



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

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**Campaign Finance Audit of  
Representative Janis Baird Sontany  
Election Year 2010**



**Audit Team:**

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# STATE OF TENNESSEE



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January 11, 2012

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 Janis Baird Sontany's 2010 election campaign for House Representative. 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**  
Janis Baird Sontany  
2010 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Janis Baird Sontany'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 2009 Early Mid-Year Supplemental, 2009 Early Year-End Supplemental, 2010 First Quarter, 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

- 1. Rep. Janis Baird Sontany failed to follow the Registry rules for bookkeeping and maintaining a campaign account.**

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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**

In 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 an election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. Therefore, the audit reviewed Rep. Sontany’s disclosures on her 2009 Early Mid-Year Supplemental, 2009 Early Year-End Supplemental, 2010 First Quarter, 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 Fourth Quarter Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Rep. Sontany was a candidate in the November 2, 2010 general election for House Representative. Rep. Sontany filed an Appointment of Political Treasurer Statement with the Registry on April 15, 2009 appointing Jimmy Joe Jackson as political treasurer.

The candidate's first financial disclosure for the 2010 campaign was the 2009 Early Mid-Year Supplemental report filed on July 20, 2009. Rep. Sontany's most recent financial disclosure was the 2010 4<sup>th</sup> Quarter Report, which she filed on January 25, 2011. The 4<sup>th</sup> Quarter report indicated \$16,235.92 in cash on hand, no outstanding obligations, and no outstanding loans. The candidate has not completed her 2010 election campaign 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: 2009 Early Mid-Year Supplemental, 2009 Early Year-End Supplemental, 2010 First Quarter, 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 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, 2009		\$13,177.77 <b>1</b>
Receipts		
Un-Itemized	\$7,290.00	
Itemized	61,300.00	
Loans received	0.00	
Interest	0.00	
Total receipts		<u>\$68,590.00</u>
Disbursements		
Un-Itemized	37.26	
Itemized	65,494.59	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$65,531.85</u>
Cash on hand at January 15, 2011		<u>\$16,235.92</u>
Loans outstanding at January 15, 2011		\$0.00
Obligations at January 15, 2011		\$0.00
Total in-kind contributions received		\$0.00

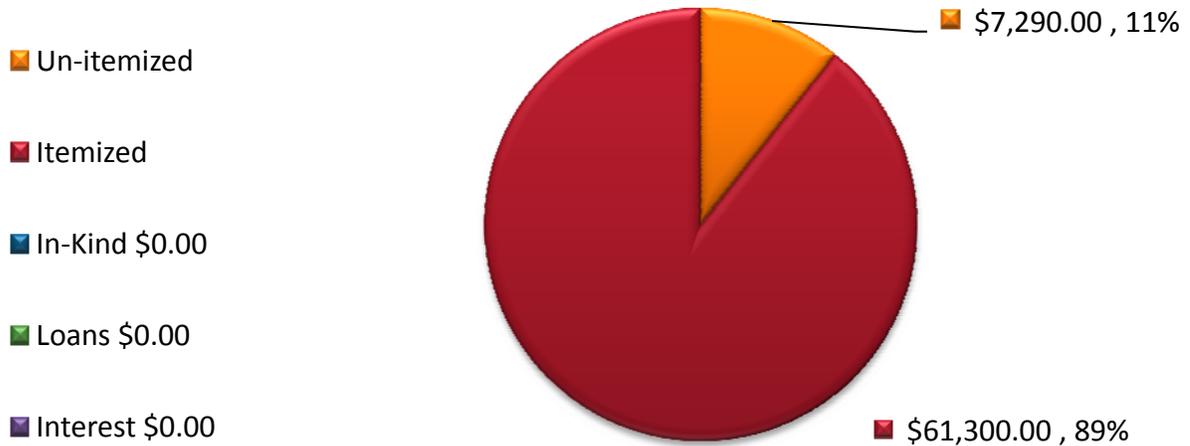
**1** The balance on hand at 1/16/2009 is funds transferred from the candidate's prior campaign.

## CHARTS

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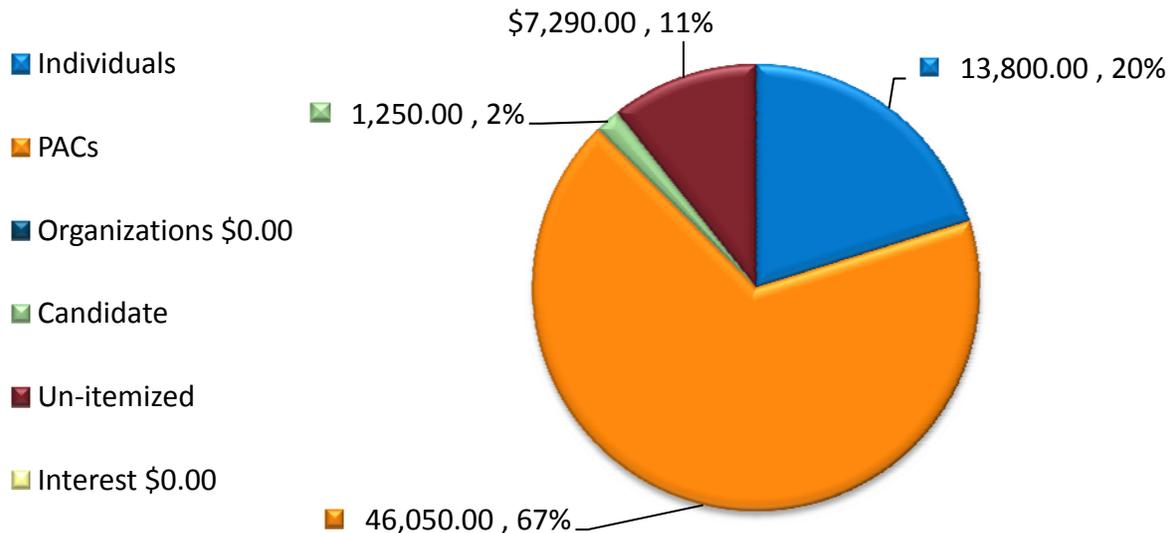
### 2010 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2010 election campaign.



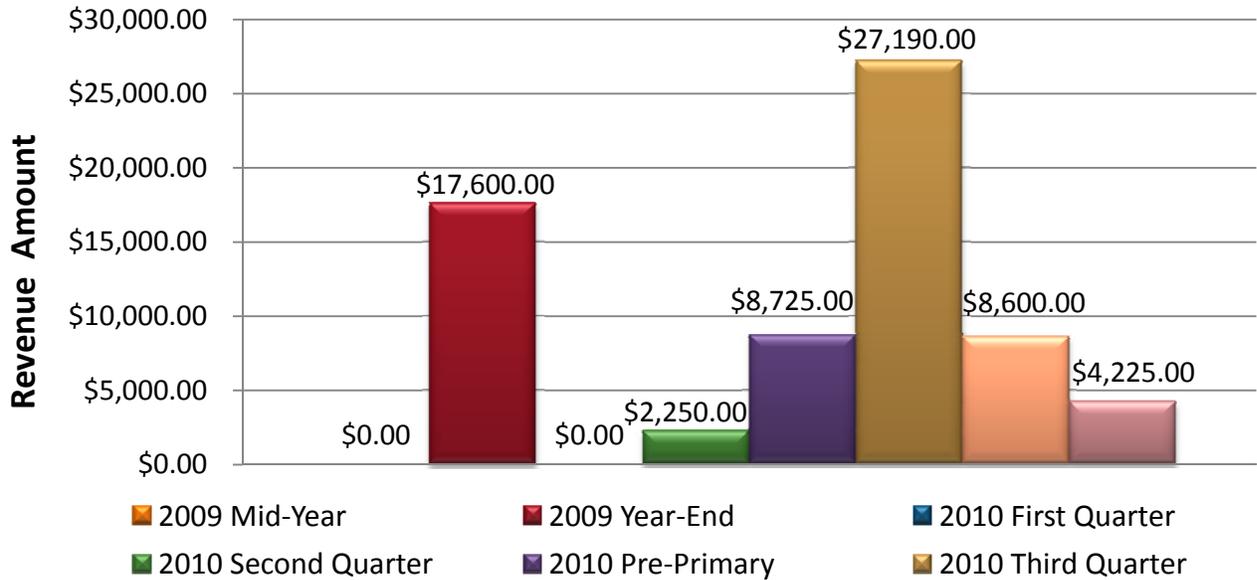
### 2010 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2010 election campaign. Organizations in this chart represent non-profit organizations, individual's campaign organizations, or businesses.



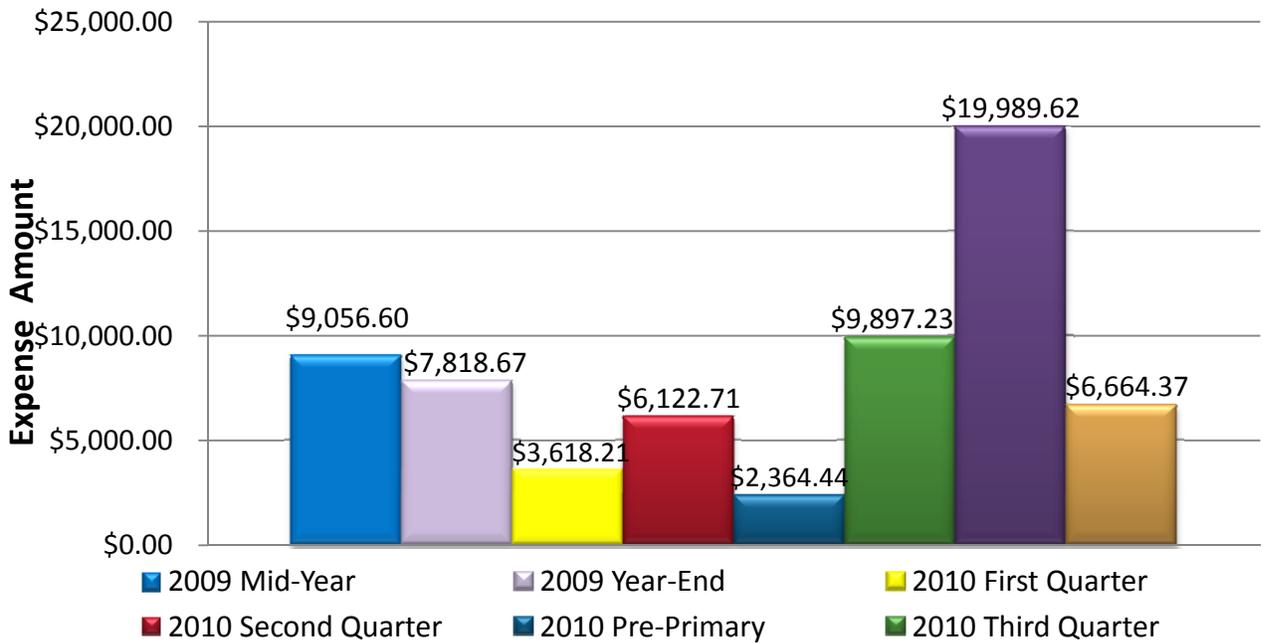
**2010 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

The following chart shows the contributions that the candidate reported for the 2010 election campaign by reporting period.



**2010 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2010 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 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. Sontany's 2010 Campaign Financial Disclosure Statements from January 16, 2009 to January 15, 2011. We requested Rep. Sontany to provide her campaign records to support all contributions, loans, and interest that she received during her 2010 election campaign. Rep. Sontany's campaign records for contributions included bank statements, deposit slip copies, and contributor check copies. The following steps were performed on Rep. Sontany's campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2009 to January 15, 2011 totaled \$68,590.00.

- 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 her campaign account on her campaign disclosures.
- A sample of un-itemized and 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.
- The documentation was reviewed to determine if the candidate's loans received from January 16, 2009 to January 15, 2011 totaled \$0.00.

***Audit Conclusion:***

Rep. Sontany's 2010 Campaign Financial Disclosure Statements from January 16, 2009 to January 15, 2011 and the candidate campaign records indicated that she received and deposited contributions totaling \$68,590.00. Rep. Sontany failed to report two contributions totaling \$150 during her 2010 campaign. Rep. Sontany failed to itemize one contribution that exceeded the \$100 limit for un-itemized contribution in the Year-End Supplemental report, as well as, overstating un-itemized contributions by \$100 in the Third Quarter report. Also, the candidate improperly reported contributor data. (See Finding 1 in the Disbursements section) The sample of un-itemized and itemized monetary contributions indicated that contributions reported complied with campaign finance limits and campaign finance laws except for the items noted. The campaign records and disclosures indicated that Rep. Sontany deposited no loans or interest earnings.

**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. Sontany's 2010 Campaign Financial Disclosure Statements from January 16, 2009 to January 15, 2011. We requested Rep. Sontany to provide her campaign records to support all expenses that she had during her 2010 election campaign. Rep. Sontany's campaign records for expenses included bank statements with cancelled checks and vendor receipts/invoices. The following steps were performed on Rep. Sontany's campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2009 to January 15, 2011 totaled \$65,531.85.
- 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. Sontany's 2010 Campaign Financial Disclosure Statements from January 16, 2009 to January 15, 2011 and the candidate campaign records indicated that she had expenses totaling \$65,531.85. Rep. Sontany failed to disclose thirteen items. Also, the candidate improperly reimbursed expenses paid from other sources than the campaign account. The candidate failed to maintain or obtain documentation, as well as, misreporting expense amount. (Finding 1) The campaign records and disclosures indicated that expenses including obligations complied with campaign finance laws except for the items noted.

### **FINDING**

#### **1. Rep. Janis Baird Sontany failed to follow the Registry rules for bookkeeping and maintaining a campaign account.**

Rep. Sontany did not follow Registry rules for bookkeeping and failed to properly maintain a campaign account. Also, Rep. Sontany did not follow Registry rules for bookkeeping by failing to reconcile the bank account and the campaign records to the financial disclosure statements. Although not required by statute, the Registry has developed guidance for candidates for maintaining their records of campaign activities. This guidance is not the sole method for maintaining records and does not include all variations of campaign activities; however, if the candidate had followed the guidance, she may have averted the errors noted.

Rep. Sontany's campaign records showed the majority of the itemized expenses were paid from her personal funds and later reimbursed from the campaign account. The Registry rules state that all contributions be deposited into the campaign account and all expenditures be made from the campaign account. The rule makes all campaign financial activities flow through the account. The account then becomes the basis to verify all contributions and expenses are properly reported, candidate's personal funds are not comingling with campaign funds, and that contributions and expenses are allowable. The campaign account is also used to help the candidate reconcile disclosures to campaign funds, which can only be accomplished if most or all of the transactions go directly through the campaign account. The reconciliation of the campaign bank statement to the disclosures helps the candidate to identify unreported transactions.

Although reimbursements are allowed and used by candidates, the reimbursement of a majority of the expenses for a campaign defeats the purpose of the campaign account. Rep. Sontany's reimbursement procedures increase the likelihood of errors in recording and reporting campaign activities. Similarly, the failure to perform a reconciliation of the bank account, campaign records and the campaign finance disclosures results in errors in reporting. The audit noted the following items which appear to be the result of these procedures:

- The candidate failed to maintain adequate campaign documentation to reconcile expenses made to the reimbursement checks written. During the audit, the auditor attempted to reconcile various expenses to the reimbursement checks to the candidate. Based on the records provided, there were several instances where the amount of the reimbursement check would not exactly match the associated expenses. The difference appears to have occurred for several reasons including but not limited to duplicate expense payments, reimbursement calculation errors, and missing receipts. The reimbursement checks included both overpayments and underpayments to the candidate. Based on the campaign records and discussions with the candidate, the campaign was aware of the incorrect payments and made adjustments to future reimbursements in an attempt to correct the errors. However, this process of being out of balance could lead to failure to report temporary loans by the candidate or inadvertently using campaign funds for non-campaign purposes.
- The sample of itemized expenditures tested show two instances where receipts were not maintained. In each instance, the receipt was related to a reimbursement so the only support for the expense was the campaign disclosure report and the amount being refunded to the candidate.
- The candidate failed to report a \$25 expense during the Fourth quarter. This expense was paid by a reimbursement check to the candidate. The expense appears to have been inadvertently left on when transferring the expense to the disclosure report.
- The candidate failed to report any online processing fees. The campaign records indicated that the candidate used online services to collect several campaign contributions. The

records indicate that the online services paid the contributions directly into the campaign account less a processing fee. The candidate then properly reported the entire amount of the contributions. However, the candidate failed to report any of the associated processing fees as an expense. The online contribution fees found during the audit totaled \$44.39.

- The candidate failed to report all electronically debited bank maintenance fees totaling \$33.
- Rep. Sontany failed to report \$50 in un-itemized contributions on the 2009 Early Year-End Supplemental report. In addition, Rep. Sontany's campaign records indicated that she received \$100 from online service contributions during the Fourth Quarter and \$30 during the Third Quarter which were not reported. The failure to report \$180 violated T.C.A. § 2-10-105(a) which states that candidates shall file a statement of all contributions received.

Although, each of the errors noted above appear to be minor amounts based on the total activity by the campaign, it appears the errors relate to the campaign finance procedures established by the candidate and therefore are being reported to the board for their consideration.

### **RECOMMENDATION TO CANDIDATE**

Rep. Sontany should amend her campaign financial disclosure reports to include all campaign contributions received and ensure that they are reported and disclosed properly and completely. In addition, she should amend expenditures and input all online fees. Finally, Rep. Sontany should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes to make certain that the candidate obtains and retains documentation for each contribution and expenditure made.

### **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 notifying Rep. Sontany of the above finding, she chose to take corrective actions on her reports prior to the Registry's approval of the audit. Rep. Sontany amended her 2009 Early Year-End Supplemental, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 Fourth Quarter Campaign Financial Disclosure Statements on December 1, 2011.

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

The candidate amended her 2009 Early Year-End Supplemental report by increasing un-itemized contributions by \$50 and adding the \$33 in bank fees. The corrections relate to bullet points five and six of the finding.

The candidate amended her 2010 Third Quarter report by increasing un-itemized contributions by \$30. The correction relates to recording contributions received from online services noted in bullet point six of the finding.

The candidate amended her 2010 Fourth Quarter report by adding a \$25 dollar expense to un-itemized expenses. In addition, she increased un-itemized contributions by \$100. The \$25 correction relates to bullet point three and the \$100 added to contributions received from online services is noted in bullet point six.

The candidate amended all applicable report's un-itemized expenses in order to properly report \$44.39 in online contribution fees in response to bullet point four.

The corrections noted above properly reports the errors noted in the finding. The remaining bullet points (1 and 2) do not require amendments to the campaign disclosures.

## **RESOLUTIONS**

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

The Members of the Registry of Election Finance reviewed the 2010 campaign finance audit of Rep. Sontany during the January 2012 regular monthly meeting. The report contained one finding for which there is no corrective action. The Registry voted to accept and approve the audit report with no further action.