



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

**Campaign Finance Audit of
Daniel Lewis
Election Year 2010**



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October 12, 2011

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

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Daniel Lewis's 2010 election campaign for House Representative, District 53. 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 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 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
BUREAU OF ETHICS AND CAMPAIGN FINANCE
REGISTRY OF ELECTION FINANCE

Audit Highlights
Daniel Lewis
2010 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Daniel Lewis' 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 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. Mr. Lewis failed to report two \$50 expenditures and the related two \$50 personal contributions.**
- 2. Mr. Lewis failed to obtain and/or retain supporting documentation for all campaign expenditures.**

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INTRODUCTION

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 laws require 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 year, the disclosures expand to quarterly reports, pre-primary and pre-general reports. Therefore, the audit reviewed Mr. Lewis’ disclosures on his 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General and 2010 Fourth Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mr. Lewis was a candidate in the November 2, 2010 general election for House of Representatives in District 53. Mr. Lewis filed an Appointment of Political Treasurer Statement with the Registry on April 29, 2010 appointing Lisa Leeds as political treasurer.

The candidate's first financial disclosure for the 2010 campaign was the 2010 Second Quarter report filed on July 9, 2010. As of February 1, 2011, Mr. Lewis' most recent financial disclosure was the 4th Quarter report indicated \$60.05 in cash on hand, no outstanding obligations, and no outstanding loans. The candidate has not completed his 2010 election campaign reporting requirements.

OVERVIEW OF FINANCIAL ACTIVITIES

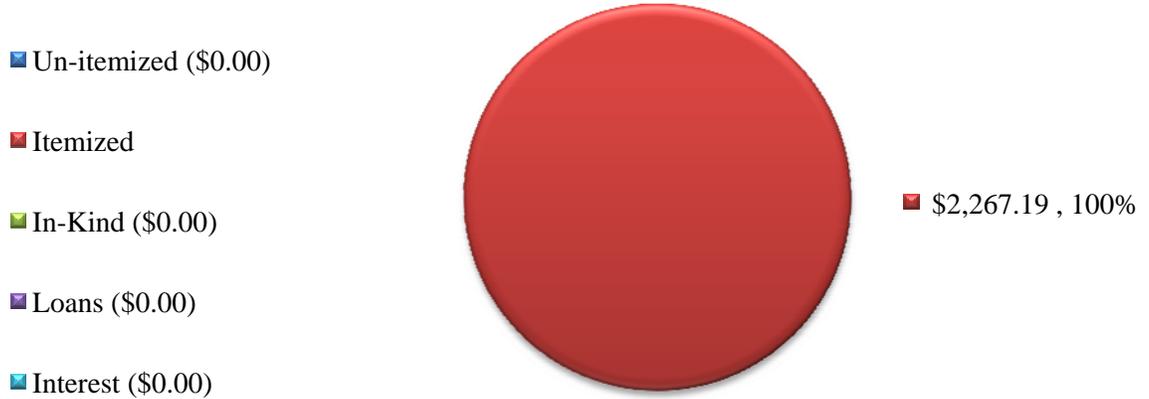
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2010 Second Quarter, 2010 Pre-Primary, 2010 Third Quarter, 2010 Pre-General, and 2010 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

| <u>Summary of Financial Activity</u> | | |
|---------------------------------------|------------|-------------------|
| <u>(Un-audited Amounts)</u> | | |
| Cash on hand at July 9, 2010 | | \$0.00 |
| Receipts | | |
| Un-Itemized | \$0.00 | |
| Itemized | \$2,267.19 | |
| Loans receipted | \$0.00 | |
| Interest | \$0.00 | |
| Total receipts | | <u>\$2,267.19</u> |
| Disbursements | | |
| Un-Itemized | \$63.34 | |
| Itemized | \$2,143.80 | |
| Loans principal payments | \$0.00 | |
| Obligation payments | \$0.00 | |
| Total disbursements | | <u>\$2,207.14</u> |
| Cash on hand at January 15, 2011 | | <u>\$60.05</u> |
| Loans outstanding at January 15, 2011 | | \$0.00 |
| Obligations at January 15, 2011 | | \$0.00 |
| Total in-kind contributions received | | \$0.00 |

CHARTS

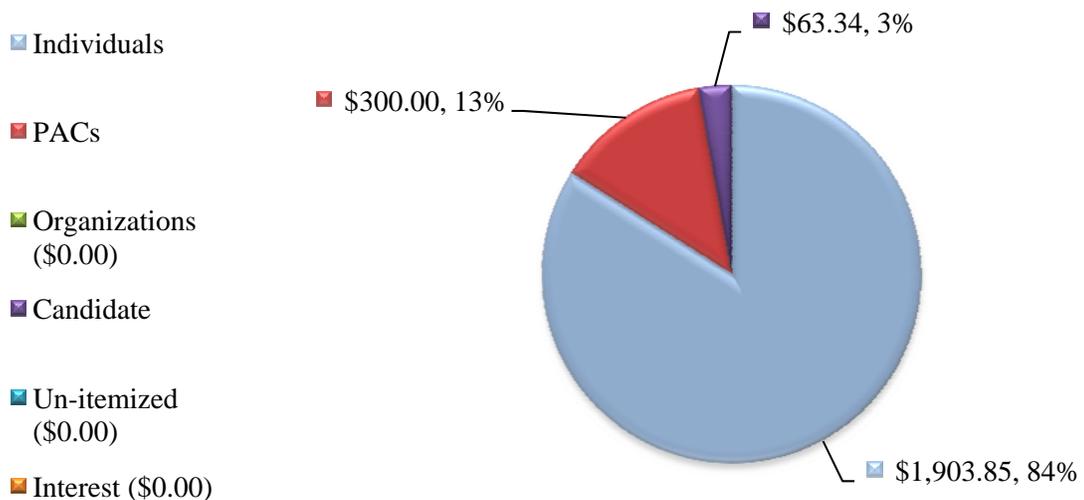
2010 ELECTION CAMPAIGN CONTRIBUTIONS

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.



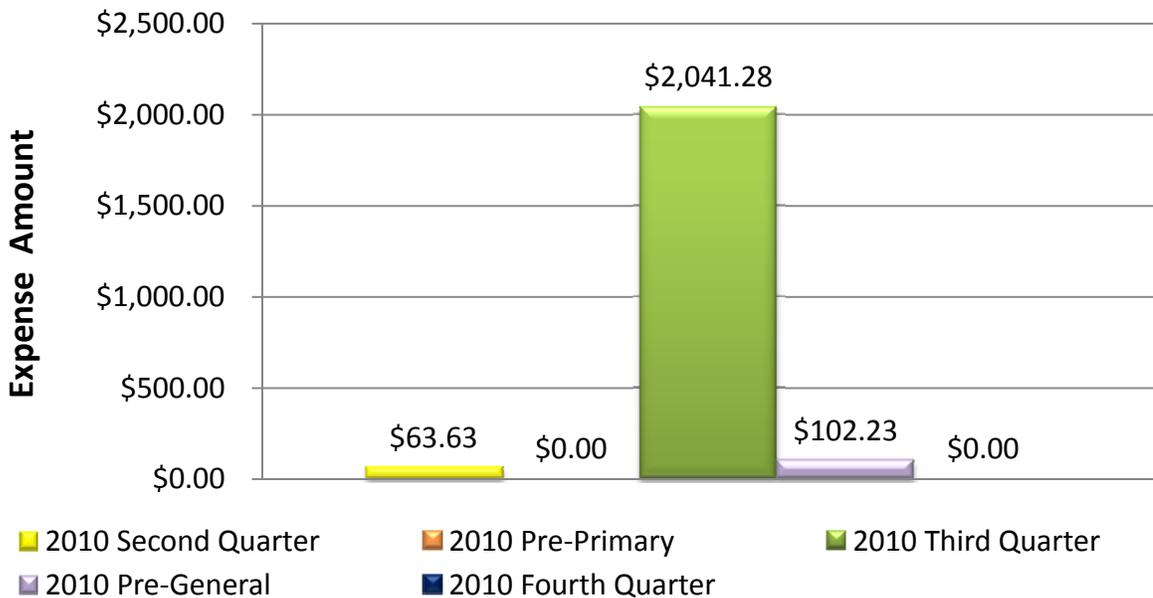
2010 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

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

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 Mr. Lewis' 2010 Campaign Financial Disclosure Statements from April 1, 2010 to January 15, 2011. We requested Mr. Lewis provide his campaign records to support all contributions, loans, and interest that he received during his 2010 election campaign. Mr. Lewis' campaign records for contributions included a bank account detail and deposit receipts. The following steps were performed on Mr. Lewis' campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from April 1, 2010 to January 15, 2011 totaled \$2,267.19.
- A reconciliation of monetary contributions reported to funds deposited into the campaign account was prepared to determine if the candidate deposited all funds into

a campaign bank account and properly reported the funds in his campaign account on his campaign disclosures.

- All itemized monetary contributions were 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.
- In-kind contributions by contributor was 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.

Audit Conclusion:

Mr. Lewis' 2010 Campaign Financial Disclosure Statements from April 1, 2010 to January 15, 2011 and the candidate campaign records supported the \$2,267.19. However, the candidate amended his reports after audit notification to include two personal contributions totaling \$100 related to unreported expenses (see Finding 1 after the disbursements and obligation section). Except for the additional contributions, the audit procedures indicated that the itemized monetary contributions reported by the candidate complied with campaign limits laws. Mr. Lewis' reports and the campaign records indicated no in-kind contributions, loans, or interest earnings from April 1, 2010 to January 15, 2011.

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 Mr. Lewis' 2010 Campaign Financial Disclosure Statements from April 1, 2010 to January 15, 2011. We requested Mr. Lewis to provide his campaign records to support all expenses that he had during his 2010 election campaign. Mr. Lewis' campaign

records for expenses included a bank account detail and vendor receipts/invoices. The following steps were performed on Mr. Lewis' campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from April 1, 2010 to January 15, 2011 totaled \$2,207.14.
- 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.
- All 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:

Mr. Lewis' records indicated that he disbursed \$2,207.14 from the campaign account. However, the candidate amended his reports after audit notification to include two unitemized expenses totaling \$100 (Finding 1). In addition, Mr. Lewis failed to obtain or maintain vendor receipts or other supporting documentation for 4 of 13 (approximately 5%) of the itemized expenditures reported, totaling \$102.20 (Finding 2). Two of the expenditures are the corresponding expenditures from Finding 1. The campaign records and disclosures indicated that the itemized expenses reported by the candidate, except those noted in the findings, complied with campaign finance laws.

FINDINGS

1. Mr. Lewis' violated T.C.A. § 2-10-105 by failing to report two \$50 expenditures and the related two \$50 personal contributions.

Mr. Lewis failed to report two \$50 expenditures for food and beverage purchases. Also, the candidate failed to report two \$50 personal contributions related to these expenditures. After notification of audit and prior to submitting his campaign records, it appears Mr. Lewis reviewed the campaign bank accounts activity log. The log shows four transactions all for \$50, which Mr. Lewis added to his disclosures as two \$50 personal contributions and two \$50 unitemized expenses for food/beverages. The disclosure indicates this was the candidate paying for campaign food and beverage expenses; however, this could not be determined completely by audit. The bank account shows the contributions and the subsequent removal of funds; however, the candidate failed to provide vendor receipts for the food/beverage purchases. Without receipts, we are unable to determine the expense occurred or the exact amount of the expenditures if they occurred. (See Finding 2). Since the \$100 was removed from the account and the exact amount of the expense cannot be determined, the round amount appears to be the best available amount to report. The failure to report campaign activities during the reporting period is a violation of

T.C.A. § 2-10-105, which requires the disclosure of all campaign expenses incurred and contributions received.

2. Mr. Lewis failed to follow registry rules and violated T.C.A. § 2-10-212(c) by failing to maintain or obtain proper documentation for three campaign expenses.

Mr. Lewis failed to obtain or maintain vendor receipts or other supporting documentation for 4 of 13 (approximately 5%) of the itemized expenditures reported, totaling \$102.20. Mr. Lewis did not maintain sufficient campaign records for expenditures that he reported on his campaign disclosure reports. The failure to obtain and/or retain all vendor receipts for all campaign expenses is a violation of T.C.A. § 2-10-212(c), which states that candidates shall retain copies of all checks, bank statements, and vendor receipts for two years after the date of the election.

In addition, Mr. Lewis did not follow Registry Rule 0530-1-1-.02(8) until after notification of audit. The rule states that a candidate should perform bank reconciliations that 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, he may have averted the finding noted above.

RECOMMENDATION TO CANDIDATE

Mr. Lewis 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. In addition, Mr. Lewis should perform bank reconciliations that reconcile the bank account and the campaign records to the financial disclosure statements shortly after each reporting period ends, in order to verify all campaign activities are disclosed.

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. Lewis findings do not require him to amend his campaign disclosures. As noted in finding 1 the correction was made after audit notification but prior to the audit report, therefore no new amended report is required. Finding 2 relating to maintaining campaign records, is not correctable post audit.

RESOLUTIONS

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2010 campaign finance audit of Mr. Lewis during the October 2011 regular monthly meeting. The report contained no findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.