



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Senator Doug Overbey's 2012 Third Quarter Campaign Finance Disclosure



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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 Senator Doug Overbey's 2012 Third Quarter Campaign Financial Disclosure Statement for his 2012 election campaign for the Senate. 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
Senator Doug Overbey
2012 Third Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Sen. Doug Overbey'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 Third Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDING

- 1. Sen. Overbey violated T.C.A. § 2-10-105(a) by failing to report \$500 in campaign contributions.**
- 2. Sen. Overbey violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,150 in campaign contributions from contributors who contributed in excess of \$100.**

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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 Sen. Overbey's disclosures on his 2012 Third Quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Sen. Doug Overbey was a candidate in the November 6, 2012 general election for the Senate for District 2. Sen. Overbey filed an Appointment of Political Treasurer Statement with the Registry on April 28, 2009 appointing Douglas Lambert as political treasurer.

The candidate's first financial disclosure for the 2012 campaign was the 2009 Early Mid-Year Supplemental report filed on July 14, 2009. The candidate's latest financial disclosure report for the 2012 election was the 2012 Pre-General Quarter report filed on October 30, 2012. The 2012 Pre-General Quarter report indicated \$84,224.71 cash on hand, no outstanding obligations, and \$1,000 in outstanding loans. The candidate has not completed his 2012 election campaign reporting requirements. The candidate's next report will be the 2012 4th Quarter report due January 25, 2013.

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 Early Mid-Year Supplemental, 2010 Early Year-End Supplemental, 2011 Early Mid-Year Supplemental, 2011 Early Year-End Supplemental, 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter reports and 2012 Pre-General. As noted in the audit scope, we only audited un-itemized contributions from 2012 Third Quarter report disclosures. Amounts displayed are for informational purposes only.

Summary of Financial Activity (Un-audited Amounts)

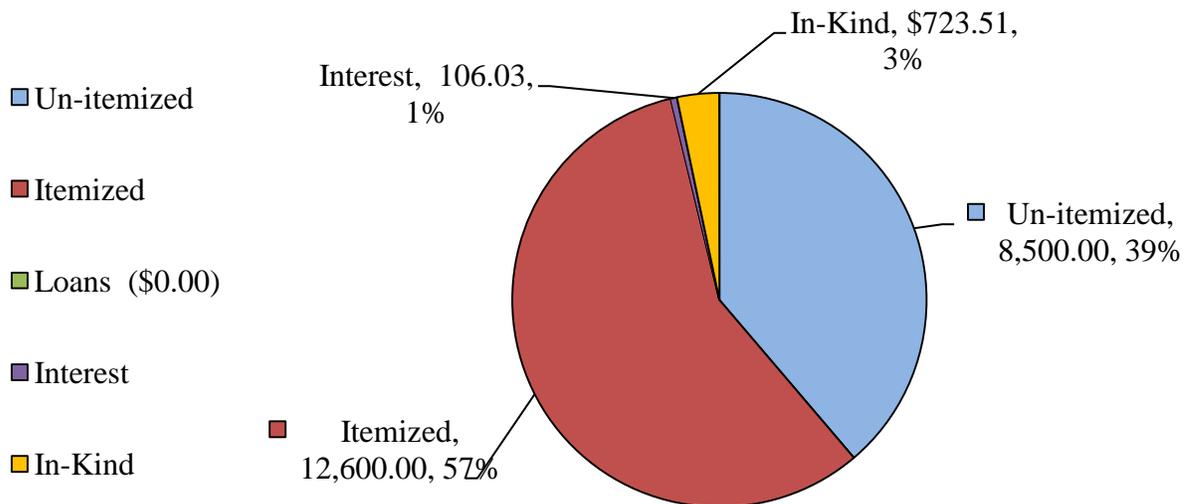
Cash on hand at January 16, 2009		\$32,428.22	1
Receipts			
Un-itemized	\$30,900.00		
Itemized	420,639.98		
Interest	464.25		
Loans received	0.00		
Total receipts		<u>\$452,004.23</u>	
Disbursements			
Un-itemized	7,283.81		
Itemized	392,923.93		
Loans principal payments	0.00		
Total disbursements		<u>\$400,207.74</u>	
Cash on hand at July 23, 2012		<u>\$84,224.71</u>	
Loans outstanding at July 23, 2012		\$1,000.00	
Obligations at July 23, 2012		\$0.00	
Total in-kind contributions received		\$9,843.44	

1 The cash balance at 1/16/2009 is funds transferred from the candidate's 2008 campaign.

CHARTS

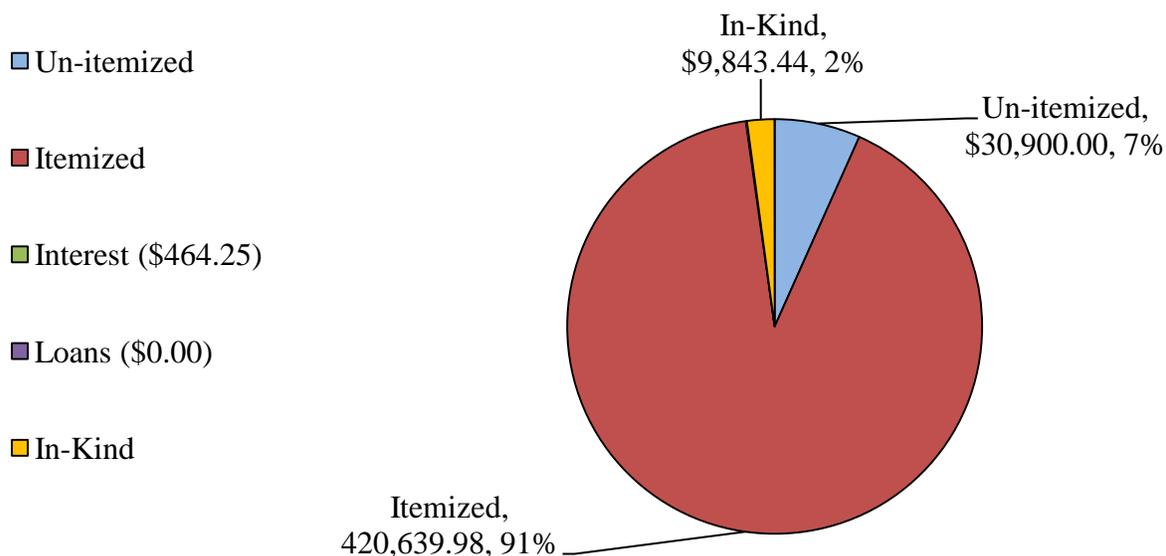
2012 THIRD QUARTER CAMPAIGN CONTRIBUTIONS

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



2012 ELECTION CAMPAIGN CONTRIBUTIONS (through pre-general election report)

The following chart shows the contributions reported by the candidate for the 2012 election campaign through the 2012 Pre-General disclosure report.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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 Sen. Overbey's 2012 Third 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 Sen. Overbey provide supporting documentation for the un-itemized contributions of \$8,500 that he reported on his 2012 Third Quarter report. Sen. Overbey's campaign records included bank statements, deposit slips, copies of checks and an online contribution printout. The following steps were performed on Sen. Overbey's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized contributions received from July 24, 2012 thru September 30, 2012 totaled \$8,500.
- 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:

Sen. Overbey's 2012 Third Quarter Campaign Financial Disclosure Statement reported un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions. Sen. Overbey failed to report \$500 in un-itemized contributions (Finding 1). Sen. Overbey failed to itemize \$1,150 in contributions from contributors who gave over \$100 (Finding 2).

FINDINGS

1. Sen. Overbey violated T.C.A. § 2-10-105(a) by failing to report \$500 in campaign contributions.

The audit determined from Sen. Overbey's campaign records that there was \$500 more deposited than contributions reported during the Third Quarter reporting period. The \$500 represents unreported contributions. The failure to report contributions is a violation of T.C.A. §2-10-105(a) which states that candidates shall file a statement of all contributions received.

2. Sen. Overbey violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,150 in campaign contributions from contributors who contributed in excess of \$100.

Sen. Overbey included in un-itemized contributions \$1,150 that he received from individuals that were required to be itemized, as the contributors gave more than \$100 during the reporting period. The failure to itemize the contributions is a violation of T.C.A. §2-10-107(a)(2)(A)(i) which requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information includes name, address, date of receipt, amount of the contribution, occupation and employer.

RECOMMENDATION TO CANDIDATE

Sen. Overbey should amend his 2012 Third Quarter campaign financial disclosure statement to include all contributions received during the reporting period. The candidate should itemize all contributions from individuals who contributed more than \$100. In future reporting periods, Sen. Overbey 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 supporting 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 findings with Sen. Overbey, he chose to take corrective action on his report prior to the Registry's approval of the audit. Sen. Overbey amended his 2012 Third Quarter Campaign Financial Disclosure Statement on January 19, 2013.

Correction Action - Finding 1&2:

On his amended 2012 Third Quarter report, Sen. Overbey reduced his un-itemized contributions by \$1,150. In addition, he added \$1,650 in itemized contributions from two contributors. The corrections properly amend his 2012 Third Quarter report for the contributions noted in Finding 1 & 2.

REGISTRY OF ELECTION FINANCE ACTIONS

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