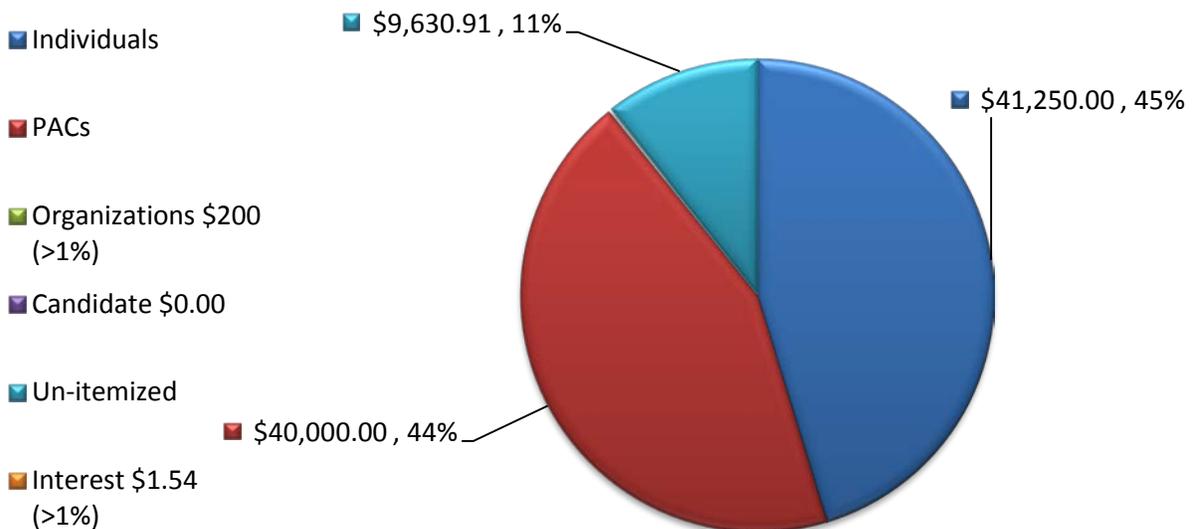
2016 Second Quarter CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2016 Second Quarter report.



2016 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the candidate for the 2016 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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 Rep. Holt's 2016 Second 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 Rep. Holt provide supporting documentation for the un-itemized contributions of \$6,315.75 that he reported on his 2016 Second Quarter report. The candidate's campaign records included bank statements, deposit slips, copies of checks, online contributor lists and fundraiser attendee sheets. The following steps were performed on Rep. Holt's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized contributions received from April 1, 2016 thru June 30, 2016 totaled \$6,315.75.
- 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 campaign 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. Andrew Holt's 2016 Second Quarter Campaign Financial Disclosure Statement reported un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions. The audit indicated all un-itemized contributions reported were deposited into the campaign bank account. The audit also indicated the un-itemized contributions complied with campaign finance laws and Registry rules except Rep. Holt failed to properly maintain campaign records for \$365 in cash contributions (Finding 1). In addition, the records indicated he failed to report \$50 in campaign contributions received. No detailed finding for the unreported \$50 in contributions was provided as the error represents less than 1% of the contributions reported by the candidate on the 2016 Second Quarter report.

Finding

1. Rep. Holt failed to maintain contributor data for \$365 in cash contributions.

Rep. Holt did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for cash contributions. Rep. Holt's campaign records indicated that he received cash contributions totaling \$365 from anonymous contributors. The campaign records show the cash was deposited into the campaign account. The candidate's records indicate \$100 cash was received on or about 6/23/2017 and deposited on that date. The remaining \$265 was obtained during a fundraising event. During the event attendees completed slips to document donations to the campaign and other data, the \$265 appears to relate to slips where the contribution amount was not documented. As the donation cannot be associated to a specific contributor, they are considered anonymous contributions. Without the specific contributor's names and amounts contributed we could not determine Rep. Holt'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.

RECOMMENDATION TO CANDIDATE

Rep. Holt should amend his 2016 Second Quarter Campaign Financial Disclosure Statement to ensure that he reported all contributions received as noted in the audit conclusion. In subsequent reporting or future elections, Rep. Holt should maintain contributor data for all campaign contributions received and reconcile the 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

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2016 contribution audit of Rep. Andrew Holt during the April 12, 2017 regular monthly meeting. The report contained a finding. The Registry voted to accept and approve the audit report with a recommend that Rep. Holt donate any contributions that can't be identified (anonymous) to charity.