



## TENNESSEE REGISTRY OF ELECTION FINANCE

---

### Contribution Audit of Matt Kenigson Third Quarter 2010



#### **Audit Team:**

Jay Moeck, CPA, CFE  
Audit Director

Makaili Denton  
Auditor

# STATE OF TENNESSEE



REGISTRY OF ELECTION FINANCE  
404 JAMES ROBERTSON PARKWAY, SUITE 104  
NASHVILLE, TN 37243-1360  
(615) 741-7959  
Fax: (615) 532-8905

BOARD MEMBERS  
Lee Anne Murray, Nashville, Chairperson  
Justin Pitt, Franklin, Secretary  
Henry Fincher, Cookeville  
Patricia Heim, Nashville,  
Darlene McNeece, Loudon

EXECUTIVE DIRECTOR  
Drew Rawlins

AUDIT DIRECTOR  
Jay Moeck, CPA, CFE

October 12, 2011

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 Mr. Matt Kenigson's Third Quarter Campaign Financial Disclosure Statement for his 2010 election campaign for the House of Representatives. 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 Registry'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 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  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**

Mr. Matt Kenigson  
2010 Third Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Mr. Kenigson's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limits laws and regulations; the accuracy and completeness of un-itemized contribution disclosures on his 2010 Third Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

- 1. Mr. Kenigson failed to properly maintain a campaign bank account and failed to maintain campaign records to support his un-itemized contribution disclosures.**

## TABLE OF CONTENTS

---

	<b><u>PAGE</u></b>
<b>INTRODUCTION</b>	
Audit Authority	1
Audit Purpose	1
Audit Scope	1
<b>CAMPAIGN OVERVIEW</b>	
Campaign Organization	2
Overview of Financial Activities	2
<b>CHARTS</b>	
2010 Third Quarter Contributions	3
2010 Election Campaign Contributions	3
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	4
Findings	5
Recommendation to Candidate	7
Recommendation to Registry	7
<b>RESOLUTIONS</b>	
Candidate's Corrective Action	8
Registry of Election Finance Actions	8

## 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 finance 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 un-itemized contributions were greater than \$5,000.

### **AUDIT PURPOSE**

The Registry's contribution 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 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 Mr. Kenigson's disclosures on his 2010 Third Quarter report.

## CAMPAIGN OVERVIEW

---

### CAMPAIGN ORGANIZATION

Mr. Kenigson was a candidate in the November 2, 2010 general election for the House of Representatives for District 56. Mr. Kenigson filed an Appointment of Political Treasurer Statement with the Registry on April 3, 2010 appointing Paul Moser as political treasurer.

The candidate's first financial disclosure for the 2010 campaign was the 2010 Second Quarter report filed on July 12, 2010. The candidate's current financial disclosure report for the 2010 election was the 2011 Mid-Year Supplemental report filed on August 28, 2011. The 2011 Mid-Year report indicated no cash on hand, \$4,644 in outstanding obligations, and no outstanding loans. The candidate has not completed his reporting requirements for the 2010 election campaign as of July 1, 2011. The candidate's next report will be due on January 31, 2012 and will cover the period of July 1, 2011 to January 15, 2012.

### 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: 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 Fourth Quarter reports after amendments. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2010 Third Quarter report. The amounts displayed are for informational purposes only.

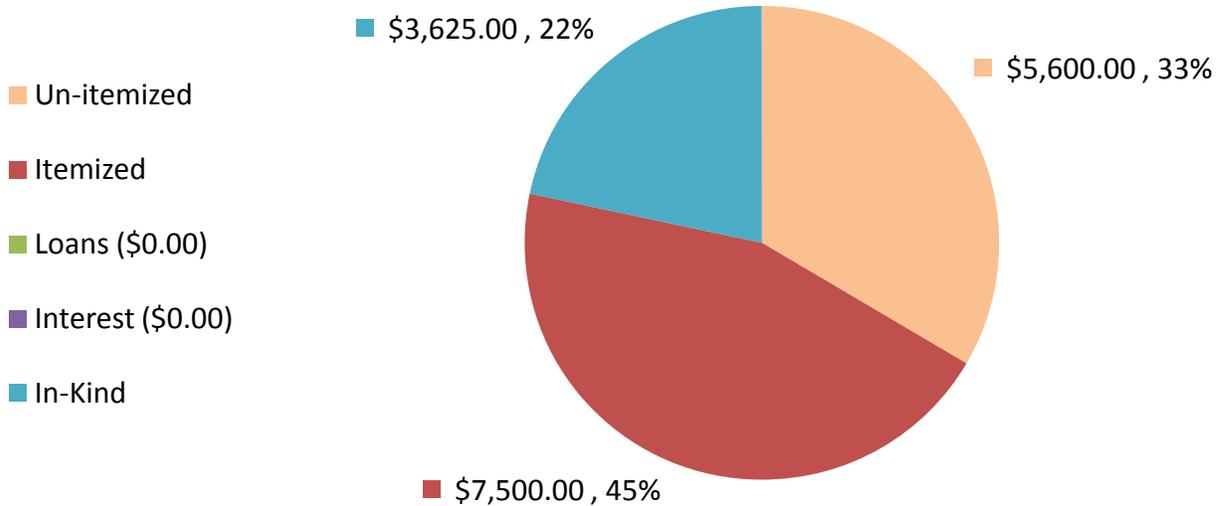
		<u>Summary of Financial Activity</u>	
		<u>(Un-audited Amounts)</u>	
Balance on hand at April 1, 2010			\$0.00
Receipts			
Un-itemized	12,863.27		
Itemized	14,826.00		
Loans received	0.00		
Interest	0.00		
Total receipts			<u>\$27,689.27</u>
Disbursements			
Un-itemized	442.22		
Itemized	27,160.18		
Loans principal payments	0.00		
Total disbursements			<u>\$27,602.40</u>
Balance on hand at January 15, 2011			<u>\$86.87</u>
Loans outstanding at January 15, 2011			\$0.00
Obligations at January 15, 2011			\$4,644.00
Total in-kind contributions received			\$10,592.75

## CHARTS

---

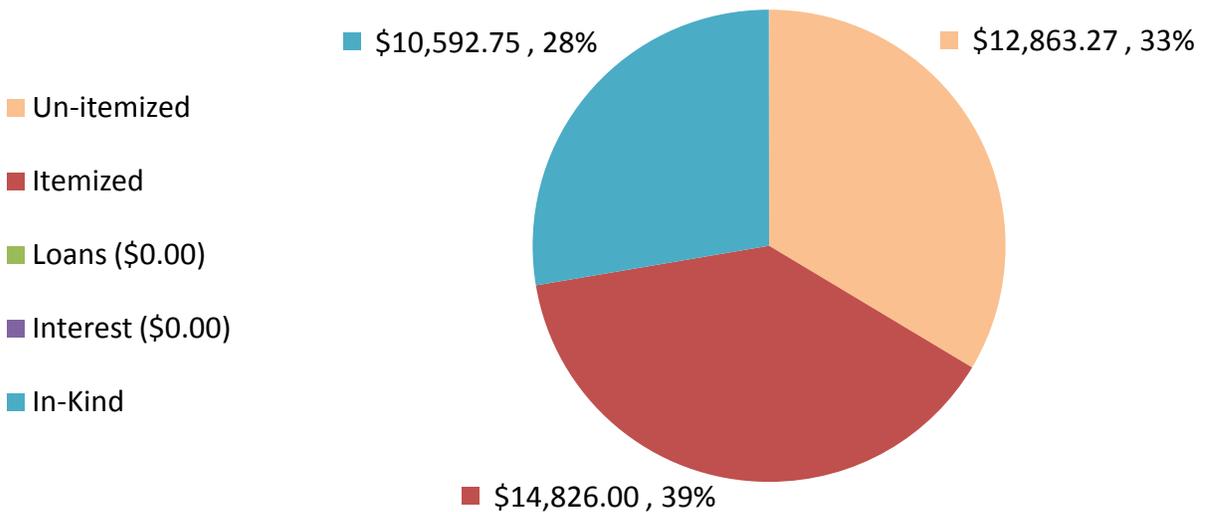
### 2010 THIRD QUARTER CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2010 Third Quarter report.



### 2010 ELECTION CAMPAIGN CONTRIBUTIONS

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



## OBJECTIVES, METHODOLOGIES, CONCLUSIONS

---

### **CONTRIBUTIONS AND RECEIPTS**

#### *Audit Objectives:*

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

- campaign contributions from individuals and Political Action Committees (PACs) 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 reviewed Mr. Kenigson's 2010 Third Quarter Campaign Financial Disclosure Statement to verify that the un-itemized contributions were greater than \$5,000 and 30% of the total contributions reported. We requested Mr. Kenigson provide supporting documentation for the \$5,600 un-itemized monetary contributions and \$625 un-itemized in-kind contributions reported on his 2010 Third Quarter report. Mr. Kenigson's campaign records for the 2010 campaign include bank statements, photocopied contributor checks and a photocopy of cash received from one contributor. The following steps were performed on Mr. Kenigson's campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized monetary contributions received from July 27, 2010 thru September 30, 2010 totaled \$5,600.
- The documentation was reviewed to determine if the candidate's un-itemized in-kind contributions received from July 27, 2010 thru September 30, 2010 totaled \$625.
- 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 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.

- A list of un-itemized contributions was prepared 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:***

Mr. Kenigson's 2010 Third Quarter Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000 and 30% of the total contributions. The audit could not verify his compliance with campaign finance statutes and determined that Mr. Kenigson did not properly maintain his campaign records. In addition, Mr. Kenigson did not follow Registry rules for maintaining a campaign bank account. As a result, the audit could only determine compliance for \$150 of the \$5,600 monetary un-itemized contributions (Finding 1). Also, the audit could not confirm the candidate's receipt of all contributions reported (Finding 1).

**FINDINGS**

**1. Mr. Kenigson failed to properly maintain a campaign bank account and failed to maintain campaign records to support his un-itemized contribution disclosures.**

Mr. Kenigson failed to properly maintain a campaign bank account and failed to maintain campaign records in violation of Registry rules. The campaign records are inadequate to support the existence of all the contributions reported by the candidate (See Part 1). The campaign records are inadequate to determine if all contributions complied with campaign finance laws including proper reporting and contribution limits (See Part 2). The finding is based on the documentation provided by the candidate. Mr. Kenigson provided the following records per the audit documentation request:

- bank statements from July 1, 2010 to September 30, 2010 (front and last page only);
- bank deposit correction notice which included a copy of one deposit;
- copies of eight contributor checks;
- a copy of a cash contribution;
- two bank deposit receipts;
- a few expenditure receipts/invoices (which are not needed for a contribution audit).

**Part 1**

The auditor attempted to use the campaign records provided to determine that the un-itemized monetary contributions reported were received. The audit reviewed the campaign records and determined that \$6,317.41, of the \$13,100 in total monetary contributions reported, were deposited into the campaign account during the Third Quarter reporting period. The disposition of the \$6,782.59 in monetary contributions reported but not deposited could not be determined by the audit. In addition, Mr. Kenigson's records provide no reconciliation or documentation to prepare a reconciliation of the amounts deposited and the amounts reported,

therefore, we cannot determine what part of the deposited funds were reported as un-itemized contributions.

The failure of Mr. Kenigson to maintain campaign records in compliance with Registry Rules 0530-1-1-.02(1), 0530-1-1-.02(2), and 0530-1-1-.02(5) resulted in the audit not being able to determine if un-itemized contributions were reported correctly on the Third Quarter report.

## **Part 2**

The auditor also attempted to use the campaign records provided to determine that the un-itemized contributions (both in-kind and monetary) complied with the following contribution limit 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. § 2-10-302 establishes limits on contributions to candidates from a person or multicandidate political campaign committee (PAC).
- T.C.A. § 2-10-311(a) limits cash contributions to \$50 per election for each contributor.
- T.C.A. § 2-10-105(h)(1)(B) requires the reporting of loans received by lender and guarantee.

The assessment is made by determining the contributor's names, amounts contributed, and other detailed information for un-itemized contributions. The only records Mr. Kenigson provided to help identify un-itemized contributions was a contribution check for \$100, a copy of a cash contribution for \$50, and a contribution check from an online contribution service company for \$96.04 (may indicate a \$100 contribution and \$3.96 fee). The candidate failed to maintain contributor data for the \$96.04 check therefore; the check could not be tested for compliance. The remaining two contributions totaling \$150 were tested and appear to be in compliance with campaign finance laws. The candidate failed to provide any support for the \$625 of in-kind un-itemized contributions.

As a result of the candidate's failure to provide complete contributor data, the audit could only determine compliance for \$150 of the \$6,220 in un-itemized contributions.

## **RECOMMENDATION TO CANDIDATE**

During a campaign, Mr. Kenigson should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that the candidate obtains and retains documentation for each contribution received. Mr. Kenigson should ensure that all campaign contributions received are deposited into

the campaign account. When contributions are received from online service companies, Mr. Kenigson should maintain records that can identify the contributor, contribution amounts, and related service fees. Finally, the candidate should reconcile the campaign bank account to the campaign disclosure statements to ensure that all campaign finance activities are recorded and reported properly and supported for audit.

### **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**

Mr. Kenigson's finding relates to maintaining campaign records, which cannot be corrected by amending campaign finance reports. Therefore no candidate corrections were performed.

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

The Members of the Registry of Election Finance reviewed the 2010 contribution audit of Mr. Kenigson during the October 12, 2011 regular monthly meeting. The report contained three findings with recommendations for corrective actions. The Registry voted to accept and approve the audit report and to issue a show cause notice for failing to maintain campaign records. Subsequent actions by the Registry related to the show cause notice will appear in the subsequent board minutes.