



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

**Campaign Finance Audit of
Representative Harold M. Love Jr.
Election 2016**



STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE REGISTRY OF ELECTION FINANCE

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June 6, 2019

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 104
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Board Members,

Transmitted herewith are the final updated agreed upon procedures for the campaign finance audit of Representative Harold M Love Jr.'s 2016 election campaign for House of Representatives, District 58. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

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

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be used, 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
BUREAU OF ETHICS AND CAMPAIGN FINANCE
REGISTRY OF ELECTION FINANCE

Audit Highlights
Representative Harold M. Love Jr.
2016 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Rep. Harold Love's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limit laws and rules; accuracy and completeness of the disclosures on the 2015 Early Mid-Year Supplemental, 2015 Early Year-End Supplemental, 2016 First Quarter, 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, 2016 Pre-General and 2016 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

1. In violation of T.C.A. §2-10-105(a), Rep. Love failed to report \$5,580 in campaign contributions.
2. In violation of T.C.A. §2-10-107(a)(2)(A)(i), Rep. Love failed to itemize \$2,070 in campaign contributions from four contributors who contributed in excess of \$100 each during a reporting period.
3. Rep. Love failed to properly maintain contributor data for \$1,215 in contributions resulting in \$500 in contributions being improperly reported and \$300 in cash contributions not being itemized and over the cash contribution limit.
4. Rep. Love violated T.C.A. §2-10-105(a) and T.C.A. § 2-10-107(a)(2)(B) by failing to accurately report campaign expenditures.
5. Rep. Love failed to itemize \$12,865.95 in expenditures in violation of T.C.A. §2-10-107(a)(2)(B).
6. In violation of T.C.A. §2-10-212(c), Rep. Love failed to maintain sufficient campaign records to support activities associated with disbursements.
7. In violation of T.C.A. §2-10-212(c), Rep. Love failed to retain sufficient expense records to determine whether all expenditures were allowable. Regardless of that lack of records, the audit identified disbursements that appear to be in violation of T.C.A. §2-10-114 which prohibits certain uses of campaign funds.

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INTRODUCTION

AUDIT AUTHORITY

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

AUDIT PURPOSE

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

AUDIT SCOPE

During non-election years, Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual reporting periods are from January 16 to June 30 and July 1 to January 15 of each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Rep. Love’s disclosures on his 2015 Early Mid-Year Supplemental, 2015 Early Year-end Supplemental, 2016 First Quarter, 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, 2016 Pre-General, and 2016 Fourth Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Rep. Harold Love, Jr. was a candidate in the November 8, 2016 general election for House of Representatives District 58. Rep. Love filed an Appointment of Political Treasurer Statement with the Registry on May 26, 2015, appointing John Eric Townsend as political treasurer.

Rep. Love's first financial disclosure for the 2016 campaign was the 2015 Early Mid-Year Supplemental report filed on July 15, 2015. Rep. Love's last financial disclosure for his 2016 election was the 2016 Fourth Quarter report, which he originally filed on February 4, 2017, but later amended on July 21, 2017. The amended Fourth Quarter report indicated \$8,160.22 cash on hand, no outstanding obligations, and no outstanding loans. Rep. Love filed his Appointment of Political Treasurer Statement for the 2018 election on June 8, 2017, which transferred his remaining balances to the 2018 election; the transfer ends his 2016 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: 2015 Early Mid-year Supplemental, 2015 Early Year-end Supplemental, 2016 First Quarter, 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, 2016 Pre-General, and 2016 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

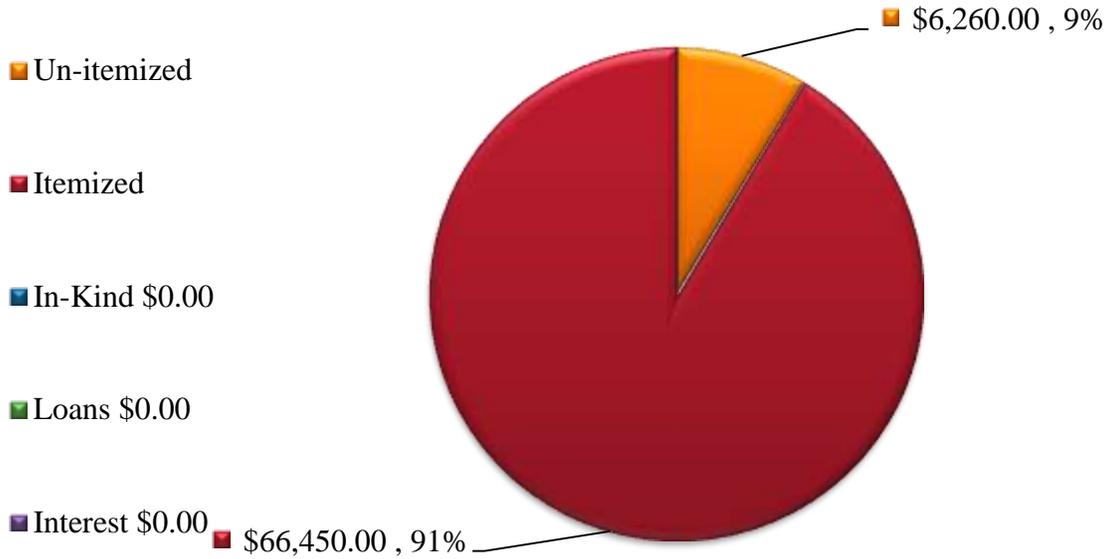
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2015		\$7,705.11 ¹
Receipts		
Un-Itemized	\$6,260.00	
Itemized	66,450.00	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$72,710.00</u>
Disbursements		
Un-Itemized	26,688.70	
Itemized	47,870.75	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$74,559.45</u>
Cash on hand at January 15, 2017		<u>\$5,855.66</u>
Loans outstanding at January 15, 2017		\$0.00
Obligations at January 15, 2017		\$0.00
Total in-kind contributions received		\$0.00

¹ The balance on hand at 1/16/2014 is funds transferred from the candidate's prior campaign.

CHARTS

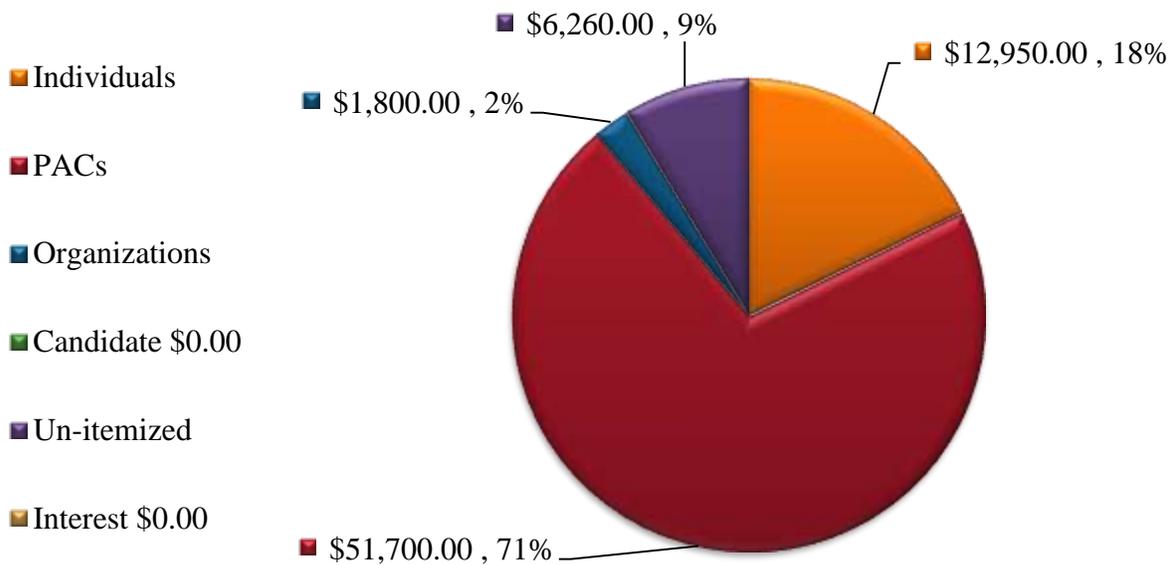
2016 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2016 election campaign.



2016 ELECTION CONTRIBUTIONS BY SOURCE

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



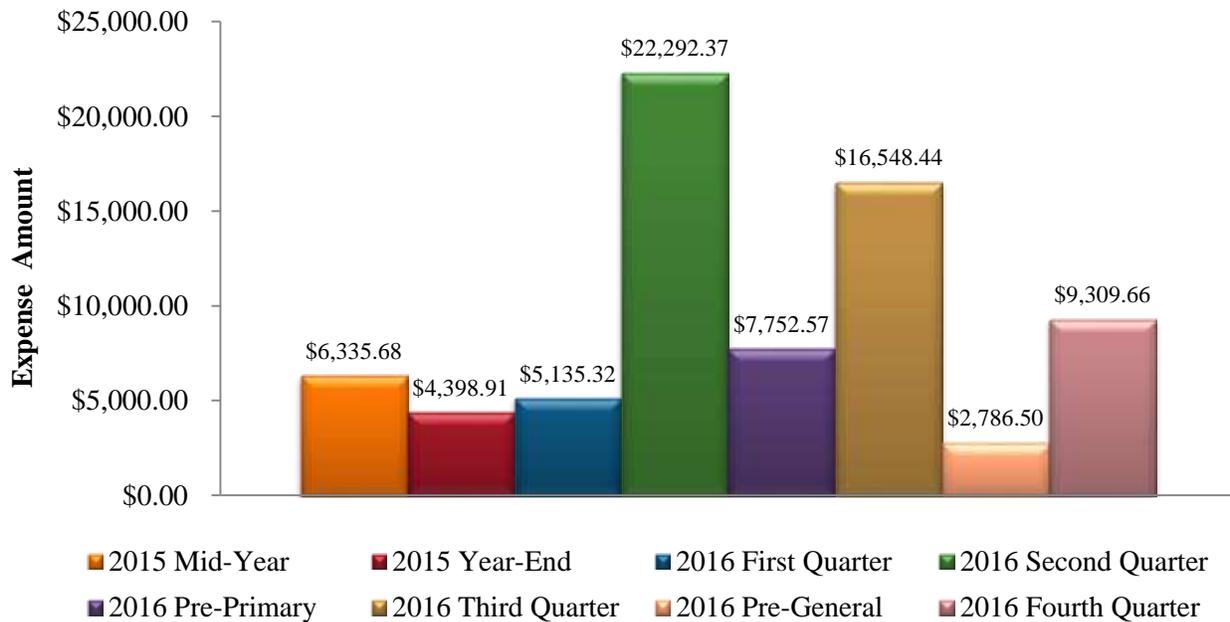
2016 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2016 election campaign by reporting period.



2016 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2016 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, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, report in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained Rep. Love's 2016 campaign financial disclosure statements covering the period January 16, 2015 through January 15, 2017. We requested Rep. Love provide his campaign records to support all contributions, loans, and interest that he received during his 2016 election campaign. Rep. Love initially provided campaign records for contributions consisting of bank statements for the period of January 13, 2015 through January 13, 2016 and a bank history transaction report covering January 14, 2016 through January 15, 2017. During follow-up requests, the candidate provided printouts of several checks deposited into the campaign account and a PayPal transaction history report for the period January 15, 2016 through January 15, 2017 (activity on the report is May 2, 2016 to December 30, 2017). The following steps were performed on Rep. Love's campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2015 to January 15, 2017 totaled \$72,710.

- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared to determine if the candidate deposited all funds into a campaign bank account and properly reported the funds in his campaign account on his campaign disclosures.
- A listing of all contributions supported was prepared and compared to the candidate's disclosures reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were properly reported; contributions were reported in the proper period; contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107; and contributions were reported in compliance with the Registry's rules.
- The documentation was reviewed to determine if the candidate's loans and in-kind contributions received from January 16, 2015 to January 15, 2017 totaled \$0.00.

Audit Conclusion:

Rep. Love's 2016 Campaign Financial Disclosure Statements from January 16, 2015 through January 15, 2017, prior to audit notice, indicated that he received contributions totaling \$72,710. The candidate's campaign records indicated that he received and deposited contributions totaling \$71,300. In addition to the deposits into the campaign account, contributions of \$340 were received online but never deposited. The resulting difference in the amount of \$1,070 (\$72,710 – \$71,640) relates to the following:

- Rep. Love failed to report contributions in violation of T.C.A. §2-10-105(a) prior to audit notice (Finding 1).
- Rep. Love failed to properly maintain contributor data for \$1,215 in contributions resulting in \$500 in contributions being improperly reported and \$300 in cash contributions not being itemized and over the cash contribution limit (Finding 3).

In addition to the difference noted in the amounts received and reported, Rep. Love failed to itemize contributions from contributors who contributed in excess of \$100 during a reporting period (Finding 2).

The Registry audit staff sent notice to Rep. Love of his selection for audit of his 2016 election on February 14, 2017. After the audit notice was received by Rep. Love, he amended his 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter and 2016 Fourth Quarter reports. The findings and errors noted are based on the reports filed prior to audit notice. The amended reports appear to confirm and correct some of the items noted in the contribution and expenditure findings. These corrections are noted in each finding.

FINDING(S)

1. In violation of T.C.A. §2-10-105(a), Rep. Love failed to report \$5,580 in campaign contributions.

Rep. Love failed to report \$5,580 in contributions during his 2016 election campaign. T.C.A. §2-10-105(a) requires all contributions received to be reported on a campaign finance report. The un-reported contributions were as follows:

- A. During the 2016 Second Quarter reporting period, Rep. Love failed to report \$2,010 in contributions. After audit notice, Rep. Love amended his report to add \$1,950 of the unreported contributions. The additional \$60 appears to be related to PayPal contributions received during the period but not transferred to the campaign account.
- B. During the 2016 Pre-Primary reporting period, Rep. Love failed to report \$1,320 in contributions. After audit notice, Rep. Love amended his report to add \$640 in contributions. The amount added after audit by Rep Love appears to be an attempt to add a PayPal deposit for \$1,190. This was determined as that exact amount was entered into unitemized contributions. The problem prior was there was \$400 in unitemized contribution for checks received. The new entry appears to remove that \$400 amount. The difference in the amount added by the candidate and unreported was \$680, that amount appears to be the \$400 that needs to be added back and additional \$280 in PayPal contributions received during the period that was not in the \$1,190 deposit. Included in the \$1,190 added by the candidate after audit notice to unitemized contributions is a \$1,000 contribution from an individual which was required to be itemized (See Finding 2).
- C. During the 2016 Third Quarter reporting period, Rep. Love failed to report \$150 in contributions. After audit notice, Rep. Love amended his disclosure to add a \$150 itemized contribution.
- D. During the 2016 Fourth Quarter reporting period, Rep. Love failed to report a \$100 campaign contribution received through PayPal.
- E. After issuance of the audit report, the Rep. Love provided support to show rent payments for his campaign office being paid from a source other than the campaign account. Rep. Love provided four checks, \$500 each, with the header “Harold M. Love Jr. Community Action Fund” paid to Luvell Glanton. The memo line noted it was for rent and the month being paid. Rep. Love indicated the funds in this account were his personal funds. These payments resulted in an in-kind contribution of \$2,000 from Rep. Love to the campaign, which was not reported.

The audit also notes potential unreported in-kind contributions totaling \$3,551.57 related to rent and utility payments, which is detailed in Finding 6.

The \$5,580 of un-reported contributions is approximately 4.8% of all contributions reported.

2. In violation of T.C.A. §2-10-107(a)(2)(A)(i), Rep. Love failed to itemize \$2,070 in campaign contributions from four contributors who contributed in excess of \$100 each during a reporting period.

Rep. Love failed to itemize three individual's PayPal contributions totaling \$1,450 on his 2016 election disclosure reports. In addition, Rep Love received a check for \$620 which was not itemized. 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 campaign records indicate the candidate received the following three contributions, through PayPal, of over \$100 which were not itemized:

- \$250 received on May 2, 2016
- \$1,000 received on July 2, 2016
- \$200 received on July 28, 2016

The \$620 check was deposited on May 18, 2016. Although a copy of the check was not provided it appears that this contribution was required to be itemized.

3. Rep. Love failed to properly maintain contributor data for \$1,215 in contributions resulting in \$500 in contributions being improperly reported and \$300 in cash contributions not being itemized and over the cash contribution limit.

Rep. Love did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for \$1,995 in contributions. Rep. Love's campaign records indicated that he deposited cash in three deposits of \$1,000, \$50 and \$200 (\$1,250) for which he provided no records of the contributors. He also deposited three checks of \$620, \$100 and \$25 (\$745) for which he failed to maintain a copy of the checks to identify the contributor. As the contributor cannot be identified, the \$1,995 is considered anonymous contributions.

After the audit report was released, Rep. Love provided additional information at the Registry's request. Rep. Love provided an additional contributor list from a 2016 fundraising event. This contributor list supports cash contribution totaling \$780 (seven contributors) and check contributions totaling \$800 (two contributors). This reduced the amount of contributions received with unknown contributor information from \$1,995 to \$1,215.

The additional data provided by Rep. Love resulted in two previously unknown violations:

- Two of the contributions, received during the 2016 second quarter reporting period, were greater than \$100 and thus were required to be itemized.
- The two contributions noted above were \$200 and \$300 cash contributions and were in excess of the cash contribution limits of \$100 (\$50 per election, primary and general being separate elections).

The two cash contributions totaling \$500 violated the following campaign finance statutes:

- 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.

For the \$1,215 for which contributors cannot be identified, without the specific contributor's names and amounts contributed, we could not determine Rep. Love's compliance with the above campaign finance statutes.

DISBURSEMENTS AND OBLIGATIONS

Audit Objectives:

The objectives of our audit of disbursements and obligations were to determine whether:

- all disbursements and obligations were supported by vendor receipts, canceled checks, and bank statements;
- all disbursements and obligations were made for non-prohibited activities; and
- all disbursements and obligations were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and reported in compliance with the Registry rules.

Audit Methodology:

The Registry obtained Rep. Love's 2016 Campaign Financial Disclosure Statements for the period January 16, 2015 through January 15, 2017. We requested Rep. Love to provide campaign records to support all expenses for his 2016 election campaign. Rep. Love's campaign records for expenses were the same bank statements and bank history transaction report provided for contributions. No additional records beyond those were provided. The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2015 through January 15, 2015 totaled \$74,559.45.
- 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.
- The list of disbursements was reviewed to determine if all expenditures were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and reported in compliance with the Registry's rules.

Audit Conclusion:

Rep. Love's 2016 Campaign Financial Disclosure Statements covering the period January 16, 2015 through January 15, 2017, prior to audit notice, disclosed un-itemized disbursements of \$26,688.70 and itemized disbursements of \$50,553.97 for a total of \$77,242.67. Rep. Love's bank records for the same period indicate disbursements of \$77,847.09. The difference of \$604.42 is the result of the following errors:

- Rep Love overstated his reported expenses as a result of double reporting expenses (See Finding 4).
- Rep Love failed to report expenses incurred (See Finding 4).
- Rep Love reported three un-itemized expenses that were not paid through the campaign account and therefore appear to have not been incurred (See Finding 4).
- Several minor errors in reporting the amount for seven expenses resulted in a net effect of expenses being underreported by \$0.09. No detailed findings for the minor errors was provided as the errors represent less than 1% of transactions. Rep. Love corrected some of these items after audit notice.

The candidate reported \$2,683.22 in expenditure adjustments reducing the total expense amount to \$74,559.45. The audit identified deposits in the campaign accounts related to these adjustments totaling \$3,141.29. The \$458.07 difference consists of three expenditure adjustments Rep. Love failed to report (see Finding 4). In addition to the unreported expenses noted above, Rep Love also failed to report activity related to online contribution fees incurred by the campaign but not paid from the campaign bank account (see Finding 4).

Beyond these differences, Rep. Love failed to itemize expenditures in violation of T.C.A. §2-10-107(a)(2)(B) (Finding 5). Rep. Love violated T.C.A. §2-10-212(c) as he failed to retain sufficient expense records to determine whether all expenditures were allowable (Finding 6). Regardless of the lack of records, the audit identified several disbursements that appear to violate T.C.A. §2-10-114 which outlines prohibited usage of campaign funds (Finding 7).

Finally, Rep. Love improperly reported purpose and categories for thirteen expenses totaling \$407.04 in violation of T.C.A. §2-10-107(a)(2)(B). No detailed findings for the improper purposes and categories were noted as the errors represent less than 1% of the un-itemized transactions. Rep. Love corrected some of these items after audit notice. As noted in the contribution section audit conclusion, Rep. Love amended his 2016 Second Quarter, 2016 Pre-

Primary, 2016 Third Quarter and 2016 Fourth Quarter after audit notice. All findings and errors noted are based on the reports filed prior to audit notice. The amended reports appear to confirm and correct some of the items noted in the contribution and expenditure findings. These corrections are noted in each finding.

FINDINGS

4. Rep. Love violated T.C.A. §2-10-105(a) and T.C.A. § 2-10-107(a)(2)(B) by failing to accurately report campaign expenditures.

Rep. Love failed to keep adequate records to support campaign expenses resulting in numerous discrepancies in the reporting of campaign expenditures. T.C.A. §2-10-105(a) requires that a candidate report all expenditures made by the campaign. In addition, T.C.A. §2-10-107(a)(2)(B) requires accurate disclosure of expenditures as itemized or unitemized expenditures. The audit discovered the following inaccuracies in the reporting of campaign expenses:

- A. Rep. Love failed to disclose \$3,582.85 in campaign expenditures prior to audit notice. Although this audit report indicates a lack of supporting records for expenses, the audit was able to determine specific transactions on the campaign bank statements and transaction reports indicating funds were disbursed from the campaign account with no related disclosure on the candidate's filed report. The audit identified 24 transactions in the bank records that have no related disclosure. Included in those transactions are seven check transactions totaling \$1,570 and two ATM withdrawal transactions totaling \$523 for which the payee or purpose cannot be identified (Finding 6). The candidate confirmed some of the missing transactions when he amended his disclosures after the audit notice. The amended reports added 6 transactions totaling \$691.75 including one ATM transaction listed as being paid to the bank that owned the ATM with the purpose "office supplies." The amended ATM disclosure still cannot be verified for the payee and purpose as noted in Finding 6.
- B. Rep Love overstated his reported expenses by \$2,859.59 by double reporting expenses. Most of the double reported expenses were properly reported on a pre-election report but then were reported again on the subsequent quarterly report. The only exception was a \$21.58 un-itemized expense that was reported twice on the 2016 Third Quarter report. After the audit notice, Rep. Love corrected three of the duplicate transactions by removing \$28.48 in expenses on the 2016 Third Quarter.
- C. Rep. Love reported three un-itemized expenses totaling \$118.93 that were not paid through the campaign account and therefore appear to have not been incurred. Two of the expenses, \$39.98 and \$11.03, were reported on the 2015 Year-End report. A review of the bank records showed no transactions that appear to relate to these amounts. The third expense reported, but not incurred, was for \$67.92 and appeared on the 2016 Third Quarter report. The \$67.92 amount does appear on the bank statement but not as a disbursement. The bank statement shows the amount as a credit from a hotel related to a prior disbursement. As such, the transaction should have been reported as an expenditure

adjustment and not an expense. After the audit notice, Rep. Love partially corrected this transaction by removing the expense but still failed to report the adjustment.

- D. Rep. Love failed to disclose \$458.07 in expenditures adjustments. The candidate's bank statement shows several businesses that appear to have processed a charge back on a credit card transaction. The chargebacks appear to be refunds by the businesses for unused funds retained by the business for future expenses. A candidate can report these refunds as expenditure adjustments on the electronically filed disclosures. Rep Love failed to report a \$336.09 chargeback received during the 2015 Year- End report related to a Home Depot expense reported on August 10, 2015. He failed to report a second charge back related to a hotel expense for \$67.92. The final \$54.06 not reported appears to be a refunded check instead of a chargeback deposited on 9/26/2016 provided by Comcast and appears to relate to the Comcast Spotlight expenses reported on the 2016 Second Quarter and 2016 Pre-Primary reports. This refunded check would also be reported as an expenditure adjustment.
- E. Rep. Love failed to disclose \$88.39 in fees related to online contributions received. Rep. Love used PayPal to collect some contributions online. PayPal, an online service company, collects the contributions from the contributors, charges a fee for the service to the candidate, and makes the remaining funds available to the candidate. In order to properly report these contributions, the candidate must report each contribution for the full amount and then report the fees as an expense. Rep. Love's disclosure show no expenses related to the PayPal fees incurred for the election cycle.

5. Rep. Love failed to itemize \$12,865.95 in expenditures in violation of T.C.A. §2-10-107(a)(2)(B).

Rep. Love improperly reported 211 transactions, totaling \$12,865.95 as un-itemized when an individual or vendor was paid more than \$100 during a reporting period. T.C.A. §2-10-107(a)(2)(B) requires expenses to be itemized when a vendor/individual is paid more than \$100 during a reporting period. Most of the transactions (196) were transactions that were below \$100 individually but when aggregated with other expenditures to the same payee were over the \$100 making itemized reporting required. Thirteen transactions were also transactions under \$100. However, the vendor had at least one transaction already reported as an itemized expense. The final two transactions were both over \$100, and were also part of the unreported expenses noted in Finding 4. The \$12,865.95 in improperly reported expenditures represents approximately 48% of the \$26,688.70 in unitemized expenditures reported by Rep. Love for his 2016 election campaign.

6. In violation of T.C.A. §2-10-212(c), Rep. Love failed to maintain sufficient campaign records to support activities associated with disbursements.

The audit requested that Rep. Love provide all bank statements, canceled checks, receipts, invoices and any other supporting documentation for all campaign activities for expenses. Rep. Love appears to have retained no records but was able to provide bank statements for the period

January 13, 2015 through January 13, 2016, and a bank history report covering the period January 14, 2016 through January 6, 2017. Neither the history nor the bank statements showed copies of cancelled checks. For checks issued from the campaign account, the statements only provide the amount of the check, check number and date it cleared. For credit card and debit card (bank card) purchases, the statements provide the name of the vendor, partial location and date of the transaction. For ATM transactions, only the date and amount of the transaction is shown. No other supporting records such as receipts, invoices, billing statements, or agreements (contracts/leases) were provided.

After issuance of the audit report, Rep. Love provided banks statement for the entire election cycle plus February of 2017. In addition, Rep. Love provided copies of all checks that cleared the campaign account. After receipt of this additional information, the audit can now confirm the payee for all but one check issued and the 625 credit/debit card and other electronic transactions. The check exception was a withdrawal by the candidate to pay campaign workers for \$1,100. The \$1,100 along with the four ATM transactions, totaling \$723, are the only transactions that the audit cannot verify the payee or the purpose. The \$1,823 represents all cash withdrawals from the campaign account for the election cycle. Without receipts, invoice or other third party records the audit cannot confirm the purpose for any of the transactions, the audit cannot assess whether an expense is allowable per the campaign finance statutes.

Included in these unsupported disbursements were rent and utility payments. The rent payments included 13 payments of \$500 each to an individual which were disclosed by Rep. Love as rent payments. Rep. Love's records also disclosed seven utility payments, totaling \$1,341.81. As a result of the lack of records and the inconsistent payments both for rent and utilities during the audit period, Rep. Love was asked about the rental expenses (The individual receiving the rent payments was also asked but provided no response.). Rep. Love stated that the rent was for a campaign office used for the entire two year audit period with a monthly rent of \$500. In addition, Rep. Love provided a Nashville Electric Service (NES) history report (which was not original provided) for a property showing utility expenses incurred and payments made during the audit period.

Although no lease agreement was provided, based on Rep. Love's statement, it appears that a campaign office was rented for \$500 a month for the entire two year audit period. Since only 13 payments were made during the period, it appears that Rep. Love received and failed to disclose an in-kind contribution of \$5,500 from the individual renting him the property. In addition, only \$1,341.81 of the \$1,893.38 in utility expenses incurred were paid through the campaign account. Although the source of the additional \$551.57 in payments could not be determined, it appears this would also be an unreported in-kind contribution.

After issuance of the audit report, the additional records received identified 14 rent payments made from the campaign account to pay 15 months of rent at \$500 per month. The total payments for the audit period were \$7,500, with each check noting the month paid. In addition, Rep. Love provided 4 additional checks supporting rent payments for the campaign office that were unreported in-kind contributions (Finding 1). There was no payment noted for the additional six months.

7. In violation of T.C.A. §2-10-212(c), Rep. Love failed to retain sufficient expense records to determine whether all expenditures were allowable. Regardless of that lack of records, the audit identified disbursements that appear to be in violation of T.C.A. §2-10-114 which prohibits certain uses of campaign funds.

Although Rep. Love's records are insufficient to verify the purpose of any disbursement as noted in Finding 6, based on the limited data provided, the audit was able to identify transactions that appear to be unallowable per T.C.A. §2-10-114. The sections below list the various expenses incurred that appear to be unallowable.

1. Food Expenses

Rep. Love incurred and reported numerous food and beverage expenses during the two year audit period (approximately 300 transactions totaling over \$13,400). The disbursements range from \$2.50 to \$1,223.94, with 8 of the transactions over \$100 and 109 of the transactions being \$20 or less. The volume of transactions and small dollar amounts of individual transactions appear to indicate individual meal purchases or snack type purchases instead of catering or food purchases for campaign events. In addition, based on the frequency (expenditures occur on 191 days throughout the election and non-election year) and location, of the transactions, the expenditures do not appear to be campaign related. Although the candidate's disclosures show the purpose or category of the expenses as food and beverage, the candidate's lack of supporting records (receipts from the vendors) make it impossible to know the true nature of the food and beverage expenses (snacks, drinks, one meal or multiple), but only that payment was made to a primarily food and beverage vendor.

On August 21, 2017, the Registry of Election Finance issued a policy statement which stated in part:

On a day that a member of the General Assembly receives per diem, that member may not use campaign funds to pay for non-campaign related meals or lodging for themselves or any other member of the General Assembly that is receiving per diem on that day. On a day per diem is received, meal and lodging expenses in excess of the per diem paid to a member by the State of Tennessee are not considered "ordinary and necessary expenses incurred in connection with the office of the officeholder" (T.C.A. § 2-10-114(a)(7)) and thus are not allowable campaign fund expenses.

While this policy statement was released after the period for this audit, T.C.A. §2-10-114 would still prohibit campaign funds being used to pay for personal expenses including personal meals, unless specifically associated to a campaign or legislative event. As noted, several food transactions appear to be single meal or snack related purchases. If any of these are for the candidate, they would appear to be personal in nature and therefore unallowable.

2. Other Unallowable Expenses

The following list of expenses, totaling \$2,847.03, has no apparent allowable purpose under T.C.A. §2-10-114 and as such would be prohibited:

- Dry cleaning expenses totaling \$122.47: The campaign records show expenses to “executive clean” which appears to be for dry cleaning expenses.
- A payment to a physician for \$25: This appears to be a co-payment and was reported as professional services.
- Collection department fees totaling \$77.90: The campaign account shows two expenses listed as “Collection Dpt Ddaactive”. The charges appear to be by the bank that holds the campaign account but they also do not appear to be normal bank fees or check order charges. They appear to be charges related to another non-campaign account.
- State Farm expense for \$50.12: The campaign records show a charge to State Farm which the candidate reported as “fuel”. However, this appears to be a payment to an insurance company for \$50.12. There appears to be no campaign or legislative purpose for this payment.

RECOMMENDATION TO CANDIDATE

Rep. Love should amend his 2016 Campaign Financial Disclosure Statements to ensure that he properly reports all contributions that have been received and disbursements made. Also, he should amend his reports to properly disclose contributions and expenditures over \$100 in the aggregate in a reporting period as itemized. Also, Rep. Love should verify that all funds received and not currently disbursed are being properly maintained in a campaign account that is in compliance with T.C.A. §2-10-131 (T.C.A. §2-10-131 is not applicable to activity during the audit period but is for undispersed funds as of the date of the audit report).

The candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that the campaign reports contributions and expenses fully and correctly. In addition, the record keeping system should include the retention of all vendor invoices/receipts and other documentation to show funds disbursed from the campaign are allowable. Finally, the candidate should reconcile the campaign bank account or other account records to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded and 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

CANDIDATE'S CORRECTIVE ACTIONS

In the original audit report presented to the Members of the Registry on October 10, 2017, the report noted, the Registry audit staff sent notice to Rep. Love of his selection for audit of his 2016 election on February 14, 2017. After the audit notice was received by Rep. Love amended his 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter and 2016 Fourth Quarter reports. The audit report then stated all findings and errors noted were based on the reports filed prior to audit notice on February 14, 2017 and that the amended reports appear to confirm and correct some of the items noted in the contribution and expenditure findings with those correction included with each finding. After the audit presentation and with the assistance of the Registry staff, Rep. Love decided to amend his report to correct several of the reporting errors noted in the audit report. The following reports were amended on December 18, 2018; 2015 Early Mid-Year report, 2015 Early Year-end Report, 2016 First Quarter report, and the 2016 Pre-General report. On December 19, 2018 the 2016 Pre-Primary and 2016 Third Quarter reports were amended. Finally on December 20, 2018 the 2016 Second Quarter and 2016 fourth Quarter reports were amended. The corrections made on these reports are summarized below. There are no corrections for Finding 3, 6 and 7 as the findings are not related to the disclosed information but relate to the allowableness of transactions or the proper maintaining of campaign records to support the disclosures made.

Corrective Actions - Finding 1 & 2:

Rep. Love amended the following on his reports to properly report all contributions received as noted in Finding 1. In addition he amended the reports to proper report all contributors who gave more than \$100 as itemized contributions as noted in Finding 2.

- 2016 Second Quarter report:
 - He amended unitemized contribution by removing \$190. This was to add the \$60 note in Finding 1 while removing \$250 which need to be itemized.
 - He added an itemized contribution from Robert Mendes for \$250.
- 2016 Pre-Primary report:
 - He amended unitemized contribution by removing \$320. This was to add the \$680 in unreported contribution while removing \$1,000 which needed to be itemized.
 - He added an itemized contribution from Nicholas Zeppos for \$1,000.
- 2016 Third Quarter report:
 - He amended unitemized contribution by removing \$200 as the amount needed to be itemized.
 - He added an itemized contribution from Harvey Hoskins for \$200.
- 2016 Fourth Quarter report:
 - He amended unitemized contribution by adding \$100.

- He removed the contribution from Caremark RX for \$250 which was already properly reported as CVS Health

Corrective Actions - Finding 4:

Rep. Love amended the following on his reports to properly report all expenses incurred and remove or correct expenses that were not properly reported as noted in Finding 4. Also, he added and corrected expenditure adjustment errors noted in the finding.

- 2015 Early Mid-Year report:
 - He added an unitemized expense for supplies of \$8.17
 - He added an itemized expense for J Alexanders on 3/15/2015 for \$82.69.
- 2015 Early Year-End report:
 - He removed the unsupported unitemized expenses for \$39.98 and \$11.03
 - He added 3 unitemized expenses (Two “contributions” of \$100 each and Food/Beverage of \$4.91).
 - He added a \$336.09 expenditure adjustment for a refund by Home Depot.
- 2016 First Quarter report:
 - He added an unitemized expense for food/beverage of \$44.30
 - He added an itemized expense for Vivian Whilhoite campaign on 2/29/2016 for \$150.00.
- 2016 Second Quarter report:
 - He added an unitemized expense for Online PayPal Fees for \$27.96
 - He added an itemized expense for United Airlines on 6/09/2016 for \$200.
 - He added an itemized expense for William Jenkins on 5/10/2016 for \$70.
- 2016 Pre-Primary report
 - He added an unitemized expense for Online PayPal Fees for \$44.73
- 2016 Third Quarter report:
 - He added an unitemized expense for Online PayPal Fees for \$12.50
 - He removed two unitemized expenses totaling \$34.61 which were already reported on the 2016 Pre-Primary.
 - He added an unitemized expense for fuel of \$50.03 and Postage of \$100.
 - He added 7 new itemized expenses totaling \$979.
 - He added a \$67.92 expenditure adjustment for a refund by Loews Hotel Philly
 - He added a \$54.06 expenditure adjustment for a refund by Comcast Spotlight.
- 2016 Fourth Quarter report:
 - He added an unitemized expense for Online PayPal Fees for \$3.20
 - He removed 38 unitemized expenses totaling \$1,533.96 which were already reported on a prior report.

- He removed 6 itemized expenses totaling \$1,252.54 which were already reported on a prior report.
- He added an itemized expense for Luvell Glanton on 12/28/2016 for \$1,000

Corrective Actions - Finding 5:

Rep. Love amended the following on his reports to itemize expenses he originally failed to itemize as noted in Finding 5.

- 2015 Early Mid-Year report:
 - He removed 21 unitemized expenses categories report totaling \$1,303.50.
 - He added 6 new itemized expenses totaling \$1,302.50
(Note the correction also corrects one of the minor reporting error noted in the ***Disbursement and Obligations Audit Conclusion***)
- 2015 Early Year-End report:
 - He removed 13 unitemized expenses categories report totaling \$590.98.
 - He added 6 new itemized expenses totaling \$590.98.
- 2016 First Quarter report:
 - He removed 13 unitemized expenses categories report totaling \$580.02.
 - He added 5 new itemized expenses totaling \$580.02.
- 2016 Second Quarter report:
 - He removed 65 unitemized expenses categories report totaling \$3,811.36.
 - He added 14 new itemized expenses totaling \$3,811.36.
- 2016 Pre-Primary report
 - He removed 13 unitemized expenses categories report totaling \$1,157.50.
 - He added 5 new itemized expenses totaling \$1,157.50.
- 2016 Third Quarter report
 - He removed 32 unitemized expenses categories report totaling \$1,976.12.
 - He added 13 new itemized expenses totaling \$1,976.12.
- 2016 Pre-General report
 - He removed 11 unitemized expenses categories report totaling \$488.11.
 - He added 5 new itemized expenses totaling \$488.11.
- 2016 Fourth Quarter report
 - He removed 37 unitemized expenses categories report totaling \$1,554.36.
 - He added 12 new itemized expenses totaling \$1,554.36.

Corrective Actions - Disbursement and Obligations Audit Conclusion:

In addition to the correction noted for the findings the candidate also corrected the errors not in the ***Disbursement and Obligations Audit Conclusion*** section of the audit report. Several of those corrections are noted throughout the corrective action section for each findings, Those not noted in other section are noted below by report.

- 2015 Early Mid-Year report:
 - He changed the category name of 3 unitemized expenses to properly reflect the expense being incurred.
- 2015 Early Year-End report:
 - He changed the category name of 4 unitemized expenses to properly reflect the expense being incurred.
- 2016 second Quarter report:
 - He changed the category name of 3 unitemized expenses to properly reflect the expense being incurred.
- 2016 Pre-Primary report
 - He changed the category name of an unitemized expense to properly reflect the expense being incurred.
- 2016 Third Quarter report
 - He changed the amount of a food/beverage disclosure from the improper \$48.97 to the correct amount of \$49.79.
 - He changed the category name of 2 unitemized expenses to properly reflect the expense being incurred.
- 2016 Pre-General report
 - He changed the category name of an unitemized expense to properly reflect the expense being incurred.
- 2016 Fourth Quarter report
 - He changed the category name of 3 unitemized expenses to properly reflect the expense being incurred.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2016 campaign finance audit of Rep. Love during the June 2019 regular monthly meeting. The report contained seven findings for corrective actions. Approval and any subsequent actions taken by the board will be documented in the board minutes.