



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

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**Campaign Finance Audit of  
Representative Jason Powell  
Election Year 2012**



**Audit Team:**

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# STATE OF TENNESSEE



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November 13, 2013

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

Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Jason Powell's 2012 election campaign for House of Representatives, District 53. 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 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 Jason Powell  
2012 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Rep. Jason Powell's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limit laws and regulations; accuracy and completeness of the disclosures on the 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter, 2012 Pre-General and 2012 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDING(S)**

- 1. Rep. Powell violated T.C.A. §2-10-105(a) by failing to report \$1,155 in campaign contributions.**
- 2. Rep. Powell violated T.C.A. §2-10-105(a) by failing to disclose \$1,875.22 in campaign expenses.**

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

*Tennessee Code Annotated* (T.C.A.) §§2-10-206, 2-10-212 authorize the Registry of Election Finance (the “Registry”) to conduct audits of campaign financial disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(2), which requires the Registry to audit approximately 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. Powell’s disclosures on his 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter, 2012 Pre-General and 2012 Fourth Quarter Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Rep. Powell was a candidate in the November 6, 2012 general election for House District 53. Rep. Powell filed an Appointment of Political Treasurer Statement with the Registry on March 5, 2012 appointing himself as political treasurer. On April 4, 2012 he amended his statement and appointed Leslie Kekelis as his treasurer.

The candidate's first financial disclosure for the 2012 campaign was the 2012 First quarter report filed on April 10, 2012. As of June 30, 2013, Rep. Powell's most recent financial disclosure was the 2012 4<sup>th</sup> Quarter Report amended, which he filed on February 10, 2013. The 4<sup>th</sup> Quarter report indicated \$1,169.85 in cash on hand, no outstanding obligations and no outstanding loans. The candidate filed his Appointment of Political Treasurer Statement for the 2014 election on June 28, 2013 which transferred his remaining balance to his 2014 election. The transfer ends his 2012 reporting requirements.

### OVERVIEW OF FINANCIAL ACTIVITIES

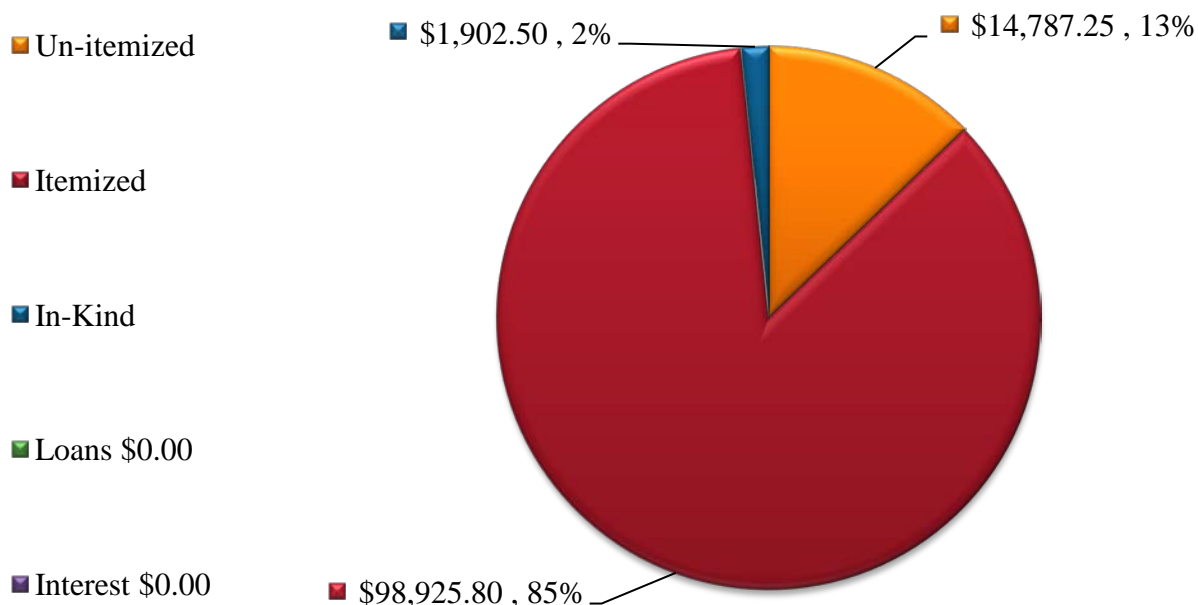
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2012 first quarter, 2012 second quarter, 2012 pre-primary, 2012 third quarter, 2012 pre-general and 2012 fourth quarter reports after amendments. 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, 2012		\$0.00
Receipts		
Un-Itemized	\$14,787.25	
Itemized	98,925.80	
Loans received	0.00	
Interest	0.00	
Total receipts		<u>\$113,713.05</u>
Disbursements		
Un-Itemized	2,677.97	
Itemized	109,865.23	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$112,543.20</u>
Cash on hand at January 15, 2013		<u>\$1,169.85</u>
Loans outstanding at January 15, 2013		\$0.00
Obligations at January 15, 2013		\$0.00
Total in-kind contributions received		\$1,902.50

## CHARTS

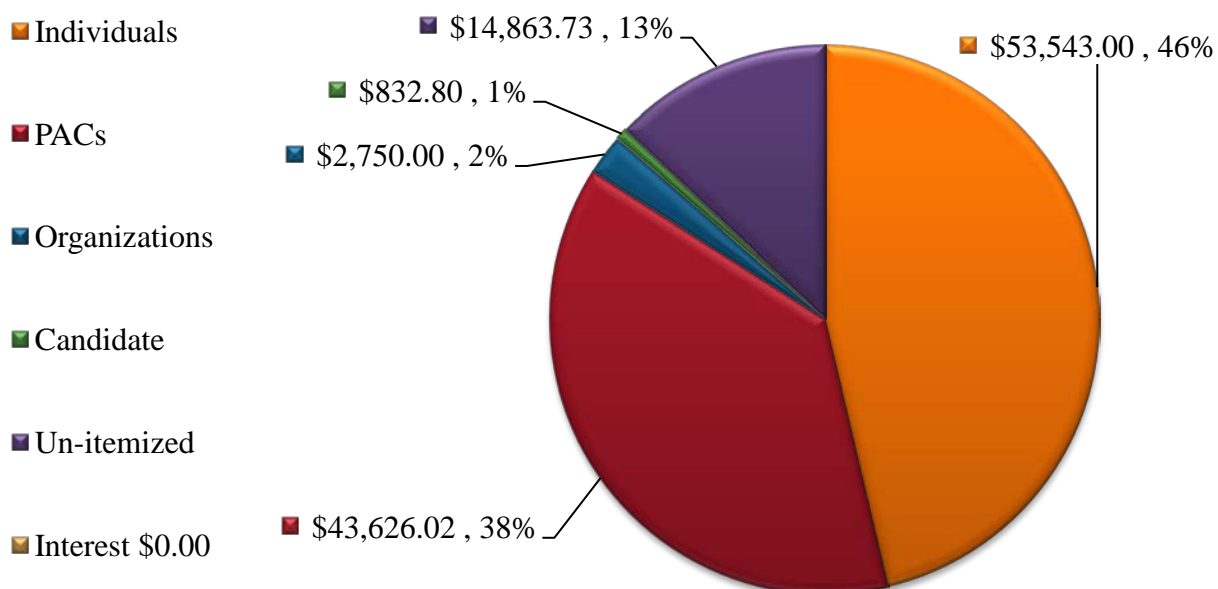
### 2012 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2012 election campaign.



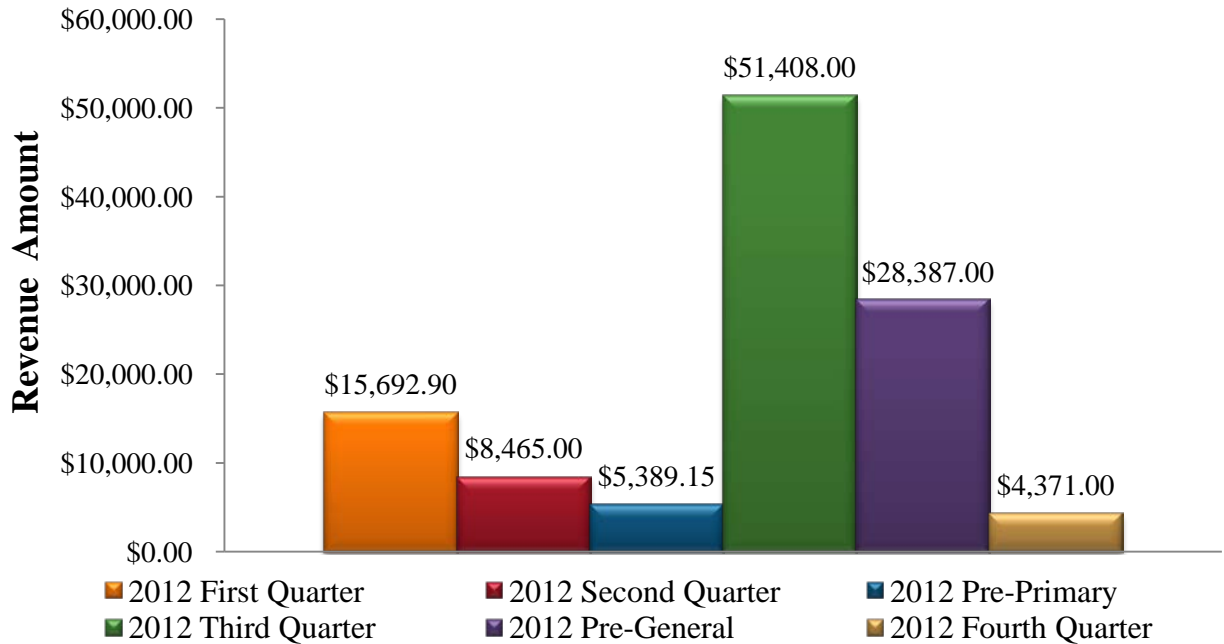
### 2012 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2012 election campaign. Organizations in this chart represent non-profit organizations, individual's campaign organizations, or businesses.



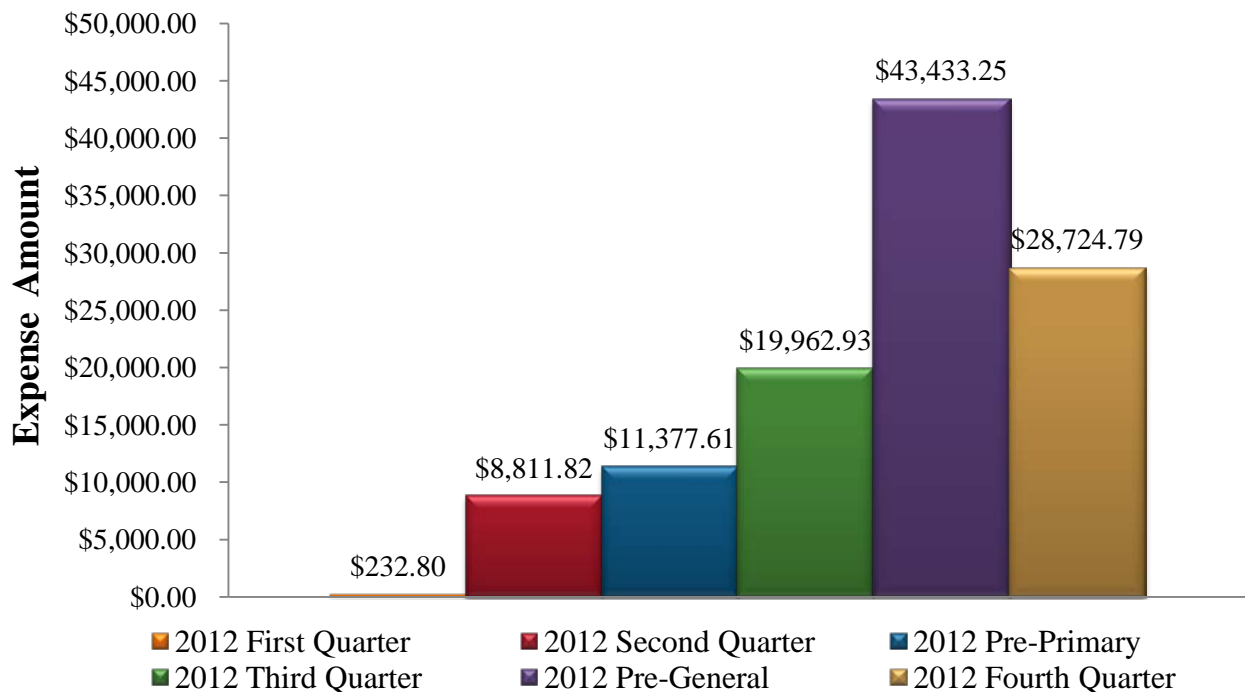
## **2012 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

The following chart shows the contributions that the candidate reported for the 2012 election campaign by reporting period.



## **2012 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2012 election campaign by reporting period.





## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **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 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. Powell's 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013. We requested Rep. Powell to provide his campaign records to support all contributions, loans, and interest that he received during his 2012 election campaign. Rep. Powell's campaign records for contributions included bank statements, deposit slip copies, contributor check copies and donor lists. The following steps were performed on Rep. Powell's campaign documentation:

- Documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2012 to January 15, 2013 totaled \$113,713.05.
- 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 sample of itemized monetary contributions 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.
- In-kind contributions by contributor was 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.

***Audit Conclusion:***

Rep. Powell's 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013 indicated that he received contributions totaling \$113,713.05. Rep. Powell's campaign records indicated he received \$114,818.05 in contributions. Based on the audit testwork, the \$1,105 difference was the result of the candidate's failure to report \$1,155 in contributions received (see finding 1) and Rep. Powell's overstatement of one contribution by \$50. In addition to the misstatement of the contributions received, he improperly reported the contributor name of one contribution. Also the candidate failed to maintain contributor data for \$102 in contributions. The campaign records and disclosures indicated that Rep. Powell received and properly reported in-kind contributions of \$1,902.50. The candidate's campaign records and disclosures indicate Rep. Powell received no loans or interest earnings.

Except for the finding 1 below, no detail findings for the various errors listed were provided as the errors represent less than 1% of the transactions the candidate reported. Also, the errors do not appear to be systematic to the way the candidate maintains his records or prepares his disclosures. However the audit staff discussed the errors with Rep. Powell and he amended the applicable campaign finance disclosures to correct the errors noted.

**Finding:**

**1. Rep. Powell violated T.C.A. §2-10-105(a) by failing to report \$1,155 in campaign contributions.**

Rep. Powell failed to report a \$1,155 in monetary contributions for his 2012 campaign. Included in the unreported contributions are contributions totaling \$853 for which the contributor data was included in the campaign records. The campaign records had no contributor data for the remaining \$302. Rep. Powell's failure to report the monetary contribution violated T.C.A. §2-10-105(a), which states that candidates shall file a statement of all contributions received.

## **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. Powell's 2012 Campaign Financial Disclosure Statements from January 16, 2011 to January 15, 2013. We requested Rep. Powell provide campaign records to support all expenses during his 2012 election campaign. Rep. Powell's campaign records for expenses included bank statements, cancelled checks, and vendor receipts/invoices. The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2011 to January 15, 2013 totaled \$112,543.20.
- A list of disbursements was prepared and compared to the candidate's bank statements and copies of cleared checks to determine if the candidate expended all funds from the campaign bank account.
- The list of disbursements was compared to the candidate's campaign disclosures and the bank statements to determine if all disbursements were reported.
- A sample of fourteen itemized expenditures were 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. Powell's 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013 indicated that he had expenses totaling \$112,543.20. Rep. Powell's campaign records indicated he disbursed \$112,146.87 in expenditures. Based on the audit testwork, the \$396.33 difference was the result of:

- Failure to report \$1,875.22 in expenses (see finding 2),
- Double reported an expense of \$2,181.48 on two different disclosure statements,
- Overstated an un-itemized expenditure by \$146.85,
- Failed to report a \$30.57 refund received on an expense,
- Misstated the amount of six expenses resulted in understating expenses by \$87.35

Except for finding 2 below, no detail findings for the various errors listed were provided as the errors represent less than 1% of the transactions the candidate reported. Also, the errors do not appear to be systematic to the way the candidate maintains his records or prepares his disclosures. However the audit staff discussed the errors with Rep. Powell and he amended the applicable campaign finance disclosures to correct the errors noted.

### **Finding:**

#### **2. Rep. Powell violated T.C.A. §2-10-105(a) by failing to disclose \$1,875.22 in campaign expenses.**

Rep. Powell failed to report \$1,875.22 in disbursements for his 2012 campaign. The campaign records indicate the candidate failed to disclose three expenditures totaling \$1,875.22. The failure to report these expenditures violated T.C.A. §2-10-105(a), which requires a candidate to prepare a statement of all expenditures made by or on behalf of the candidate.

### **RECOMMENDATION TO CANDIDATE**

Rep. Powell should amend his campaign financial disclosure reports to include all campaign contributions received and ensure that they are reported. In addition, the candidate should reduce or increase un-itemized contributions, in the applicable periods. Rep. Powell should amend his campaign financial disclosure report to accurately disclose campaign expenditures. To accurately report campaign expenditures he should:

- Add expenditures that were not reported,
- Add expenditure refunds received,
- Reduce expenditures that were overstated,
- Correct keying errors.

For future reporting periods, 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 and receipts. Finally, the candidate should reconcile the campaign bank account 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**

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

After discussing the above findings and errors with Rep Powell, he chose to take corrective action on his reports prior to the Registry's approval of the audit. Rep. Powell amended his 2012 Second Quarter, 2012 Third Quarter, 2012 Pre-General and 2012 Fourth Quarter Campaign Financial Disclosure Statements on October 3, 2013.

#### ***Corrective Actions - Finding 1:***

On his amended 2012 Second Quarter report, Rep. Powell increased un-itemized contributions by \$302. Two contributions totaling \$103 were added to the 2012 Third Quarter report. Also, one \$500 contribution and one \$250 contribution was added to the 2012 Fourth Quarter report. The amended reports properly disclosed the errors noted in Finding 1.

#### ***Corrective Actions - Finding 2:***

On his amended 2012 Third Quarter report, Rep. Powell added two itemized expenditures, one for \$1,728.08 and one for \$141.38. There was also one un-itemized expenditure that was added in the amount \$5.76. The amended reports properly disclose the vendor errors noted in finding 2.

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

The Members of the Registry of Election Finance reviewed the 2012 campaign finance audit of Rep. Powell during the November 2013 regular monthly meeting. The report contained two findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.