



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### Contribution Audit of Kent Calfee's 2012 Second Quarter Campaign Finance Disclosure



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# STATE OF TENNESSEE



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March 13, 2013

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

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Mr. Kent Calfee's 2012 Second Quarter Campaign Financial Disclosure Statement for his 2012 election campaign for the House of Representatives. 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 Law 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**

Kent Calfee

2012 Second Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Kent Calfee'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 2012 Second Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDING**

- 1. Mr. Calfee violated T.C.A. § 2-10-105(a) by failing to report \$757 in campaign contributions.**
- 2. Mr. Calfee failed to properly maintain his campaign records for \$1,065 in cash contributions and for all \$145.64 of the un-itemized in-kind contributions**

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## **INTRODUCTION**

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### **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 Mr. Calfee's disclosures on his 2012 Second Quarter report.

## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Mr. Kent Calfee was a candidate in the November 6, 2012 general election for the House of Representatives for District 32. Mr. Calfee filed an Appointment of Political Treasurer Statement with the Registry on February 7, 2012 appointing Greg Leffew as political treasurer.

The candidate's first financial disclosure for the 2012 campaign was the 2012 First Quarter report filed on April 10, 2012. The candidate's latest financial disclosure report for the 2012 election was the 2012 Third Quarter report filed on October 10, 2012. The 2012 Third Quarter report indicated \$11,398.14 in cash on hand, no outstanding obligations, and \$25,000 in outstanding loans. The candidate has not completed his 2012 election campaign reporting requirements. The candidate's next report will be the 2012 Pre-General report due October 30, 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: 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary and 2012 Third Quarter reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2012 Second Quarter report. The amounts displayed are for informational purposes only.

#### Summary of Financial Activity

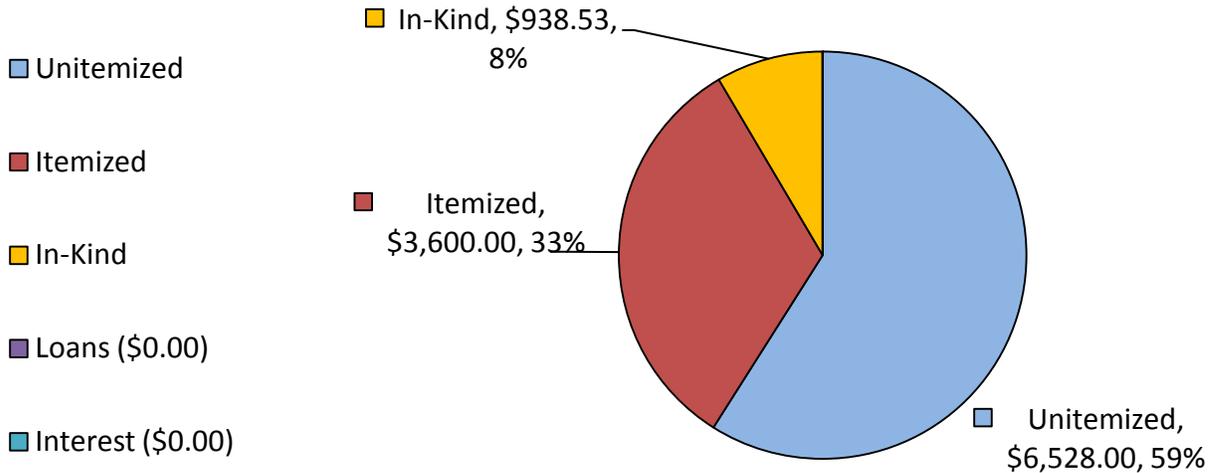
(Un-audited Amounts)

Cash on hand at January 16, 2011		\$0.00
Receipts		
Un-itemized	\$10,735.20	
Itemized	26,200.00	
Interest	0.00	
Loans received	25,000.00	
Total receipts		<u>\$61,935.20</u>
Disbursements		
Un-itemized	2,765.06	
Itemized	47,772.00	
Loans principal payments	0.00	
Total disbursements		<u>\$50,537.06</u>
Cash on hand at September 30, 2012		<u>\$11,398.14</u>
Loans outstanding at September 30, 2012		\$25,000.00
Obligations September 30, 2012		\$0.00
Total in-kind contributions received		\$1,515.38

## CHARTS

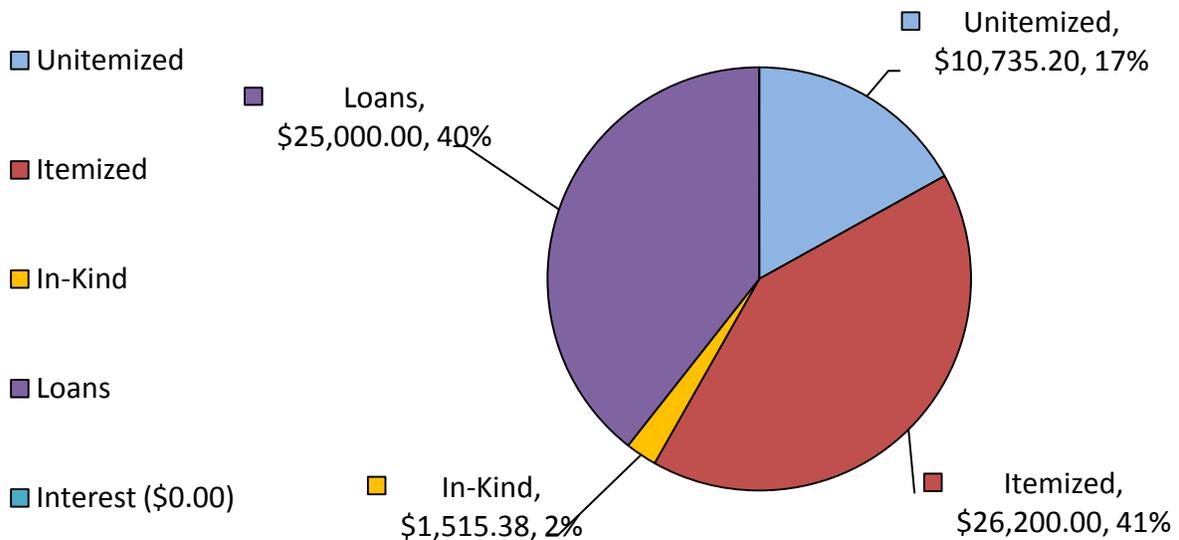
### 2012 SECOND QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2012 Second Quarter report.



### 2012 ELECTION CAMPAIGN CONTRIBUTIONS (through third quarter election report)

The following chart shows the contributions reported by the candidate for the 2012 election campaign through the 2012 Third Quarter disclosure report.



## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **UN-ITEMIZED 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 (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 Mr. Calfee's 2012 Second Quarter 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 Mr. Calfee provide supporting documentation for the un-itemized contributions of \$6,528 that he reported on his 2012 Second Quarter report. Mr. Calfee's campaign records included his bank statements, deposit receipts, listing of campaign contributions for the second quarter reporting period and contribution check copies. The following steps were performed on Mr. Calfee's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized monetary contributions received from April 1, 2012 thru June 30, 2012 totaled \$6,528 and in-kind unitemized contributions received from the same period totaled \$145.64.
- 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:***

Mr. Calfee's 2012 Second Quarter Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions. Based on the campaign records, Mr. Calfee failed to report \$757 in campaign contributions (Finding 1). Mr. Calfee's campaign records indicated that he failed to properly maintain his campaign records for \$1,065 in cash contributions (Finding 2). Finally the candidate failed to provide any records to support the \$145.64 in un-itemized in-kind contributions (Finding 2). The audit indicated all un-itemized monetary contributions reported were deposited into the campaign bank account. The audit indicated the un-itemized contributions reviewed complied with campaign finance laws and Registry rules except as noted in the finding.

### **FINDINGS**

**1. Mr. Calfee violated T.C.A. § 2-10-105(a) by failing to report \$757 in campaign contributions.**

Mr. Calfee reported \$6,528 in un-itemized monetary contributions on his 2012 Second Quarter report; however, the audit and campaign records indicated the amount was \$7,285. The campaign bank records and the candidate campaign contribution listing for the period both indicated that un-itemized contributions total \$7,285. As un-itemized contributions are reported by total amount and not by contributor the audit cannot determine which contributions were not reported. The \$757 difference is a failure to report campaign contributions received which is a violation of T.C.A. §2-10-105(a).

**2. Mr. Calfee failed to properly maintain his campaign records for \$1,065 in cash contributions and for all \$145.64 of the un-itemized in-kind contributions.**

Mr. Calfee did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for cash contributions. Mr. Calfee's campaign records indicated that he received cash contributions totaling \$1,065 from anonymous contributors. The campaign records show the cash was deposited into the campaign account. The \$825 of the \$1065 was obtained through three fund raising events where contributor data was only partially retained. The remaining \$240 was raised from T-shirt sales where the candidate failed to maintain contributor data. In addition, Mr. Calfee failed to provide any records to support the \$145.64 in un-itemized in-kind contributions reported during the second quarter. Without the specific contributor's names and amounts contributed, we could not determine Mr. Calfee's compliance with the following campaign finance statutes for the cash and in-kind contributions:

- 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. §2-10-311(a) limits cash contributions to \$50 per election for each contributor.

### **RECOMMENDATION TO CANDIDATE**

Mr. Calfee should amend his 2012 Second Quarter report to include all contributions received. In subsequent reporting or future elections, Mr. Calfee should maintain 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**

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

After discussing the above findings with Mr. Calfee, he chose to take corrective actions on his report prior to the Registry's approval of the audit. Mr. Calfee amended his 2012 Second Quarter Campaign Financial Disclosure Statement on February 12, 2013.

#### ***Correction Action - Finding 1:***

On his amended 2012 Second Quarter report, Mr. Calfee added \$757 in un-itemized contributions. The corrections properly amended his 2012 Second Quarter report for the contributions noted in Finding 1.

#### ***Correction Action - Finding 2:***

On February 12, 2013, Mr. Calfee provided an explanation in a supporting letter for the \$145.64 in un-itemized in-kind contributions. The letter indicated these as purchases made by one contributor for \$45.64 in printing and a \$100 rental fee. In the case of in-kind contributions a letter is sufficient support for the contribution, however, as the contribution is from one source these contribution are required to be itemized. The candidate amended his 2012 Second Quarter report again on February 20, 2013, Mr. Calfee added two itemized in-kind contributions totaling \$145.64 and removed the un-itemized in-kind contributions. The corrections properly amended his 2012 Second Quarter report for the in-kind contributions noted in Finding 2.

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

The Members of the Registry of Election Finance reviewed the 2012 contribution audit of Mr. Kent Calfee during the March 13, 2013 regular monthly meeting. The report contained two findings. The Registry voted to accept and approve the audit report with no further action.