



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

**(Revised) Campaign Finance Audit of
Keith Williams
Election Year 2016**



Audit Team:

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STATE OF TENNESSEE



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June 13, 2018

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 104
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Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the revised campaign finance audit of Keith Williams's 2016 election campaign for House of Representatives, District 85. This audit was conducted pursuant to the requirements of T.C.A. § 2-10-212. Mr. Williams' 2016 campaign finance audit report was revised upon receipt of campaign records provided as a result of a subpoena issued during the August 9, 2017 board meeting of the Registry of Election Finance in response to the finding of failing to comply to an audit notice noted in prior audit report.

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
Keith Williams
(Revised) 2016 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Mr. Keith Williams' 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 2016 Second Quarter and 2016 Pre-Primary Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

- 1. Keith Williams violated T.C.A. § 2-10-212(c) by failing to retain sufficient campaign records to verify a \$3,000 disbursement was allowable. Relatedly, Mr. Williams violated T.C.A. §2-10-105(a) by failing to report the expense on his 2016 Pre-Primary report.**
- 2. Keith Williams failed to report \$4,449.79 in expenses incurred during the 2016 Third Quarter reporting period, a violation of T.C.A. §2-10-105(a).**
- 3. Keith Williams violating T.C.A. §§2-10-105(a) & 2-10-107(a)(1) by failing to report and support the current or final disposition of \$303.26 in campaign funds received.**
- 4. Keith Williams failed to obtain and/or retain complete campaign bank account records and supporting documentation for all campaign activities, including documentation for reimbursements paid for expenses incurred on behalf of the campaign.**

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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 Mr. Keith Williams’ disclosures on his 2016 Second Quarter and 2016 Pre-Primary Campaign Financial Disclosure Statements.

On August 9, 2017, the Bureau of Ethics and Campaign Finance audit staff issued the Campaign Finance Audit of Keith Williams’ 2016 election campaign for the House of Representatives. The report contained one finding for Mr. Williams’ failure to comply with the audit process. The failure to comply represented a limitation on the Bureau’s audit staff to complete audit procedures for the purpose listed above. During the August 9, 2017 board meeting of the Registry of Election Finance, the members voted to issue a subpoena to compel Mr. William’s compliance with the audit notices. Subsequently Mr. Williams provided certain campaign records to the Bureau’s audit staff. This revised audit report was prepared based on those records.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mr. Keith Williams was a candidate in the August 4, 2016 primary election for House of Representatives, District 85. Mr. Williams filed an Appointment of Political Treasurer Statement with the Registry on April 25, 2016 appointing Sammie Derrell Holloway as political treasurer.

Mr. Williams' first financial disclosure for the 2016 campaign was the 2016 Second Quarter report filed on July 9, 2016. As of June 30, 2017, Mr. Williams' most recent financial disclosure was the 2016 Pre-Primary Report, which he filed on July 29, 2016. The Pre-Primary report indicated \$7,753.05 cash on hand, no outstanding obligations, and no outstanding loans. The candidate failed to file the required 2016 Third Quarter report and was assessed a civil penalty by the Registry in Case No. 17-12. The Registry also assessed a civil penalty against Mr. Williams in Case No. 17-27 for failure to file a 2016 Fourth Quarter.

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: 2016 Second Quarter and 2016 Pre-Primary reports after amendments. The amounts displayed are for informational purposes only.

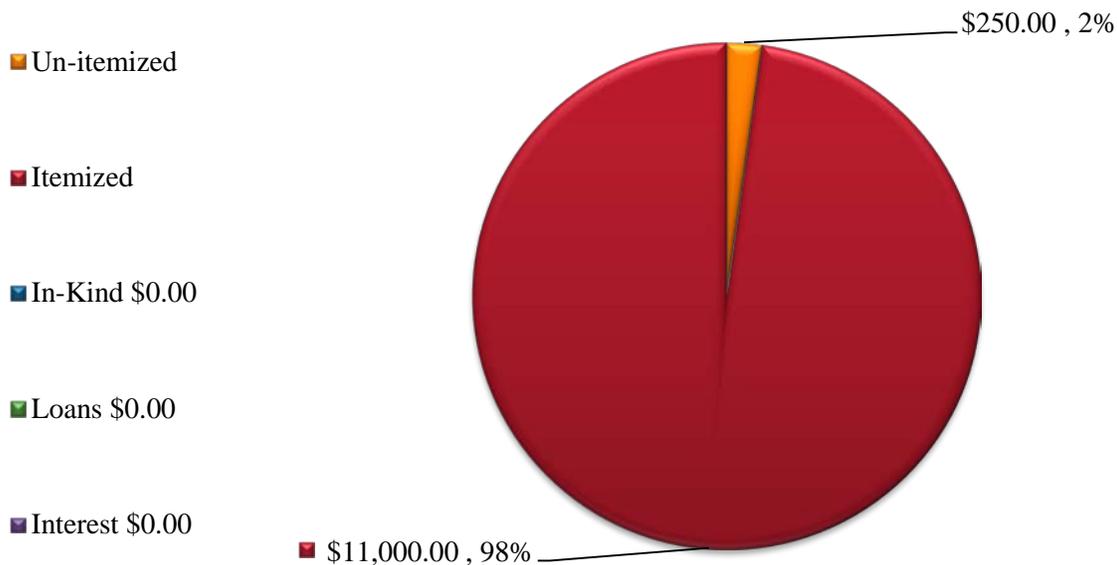
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at April 1, 2016		\$0.00
Receipts		
Un-Itemized	\$250.00	¹
Itemized	11,000.00	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$11,250.00</u>
Disbursements		
Un-Itemized	61.09	
Itemized	3,435.86	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$3,496.95</u>
Cash on hand at July 25, 2016		<u>\$7,753.05</u>
Loans outstanding at July 25, 2016		\$0.00
Obligations at July 25, 2016		\$0.00
Total in-kind contributions received		\$0.00

¹ The balance on hand at 6/30/2016 was reported on a short form report as \$250, this represented an increase in the balance on hand, that increase is being shown as an un-itemized receipt.

CHARTS

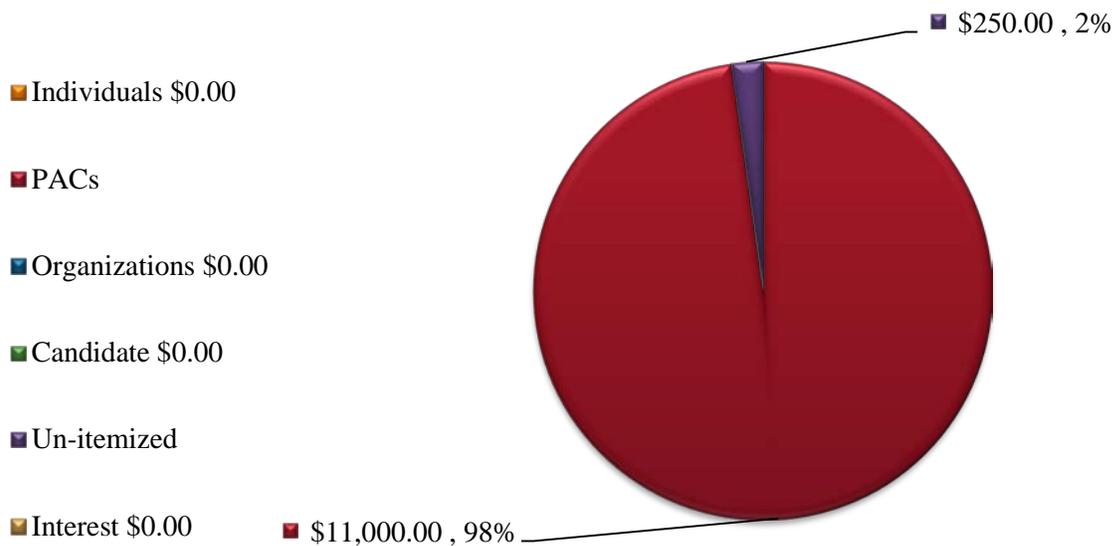
2016 ELECTION CAMPAIGN CONTRIBUTIONS

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



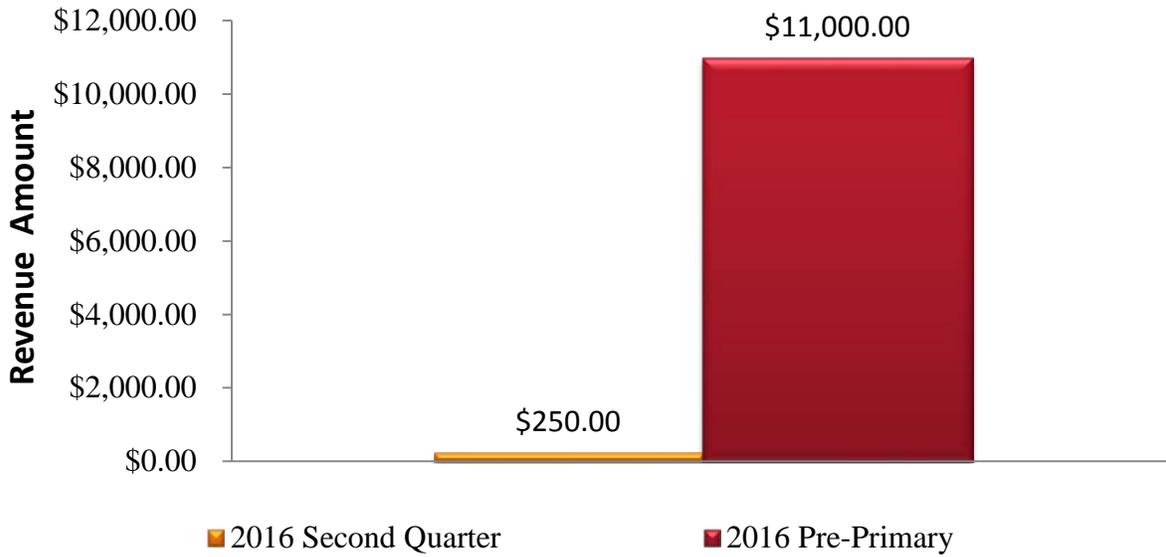
2016 ELECTION CONTRIBUTIONS BY SOURCE

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.



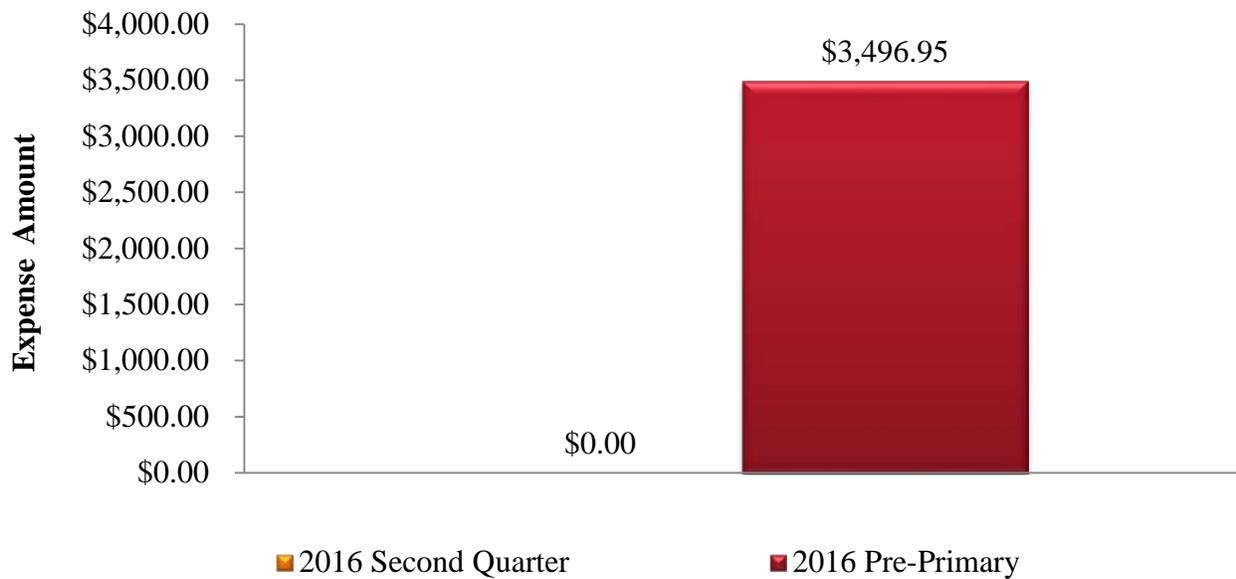
2016 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

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 Mr. Keith Williams' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to July 25, 2016. We requested Mr. Williams to provide his campaign records to support all contributions, loans, and interest that he received during his 2016 election campaign. Mr. Williams' campaign records for contributions included bank statements, deposit slip copies and contributor check copies. All the campaign records provided appear to be the work papers of an accounting firm. The records are incomplete ending on August 10, 2016 due to the firm's withdrawal from the candidate engagement (see additional details in Finding 4). The following steps were performed on Mr. Williams' campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from April 1, 2016 to July 25, 2016 totaled \$11,250.

- 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 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.
- The documentation was reviewed to determine if the candidate's received any loans from April 1, 2016 to January 15, 2017.

Audit Conclusion:

Mr. Williams' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to July 25, 2016 and the candidate campaign records indicated that he received and deposited contributions and interest earnings totaling \$11,250. Mr. Williams' only filed campaign disclosures through the 2016 Pre-Primary period. The audit reviewed all presented bank statements for activity. The review showed activity during the 2016 Third Quarter reporting period for expenses (Finding 1). The last statement provided also showed a campaign bank balance of \$653.26 on August 10, 2016 but no other contributions after July 25, 2016. Based on the election being over and the account appear to be in the process of closing down the audit determined that all monetary contributions received for Mr. Williams' 2016 election have been reported and reported in complied with campaign finance limits and campaign finance laws. The campaign records and disclosures indicated that Mr. Williams received no loans and had no interest earnings for his campaign.

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 Mr. Keith Williams' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to July 25, 2016. We requested Mr. Williams provide campaign records to support all expenses during his 2016 election campaign. Mr. Williams' campaign records for expenses included bank statements, cancelled checks, vendor receipts/invoices, and emails. As noted in the contribution methodology section above, the campaign records are incomplete ending on August 10, 2016 (See additional details concerning the campaign records reported in Finding 4). The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from April 1, 2016 to July 25, 2016 totaled \$3,496.95.
- 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.
- All 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:

Mr. Williams' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to July 25, 2016 indicate he had expenses totaling \$3,496.95 but the candidate campaign records indicated that he had expenses totaling \$6,496.95. The \$3,000 difference relates to a check written on July 18, 2016 to Mr. Williams which was unreported in violation of T.C.A. §2-10-105(a). Relatedly, Mr. Williams failed to retain sufficient expense records to determine whether the \$3,000 was disbursed for allowable expenses in violation of T.C.A. §2-10-212(c) (Finding 1). The audit also determined that from July 26, 2016 to August 10, 2016, the candidate had disbursements of \$4,449.79 for expenses which were not reported on a 2016 Third Quarter report (Finding 2). Also, after reviewing the records provided, the audit determined there was \$303.26 in campaign funds for which no records were maintained to show their current or final disposition (Finding 3). Finally, Mr. Williams failed to maintain and provide supporting documentation for several reimbursements paid to a consultant for expenses incurred on behalf of the campaign (Finding 4).

FINDINGS

- 1. Keith Williams violated T.C.A. § 2-10-212(c) by failing to retain sufficient campaign records to verify a \$3,000 disbursement was allowable. Relatedly, Mr. Williams violated T.C.A. §2-10-105(a) by failing to report the expense on his 2016 Pre-Primary report.**

On July 19, 2016, \$3,000 was disbursed from the campaign bank account, there is no record to support the disbursement was for a campaign expense. The failure to maintain sufficient records to support a disbursement of campaign funds is a violation T.C.A. § 2-10-212(c), which requires the retention of records to comply with an audit.

A \$3,000 check was written to Keith Williams on July 18, 2016. The check was endorsed by Mr. Williams affecting the transfer of the funds from the campaign account to him. Mr. Williams' accountant entered the transaction in the accounting records. The notes section of the accounting records states "will bring receipts for". However, no receipts or other records were provided for the disbursement. With no records to support the expenditure was campaign related the \$3,000 is an unallowable expense and an improper transfer of campaign funds to the candidate.

Regardless of the expense being allowable the funds were disbursed during the 2016 Pre-Primary reporting period and the expense should have been reported. Mr. Williams' failed to report the \$3,000 disbursement on his Pre-Primary disclosure. The failure to report the expenditure violates 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.

- 2. Keith Williams failed to report \$4,449.79 in expenses incurred during the 2016 Third Quarter reporting period, a violation of T.C.A. §2-10-105(a).**

Keith Williams was required to file a 2016 Third Quarter report covering campaign activity from July 26, 2016 through September 30, 2016 by October 11, 2016. Mr. Williams has never filed that disclosure. At the April 12, 2017 Registry meeting, the Registry assessed a \$10,000 civil penalty in Case No. 17-12 for failure to file the 2016 Third Quarter report.

The audit test work identified \$4,449.79 in disbursements, which occurred between July 26, 2016 and August 10, 2016, those expenses should appear on the 2016 Third Quarter disclosure. The campaign records show 11 checks, totaling \$4,099.79, that were written during the period and cleared the campaign bank account by August 10, 2016. The remaining \$350 was a check written on August 1, 2016, which had not cleared the campaign bank account by August 10, 2016 (which was the last bank statement provided). A copy of the check was maintained in the campaign records along with the entry in the campaign records to show the expense had occurred. The failure to report the \$4,449.79 in disbursements violates 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.

3. Keith Williams violating T.C.A. §§2-10-105(a) & 2-10-107(a)(1) by failing to report and support the current or final disposition of \$303.26 in campaign funds received.

Based on the campaign records, Mr. Keith Williams received \$11,250 in campaign contributions and had disbursements of \$10,946.74 leaving a balance of \$303.26. As previously noted, Mr. Williams made no disclosures after the 2016 Pre-Primary period which reported activity up to July 25, 2016. In addition, Mr. Williams failed to maintain campaign records after August 10, 2016.

The result of maintaining no campaign records after August 10, 2016 and making no disclosures after the 2016 Pre-Primary is that Mr. Williams has failed to document and disclose the disposition of the remaining \$303.26 in campaign funds. If these funds have been disbursed, T.C.A. §2-10-105(a) requires the candidate to report the disbursement(s) on the proper report. If any or all of the funds still remain in the campaign account at the end of each campaign finance reporting period, T.C.A. §2-10-107(a)(1) requires the candidate to continue to file campaign financial disclosure reports until the campaign funds are disposed.

While the Registry has assessed civil penalties for failure to file the 2016 Third Quarter and Fourth Quarter reports, the audit cannot determine if continued filing of campaign financial disclosure reports is necessary.

4. Keith Williams failed to obtain and/or retain complete campaign bank account records and supporting documentation for all campaign activities, including documentation for reimbursements paid for expenses incurred on behalf of the campaign.

After review of an audit report of non-compliance with an audit notice, the Registry voted at its August 9, 2017 meeting to order a subpoena be served on Mr. Williams to compel compliance with the audit notice. After service of the subpoena, the Registry received campaign records from Mr. Williams on October 16, 2017. The records appear to only cover activity from the commencement of the campaign account up to August 10, 2016 and also do not appear to be complete.

In addition to the lack of documentation for the \$3,000 check noted in Finding 1, Mr. Williams did not provide adequate documentation for two checks, totaling \$1,345.10, made payable to the president of Kingmaker Strategies. The documentation for the two payments consists mainly of e-mails. Beyond the e-mail discussions of the expenses there are no receipts or invoices provided in the campaign records to verify these expenses were for the purpose indicated in the e-mail.

As a result of the failure to maintain complete records and receipts for all expenses, Mr. Williams violated T.C.A. §§ 2-10-105(f) and 2-10-212(c), which requires the candidate to maintain records for audit that support campaign finance activities.

RECOMMENDATION TO CANDIDATE

Mr. Williams should amend his 2016 Pre-Primary campaign financial disclosure report to accurately disclose campaign expenditures incurred from July 1, 2016 through July 25, 2016. Mr. Williams should file his 2016 Third Quarter campaign financial disclosure report to accurately disclose campaign expenditures incurred during the period July 26, 2016 through September 30, 2016. He then should file any subsequent campaign financial disclosure reports up to the time that all campaign contributions have been expended resulting in a zero ending balance.

For future reporting periods and any unexpended current funds, 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 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

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance will review the 2016 revised campaign finance audit of Keith Williams during the May 9, 2018 regular monthly meeting. The report contained four findings. Approval of the report and any subsequent actions taken by the board will be documented in the board minutes.