



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Judge Charles K. Smith's 2013 Early Year-End Supplemental Campaign Finance Disclosure



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June 11, 2014

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 Judge Charles K. Smith's 2013 Early Year-End Supplemental Campaign Financial Disclosure Statement for the 2014 election campaign for Chancery Court 15th Judicial District – Division 1. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

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

This report is for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights

Judge Charles K. Smith

2013 Early Year-End Supplemental Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Judge Charles K. Smith'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 2013 Early Year-End Supplemental Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDINGS

- 1. Judge Smith violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$5,000 in campaign contributions from contributors who contributed in excess of \$100 during a reporting period.**

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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 reviewed only Judge Smith's disclosures on his 2013 Early Year-End Supplemental report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Judge Charles K. Smith is a candidate in the August 7, 2014 general election for the Chancery Court 15th Judicial District – Division 1. Judge Smith filed an Appointment of Political Treasurer Statement with the Registry on October 4, 2013 naming Geneva Thomas as political treasurer. Subsequently, he filed an amended appointment January 14, 2014 appointing Delaine Freeman Smith.

The candidate's first financial disclosure for the 2014 campaign was the 2013 Early Year-End Supplemental report filed on January 27, 2014. The candidate's latest financial disclosure report for the 2014 election was the 2014 First Quarter report filed on April 9, 2014. The 2014 First Quarter report indicated \$6,398.84 cash on hand, no outstanding obligations and no outstanding loans. The candidate has not completed his 2014 election campaign reporting requirements. The candidate's next report will be the 2014 Second Quarter report due July 10, 2014.

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: 2013 Early Year-End Supplemental and 2014 First Quarter reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2013 Early Year-End Supplemental report. The amounts displayed are for informational purposes only.

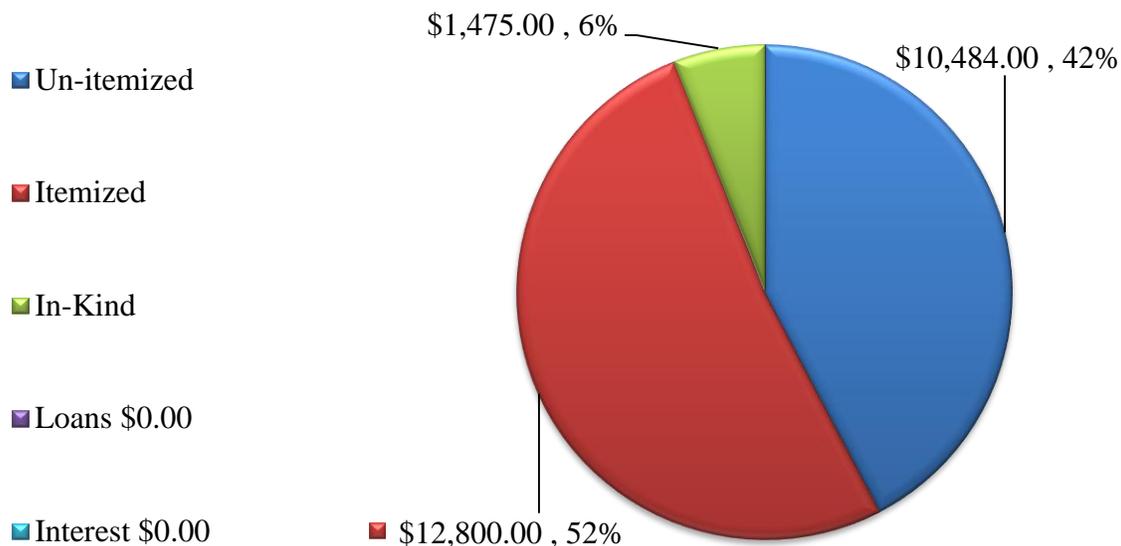
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at July 1, 2013		\$1,125.76 ¹
Receipts		
Un-itemized	\$11,188.00	
Itemized	15,420.00	
Interest	0.00	
Loans received	0.00	
Total receipts		<u>\$26,608.00</u>
Disbursements		
Un-itemized	2,095.00	
Itemized	19,239.92	
Loans principal payments	0.00	
Total disbursements		<u>\$21,334.92</u>
Cash on hand at March 31, 2014		<u>\$6,398.84</u>
Loans outstanding at March 31, 2014		\$0.00
Obligations at March 31, 2014		\$0.00
Total in-kind contributions received		\$2,084.00

¹ The cash balance at 7/1/2013 is funds transferred from the candidate's prior campaign

CHARTS

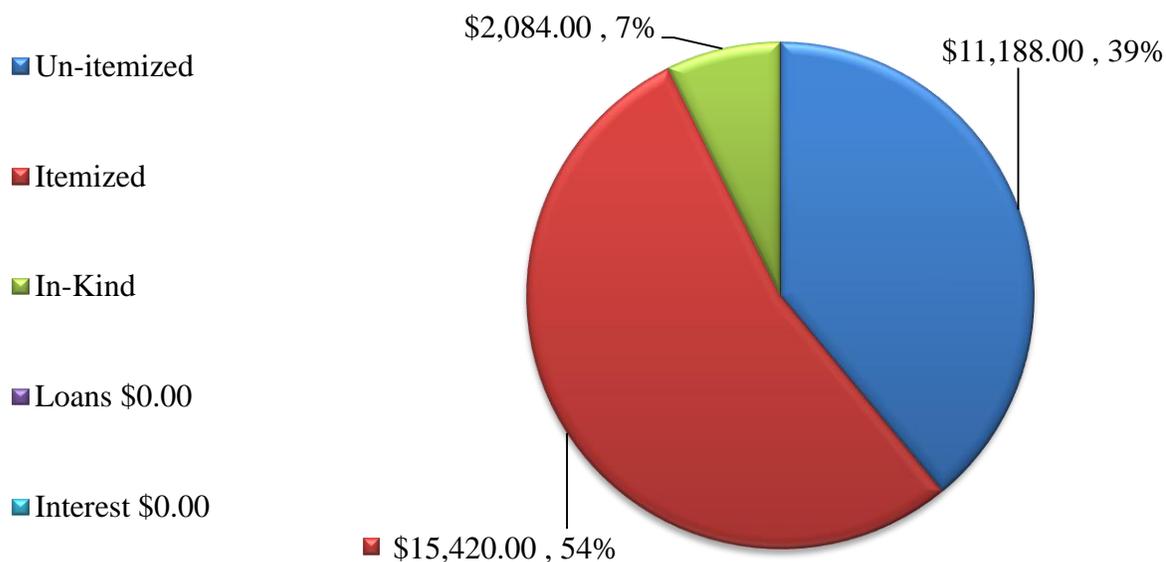
2013 EARLY YEAR-END SUPPLEMENTAL CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2013 Early Year-End Supplemental report.



2014 ELECTION CAMPAIGN CONTRIBUTIONS (through First Quarter disclosure report)

The following chart shows the contributions reported by the candidate for the 2014 election campaign through the 2014 First Quarter disclosure report.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

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

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

Audit Methodology:

The Registry obtained Judge Smith's 2013 Early Year-End Supplemental 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 Judge Smith provide supporting documentation for the un-itemized contributions of \$10,484.00 that he reported on his 2013 Early Year-End Supplemental report. The candidate's campaign records included bank statements, deposit slips, copies of checks and a cash donation list. The following steps were performed on Judge Smith's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized contributions received from July 1, 2013 thru January 15, 2014 totaled \$10,484.
- 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:

Judge Smith's 2013 Early Year-End Supplemental 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 indicated the un-itemized contributions complied with campaign finance laws and Registry rules except Judge Smith failed to itemize \$5,000 in campaign contributions from contributors who contributed in excess of \$100 during the Early Year-End Supplemental reporting period (Finding 1).

FINDINGS

- 1. Judge Smith violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$5,000 in campaign contributions from contributors who contributed in excess of \$100 during a reporting period.**

Judge Smith included \$5,000 in un-itemized contributions that he received from three individuals that should have been itemized during 2013 Early Year-End Supplemental reporting period. 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 the contribution. The \$5,000 in contributions represented approximately 48% of the un-itemized contributions reported by Judge Smith on his 2013 Early Year-End Supplemental Campaign Finance Disclosure Statement.

RECOMMENDATION TO CANDIDATE

Judge Smith should amend his 2013 Early Year-End Supplemental Campaign Financial Disclosure Statement to ensure that all contributions from individuals who contributed over \$100 are properly itemized. Judge Smith should return all contributions in excess of the campaign limits. Judge Smith should maintain and review all 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

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the above finding with Judge Smith, he chose to take corrective action on his report prior to the Registry's approval of the audit. Judge Smith amended his 2013 Early Year-End Supplemental Campaign Financial Disclosure Statement on May 21, 2014.

Correction Action - Finding 1:

On his amended 2013 Early Year-End Supplemental report, Judge Smith increased itemized monetary contributions by \$3,000 by adding two contributors. He also increased receipts by adding a \$2,000 loan from himself. In addition, he reduced un-itemized contributions by \$5,000. The corrections properly amended his 2013 Early Year-End Supplemental report for the contributions noted in Finding 1.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2014 contribution audit of Judge Charles K. Smith during the June 11, 2014 regular monthly meeting. The report contained a finding, which the candidate had corrected. The Registry voted to accept and approve the audit report and to issue a show cause notice for Finding 1. Subsequent actions by the Registry related to the show cause notice will appear in the subsequent board minutes.