



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Richard Garvin's 2012 Second Quarter Campaign Finance Disclosure



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March 13, 2013

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 1614
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Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Mr. Richard Garvin'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

Richard Garvin

2012 Second Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Richard Garvin'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. Garvin violated of T.C.A. § 2-10-105(a) by failing to report \$679.52 in contributions.**
- 2. Mr. Garvin violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize a \$1,700 campaign contribution from himself.**
- 3. Mr. Garvin failed to properly maintain his campaign records for \$6,684.58 in contributions.**

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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 Mr. Garvin's disclosures on his 2012 Second Quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mr. Richard Garvin was a candidate in the August 2, 2012 primary election for the House of Representatives for District 37. Mr. Garvin commenced reporting when he filed an Appointment of Political Treasurer Statement with the Registry on October 24, 2011 naming Natara Garvin political treasurer. During the election, Mr. Garvin named Lynne Davis as treasurer by amending his appointment statement on February 21, 2012.

The candidate's first financial disclosure for the 2012 campaign was the 2011 Early Year-End Supplemental report filed on February 1, 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 \$0.00 cash on hand, no outstanding obligations, and \$768.14 in outstanding loans. The candidate has not completed his 2012 election campaign reporting requirements. The candidate's next report will be the 2012 Fourth Quarter report due January 25, 2013.

OVERVIEW OF FINANCIAL ACTIVITIES

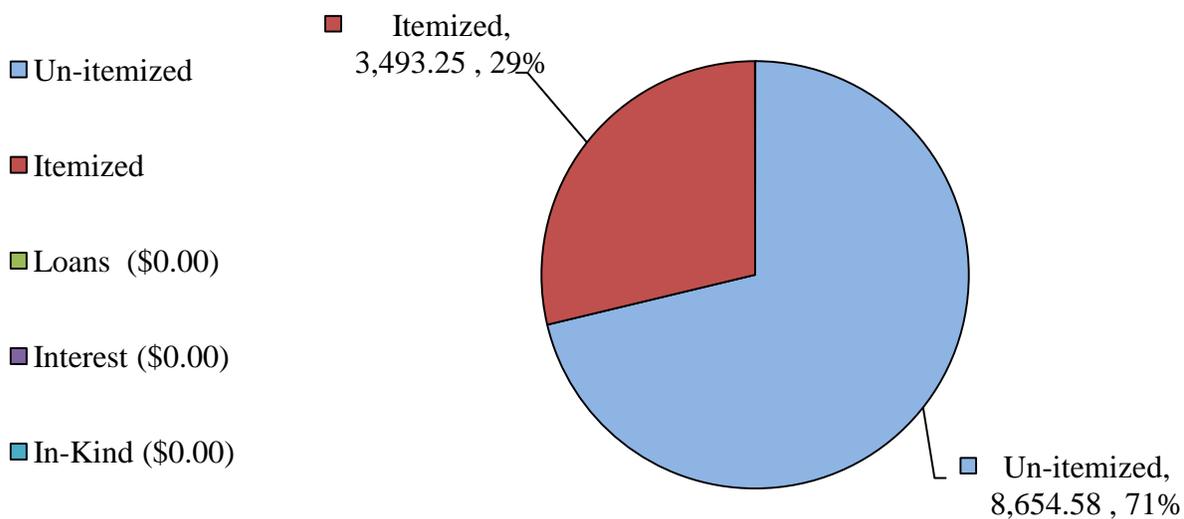
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2011 Early Year-End Supplemental, 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary and 2012 Third Quarter reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2012 Second Quarter report. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2011		\$0.00
Receipts		
Un-itemized	\$12,478.45	
Itemized	12,098.25	
Interest	0.00	
Loans receipted	768.14	
Total receipts		<u>\$25,344.84</u>
Disbursements		
Un-itemized	3,885.04	
Itemized	21,459.80	
Loans principal payments	0.00	
Total disbursements		<u>\$25,344.84</u>
Cash on hand at September 30, 2012		<u>\$0.00</u>
Loans outstanding at September 30, 2012		\$768.14
Obligations September 30, 2012		\$0.00
Total in-kind contributions received		\$3,205.00

CHARTS

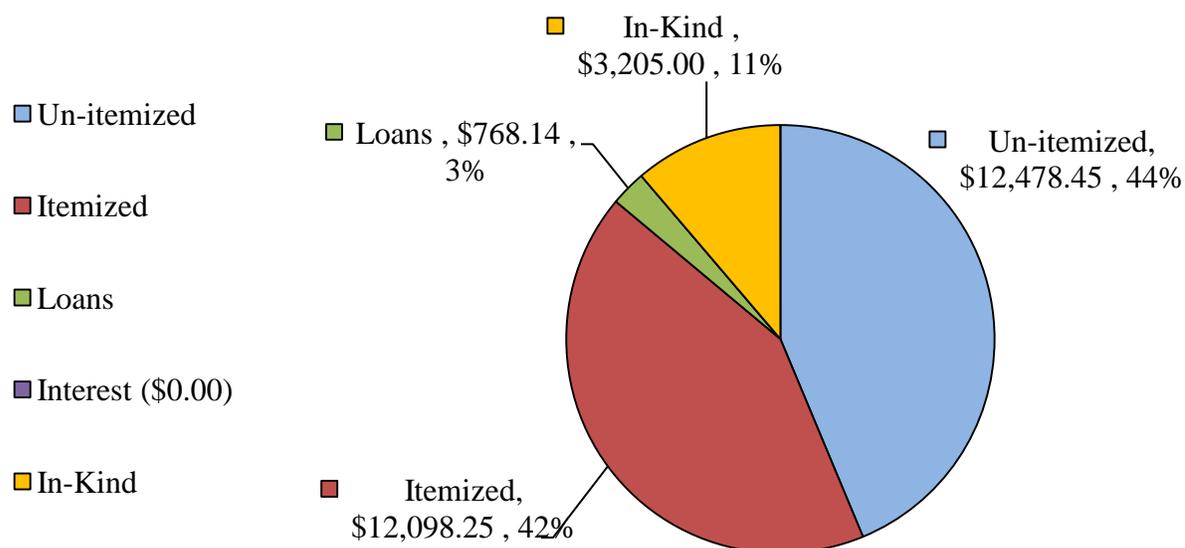
2012 SECOND QUARTER CAMPAIGN CONTRIBUTIONS

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

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. Garvin'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. Garvin provide supporting documentation for the un-itemized contributions of \$8,654.58 that he reported on his 2012 Second Quarter report. Mr. Garvin's campaign records included his bank transaction listing, deposit slips, deposit receipts and online contribution emails. The following steps were performed on Mr. Garvin's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized contributions received from April 1, 2012 thru June 30, 2012 totaled \$8,654.58.
- 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. Garvin's 2012 Second Quarter Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions. Mr. Garvin failed to report contributions totaling \$679.52 (Finding 1). Also, he failed to itemize a \$1,700 contribution he made to his campaign (Finding 2). Mr. Garvin's campaign records indicated that he failed to properly maintain his campaign records for \$6,684.58 in contributions (Finding 3). The audit indicated all un-itemized contributions reported were deposited into the campaign bank account. The audit indicated the un-itemized contributions complied with campaign finance laws and Registry rules except as noted in the findings.

FINDINGS

1. Mr. Garvin violated of T.C.A. § 2-10-105(a) by failing to report \$679.52 in contributions.

Mr. Garvin failed to report \$679.52 in contributions that he received during the Second Quarter. Mr. Garvin reported \$12,147.83 in total contributions; however, his campaign records indicated that he received \$12,827.35 in contributions, a difference of \$679.52. Mr. Garvin's failure to report these contributions violates T.C.A. § 2-10-105(a), which states that candidates shall file a statement of all contributions received. The addition of these contributions will result in an increase in contributions of approximately 5%.

2. Mr. Garvin violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize a \$1,700 campaign contribution from himself.

Mr. Garvin reported a \$1,700 contribution from himself in un-itemized contributions that should have been itemized. The contribution was a cashiers check drawn on the candidate's personal account. The failure to itemize the contribution 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 for each contributor must include name, address, occupation, employer, date of receipt and amount of the contribution.

3. Mr. Garvin failed to properly maintain his campaign records for \$6,684.58 in contributions.

Mr. Garvin did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for contributions. Mr. Garvin's campaign report indicates he received un-itemized contributions totaling \$8,654.58 of which \$6,684.58 appears to be unsupported. The \$6,684.58 in unsupported campaign contributions is approximately 77% of all contributions received during the quarter. Included in the \$6,684.58 are cash contributions of \$4,240 from anonymous contributors. Mr. Garvin failed to provide any records to support the remaining \$2,444.58. The campaign records show these contributions were deposited into the campaign account. Without the specific contributor's names and amounts contributed, we could not determine Mr. Garvin's compliance with the following campaign finance statutes for the cash 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. Garvin should amend his 2012 Second Quarter report to include all contributions received and accurately report them based on contribution amount. In subsequent reporting or future elections, Mr. Garvin 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

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the above finding with Mr. Garvin, he chose to take corrective action on his report prior to the Registry's approval of the audit. Mr. Garvin amended his 2012 Second Quarter Campaign Financial Disclosure Statement on January 16, 2013. There is no corrective action for finding three as it relates to maintaining proper records.

Correction Action - Finding 1&2:

On his amended 2012 Second Quarter report, Mr. Garvin reduced un-itemized contributions by \$1,020.48. In addition, he added \$1,700 in itemized contributions from himself. The corrections properly amend his 2012 Second 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 Mr. Richard Garvin during the March 13, 2013 regular monthly meeting. The report contained three findings. The Registry voted to accept and approve the audit report and to issue a show cause notice for Finding 3. Subsequent actions by the Registry related to the show cause notice will appear in the subsequent board minutes.