

STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE REGISTRY OF ELECTION FINANCE

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REGISTRY MEMBERS

Tom Lawless, Chairperson

David Golden, Secretary

Paige Burcham Dennis

Henry Fincher

William J. (Paz) Haynes, III

Tom Morton

EXECUTIVE DIRECTOR

Bill Young

Notice of Audit Revision

June 10, 2020

On June 10, 2020 the Registry of Election Finance met for their regular agenda meeting. During the meeting, the Registry Members were presented the audit of CAS-PAC. During the presentation of the audit, Registry Members were made aware of additional information that would adjust Finding 1 in the audit. They were also made aware of additional corrective actions taken by the PAC. When the audit report was discussed by the Registry Members, the audit report became a public record and was placed on the Registry Board's website. The items discussed at the meeting, however, have not been formally documented as of the date of the notice. The items noted in the meeting will be documented by memo to the Registry Members at their next regular scheduled meeting. This notice was prepared and will be placed temporarily with the CAS-PAC audit report until the aforementioned memo is prepared and approved by the Members of the Registry.



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

**Board Requested Audit of
CAS-PAC
for the period from January 1, 2018 through June 30, 2019**

STATE OF TENNESSEE



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June 10, 2020

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 104
Nashville, TN 37243-1360

Registry Members:

Enclosed are the agreed upon procedures for the Board Requested audit of CAS-PAC campaign finance activities from January 1, 2018 through June 30, 2019. This audit was conducted pursuant to the requirements of T.C.A. § 2-10-207(1).

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. CAS-PAC 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 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 is a public record.

Sincerely,

Jay Moeck, CPA, CFE
Director of Audit

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

Audit Highlights

Board Requested Audit of CAS-PAC
for the period from January 1, 2018 through June 30, 2019

AUDIT OBJECTIVES

The objectives of the audit were to determine CAS-PAC'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 disclosures on the 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, 2018 Fourth Quarter, and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDING(S)

1. **CAS-PAC failed to report \$1,713.46 in contributions received, as required by T.C.A. §§ 2-10-105(a) and 2-10-107.**
2. **CAS-PAC failed to report \$733.43 in disbursements and/or expenses incurred, as required by T.C.A. §§ 2-10-105(a) and 2-10-107.**
3. **CAS-PAC failed to report \$18,264 of in-kind and independent expenses to candidates including the PAC's controlling candidate, and improperly reported in-kind and independent expenses by overstating the amount to candidate by \$16,000 and understating amounts to candidates by \$6,000, as required by T.C.A. §§ 2-10-107(c) & 2-10-303. Relatedly, CAS-PAC paid \$597.89 in in-kind expenses during legislative session, which payments during session are prohibited by T.C.A. § 2-10-310.**
4. **CAS-PAC failed to itemize \$2,589.60 in expenditures, as required by T.C.A. § 2-10-107(a)(2)(B).**
5. **CAS-PAC failed to provide a supporting receipt, invoice, or other supporting document for 299 expenses totaling \$99,625.89 incurred by the PAC. CAS-PAC is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.**

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¹ No summary data or charts were provided for the 2019 election. Only the 2019 Early Mid-Year Supplemental report was included in the audit period. As such, summary and charts made from this one report would be misleading when compared to other audits. In addition, the summary amounts would be the same as those already available on the submitted 2019 Mid-Year report.

INTRODUCTION

AUDIT AUTHORITY

Tennessee Code Annotated (T.C.A.) §§ 2-10-206, 2-10-207, 2-10-212 and 2-10-213 authorize the Registry of Election Finance (hereinafter “Registry”) to conduct investigations and audits of campaign activities and the related disclosures made on campaign financial disclosure statements filed with the Registry. This audit was initiated on a vote by the Members of the Registry (hereinafter “Members”) at their August 14, 2019 meeting. The Members requested the audit cover activities from January 1, 2018 through June 30, 2019.

AUDIT PURPOSE

The Registry’s audits provide a tool to the Registry to evaluate a candidate’s compliance with certain provisions of campaign finance disclosure laws and regulations, compliance with certain provisions of campaign contribution limit laws and regulations, and accuracy and completeness of the campaign disclosures. 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

During non-election years, Tennessee’s campaign financial disclosure law requires Multi-Candidate Campaign Committees (hereinafter “PACs”) 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 election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. As noted above, the Members requested the audit cover activities from January 1, 2018 through June 30, 2019; therefore, the audit reviewed CAS-PAC’s disclosures on his 2018 First Quarter, 2018 Second Quarter, 2018 Pre-Primary, 2018 Third Quarter, 2018 Pre-General, 2018 Fourth Quarter and 2019 Early Mid-Year Supplemental Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

CAS-PAC is a registered Multi-Candidate Campaign Committee (commonly referred to as “PAC”) in the State of Tennessee. CAS-PAC was created and is controlled by Representative Glen Casada (hereinafter “Rep. Casada”), a member of the State of Tennessee General Assembly. A PAC controlled by elected officials, like CAS-PAC, are commonly known as Leadership PACs. CAS-PAC was created on July 25, 2006 by the filing of an Appointment of Political Treasurer Statement with the Registry, naming Stephen Moore as PAC treasurer. The latest Appointment of Political Treasurer Statement filed on April 28, 2020, named Jim Leuty as PAC treasurer.

CAS-PAC’s first campaign finance disclosure during the audit period from January 1, 2018 to June 30, 2019 was the 2018 First Quarter report filed on April 8, 2018. The last report for the audit period was the 2019 Early Mid-Year Supplemental report filed on July 8, 2019. The 2019 Mid-Year report indicated \$180,608.11 cash on hand, no outstanding obligations, and no outstanding loans.

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: 2013 Early Mid-year Supplemental, 2013 Early Year-end Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

Summary of Financial Activity (Un-audited Amounts)

Cash on hand at January 16, 2018	\$109,357.40	¹
Receipts		
Un-Itemized	\$0.00	
Itemized	465,701.00	
Loans receipted	0.00	
Interest	5.91	
Total receipts	<u>\$465,706.93</u>	
Disbursements		
Un-Itemized	7,582.12	
Itemized	354,588.95	
Loans principal payments	0.00	

Obligation payments	0.00	
Total disbursements		\$362,171.07
Cash on hand at January 15, 2019		\$212,893.26
Loans outstanding at January 15, 2019		\$0.00
Obligations at January 15, 2019		\$0.00
Total in-kind contributions received		\$0.00

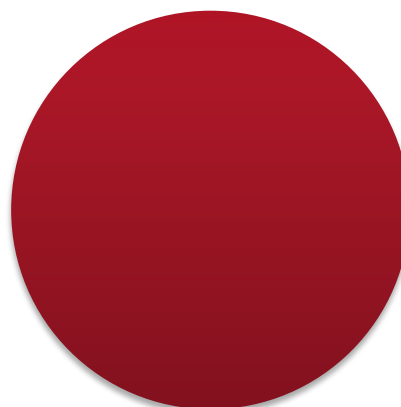
1 The balance on hand at 1/16/2011 is funds from prior years of activities.

CHARTS

2018 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the PAC for 2017 and 2018 (The 2018 election cycle).

- Unitemized \$0.00
- Itemized
- In-Kind \$0.00
- Loans \$0.00
- Interest \$5.93

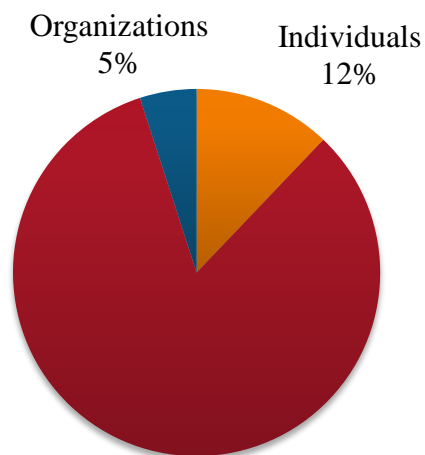


Itemized, 100%

2018 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the contributions reported by the PAC for the 2018 election cycle (2017 & 2018 years). Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or for-profit business entities.

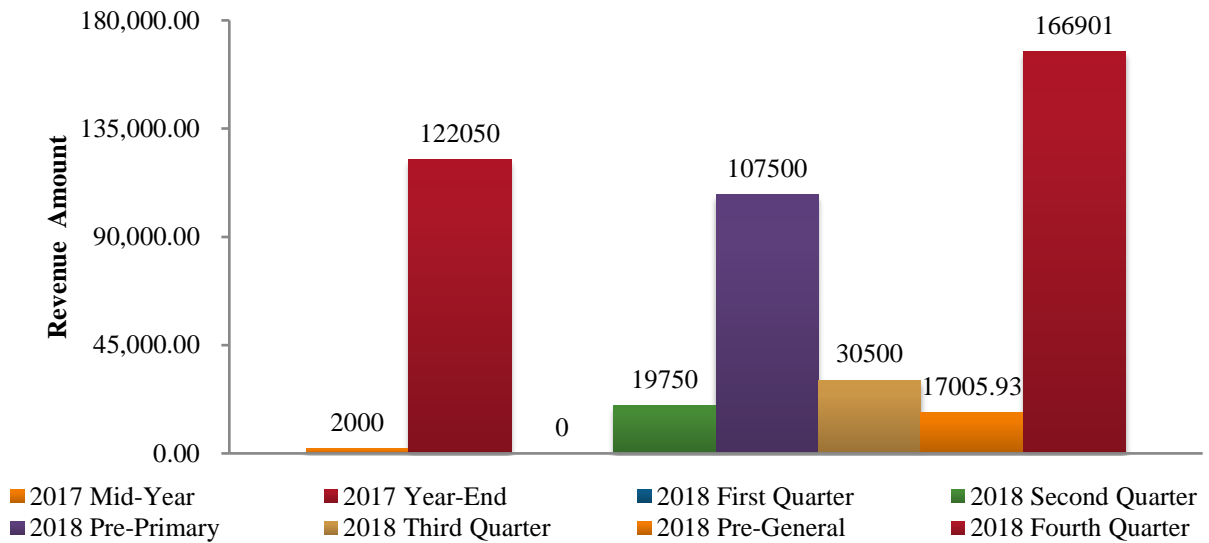
- Individuals
- PACs
- Organizations
- Candidate \$0.00
- Un-itemized \$0.00
- Interest \$5.93



PACs
83%

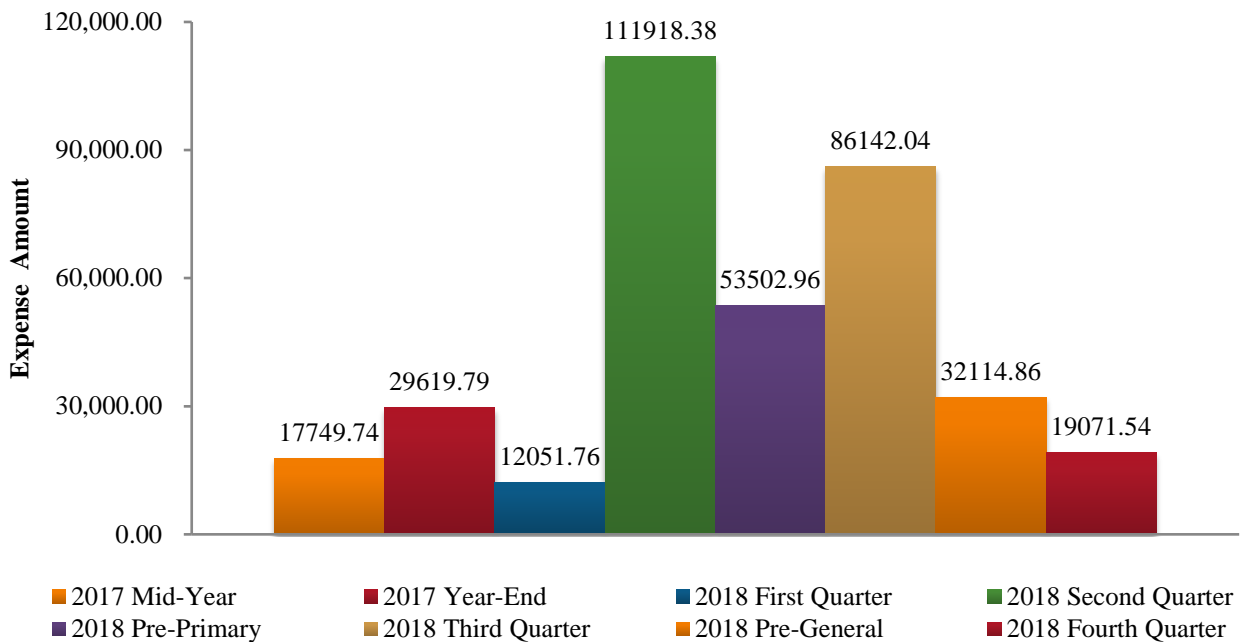
2018 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the PAC reported for the 2018 election cycle (2017 & 2018 years) by reporting period.



2018 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the PAC reported for the 2018 election cycle (2017 & 2018 years) 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 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 contributions were received during non-prohibited periods;
- 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, 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 loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained CAS-PAC's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019, as well as CAS-PAC's 2019 Campaign Financial Disclosure Statements from January 16, 2019 to June 30, 2019. The Registry requested CAS-PAC provide all campaign records to support all contributions, loans, and interest that the PAC received during the period from January 1, 2018 to June 30, 2019. CAS-PAC campaign records for contributions included bank statements, deposit slip copies, contributor check copies, and QuickBooks accounting records. The Members, as part of the request for audit, granted the Registry staff authority to issue subpoenas of the campaign bank records. Therefore, in addition to the records provided by CAS-PAC, the Registry also obtained by subpoena the campaign bank account records for the bank account used by the CAS-PAC during the audit period. The subpoena request included records for contributions, all bank statements and detail deposit data showing all checks deposited into the campaign account. The following steps were performed on the campaign record documentation:

- The documentation was reviewed to determine if the PAC's monetary contributions and interest received from January 16, 2018 to June 30, 2019 totaled \$341,656.93, as reported.
- A reconciliation of monetary contributions reported to funds deposited into the PAC account was prepared to determine if CAS-PAC deposited all funds into a PAC bank account and properly reported the funds received on the PAC campaign disclosures.
- A listing of itemized monetary contributions was prepared and compared to the PAC's disclosures reported during the election to determine if campaign contributions from individuals and PACs 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 were 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.
- The documentation was reviewed to determine if the PAC received no loans from January 16, 2018 to June 30, 2019 as reported.

Audit Conclusion:

CAS-PAC's Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicated the campaign received \$341,656.93 in monetary contributions and interest. CAS-PAC's campaign records reflect that receipts deposited totaled \$341,236.72 during the same period. The difference between the amount disclosed and amount received is \$420.21 and is the result of the following:

1. CAS-PAC reported a \$1,000 campaign contribution which was received but not deposited into the PAC's bank account. The \$1,000 was part of \$2,000 improperly deposited into Rep. Glen Casada's campaign account. Rep. Casada and his treasurer appear to have properly identified the \$2,000 as CAS-PAC funds and not campaign funds, as they properly did not report them on Rep. Casada's campaign disclosure reports. CAS-PAC did properly report the \$2,000 on the CAS-PAC disclosure. The first was a \$1,000 contribution, the other was a properly reported expenditure adjustment for a returned expense. The CAS-PAC funds were placed into the campaign account in July 2018 and were not directly transferred back to the CAS-PAC account until a set of correcting transfers in partial amounts were included with the final transfers completed in January 2019 (see additional information in the next bullet point and details in Finding 1). The placement of PAC funds into an account designated as a campaign account is not a violation of the campaign finance statutes when both accounts are federally insured. It is, however, in non-compliance with Registry Rule 0530-1-1.02(1), which recommends a separate account for campaign funds.
2. CAS-PAC bank account records indicate on November 8, 2018, a deposit of \$585.72 into the CAS-PAC account from Rep. Casada's campaign account. The funds appear to be a

contribution to the PAC to pay for several expenses incurred by the PAC. However, per Rep. Casada, the \$585.72 was an improperly made transfer in the wrong direction and in the wrong account. The transfer was supposed to be from CAS-PAC to Rep. Casada's personal account to reimburse him for expenses he paid on the PAC's behalf. According to Rep. Casada and his Treasurer, the transfer is related to the improperly deposited \$2,000 noted in bullet point one and several transfers in the CAS-PAC and Rep. Casada campaign accounts over several months ending with final transfers on January 28, 2019. The final transfers were to correct all the improper transfers and move the improperly deposited funds out of the campaign account. The errors related to these transfers and deposits are noted in bullet point one above and Finding 1.

3. CAS-PAC reported interest earnings of \$5.93 on the 2018 Pre-General disclosure report that were not earned. This resulted in the available funds of the PAC being overstated in violation of T.C.A. § 2-10-107(e). The PAC bank records indicate the PAC account does not earn interest. The amount appears to be the interest that was earned on Rep. Casada's campaign accounts for the 2018 Pre-General reporting period. The amount was reported on both the CAS-PAC and Rep. Casada campaign account disclosures, resulting in CAS-PAC improperly reporting interest the PAC did not earn. No detail findings for the improperly reported interest were provided as the errors represent less than 1% of the revenue received by CAS-PAC.

In addition to the difference noted between the amounts deposited and reported as noted above, CAS-PAC's Campaign Financial Disclosure Statements and PAC records indicated additional contribution errors. These include the following:

4. CAS-PAC improperly reported receiving a \$1,000 contribution as a PAC contribution that was a contribution for a specified candidate. This resulted in the available funds of the PAC being overstated in violation of T.C.A. § 2-10-107(e). The campaign finance disclosures for a registered PAC indicate that the PAC made a \$1,000 contribution to Rep. Casada's campaign on November 27, 2018. The check and bank records indicate the \$1,000 check was to Rep. Casada's campaign and was received and deposited on November 30, 2018. However, the check was deposited into the CAS-PAC bank account instead of Rep. Casada's campaign account. The \$1,000 was then reported on CAS-PAC's 2018 Fourth Quarter report. Based on the check, PAC disclosure, and bank records, the contribution is to Rep. Casada's campaign and not to CAS-PAC. Since the funds are designated to a specific candidate, CAS-PAC should have forwarded the funds to Rep. Casada's campaign account and either not reported the contribution, or reported a contribution adjustment to show the funds were passed through the PAC to the candidate and therefore not a contribution to the PAC. Neither the adjustment to the disclosure nor the transfer of funds occurred. Although the check was deposited into an account that appears to be dedicated to CAS-PAC instead of one of the accounts dedicated to Rep. Casada's campaign, the funds are still in a federally insured account as required by T.C.A. § 2-10-131. Therefore, the deposit of a campaign check into the CAS-PAC account is not a violation of the campaign finance statute. This deposit, however, does not comply with Registry Rule 0530-1-1.02(1), which recommends a separate account for campaign funds to ensure those funds are not commingled with other funds. The rule was established to assist candidates in not

misreporting contributions. No detail finding for improperly reporting a pass-through contribution was provided as the errors represent less than 1% of the revenue received by CAS-PAC. In addition, the error was noted in the Rep. Casada's campaign audit as failing to report a contribution received.

5. CAS-PAC failed to report a \$1,713.46 contribution provided to the PAC. The failure to report contributions is a violation of T.C.A. §§ 2-10-105(a) & 2-10-107. These contributions did not pass through the campaign account and the activity is detailed in Finding 1.

FINDING

1. CAS-PAC failed to report \$1,713.46 in contributions received, as required by T.C.A. §§ 2-10-105(a) and 2-10-107.

CAS-PAC failed to report \$1,713.46 in contributions received on its campaign disclosures during the period from January 1, 2018 to June 30, 2019. T.C.A. §§ 2-10-105(a) and 2-10-107 require all contributions received to be reported on a campaign finance report. The campaign disclosure and related campaign records indicate the candidate failure to report the following:

- a. The PAC records appear to indicate that CAS-PAC received a \$1,500 in-kind contribution for polling services on or about July 16, 2018, which was not reported on any PACs campaign finance disclosure report. On July 16, 2018, a vendor issued an invoice to CAS-PAC for services rendered totaling \$17,750. CAS-PAC paid the invoice with check #1205 in the amount of \$17,750 and reported the payment as four independent expenses dated July 18, 2018 on the 2018 Pre-Primary disclosure (these disclosures were also inaccurate, which is detailed in Finding 3). The invoice also had a notation indicating the firm also did "Polling, 2 targets, Gifted (1,500)." Based on the notation, it appears CAS-PAC received polling services from the vendor at no cost. This free service appears to be valued by the firm at \$1,500. The gifted service represents a contribution to the PAC of \$1,500 under the definition of contribution in T.C.A. § 2-10-102(4). Under T.C.A. §§ 2-10-105(a) and 2-10-107(c), the PAC was required to report the contribution as an itemized in-kind contribution on its 2018 Pre-Primary report. As noted, the PAC made no such disclosure.
- b. CAS-PAC disbursement records indicate that \$100 was paid to a vendor for services provided to the PAC from funds that were not PAC funds. The \$100 was not reported as a contribution by the PAC and the records are insufficient to identify the contributor. During the 2018 Second Quarter and 2018 Pre-primary reporting period, CAS-PAC received several services from a vendor totaling \$26,822.62. The PAC showed three check payments to the vendor totaling \$26,722.62. The payments were as follows: \$1,500 on 5/11/2018, \$16,800 on 5/31/2018, and \$8,422.62 on 7/13/2018. The PAC provided two items to support the expense during the audit process: One was an invoice for what appeared to be the \$1,500 paid on 5/11/2018. The other was an email detailing services and payments made through July 9, 2018 by the vendor. This email indicated

the \$26,822.62 in services provided and previous payments received of \$18,400 with \$8,422.62 still due. The payments on the email again shows the \$100 difference in the \$18,300 (\$16,800+\$1,500) disbursed by the PAC (the firm indicated payments received of \$18,400). The \$8,422.62 was one of the payments noted above and is dated after the email. Based on the PAC records and the email documentation it appears \$100 was paid to this vendor from a source that cannot be identified. As the payment was made on the PACs behalf, the \$100 would represent a contribution as defined by T.C.A. § 2-10-102(4). Under T.C.A. §§ 2-10-105(a) and 2-10-107, the PAC was required to report the contribution either as a monetary or in-kind contribution when paid to the vendor. As noted, the PAC made no such disclosure for the contribution.

- c. Rep. Casada indicated that he paid \$699.18 in PAC expenses from his personal bank account in October of 2018 and intended to be reimbursed the expenses from the CAS-PAC account. However, only \$585.72 of the \$699.18 was paid back to Rep. Casada. The remaining \$113.46 was not reimbursed to Rep. Casada and as such is a contribution to the PAC as defined by T.C.A. § 2-10-102(4). The \$113.46 in contributions was not reported by the PAC. In addition to not reporting the \$113.46 as a contribution, several other errors were made in making the transfer from CAS-PAC to Rep. Casada occurred. These include transfers the net into two transfers out of Rep. Casada's campaign account to pay \$585.72 of the \$699.18. Effectively having the campaign account pay the expense improper twice. One payment was made to Rep. Casada on 10/22/2018 and the other was made to CAS-PAC on 11/8/2018. The transfers were not reported by CAS-PAC or the campaign. Rep. Casada indicated none of the transfer should have been made. Rep. Casada indicate only one transfer of \$585.72 from CAS-PAC to the candidate's personal account should have been made to reimburse Rep. Casada for the expenses. He also indicated the reimbursement was miscalculated. The records provided by Rep. Casada and CAS-PAC campaign disclosures, showed five expenses totaling \$509.65 were reported on CAS-PACs 2018 Pre-General report as follows:

1. Un-itemized expense - Food/Beverage \$93.27
2. Un-itemized expense - Food/Beverage \$48.23
3. Un-itemized expense - Food/Beverage \$44.27
4. Un-itemized expense - Food/Beverage \$95.90
5. Itemized expense - Flat Iron Grill \$227.98

Rep. Casada's bank statement shows a discrepancy between the payments of the expense and the amount reported. The bank statement shows the total of those expense as \$549.61, not the \$509.65 report (see the Audit Conclusion section for expenses/disbursements and Finding 2). In addition, Rep. Casada stated the reimbursement included an unreported \$149.57 Hilton Garden Inn expense (See Finding 2). The total of the actual expense was \$699.18. Rep. Casada indicated the reimbursement was miscalculated, resulting in the \$585.72 transfer amount.

Based on Rep. Casada's explanation and other records reviewed, the first transfer was from the campaign account to Rep. Casada for \$585.72, not the CAS-PAC account. At that point, Rep. Casada is no longer the source of the funds paying the expense for

CAS-PAC, the campaign account becomes the source. When the second transfer of \$585.72 occurs, the campaign account becomes a contributor to CAS-PAC of an additional \$585.72. Rep. Casada and his treasurer indicated on January 28, 2019 that two additional transfers were made to correct the transfer error as well as correcting \$2,000 of CAS-PAC funds deposited into the campaign account in July of 2018. The two transfers net a disbursement of campaign funds to CAS-PAC for \$828.56. This transfer appears to attempt to correct the two \$585.72 transfers and the \$2,000 of CAS-PAC funds that were improperly deposited into the campaign account (noted in the audit conclusion for contribution and receipts - see bullet point one). When all three transfers (\$585.72, \$585.72 & \$828.56) are added together, the total is \$2,000. The final transfers have the effect of changing all the transfers to disbursements to move \$1,414.28 of \$2,000 improperly deposited back to the CAS-PAC account and \$585.72 of \$2,000 to Rep. Casada for the expense incurred on the PACs behalf.

Accounting for transactions in this manner over several months resulted in the commingling of funds between the campaign account and CAS-PAC. When funds are commingled, funds can lose their identity unless meticulous campaign records are maintained. The funds appear to lose their identity in the campaign accounts as there are not records maintained to show the separation of funds. The audit noted that Rep. Casada's QuickBooks records for the campaign account do not appear to separate the CAS-PAC funds in the account from the other funds deposited. Also, the QuickBooks records do not relate each transfer as a disbursement of the CAS-PAC funds. The campaign failed to maintain detailed disbursement records until requested by audit. As a result of commingling, the audit cannot determine whether campaign funds or CAS-PAC funds were disbursed when the two \$585.72 transfers occurred.

Based on the candidate's description of the purpose of the original \$585.72 and the commingling of funds, it would appear the campaign had incorrectly paid CAS-PAC expenses during the 2018 Pre-General report period. When the second \$585.72 was paid to CAS-PAC, the error was compounded. Those transfers should have been reversed or reported in by CAS-PAC and out from the campaign.

The failure to report these transfers for the PAC appears to be in non-compliance with T.C.A. §§ 2-10-105 and 2-10-107 regarding contributions received and balances available from July 2018 to January 2019. In addition, the improper correcting and/or reporting of these transfers appears to have resulted in \$113.46 in expense paid by Rep. Casada not being reported as a contribution.

In addition, the commingle of PAC and campaign funds is not in compliance with Registry Rule 0530-1-1.02(1), which recommends separate accounts for campaign funds. This rule was established to eliminate the commingling of funds which results in this type of misreporting. The net effect of the rule and T.C.A. §§ 2-10-212(c) and 2-10-105(f) (which requires maintenance of disclosure records) requires the PAC and Rep. Casada's campaign to specifically identify and document their transactions separately. The same information also appears in the Rep. Casada Campaign audit report.

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 CAS-PAC's 2018 Campaign Financial Disclosure Statements from January 16, 2018 to January 15, 2019, as well as CAS-PAC's 2019 Campaign Financial Disclosure Statements from January 16, 2019 to June 30, 2019. The Registry requested CAS-PAC provide campaign records to support all disbursements made and expenses incurred during the period from January 1, 2018 to June 30, 2019. On August 22, 2019, CAS-PAC submitted the campaign records maintained for disbursements/expenses. Included in the submission were bank statements, cancelled checks and QuickBooks accounting records. As part of the request, audit authority was given by the Members to issue subpoenas for the campaign bank records. Therefore, in addition to the records provided by CAS-PAC, the Registry also obtained, via subpoena, campaign bank account records used by the PAC during the audit period. The bank subpoenaed records for expenses include all bank statements and cleared check data from January 1, 2018 to June 30, 2019.

As noted in the update to the Members on November 13, 2019, the PAC records provided by CAS-PAC did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The only documents received for expenditures were the disbursement records (canceled checks and credit/debit card transactions on the bank statements), which show only the payee and the amount of the expense. Although CAS-PAC reports the purpose of an expense on its disclosures, the receipt, invoices, contracts, or other documentation from the vendor verifies the purpose reported is accurate and allowable. Due to the lack of these records, the auditor rebuilt the purpose records for the PAC account by requesting invoices and receipts from various vendors and inquiries of Rep. Casada and his treasurer. Following the original submission and over several months up to the release of the audit report, Rep. Casada and treasurer have submitted several duplicate or replacement copies of invoices, receipts, payment histories or other vendor records to support several expenses incurred (additional details related to the lack of documentation and the rebuilding of records can be found in Finding 5). The following steps were performed on campaign record documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2018 to June 30, 2019 totaled \$383,374.10.
- A list of disbursements was prepared and compared to the PAC's bank statements and copies of cleared checks to determine if the PAC expended all funds from the PAC bank account.
- The list of disbursements was compared to the PAC's campaign disclosures and the bank statements to determine if all disbursements were reported.
- A sample of fourteen 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:

CAS-PAC's Campaign Financial Disclosure Statements from January 16, 2018 to June 30, 2019 indicate the PAC had expenses totaling \$343,586.69. CAS-PAC's campaign records reflect the PAC incurred expenses totaling \$344,050.18. The difference between the reported expense amount and campaign records is \$463.49. The difference is the result of the following errors noted by the audit procedures:

1. CAS-PAC failed to report \$733.43 in expenses incurred as required by T.C.A. §§ 2-10-105 and 2-10-107. \$501.25 of the expenses were not paid from the CAS-PAC bank account (See Finding 1).
2. CAS-PAC overstated expenses by \$269.94, effectively reporting expenses that were not incurred. The reporting of expenses not incurred understates the available balance of the PAC funds at the end of each reporting period in violation of T.C.A. § 2-10-107(e). CAS-PAC reported five un-itemized expenses totaling \$257.22 during the 2018 Pre-General reporting period and three un-itemized expenses totaling \$12.67 during the 2018 Fourth Quarter for which no related disbursement was noted in the PAC bank account. As there appeared to be no disbursement, the expense was not incurred. The remaining \$0.05 was an overstatement of one expense that appears to be the result of a keying error. In addition to the \$269.94 that is part of the difference in disbursements, expenses incurred and the expenses reported, the audit noted in the deposits a \$4.28 refund of a campaign expense. The refund appears to be a debit card correction on the bank statement. This refund was also unreported and would reduce expenses incurred by \$4.28. No detailed finding was noted for the un-incurred expenses or the unreported expense refund as the errors relate to less than 1% of all expenses reported.

In addition to the difference noted between the expenses incurred and disbursed from the PAC account and expenses reported as noted above, CAS-PAC incurred \$509.66 in expenses that were paid by and reimbursed to Rep. Casada. However, the reimbursing transfers were improperly as they were made from Rep. Casada's Campaign bank account instead of CAS-PAC bank

account. CAS-PAC and Rep. Casada's Campaign account took several months to correct the error. The transfers also affect \$2,000 in CAS-PAC funds improperly deposited into the campaign account (the details of the transfer errors are noted in Finding 1 above in the contribution and receipts section).

CAS-PAC Campaign Financial Disclosure Statements and PAC records also indicated several errors in the disclosure of expenses and maintaining of expenditure records. These include errors reporting in-kind and independent expenses for various candidates, which also affected other candidate disclosures. The errors were as follows:

3. CAS-PAC failed to itemize \$2,589.60 in expenditures to individuals or vendors who it paid more than \$100.00 during a reporting period, which is required by T.C.A. § 2-10-107(a)(2)(B) (See Finding 4).
4. CAS-PAC failed to report \$1,420.89 in expenses incurred on behalf of Rep. Casada as an in-kind contribution in violation of T.C.A. § 2-10-107. Because they were not properly reported by CAS-PAC, they were also not reported as contributions by Rep. Casada on his campaign finance disclosures, in violation of T.C.A. § 2-10-107(c). Finally, \$597.89 of the expenses were incurred and paid during legislative session when Members of the Tennessee General Assembly are restricted from accepting contributions per T.C.A. § 2-10-310 (See Finding 3)
5. CAS-PAC also failed to report \$16,843.11 in expenses incurred on behalf of candidates as in-kind or independent contributions in violation of T.C.A. § 2-10-107. Relatedly, CAS-PAC improperly reported in-kind and independent expenses by overstating amounts to candidates by \$16,000 and understating amounts to candidates by \$6,000. Lack of reporting and improper reporting violates T.C.A. §§ 2-10-107(c) & 2-10-303 (See Finding 3).
6. CAS-PAC failed to provide a supporting receipt, invoice or other supporting document for 300 expenses totaling \$99,711.89 incurred by the campaign. As noted in the Audit Methodology section of Disbursement and Obligations and previously reported to the Members on November 13, 2019, the original submission of campaign records received for the audit did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The failure to retain and maintain such disbursement records to support the disclosures is a violation of T.C.A. §§ 2-10-212(c) and 2-10-105(f). Additional details related to the lack of documentation and the rebuilding of records can be found in Finding 5).
7. CAS-PAC inaccurately reported activity by misreporting three vendors in violation of T.C.A. § 2-10-107(a)(2)(B). The errors were as follows:
 - a. On the 2018 First Quarter report, CAS-PAC reported a donation to a charitable organization on 1/19/2018 for \$200. The PAC records indicate no such donation was made in January of 2018. However, on 1/19/2018 CAS-PAC paid a vendor \$200 to hang a TV in Cordell Hall. The disclosure improperly reported the vendor

and purpose of the expense. This same expense is noted in Finding 3 (the expense was also not reported as an in-kind contribution to Rep. Casada).

- b. CAS-PAC reported an expense to Rock Center Café in New York as Rock City Café.
- c. CAS-PAC used two different disclosures for the same vendor: Nashville City Club and City Club (City Club also had an incorrect address).

No detailed finding was noted for the improper reporting of vendors because the errors comprised less than 1% of all the expenses reported.

- 8. CAS-PAC inaccurately reported categories for expense activity in violation of T.C.A. § 2-10-107(a)(2)(B). CAS-PAC reported one expense that appears to be for “food/beverage” expense in Nashville but was reported under the category “travel” in un-itemized expenses. In addition, CAS-PAC appears to use the category “Public Transportation” for Lyft and Uber charges and “Parking” for public parking expense. However, CAS-PAC reported one parking expense as public transportation. No detailed finding was noted for the improper reporting of categories because the error noted occurred in less the 1% of all the expenses reported.
- 9. CAS-PAC reported a \$190.16 expense on the 2018 Fourth Quarter report dated October 19, 2018, which is during the 2018 Pre-General reporting period. The bank records indicate the expense was incurred on October 27, 2018, which is also during the 2018 Pre-General reporting period. It also indicates the credit card transaction cleared the bank on October 29, 2018. Although the bank records appear to indicate CAS-PAC likely typed the incorrect date. The record also indicates the PAC did report the expense in the wrong period (one period late). No detail finding was noted for the improper reporting of the error because it occurred in less than 1% of all the expenses reported.

FINDINGS

2. CAS-PAC failed to report \$733.43 in disbursements and/or expenses incurred as required by T.C.A. §§ 2-10-105(a) and 2-10-107.

CAS-PAC failed to report \$733.43 in disbursements and/or expenses incurred from January 1, 2018 to June 30, 2019, as required by T.C.A. §§ 2-10-105 and 2-10-107. Included in the unreported expenses are expenses paid by another source. In most cases for CAS-PAC, these are payments made by the controlling candidate or his associates from their personal funds. CAS-PAC’s normal procedures appear to reimburse such activity and only report the actual expense or report the payment as both a contribution and expense. Either is allowable. CAS-PAC also has a third option to report such payments as in-kind contributions. As CAS-PAC practice appears to not report these activities as in-kind, the audit followed the PAC’s standard practice when evaluating expenses paid by other sources. As such, some transactions were noted twice as being

unreported contributions and expense. When this occurs, there is a reference to the other contribution (Finding 1). Each disbursement and unreported expense is detailed below:

- a. CAS-PAC appears to have incurred a \$251.68 expense during the 2018 Third Quarter that was not reported. The expense was not disbursed from the bank account established for CAS-PAC. The disbursement is in the Rep. Casada campaign bank account, which shows a debit card/credit card transaction to Bluegrass Cl on September 7, 2018 for \$251.68. The audit found no disclosure of the expense on the Rep. Casada Campaign disclosure. However, in the CAS-PAC account and in Rep. Casada campaign records, four transfers in and out appear to be related to this expense. Two transfers into the campaign account totaling \$251.68 on 9/17/2018 and 9/24/2018 from CAS-PAC and two transfers out of the campaign account to CAS-PAC on 10/24/2018 totaling \$251.68. The audit was unable to identify the vendor or purpose of this expense or these transfers. Rep. Casada was asked about the expenses and transfers. His explanation for the expense was *“the \$251.68 was for a dinner at the Bluegrass Country Club in Hendersonville TN. I cannot find where I recorded it in my disclosure...I initially paid for this from my campaign account and I wanted it to be paid from CAS-PAC, thus the transfer in of \$221.68 and \$30 from CAS-PAC.”* However, two additional transfers were made out of the campaign account that reverse the payment by the PAC on 10/24/2018, effectively leaving the campaign account paying the expense. Therefore, Rep. Casada was asked to verify whether the campaign or PAC was responsible to pay the expense. Rep. Casada confirmed this expense should be a PAC expense. The result is non-compliance with the campaign finance statutes, since the current disclosures show no expense reported by either CAS-PAC or the campaign for this expense. Nor does the CAS-PAC report show an in-kind contribution from Rep. Casada for the campaign account paid expense. As Rep. Casada indicates this is a PAC expense, the PAC was required to disclose the \$251.68 expense or an obligation for the expense on the 2018 Third Quarter report per T.C.A. § 2-10-107. In addition to the statutory errors, the transaction also violates the Registry Rules that recommends the separation of campaign account funds from other accounts. There is a related Finding in the Rep. Casada audit.
- b. During the 2018 Pre-General reporting period, Rep. Casada paid \$699.18 in expenses. These expenses were part of series of transfer errors made in order to reimburse Rep. Casada and move improperly deposited funds, resulting in multiple errors noted and detailed in Finding 1 item 3. As part of these transactions, CAS-PAC was reporting each of the expenses on its disclosures. However, CAS-PAC failed to report \$189.57 of the expenses incurred. One expense was \$147.57 for travel to Jackson, TN, paid to a hotel. The entire expense was unreported. The remaining was part of the \$267.99 paid to Flat Iron Grill. However, CAS-PAC reported the expense as \$227.99, understating the expense by \$40. The understatement is the unreported expense amount. Although this expense could be reported multiple ways, Rep. Casada stated the intent was to have the expense reimbursed.
- c. CAS-PAC bank records indicate the account disbursed \$83.98 for a food expense to a vendor on October 15, 2018. The expense should have been reported on the 2018 Pre-General disclosure. Although the 2018 Pre-General report had several un-itemized expenses, the audit could not identify this expense (see Expense/Disbursement audit

conclusions bullet point 2). The \$83.98 does not appear on that disclosure report or the subsequent disclosure. As such, the audit determined the expense was unreported.

- d. CAS-PAC bank records (and invoice records) indicate the account disbursed \$58.10 for a food expense to a vendor on December 5, 2018. The expense should have been reported on the 2018 Fourth Quarter disclosure. Although the 2018 Fourth Quarter report had several un-itemized expenses, the audit could not identify this expense (see Expense/Disbursement audit conclusions bullet point 2). The \$58.10 does not appear on that disclosure report or the subsequent disclosure. As such, the audit determined the expense was unreported.
- e. As noted in Finding 1 item 2, \$100 was paid to a vendor on behalf of the campaign that was not reported as a contribution. The \$100 was not included in the related expense reported by CAS-PAC. This is one of the expenses that could be reported multiple ways (noted in the opening paragraph as paid from a non-PAC account source).
- f. CAS-PAC disclosures show two expenses that were understated for a total of \$50.10. The understatement represents \$58.10 in unreported expenses. The PAC disclosures during the 2018 Pre-General reporting period disclose an expense to St. Johns Restaurant for \$256.99. However, the PAC bank account indicates that \$306.99 was disbursed for the expense. The PAC understated the expense by \$50. The PAC disclosures during the 2019 Mid-Year reporting period disclose an unitemized expense for \$80.90. The PAC bank account records appear to indicate the expense relates to an \$81 disbursement. The PAC appears to have understated the expense by \$0.10.

3. CAS-PAC failed to report \$18,264 of in-kind and independent expenses to candidates including the PAC's controlling candidate, and improperly reported in-kind and independent expenses by overstating the amount to candidate by \$16,000 and understating amounts to candidates by \$6,000, as required by T.C.A. §§ 2-10-107(c) & 2-10-303. Relatedly, CAS-PAC paid \$597.89 in in-kind expenses during legislative session, which payments during session are prohibited by T.C.A. § 2-10-310.

CAS-PAC incurred several in-kind and independent expenses during the audit period. An in-kind or independent expense takes place when a PAC disburses PAC funds in support of or opposition to a candidate or measure. PAC in-kind expenses are incurred when a candidate has coordinated the expense with the PAC. An independent expense occurs when an expense is incurred without coordination. Registry Rule 0530-1-2-.07 explains independent expense coordination as an expense "...which is not made with the cooperation or with the prior consent of, or in consultation with, or at the request of, or suggestion of, a candidate or any agent or authorized committee of such candidate." For leadership PACs, any expense incurred for the benefit of the controlling candidate would appear to be a contribution per T.C.A § 2-10-102(4), which defines contribution. The expense will also be an in-kind expense if it is coordinated by the candidate.

CAS-PAC disbursed funds not only directly to candidates in contributions but also paid expenses on behalf of candidates. These expenses include advertising, staffing expenses, and other

campaign related expenses. Several of the expenses appear to be identified by CAS-PAC and reported, however, it appears CAS-PAC failed to evaluate all expenses for the possibility they may be in-kind or independent expenses. As such, CAS-PAC failed to identify several expenses that were on behalf of candidates, and thus failed to disclose the candidate who benefitted. When CAS-PAC did identify expenses, which were in-kind and/or independent, the PAC failed to always properly disclose the candidate supported or the amounts related to the candidate. Also, for some of the expenses that were identified as in-kind and independent, CAS-PAC improperly allocated the expenses to the candidates reported. The details of the various transactions the audit identified as improperly disclosed are detailed below:

- a. From April 2018 to June 2019, CAS-PAC paid \$1,220.89 to Simply Self Storage. Rep. Casada was asked about the purpose for the storage unit for CAS-PAC. Rep. Casada indicated the storage was for campaign signs of Rep. Casada. As the expense is paying a campaign expense for Rep. Casada, the expense meets the definition of an in-kind expense. It appears CAS-PAC did not recognize these expenses as an in-kind contribution to the PAC's controlling candidate (Rep. Casada). As such, the expense disclosures were incomplete as they failed to identify the candidate. Also, Rep. Casado's campaign disclosures did not recognize the various storage expenses as in-kind contributions from CAS-PAC. CAS-PAC reported the expense as several un-itemized expenses during various reporting periods using multiple categories that are variations the category "sign storage". Although the disclosures indicate the disbursement of CAS-PAC funds and a general purpose, the disclosures are incomplete because an in-kind expense requires the inclusion of the name of the candidate being supported or opposed and notation that the expense is an in-kind expense. CAS-PAC failed to make those disclosures on its report. In addition, as noted in item C finding 4, the PAC failed to report the expense as an itemized expense when the vendor received more than \$100 during a reporting period. The payments made were as follows:

- | | |
|----------------------------|---------------------------|
| i. \$53.89 on 4/2/2018 | ix. \$86.00 on 12/3/2018 |
| ii. \$75.00 on 5/3/2018 | x. \$86.00 on 1/4/2019 |
| iii. \$75.00 on 6/4/2018 | xi. \$86.00 on 2/3/2019 |
| iv. \$75.00 on 7/5/2018 | xii. \$86.00 on 3/1/2019 |
| v. \$75.00 on 8/1/2018 | xiii. \$86.00 on 4/1/2019 |
| vi. \$86.00 on 9/4/2018 | xiv. \$86.00 on 5/1/2019 |
| vii. \$86.00 on 10/3/2018 | xv. \$93.00 on 6/1/2019 |
| viii. \$86.00 on 11/5/2018 | |

The expense dates also indicate that CAS-PAC paid some of these storage expenses while the Tennessee legislature was in session in 2018 and 2019. In 2018, regular legislative session lasted from January 9, 2018 to April 27, 2018. In 2019, regular legislative session lasted from January 8, 2019 to May 2, 2019. T.C.A § 2-10-310 restricts Members of the legislature from accepting campaign contributions during session. The same statute also restricts certain PACs, including leadership PACs, from making contributions to candidates. These restrictions include paying in-kind expenses that result in in-kind contributions to candidates. Based on the dates of session and the payment dates, the \$53.89 paid on 4/2/2018 was during the 2018 session. The four

\$86.00 payments on Feb 3, March 1, April 1 and May 1, 2019 were during the 2019 session. The total of all payments during legislative sessions was \$397.89.

- b. CAS-PAC bank records include a January 19, 2018 payment to a vendor of \$200. The audit determined the expense was to mount a television in the legislative office of Rep. Glen Casada. The expense amount appears to have been attributed to the wrong vendor and for a different purpose by the PAC on its 2018 First Quarter report. The disclosure report indicates a \$200 donation was made on that day to a charitable organization. The bank record indicates no such payment on or near that date, only a payment to the vendor to mount the television. The reporting errors were noted as part of the Disbursement/Obligations audit conclusion (see item 5(a)). The payment to mount the television also appears to meet the definition of an in-kind expense to Rep. Casada. Although this is not a campaign expense, it appears to be a payment of an expense to the benefit of a specified officeholder (candidate), which would meet the definition of an in-kind contribution to the candidate. Therefore, the disclosure was insufficient because it did not report the expense as an in-kind expense and did not report the candidate's name. The expense was incurred on January 19, 2018, during the 2018 legislative session. As the expense was incurred during session, the expense and related in-kind contribution to Rep. Casada were prohibited by T.C.A § 2-10-310.
- c. CAS-PAC's campaign disclosures and bank records indicated several payments to vendors for various advertising and polling expenses. CAS-PAC reported several of these as in-kind and independent expenses to various candidates. As noted previously, CAS-PAC failed to provide invoices for expense. However, through the rebuilding process, CAS-PAC was able to get copies of the invoices for these vendor expenditures. The invoices indicate that CAS-PAC allocations for the various payments are not properly reported. The discrepancies are listed below:

- 1. On 6/12/2018, CAS-PAC disbursed \$53,500 to a vendor on check #1008 for invoice #1038. The PAC reported this as 10 independent expenditures to 10 candidates in varying amounts. The invoice includes an allocation of expenses to various candidates that appear to indicate a different allocation. The chart below contains the name of the candidate, the CAS-PAC reported amount and the invoice amount related to the candidate.

Candidate	PAC Reported	Invoice Amount
AIKENS, TONY R.	4,000	8,500
ELDRIDGE, RICK	6,500	5,000
HELTON, ESTHER	9,000	8,500
HOLT, ANDY	-0-	1,500
HUGHES, DAN	4,500	5,000
LYNN, SUSAN	1,000	1,500

RUDDER, IRIS	2,000	-0-
SHERRELL, PAUL	3,000	1,500
SPARKS, MICHAEL	3,000	1,500
TODD, CHRISTOPHER	15,000	15,500
WRIGHT, DAVE	5,500	5,000

The table shows 11 candidates had amounts misstated or unreported. The table shows overstated independent expenses of \$7,500, including \$2,000 to Iris Rudder, who appear to have no expense on the invoice. The table also shows understated independent expenses of \$6,000. The remaining \$1,500 that balances the over and understatement is the unreported amount to Andy Holt.

- On 7/17/2018, CAS-PAC disbursed \$17,750 to a vendor on check #1205 for invoice #1051. The PAC reported these as four independent expenses to four different candidates in varying amounts. The invoice included an allocation of expenses to various candidates that indicates a different allocation. The table below contains the name of the candidate, the CAS-PAC reported amount, and the invoice amount that relates to the candidate.

Candidate	PAC Reported	Invoice Amount
AIKENS, TONY R.	3,000	3,000
HELTON, ESTHER	6,250	3,750
HUGHES, DAN	-0-	1,000
MASON, JOHNATHAN	-0-	2,500
RUDDER, IRIS	4,000	3,000
TODD, CHRISTOPHER	4,500	4,500

The table shows four candidates had amounts misstated or unreported. The table shows overstated independent expenses of \$3,500. There are no understatements but there are two unreported independent expenses totaling \$3,500. The audit noted the unreported for Johnathan Mason amount was reported under Esther Helton. Johnathan Mason was Esther Helton's opponent. The invoice indicates this was an ad opposing Johnathan Mason. PACs are required to report an independent or in-kind expense when a clearly identified candidate is supported or opposed. Based on the records, it appears the candidate identified is Johnathan Mason, not Esther Helton. As such, it would appear Johnathan Mason should have been reported. The audit noted another ad on the same invoice listed an ad for "Mason/Helton Combo". For this ad, the

documentation appears to indicate both candidates were identified in the ad. As such the audit determined the PAC could report the ad as either a support or opposing ad to one of the candidates or split between the ad to both candidates. The PAC appears to have chosen to report that ad to Esther Helton, as such it was determined to be proper.

- On 7/26/2018, CAS-PAC disbursed \$4,000 to a vendor on check #1217 for invoice #1053. The PAC reported these as two independent expenses to two different candidates in varying amounts. The invoice included an allocation of expenses to various candidates that indicates a different allocation. The table below contains the name of the candidate, the CAS-PAC reported amount and the invoice amount that relates to the candidate.

Candidate	PAC Reported	Invoice Amount
AIKENS, TONY R.	-0-	1,500
HELTON, ESTHER	3,000	1,500
TODD, CHRISTOPHER	1,000	1,500

The table shows three candidates had amounts misstated or unreported. The table shows overstated independent expenses of \$1,500 and an unreported independent expense of \$1,500.

- On 8/07/2018, CAS-PAC disbursed \$27,000 to a vendor on check #1220 for invoice #1069. The PAC reported these as three independent expenses and CAS-PAC polling and research expenses. The invoice included an allocation of expenses to various candidates which indicates a different allocation. The table below contains the name of the candidate, the CAS-PAC reported amount and the invoice amount that relates to the candidate.

Candidate	PAC Reported	Invoice Amount
AIKENS, TONY R.(HD21)	-0-	2,250
HELTON, ESTHER	5,250	5,250
SPARKS. MICHAEL	2,750	2,250
TODD, CHRISTOPHER	3,000	-0-
CAS-PAC	\$16,000	\$17,250

The table shows three candidates and CAS-PAC had amounts misstated or unreported. The table shows overstated independent expenses of \$3,500. The table has one unreported candidate's independent expenses of \$2,250. There is also an understatement of \$1,250 for CAS-PAC but the understatement is not an independent or in-kind expense.

d. CAS-PAC's campaign disclosures and bank records indicate several payments to individuals for the benefitting of various candidates in the state to be campaign workers. CAS-PAC reported these disbursements as both in-kind and independent expenses based on their interaction or lack of interaction with the related campaigns. Based on the documentation and statements by Rep. Casada, the audit determined the allocations of the payroll appears reasonable. CAS-PAC also paid rental expenses and fuel related expenses for these campaign workers. These payments were not reported as either in-kind or independent expenses. However, these payments to the campaign workers to accomplish their assigned campaign work are a benefit to the campaigns, in the same manner as their payroll. As such, they are contributions to the applicable candidate campaigns. Therefore, each of those expense transactions should have been reported as either an in-kind or independent expense, using the same allocation as the payroll payment. CAS-PAC failed to report \$4,593.61 in associated campaign worker expenses as in-kind or independent expenses. The improperly noted transaction are listed below:

1. CAS-PAC reported a \$500 fuel expense to William Faulk on 5/22/2018 and \$700 rental expenses on 6/14/2018. These expenses appear to relate to the worker's responsibilities for Dan Hughes, Christopher Todd and Chris Hurt. Therefore, the expense should have been allocated evenly among the three candidates. Dan Hughes payroll expenses were in-kind, so the fuel and gas allocations should be in-kind as well. Christopher Todd and Christ Hurt's allocations would be independent expenses.
2. CAS-PAC reported a \$181.61 fuel expense to Marathon on 6/14/2018. The expense was paid to Emily Gibbons. The expense appears to relate to Emily Gibbons work for candidates Micah Van Huss and Rick Eldridge. Therefore, the expense should have been allocated evenly between the two. Based on the payroll reporting, both expenses should be an in-kind expense.
3. CAS-PAC reported a \$360 fuel expense to Hunter Shults on 6/22/2018. The expense appears to relate to Hunter Shults work for candidate Michael Sparks. Based on the payroll reporting, the expense should be an in-kind expense for Michael Sparks.
4. CAS-PAC reported a \$227 fuel expense to Hogan Smithmier on 6/14/2018. The expense appears to relate to Hogan Smithmier's work for candidate Paul Sherrell. Based on the payroll reporting, the expense should be an in-kind expense for Paul Sherrell.
5. CAS-PAC reported a \$500 rent expense to William Faulk on 7/18/2018. The expense appears to relate to William Faulk's work for candidates Christopher Todd and Chris Hurt. Based on the payroll reporting, the expenses should be an even split of the expense to both candidates and reported as an independent expense.

6. CAS-PAC reported a \$400 fuel expense to Emily Gibbons on 7/16/2018. The expense appears to relate to Emily Gibbons' work for candidate Rick Eldridge. Based on the payroll reporting, the expense should be an independent expense for Rick Eldridge.
7. CAS-PAC reported a \$200 fuel expense to Allison McHenry on 7/16/2018. The expense appears to relate to Emily Gibbons' work for candidate Tommy Vallejos. Based on the payroll reporting, the expense should be an independent expense for Tommy Vallejos.
8. CAS-PAC reported a \$450 fuel expense to Hogan Smithmier on 7/18/2018. The expense appears to relate to Hogan Smithmier's work for candidate Paul Sherrell. Based on the payroll reporting, the expense should be an in-kind expense for Paul Sherrell.
9. CAS-PAC reported a \$375 fuel expense to Mapco Express on 8/13/2018. The expense was paid to Emily Gibbons. The expense appears to relate to Emily Gibbons' work for candidate Rick Eldridge. Based on the payroll reporting, the expense should be an independent expense for Rick Eldridge.
10. CAS-PAC reported a \$325 fuel expense to Murphy USA on 8/15/2018. The expense was paid to Hunter Shults. The expense appears to relate to Hunter Shults' work for candidate Michael Sparks. Based on the payroll reporting, the expense should be an in-kind expense for Michael Sparks.
11. CAS-PAC reported a \$375 fuel expense to Shell on 8/13/2018. The expense was paid to Hunter Shults. The expense appears to relate to Hogan Smithmier's work for candidate Paul Sherrell. Based on the payroll reporting, the expense should be an in-kind expense for Paul Sherrell.

CAS-PAC's campaign disclosures and bank records also indicate that four of the campaign workers were paid a bonus by CAS-PAC at the end of their services. These bonus payments were determined to be contributions to campaigns. CAS-PAC therefore had to report the expenses as either in-kind or independent. Unlike the unreported fuel and rent expenses, the bonuses are independent expenses unless the campaigns were involved in coordinating the expense, regardless of the other transaction. It appears none of the bonus expenses were coordinated. The audit determined all four disbursements should have been reported as independent expenses. The four transactions total \$3,500 and are listed below:

1. CAS-PAC paid William Faulk a \$750 bonus on 8/13/2018 for work for Christopher Todd and Chris Hurt. The expense should be equally split when reported.

2. CAS-PAC paid Emily Gibbons a \$750 bonus on 8/13/2018 for work for Rick Eldridge.
3. CAS-PAC paid Hunter Shults a \$1,000 bonus on 8/07/2018 for work for Michael Sparks.
4. CAS-PAC paid Hogan Smithmier a \$1,000 bonus on 8/13/2018 for work for Paul Sherrell.

Finally, the audit noted several advertising expenses which were incurred by CAS-PAC in 2019. Like other advertising expenses noted in this finding, the audit has only invoice and disbursement checks for payment. CAS-PAC did not maintain additional support for determining whether in-kind or independent disclosure was appropriate. In the case of advertising, examples of this would include copies of print ads, radio or TV Scripts. The 2019 ad invoices indicate CAS-PAC incurred a digital ad expense for a specified candidate. However, the invoice does not indicate the type or details of the ad. As a result, Registry staff asked Rep. Casada if the ad campaigns were independent, in-kind or PAC expenses. Rep. Casada said the ads did not specifically advocate support or opposition to a specified candidate in 2020. He noted the ads advocated support for a candidate based on their vote for a piece of legislation. For this reason, CAS-PAC determined the expense did not represent a contribution to a candidate either directly or indirectly, which would require disclosure of an independent or in-kind expense. CAS-PAC reported the expenses as a PAC advertising expense.

The audit was unable to determine the status of these expenses due to the lack of documentation and the rules and regulations that govern independent and in-kind contributions. Tennessee Campaign Finance Statute does not define independent expense but does define contributions and in-kind contributions. The definition of a contribution is found in T.C.A. § 2-10-102(4):

"Contribution" means any advance, conveyance, deposit, distribution, transfer of funds, loan, loan guaranty, personal funds of a candidate, payment, digital currency, gift, or subscription of money or like thing of value, and any contract, agreement, promise or other obligation, whether or not legally enforceable, made for the purpose of influencing a measure or nomination for election or the election of any person for public office or for the purpose of defraying any expenses of an officeholder incurred in connection with the performance of the officeholder's duties, responsibilities, or constituent services."

The expenses, per Rep. Casada, may or may not represent a campaign related expense but appears to have some aspects of an office holder expense and is a benefit to the candidate featured in the ad. As such, the expense could be considered a contribution. The audit cannot make a complete assessment of the expenses. The expenses are listed below so the Members may consider if the expenses met the definition of a contribution under T.C.A. § 2-10-207. If deemed a contribution by the Members, the expenses would constitute an independent expenditure by CAS-PAC.

1. On 2/21/2019, CAS-PAC disbursed \$1,000 to a vendor on check #1263 for invoice #1124. The PAC reported this as a PAC advertising expense. The invoice appears to indicate it is a digital advertising expense for Rep. Larry Lowell Russell.

2. On 3/19/2019, CAS-PAC disbursed \$2,000 to a vendor on check #1266 for invoice #1131. The PAC reported this as a PAC advertising expense. However, the invoice appears to indicate it was a digital advertising expense for Rep. Kirk Haston (\$1,000) and Rep. Clay Doggett (\$1,000).

4. CAS-PAC failed to itemize \$2,589.60 in expenditures, as required by T.C.A. § 2-10-107(a)(2)(B).

CAS-PAC incorrectly reported 55 transactions totaling \$2,589.60 as un-itemized expenditures when an individual or vendor was paid more than \$100 during a reporting period. T.C.A. § 2-10-107(a)(2)(B) requires expenses to be itemized when a vendor/individual is paid more than \$100 during a reporting period. The various transactions are detailed below:

- a. During the 2018 First Quarter reporting period CAS-PAC improperly reported five un-itemized transactions totaling \$142.20 for food/beverage that were paid to the same vendor. Additionally, the vendor had four itemized expenses disclosed on the 2018 First Quarter report.
- b. During the 2018 First Quarter reporting period, CAS-PAC improperly reported one un-itemized transaction totaling \$10.18 for food/beverage that were paid to a vendor, The same vendor had an itemized expense for \$1,317.86 disclosed on the 2018 First Quarter.
- c. During the 2018 Second Quarter reporting period, CAS-PAC improperly reported three un-itemized transactions totaling \$203.89 for “Yard Sign Storage” that were all paid to same vendor. The same vendor during the 2018 Third Quarter was paid \$161 in two transactions reported as “Storage of signs.” The same vendor was paid another \$258 during the 2018 Fourth Quarter reporting period and again reported as un-itemized in three transactions reported as “Storage of signs.” The vendor was paid five times on the 2019 Mid-Year report for a total of \$437. Those transactions were reported as “Storage” and “Storage of signs.” Additionally, these expenses were improperly reported because they were not identified as in-kind contributions to a candidate, which is noted in Finding 4.
- d. During the 2018 Second Quarter reporting period, CAS-PAC improperly reported eight un-itemized transactions totaling \$189.35 for “travel” that were paid to the same vendor.
- e. During the 2018 Third Quarter reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$131.62 for “Food/Beverage” that were paid to the same vendor.

- f. During the 2018 Pre-General reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$132.10 for “Food/Beverage” that were paid to the same vendor.
- g. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported three un-itemized transactions totaling \$139.54 for “Food/Beverage” that were paid to the same vendor.
- h. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported four un-itemized transactions totaling \$164.33 for “Food/Beverage” that were paid to the same vendor.
- i. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$174.29 for “Food/Beverage” that were paid to the same vendor. Additionally, the vendor had three itemized expenses disclosed on the 2018 Fourth Quarter report.
- j. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$130.89 for “Drinks” and “Food/Beverage” that were paid to the same vendor. Additionally, the vendor had three itemized expenses disclosed on the 2018 Fourth Quarter report.
- k. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported one un-itemized transaction totaling \$31.63 for “food/beverage” that was paid to a vendor who had an itemized expense of \$2,817.70 disclosed on the 2018 Fourth Quarter report.
- l. During the 2018 Fourth Quarter reporting period, CAS-PAC improperly reported one un-itemized transaction totaling \$71.18 for “food/beverage” that was paid to a vendor who had an itemized expense for \$141.60 disclosed on the 2018 Fourth Quarter report.
- m. During the 2019 Mid-Year reporting period, CAS-PAC improperly reported six un-itemized transactions totaling \$446.90 for “Food/Beverage” and “Dues/Subscriptions” that were paid to the same vendor. The amount paid was more than the amount reported. The amount that should have been itemized was \$447. The \$0.10 understatement is part of the unreported expense noted in Finding 2 That vendor also had two itemized expense during the same period.
- n. During the 2019 Mid-Year reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$94.68 for “Food/Beverage” that were paid to the same vendor. The vendor had five itemized expenses disclosed on the same report.
- o. During the 2019 Mid-Year reporting period, CAS-PAC improperly reported two un-itemized transactions totaling \$22.68 for “Drinks/beverage” and “Food/Beverage” that were paid to the same vendor. The vendor had 10 itemized expenses disclosed on the same report.

- p. During the 2019 Mid-Year reporting period, CAS-PAC improperly reported one un-itemized transaction totaling \$52.41 for “food/beverage” that were paid to a vendor who had an itemized expense for \$223.07 disclosed on the same report.
- q. During the 2019 Mid-Year reporting period, CAS-PAC improperly reported one un-itemized transaction totaling \$78.11 for “food/beverage” that was paid to a vendor who had three itemized expenses disclosed on the same report.

The \$2,589.60 in unitemized expenses which need to be itemized are approximately 26.5% of the \$9,755.04 unitemized expenses reported from January 1, 2018 to June 30, 2019.

5. CAS-PAC failed to provide a supporting receipt, invoice, or other supporting document for 299 expenses totaling \$99,625.89 incurred by the PAC. CAS-PAC is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f) to retain and maintain such disbursement records to support the disclosures made.

As noted in the Audit Methodology section of Disbursement and Obligations and previously reported to the Members, the original submission of campaign records received from CAS-PAC did not include any documentation to support the purpose of the disbursements made and/or expenses incurred. The failure to retain and maintain such disbursement records to support the disclosures is required by T.C.A. §§ 2-10-212(c) and 2-10-105(f).

Although Tennessee campaign finance statutes have few restrictions on how a PAC disburses its funds, there are restrictions on the amount of expenses incurred on behalf of candidates by PACs. Tennessee campaign finance law also requires additional disclosure for all expenses incurred in support of or opposition to candidates and measures. Although similar restrictions apply to campaigns, they generally do not incur such expenses. For this reason, purpose documentation is more significant for PACs and may need to include records beyond receipts, invoices or billings because purpose records need to identify whether an expense was incurred in support of, or opposition to, candidates and measures. Regardless of the activity performed, PACs must evaluate receipts and other records and maintain documents to determine if the expenses were incurred for PAC operations, non-campaign purposes and/or incurred for the candidates and measures. When the expenses are incurred by a leadership PAC, the PAC needs to be even more vigilant to identify expenses incurred for the benefit of the candidate who controls the PAC. Since the candidate controls the PAC and is the beneficiary of the expense, it is likely all such expenses will need to be reported as in-kind expenses to the controlling candidate. Those expenses will also be limited by statute. Although there are limited restrictions on PAC disbursements, in-kind expenses incurred on behalf of a candidate could be restricted to the campaign. Campaigns have statutory restrictions on how they can use campaign contributions. Because PAC’s in-kind expenses are also in-kind contributions to the candidate they benefit, that restriction could keep the campaign from accepting the in-kind contribution. In addition to the lack of receipts noted in this finding, the audit determined that the only support for in-kind and independent expenses from other expenses was PAC disclosures and a few notations in QuickBooks for advertising expenses and PAC officials’ statements.

As noted in the audit conclusion, the PAC disclosure records indicate the campaign incurred expenses totaling \$343,586.69. Due to the lack of records supporting these expenses, the auditor initiated a process of rebuilding records for the PAC by requesting invoices and receipts from vendors and through inquiries of Rep. Casada and his PAC treasurer. From November 2019 through April 2020, Rep. Casada and his treasurer have requested and submitted several duplicate or replacement copies of invoices, receipts, payment histories and other vendor records to support the expenses incurred.

In addition to replacement documentation, the Registry has identified several examples of donations and contributions where an invoice/receipt may not be needed to identify the purpose and legality of an expense. One example would be a payment which appears to be a charity payment to a 501c(3) charitable organization which is usually for the purpose "donation." The audit process has identified several vendors who do not have a standard business practice of issuing receipts when receiving funds. Some examples of these are candidates and PACs who receive contributions but do not generally issue receipts. In addition, chambers of commerce and political groups that charge dues and luncheon fees do not generally issue receipts.

PACs should make every effort to maintain a receipt for all expenses incurred and ask vendors who do not normally issue a receipt to provide one, though some exceptions occur when a receipt cannot be obtained. These exceptions should be limited and, when an exception occurs, the PAC should document why there is no receipt in the PAC record. The records should also show attempts to obtain other evidence to document the transaction. Examples include: copies of the portion of a candidate or PAC disclosure showing the payment received,; signatures by an employee on a listing or memo for work performed and payments received; copies of tickets purchased; fliers or email invitations to events attended; or other such documents which show the purpose for the activity being performed.

CAS-PAC had several expenses similar to those listed above. Most were direct contributions to candidates. None had records provided to support the activity beyond the check to the vendor or candidate. However, solely based on the check issued by the PAC (or in some cases the disclosures made by a state level candidate), the audit determined the expense as being sufficiently supported for audit purposes.

After the rebuilding process the audit identified \$99,625.89 in expenses were still unsupported. Although most of the supported expenses were evaluated as to whether the expense was incurred for a candidate or measure, several expenses exist for which audit cannot confirm a purpose identified as in-kind or independent. Most of the food related expense below were not evaluated for in-kind and independent expense. The audit can confirm food was purchased but the audit cannot confirm the underlying purpose of the activity that included the meal. The \$99,625.89 of unsupported transactions are listed below.

The following reported un-itemized expenses were unsupported. The listing is by reporting period and listed as disclosed on the applicable campaign finance report.

2018 First Quarter

1. Food/Beverage \$11.00

2. Food/Beverage \$12.84

3. Food/Beverage \$10.18

4. Food/Beverage \$24.28)
5. Food/Beverage \$2.17
6. Food/Beverage \$22.00
7. Food/Beverage \$77.00
8. Food/Beverage \$33.00

2018 Second Quarter

1. Food/Beverage \$76.11
2. Food/Beverage \$50.00
3. Travel \$6.23
4. Food/Beverage \$6.00
5. Food/Beverage \$15.00
6. Food/Beverage \$16.74
7. Yard Sign Storage \$53.89
8. Food/Beverage \$50.61
9. Food/Beverage \$99.51
10. Yard Sign Storage \$75.00
11. Parking \$3.00
12. Travel \$22.22
13. Food/Beverage \$8.22
14. Food/Beverage \$12.90
15. Food/Beverage \$28.52
16. Food/Beverage \$59.75
17. Food/Beverage \$26.20
18. Food/Beverage \$16.94
19. Yard Sign Storage \$75.00
20. Travel \$23.27
21. Travel \$16.52
22. Travel \$16.53
23. Travel \$22.36
24. Food/Beverage \$19.33
25. Travel \$6.45
26. Food/Beverage \$42.00
27. Food/Beverage \$42.00
28. Food/Beverage \$34.82
29. Travel \$6.45
30. Food/Beverage \$25.00
31. Travel \$30.71
32. Travel \$51.29

2018 Pre-Primary

1. Yard Sign Storage \$75.00
2. Food/Beverage \$13.25
3. Food/Beverage \$21.97
4. Food/Beverage \$79.80
5. Postage \$20

2018 Third Quarter

1. Public Transportation \$6.54
2. Food/Beverage \$14.43
3. Food/Beverage \$19.55
4. Food/Beverage \$78.25
5. Food/Beverage \$70.37
6. Food/Beverage \$5.03
7. Food/Beverage \$21.24
8. Food/Beverage \$53.37
9. Food/Beverage \$80.75
10. Food/Beverage \$51.85
11. Yard Sign Storage \$86.00
12. Public Transportation \$5.00 (Premier) ¹
13. Public Transportation \$6.55
14. Public Transportation \$6.54
15. Public Transportation \$5.91
16. Parking \$3.00
17. Parking \$3.00
18. Food/Beverage \$69.70
19. Food/Beverage \$16.00
20. Public Transportation \$6.55
21. Public Transportation \$7.87
22. Public Transportation \$8.33
23. Public Transportation \$7.25
24. Public Transportation \$7.25
25. Food/Beverage \$50.94
26. Food/Beverage \$25.13
27. Food/Beverage \$13.28
28. Yard Sign Storage \$75.00

2018 Pre-General

1. Food/Beverage \$83.87
2. Food/Beverage \$28.99
3. Food/Beverage \$46.39
4. Food/Beverage \$57.89
5. Food/Beverage \$75.89
6. Dues / Subscriptions \$29.24
7. Food/Beverage \$46.33
8. Food/Beverage \$4.57
9. Parking \$5.00
10. Food/Beverage \$32.78
11. Food/Beverage \$93.27
12. Food/Beverage \$48.23
13. Food/Beverage \$44.27
14. Food/Beverage \$95.90

15. Storage of Signs \$86.00
16. Food/Beverage \$62.63
17. Food/Beverage \$63.01
18. Food/Beverage \$15.11
19. Food/Beverage \$70.44
20. Food/Beverage \$50.70
21. Food/Beverage \$78.92
22. Food/Beverage \$44.33
23. Parking \$8.00
24. Food/Beverage \$18.89
25. Food/Beverage \$16.61
26. Food/Beverage \$72.98

2018 Fourth Quarter

1. Beverage \$3.10
2. Food/Beverage \$28.55
3. Food/Beverage \$72.26
4. Food/Beverage \$73.66
5. Food/Beverage \$87.89
6. Food/Beverage \$40.33
7. Food/Beverage \$48.41
8. Food/Beverage \$52.65
9. Parking \$5.00
10. Storage of Signs \$86.00
11. Food/Beverage \$93.29
12. Drinks \$38.00
13. Food/Beverage \$81.00
14. Storage of Signs \$86.00
15. Food/Beverage \$92.09
16. Public Transportation \$11.62
17. Storage of Signs \$86.00
18. Food/Beverage \$24.60
19. Beverages \$13.96
20. Food/Beverage \$23.69
21. Public Transportation \$63.56
22. Food/Beverage \$51.41
23. Food/Beverage \$64.44
24. Parking \$62.87
25. Public Transportation \$39.79
26. Food/Beverage \$17.46
27. Beverages \$2.28
28. Beverages \$3.94
29. Food/Beverage \$14.95
30. Public Transportation \$7.45
31. Public Transportation \$6.55
32. Food/Beverage \$31.63

33. Food/Beverage \$71.18
34. Food/Beverage \$24.21
35. Food/Beverage \$47.17
36. Food/Beverage \$24.05
37. Food/Beverage \$68.95
38. Food/Beverage \$20.20
39. Food/Beverage \$4.57
40. Food/Beverage \$29.94
41. Parking \$10.00
42. Food/Beverage \$4.57
43. Food/Beverage \$37.78
44. Food/Beverage \$87.31
45. Food/Beverage \$59.33

2019 Mid-Year

1. Food/Beverage \$80.90 ¹
2. Food/Beverage \$86.21
3. Public Transportation \$6.68
4. Food/Beverage \$34.32
5. Food/Beverage \$17.00
6. Food/Beverage \$36.68
7. Storage of Signs \$93.00
8. Dues / Subscriptions \$81.00
9. Beverages \$62.17
10. Beverages \$50.90
11. Beverages \$24.00
12. Beverages \$36.81
13. Drinks \$54.70
14. Food/Beverage \$11.70
15. Food/Beverage \$50.84
16. Food/Beverage \$42.15
17. Food/Beverage \$33.30
18. Food/Beverage \$15.17
19. Food/Beverage \$54.49
20. Food/Beverage \$81.00
21. Storage \$86.00
22. Gift for Staff \$51.35
23. Gift for Staff \$25.07
24. Food/Beverage \$27.09
25. Food/Beverage \$63.72
26. Gift for Staff \$94.44
27. Food/Beverage \$81.00
28. Storage \$86.00
29. Gift for Staff \$77.89
30. Food/Beverage \$36.79
31. Food/Beverage \$25.92

- 32. Drinks / Beverages \$12.03
- 33. Food/Beverage \$10.94
- 34. Food/ Beverage \$52.41
- 35. Food/Beverage \$78.11

- 36. Storage \$86.00
- 37. Food/Beverage \$81.65
- 38. Public Transportation \$6.96
- 39. Food/Beverage \$30.85

The following reported itemized expense were unsupported. The listing is by reporting period and listed as disclosed on the applicable campaign finance report.

2018 First Quarter

- 1. City Club 1/21/2018 \$1,317.86
- 2. Demo 03/08/2018 \$231.53
- 3 Fifty Forward Power Custom Homes 1/19/2018 \$200¹
- 4. Marriot 3/8/2018 \$172.65
- 5. Rachel Barrett & Assc. 2/4/2018 \$5,705
- 6. Sutler Restaurant 2/16/2018 \$118.08

2018 Second Quarter

- 1. Blanchard, Courtney 06/14/2018 \$2,000 (White,Mark)
- 2. Blanchard, Courtney 05/11/2018 \$2,000 (White,Mark)
- 3. Faulk, William 05/22/2018 \$500
- 4. Faulk, William 06/14/2018 \$700
- 5. Faulk, William 05/18/2018 \$1000 (Todd, Christopher)
- 6. Faulk, William 05/18/2018 \$1000 (Hurt, Chris)
- 7. Faulk, William 06/14/2018 \$1000 (Hughes, Dan)
- 8. Faulk, William 05/22/2018 \$500 (Hughes, Dan)
- 9. Gibbons, Emily 06/14/2018 \$500 (Van Huss, Micah)
- 10. Gibbons, Emily 06/14/2018 \$1,500 (Eldridge, Rick)
- 11. Gibbons, Emily 05/11/2018 \$500 (Van Huss, Micah)
- 12. Gibbons, Emily 05/11/2018 \$1,500 (Eldridge, Rick)
- 13. Hampton Inn 06/23/2018 \$141.08
- 14. Marathon (paid to Gibbons) 06/14/2018 \$181.61
- 15. McHenry, Allison 5/11/2018 \$1,200 (Reedy, Jay)
- 16. McHenry, Allison 06/14/2018 \$200 (Vallejos, Tommy)
- 17. Nelson, Taylor 6/14/2018 \$500 (for Wright, Dave)

- 18. Nelson, Taylor 6/14/2018 \$1,500 (for Smith, Eddie)
- 19. Nelson, Taylor 5/04/2018 \$500 (for Daniel, Martin)
- 20. Nelson, Taylor 5/04/2018 \$500 (for Dunn, Bill)
- 21. Nelson, Taylor 5/04/2018 \$1,000 (for Smith, Eddie)
- 22. Rodizio Rest. 06/25/2018 \$121.57
- 23. Rowell, Brock 6/14/2018 \$2,440 (Aikens, Tony)
- 24. Rowell, Brock 5/11/2018 \$560 (Moon, Jerome)
- 25. Rowell, Brock 6/14/2018 \$500 (Aikens, Tony)
- 26. Rowell, Brock 5/11/2018 \$500 (Aikens, Tony)
- 27. Shults, Hunter 06/22/2018 \$360
- 28. Shults, Hunter 05/09/2018 \$2,500 (Sparks, Michael)
- 29. Smithmier, Hogan 6/14/2018 \$227
- 30. Smithmier, Hogan 5/11/2018 \$2,000 (Sherrell, Paul)

2018 Pre-Primary

- 1. Blanchard, Courtney 07/16/2018 \$2,000 (McCormick, Scott)
- 2. Bobby Hotel 07/17/2018 \$7,332.58
- 3. Faulk, William 07/18/2018 \$1000 (Todd, Christopher)
- 4. Faulk, William 07/18/2018 \$1000 (Hurt, Chris)
- 5. Faulk, William 07/18/2018 \$500
- 6. Gibbons, Emily 07/16/2018 \$2,000 (Eldridge, Rick)
- 7. Gibbons, Emily 07/18/2018 \$400
- 8. Hampton Inn 07/06/2018 \$125.24
- 9. McHenry, Allison 07/16/2018 \$200 (Vallejos, Tommy)
- 10. McHenry, Allison 07/19/2018 \$200
- 11. Nelson, Taylor 07/16/2018 \$2,000 (for Smith, Eddie)

12. Rowell, Brock 07/16/2018 \$1,000 (Moon, Jerome)
13. Smithmier, Hogan 7/18/2018 \$450

2018 Third Quarter

1. Blacklist Consulting Group 7/30/2018 \$1,500¹
2. Blacklist Consulting Group 8/17/2018 \$6,134.38²
3. Faulk, William 08/13/2018 \$750
4. Gibbons, Emily 08/13/2018 \$750 (Bonus)
5. Hampton Inn 08/11/2018 \$159.64
6. Mafiaozas 8/01/2018 \$334.86³
7. Mapco Express 8/15/2018 \$375⁶
8. Murphy USA 8/15/2018 \$325⁴
9. Parthenon Grille 9/24/2018 \$107.96
10. Shell 8/13/2018 \$375⁵
11. Shults, Hunter 08/07/2018 \$1,000 (Bonus)
12. Smithmier, Hogan 8/13/2018 \$1,000 (Bonus)

2018 Pre-General

1. Bonefish Grill 10/10/2018 \$107.11
2. Flat Iron Grill 10/19/2018 \$227.99²
3. Hampton Inn 10/12/2018 \$139.20
4. Sammy B. 10/27/2018 \$120.31
5. Spry Strategies 10/26/2018 \$3,177.82
6. St. Johns Rest. 10/12/2018 \$256.99¹
7. Texas De Brazil 10/08/2018 \$180.20

2018 Fourth Quarter

1. 5 Senses 11/06/2018 \$146.21
2. Candy Warehouse 1/11/2019 \$111.08
3. Cattleya Group, LLC 11/01/2018 \$2,500
4. Cattleya Group, LLC 11/01/2018 \$1,000
5. City Club 1/07/2019 \$1,603.08⁴
6. City Club 12/28/2018 \$500⁴
7. Freedom Strategies 12/12/2018 \$2,500
8. Frugal Macdoogal's 1/14/2019 \$288.61³
9. Hampton Inn 10/19/2018 \$190.16¹

10. Hampton Inn 11/09/2018 \$234.90
11. Hampton Inn 11/16/2018 \$114.71
12. Jeff Ruby's Steakhouse 11/21/2018 \$2,817.70
13. ME Marriot 11/01/2018 \$141.60
14. Nashville City Club 01/07/2019 \$1,279.79
15. Rock City Cafe 12/10/2018 \$115.99²
16. Sea Fire Grill 12/11/2018 \$193.76
17. Super 8 Motel 11/02/2018 \$105.06

2019 Mid-Year

1. Dominos 4/17/2019 \$206.88²
2. Frugal Macdoogal's 1/17/2019 \$147.38¹
3. Hilton Hotel 02/23/2019 \$183.84
4. Jason's Deli 02/13/2019 \$158.06
5. Jason's Deli 02/12/2019 \$129.31
6. Jason's Deli 02/06/2019 \$101.84
7. Nashville City Club 05/10/2019 \$333.98
8. Nashville City Club 02/05/2019 \$495.26
9. NJP Strategies 03/14/2019 \$250
10. Old City Wine Bar 02/22/2019 \$946.91
11. Ovations Awards & Engraving 02/25/2019 \$680.00
12. Palm Rest. 03/28/2019 \$104.23
13. Panera Bread 04/10/2019 \$208.86
14. Panera Bread 04/17/2019 \$185.09
15. Panera Bread 04/16/2019 \$195.63
16. Panera Bread 04/03/2019 \$183.16
17. Panera Bread 03/27/2019 \$201.05
18. Panera Bread 03/26/2019 \$209.48
19. Panera Bread 03/20/2019 \$194.00
20. Panera Bread 03/19/2019 \$106.17
21. Panera Bread 03/06/2019 \$136.73
22. Panera Bread 02/26/2019 \$129.33
23. Panera Bread 02/19/2019 \$159.74
24. Papa John's 1/11/2019 \$223.07
25. Right Way Marketing 4/01/2019 \$250.00
26. Skulls Rainbow Room 1/19/2019 \$176.00
27. The Lookout 4/20/2019 \$941.23

The following expenses were also unsupported and were not reported (see finding 2)

1. Bluegrass Country Club 9/07/2018 \$251.68 (disbursed during 2018 Third Quarter).
2. Aubrey's Oak Ridge 10/15/2018 \$83.98 68 (disbursed during 2018 Pre-General).
3. Hilton Garden Inn Jackson, TN 10/22/2018 \$149.57 (disbursed during 2018 Pre-General).
4. The Standard Rest. 12/05/2018 \$58.10 (disbursed during 2018 Fourth Quarter).

RECOMMENDATION TO CANDIDATE

CAS-PAC should amend its campaign financial disclosure reports to accurately disclose campaign contributions. To accurately report campaign contributions, the PAC should:

- Add all campaign contributions received.
- Forward all funds received on behalf of candidates to the candidate for deposit into the candidate's campaign account.
- Remove all unearned interest.

CAS-PAC should amend its campaign financial disclosure report to accurately disclose campaign expenditures. To accurately report campaign expenditures, he should:

- Add expenditures that were not reported.
- Remove expenditures not incurred.
- Correct disclosure for expenses that were not properly disclosed by amount, name, purpose, or category.
- Add itemized expenditures which were incorrectly included in unitemized expenditures and remove the related unitemized expense.
- Correct all improperly reported in-kind and independent expenses to show the candidate for which the expense is incurred. For all previously reported in-kind contributions, notify the candidate of the contribution and amount so that the candidate can properly correct their disclosures. Relatedly, all in-kind expenses incurred during session should be repaid to CAS-PAC and the repayment shown as an expenditure adjustment for the expenses incurred.

For any future reporting periods, CAS-PAC should establish procedures to ensure only CAS-PAC funds are placed into the PAC account. The audit recommends CAS-PAC establish procedures to ensure PAC account funds are disbursed only for PAC related activity. In addition, Rep. Casada's campaign account should disburse funds only for Rep. Casada's campaign activity. CAS-PAC should limit interactions between the two accounts. When errors occur in the accounts, the transaction should be reversed timely and in the same amounts as the error to reduce reporting errors and keep funds separate. Similarly, the audit noted several transactions in which Rep. Casada paid expenses personally. Rep. Casada and other PAC officials should limit this practice. It can lead to reporting errors and lack of disbursement documentation. The audit recommends CAS-PAC attempt to use a campaign account-related debit card/credit card. Another option is to obtain a personal credit card that is used solely for PAC activity. When a reimbursement is paid to a dedicated personal card for PAC activity, it can be paid to the bank card which supports the payment activity. Regardless, when CAS-PAC reimburses expenses, the PAC should obtain and maintain all receipts and records to show how the payments were made, the purposes of the expense, etc. The expenses documentation should also include records to determine what

expenses are in-kind, independent and PAC expenses. The documentation should not be limited solely to advertising. It should include all expenses including, but not limited to ,travel and food-related expenses for meetings with or assisting candidates in their campaign activities.

In short, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure CAS-PAC, Rep. Casada's campaign account, and PAC officials' personal funds are maintained separately, and that documentation is obtained and retained for each contribution and expenditure. Included in the documentation should be support for the purpose of the expense, not only for the purpose disclosed but to support the expenses purpose for the PAC (PAC expenses) or support for candidates (in-kind and independent). Because the PAC is Rep. Casada's leadership PAC, it should be mindful when paying expenses related to Rep. Casada's campaign and office holder-related expenses. These expenses may require disclosure of an in-kind expense and related in-kind contribution by Rep. Casada. These in-kind expenses are limited by the campaign finance statutes not only by amount, but by blackout periods, and other restrictions for the distribution of campaign contributions by a candidate. Finally, the candidate should reconcile the campaign bank account to the campaign disclosure statements frequently to ensure that all campaign finance activities are properly recorded and reported. This reconciliation will assist in noting errors that can be reversed in a timely manner.

RECOMMENDATION TO REGISTRY

We recommend the Members consider the findings for possible further action. We recommend the Members approve the audit performed as sufficient and complete. Finally, we recommend the Members 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 statutes and rules, and the types of procedures needed to comply with campaign finance laws.

RESOLUTIONS

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the Board Requested audit of CAS-PAC campaign finance activities from January 1, 2018 - June 30, 2019 during the June 10, 2020 regular monthly meeting. The report contained five findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.