

STATE OF TENNESSEE



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November 4, 2021

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

Registry Members,

Enclosed are the limited agreed upon procedures for the board requested audit of various aspects of the complaint file against Todd Warner in Registry case number 20-06. 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. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any purpose other than aiding the Registry.

This limited 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 limited objectives, purposes, and underlying assumptions. This report is a public record.

Sincerely,

Jay Moeck, CPA, CFE
Director of Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Todd Warner's (hereinafter "the candidate") 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; and to recommend appropriate actions to correct any deficiencies. This audit was limited to the areas noted in the allegations of the complaint file and assigned case number 20-06 by the Registry of Election Finance

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 April 14, 2021 meeting. The Members voted to limit the scope of the audit to cover only the activates outline in the complaint.

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

As noted in the audit authority, the scope of the audit was limited pursuant to the Registry Members' vote to include only activity included in the compliant assigned Case No. 20-06. The complaint consists of four parts, which are outlined in the complaint summary provided to the Members and prepared by the Bureau of Ethics and Campaign Executive Director. The four parts of the complaint are summarized as follows:

1. Rep. Warner's campaign financial disclosure statements show no payments to Facebook even though, according to Facebook's public transparency information, \$5,557 was spent on Facebook ads promoting the candidate's campaign and were allegedly "paid for by the friends of Todd Warner."
2. Rep. Warner's campaign financial disclosure statements list \$72,961.67 in expenditures to Dixieland Strategies, with a P.O. Box address in Rainbow City Alabama, but provides no underlying information on this company or its activities on behalf of Rep. Warner. The complaint notes this company used postal code permit number 383 from Chattanooga, Tennessee, which is the same permit used by the political campaign committee ("PAC")

Faith Family Freedom Fund and by a company named Phoenix Solutions from Santa Fe, New Mexico.

3. Rep. Warner's campaign financial disclosure statements list a loan to his campaign of \$154,100 but fails to provide any details about the loan.
4. Rep. Warner "failed to disclose expenditures and failed to disclose contributions from coordinated activities with Faith Family Freedom Fund."

OBJECTIVES, METHODOLOGIES, CONCLUSIONS

Allegation #1

Rep. Warner's campaign financial disclosure statements show no payments to Facebook even though, according to Facebook's public transparency information, \$5,557 was spent on Facebook ads promoting the candidate's campaign and were allegedly "paid for by the friends of Todd Warner."

The allegation being that Facebook was a reportable vendor; expenses totaling \$5,557 were incurred for social media ads; and those expense were undisclosed by the campaign.

Inferred items in allegation and related campaign finance statutes

- The candidate incurred campaign expenses and were unreported.

Related statutes. Campaign expenses are defined by T.C.A § 2-10-102(6) and reportable expenses are defined by T.C.A. §§ 2-10-105 and 2-10-107.

Audit Objectives :

The objectives of our audit of allegation were:

- To determine if social media expenses were incurred by the campaign.
- To determine if those expense were reported.
- Were the expenses reported in compliance with T.C.A. §§ 2-10-105 and 2-10-107.

Audit Methodology:

To determine the validity of the compliant, a review of the complaint's supporting documentation was conducted. The complaint provided no supporting evidence that social media advertisement expenses were actually incurred through Facebook. The compliant only provided a supposition that the expenses were incurred, based on statements by the complainant that an ad page indicates payments were made by Friends of Todd Warner. Neither the ad page, nor copies of the supposed social media ads, on Facebook were provided.

The Registry staff reviewed the Facebook page for State Representative Todd Warner. The website includes a subpage called "Page transparency" that provides generic data about the page and its sources. This data indicates that the page was created by the organization Friends of Todd Warner and was created on April 9, 2020 under the name of Todd Warner for State Senate. (The name was changed to State Representative Todd Warner on December 12, 2020.) The page also indicates that \$5,590 was spent by the page on social issues, elections, or politics from May 7, 2018 to July 31, 2021. (The same amount was noted on the page as related to a disclaimer for

Friends of Todd Warner). The \$5,557 reported in the complaint appears to relate to the \$5,590 being shown currently on this transparency page. This page also links to several Facebook posts (ads) that the page is related to and includes the Friends of Todd Warner disclaimer. The individual ads show cost ranges for each post in ranges of less than \$100 (<\$100), \$100-\$199, and \$200-\$299. However, how the exact amounts relate to the \$5,590 payment received, or the total incurred reported, is not provided.

Although these records are insufficient to identify the exact costs incurred or the source of the payments of the expenses incurred, the records are sufficient to indicate social media advertising was incurred and those expenses were incurred by or on behalf of the campaign.

Thus, the Audit staff reviewed Todd Warner's disclosures for the disclosures of social media and/or advertising services. Todd Warner's disclosures show several advertising expenses. The main advertising expense that appears to relate to Facebook advertising was an expense to Dixieland Strategies.

As noted in Allegation 2, Rep. Warner's campaign financial disclosure statements list \$72,961.67 in expenditures to Dixieland Strategies, which included expenses incurred through Dixieland Strategies for social media ad buys. The invoice for these expenditures specifically identified expenses for social media buys. However, the invoices provided for the expenses occurred do not detail the use of other vendors to provide the social media services (such as Facebook).

The current campaign finance statute does not appear to require a candidate to obtain from a consultant or media service group (or any other entity that may use sub-vendors for services) detailed invoices to show the sub-vendors used or the amounts paid to such sub-vendor, except under certain circumstances. T.C.A. §§ 2-10-107(a)(2)(B) and 2-10-107(f) requires that expenses paid as a reimbursement of expenditures made on behalf of the candidate or committee are reported as payments to the vendor who provided the item or service, and not to the individual who was reimbursed. In such cases, candidates are required to maintain detailed records to fully support all disclosures, including any reimbursements made for the provision of services by a third-party vendor.

The Registry audit procedures in prior audits have included the review of vendor invoices to verify that the vendor invoices either do not have direct reimbursements, or if direct reimbursement occurred, they expenses were reported properly. A review of the invoices provided related to Dixieland Strategies did not show any such direct reimbursement for services by sub-vendors, such as Facebook. As such, the vendor is charging for a range of services it is providing, including the creation and distribution of social media ads, and there is no indication that these costs are being directly reimbursed by the candidate. A review of several of the campaign disbursements to the campaign disclosures, including the disbursement for Dixieland Strategies, indicates that the campaign is disclosing the vendors being paid and not sub-vendors.

Audit Conclusions:

The result of the limited procedures performed indicate no supporting evidence that that campaign directly incurred costs from Facebook which were unreported. The records indicate indirect expenses were likely incurred from Facebook by consulting and media groups used by the campaign. Based on prior audits prepared by the Registry's audit staff, the practice of direct reimbursement for sub-vendors is an uncommon practice and, as such, sub-vendor reporting would be a rare occurrence. Specifically, for the Todd Warner campaign in relation to work performed by Dixieland Strategies, the records indicate no direct reimbursements of expenses incurred for Facebook. The records do indicate Dixieland Strategies at least provided some social media ad purchases. Due to the limited nature of the audit, additional procedures were not performed to determine if the \$5,557 (or \$5,590) were the actual amounts paid to Facebook or to obtain records from Facebook to determine the source of all payments made related to the site referenced in the complaint. Also, no additional procedures were performed to identify sub-vendors used by the various entries who provided services for Todd Warner's campaign (including Dixieland Strategies), as such disclosures do not appear to be required.

The procedures did determine that Todd Warner's campaign did incur social media buys. The audit determined for social media buys and other activities performed by Dixieland Strategies, the vendor invoices indicate the charging for a range of services it is providing and is not directly recouping for sub-vendor expenses by invoice to the candidate. As such, the vendor may or may not be directly recouping cost but appears to be allocating all the business costs in determining its pricing, as such sub-vendor reporting was not required. The reporting of Dixieland Strategies as the service provider thus would be proper, regardless of the use of any sub-vendor by the entity.

The audit has determined there is insufficient evidence to support the allegation that \$5,557 in reportable expenses were incurred to Facebook that should have been reported by the Todd Warner Campaign. The campaign has provided sufficient records to support the disclosures being made based on the limited review performed.

Notes on the Facebook Disclaimer used by the Todd Warner Campaign.

The allegation states the disclaimer reflected on the purchased Facebook ads indicates that payment for those adds was provided by "Friends of Todd Warner", which appears consistent with the data obtained from the Facebook website for State Representative Todd Warner. There is some inference that this disclaimer indicates a direct payment to Facebook by the campaign, instead of an indirect payment through a vendor. No assessment was made of the application of the disclaimer and its allowableness under Tennessee statute, as the disclaimer statute is outside the purview of this report, and the disclaimer statute is not part of the campaign finance statutes that are under the jurisdiction of the Members of the Registry of Election Finance.

Allegation #2

Rep. Warner's campaign financial disclosure statements list \$72,961.67 in expenditures to Dixieland Strategies, with a P.O. Box address in Rainbow City Alabama, but provides no underlying information on this company or its activities on behalf of Rep. Warner. The complaint notes this company used postal code permit number 383 from Chattanooga, Tennessee, which is the same permit used by the political campaign committee ("PAC") Faith Family Freedom Fund and by a company named Phoenix Solutions from Santa Fe, New Mexico.

Inferred items in allegation and related campaign finance statutes

- The candidate improperly reported campaign expense activity by one or more of the following related to Dixieland Strategies expenses:
 - a. Reported expenses which were not incurred;
 - b. Reported the improper vendor (infers payment was made to another vendor or person, not Dixieland Strategies); or,
 - c. The purpose reported by the campaign was improper or invalid.

Related statutes. Campaign expenses are defined by T.C.A § 2-10-102(6) and reportable expenses are defined by T.C.A. §§ 2-10-105 and 2-10-107. The required content of disclosures is also found at T.C.A. § 2-10-107.

- The complaint also infers Dixieland Strategies may be a nonexistent or unregistered business. Also, it infers a relationship to Faith Family Freedom Fund (a registered Multi-Candidate Campaign Committee in 2020). Also, the complaint infers a relationship to a company called Phoenix Solutions.

Related statutes. The current campaign finance statutes do not address these matters or in any way address any requirement that any vendor be a registered business in good standing with the Office of the Secretary of State or any other state or local government entity. Any inference of coordination between the candidates' campaign and any other committee, specifically as such relates to the reporting of in-kind contributions or other independent expenditures, is addressed in the audit memo pertaining to Faith Family Freedom Fund.

Audit Objectives :

The objectives of our audit of the allegation were:

- To determine whether \$72,961.67 in expenditures to Dixieland Strategies were properly reported by the Todd Warner campaign.
- To determine if the reported Dixieland Strategies expenses were incurred by the campaign and all disbursements were supported by vendor receipts, canceled checks, and/or bank statements.

- To determine whether these Dixieland Strategies expenses were reported in the proper period and reported in compliance with T.C.A. §§ 2-10-107 and 2-10-114, including whether the reported campaign services or goods were received and whether all disbursements were made for non-prohibited activities.

Audit Methodology:

In order to determine the validity of the complaint, the disclosures of Todd Warner's campaign were reviewed to determine what disclosures were made related to Dixieland Strategies. The following is the list of nine expenditures to Dixieland Strategies that were reported on Todd Warner's 2020 campaign finance disclosures:

	Date of expense	Amount	Purpose reported
	<i>2020 Second Quarter</i>		
1	April 13, 2020	\$6,428.69	PROFESSIONAL SERVICES
2	April 23, 2020	\$1,198.52	PROFESSIONAL SERVICES
3	April 27, 2020	\$2,256.74	PROFESSIONAL SERVICES
4	May 23, 2020	\$2,387.88	PROFESSIONAL SERVICES
5	June 10, 2020	\$6,671.84	PROFESSIONAL SERVICES
	<i>2020 Pre-Primary</i>		
6	July 1, 2020	\$15,338.20	PROFESSIONAL SERVICES
7	July 10, 2020	\$12,686.02	PROFESSIONAL SERVICES
	<i>2020 Third Quarter</i>		
8	August 20, 2020	\$25,993.78	PROFESSIONAL SERVICES
	<i>2020 Pre-General</i>		
9	October 6, 2020	\$2,500.00	Advertising
	TOTAL	\$75,461.67	Actual expenses
	Less 10/6/2020 exp.	(\$2,500.00)	
	Adjusted total	\$72,961.67	Allegation amount

The campaign bank records were then reviewed to confirm the amounts reported were paid from the campaign account. The review noted that all of the reported expenditures were paid from the campaign account by check or wire transfer using the WePay payment service. The payments made from the campaign account were as follows:

1	April 13, 2020	\$6,428.69	Check #1061
2	April 23, 2020	\$1,198.52	Check #1063
3	April 27, 2020	\$2,256.74	Check #1065
4	May 23, 2020	\$2,387.88	Paid by wire transfer through WePay
5	June 10, 2020	\$6,671.84	Check #1078
6	July 1, 2020	\$15,338.20	Check #1080
7	July 10, 2020	\$12,686.02	Check #1082
8	August 20, 2020	\$25,993.78	Check #1001
9	October 6, 2020	\$2,500.00	Paid by wire transfer through WePay
	TOTAL	\$75,461.67	

The seven checks and two wire transfers were all paid to the entity Dixieland Strategies. The checks and wire transfers were all in the amounts reported. The disbursements all occurred either on the date the expense was reported as incurred or a few days later, with one exception. Check #1080 was written on June 25, 2020 but the date reported as incurred was July 1, 2020. (The related invoice was dated June 18, 2020, which is also before the July 1, 2020 reported expenses date). Check #1080 did clear the bank on July 3, 2020. A brief examination of the campaign bank records indicated no other payment to Dixieland Strategies.

The audit also reviewed the invoices related to the expenses reported. The invoices each support the amounts reported and are dated similar to the reported expense date or check dates noted above, except for the invoice for Check #1080, which is also noted above. The invoices show a variety of services provided by the entity. These services (as listed on the invoices) included:

TV ad voice talent	social media ad buys
TV ad creation and graphic design	mail pieces
radio ad voice talent	BBQ invitations
email address lists	email management
cell phone lists	consulting
campaign signs and signage	polling
campaign website & logo creation	balloons & stickers

The invoices provided, in almost all cases, reflect that segments of the total invoiced amount are related to each type of service performed, but do not indicate that any services are provided by any sub-vendor or other third party and do not detail any costs that may have been recouped by Dixieland Strategies for the reimbursement of expenditures incurred by any sub-vendor or third party. (The October 6, 2020 invoice does not segment the costs attributable to each activity, but simply lists all activities performed in a single line.) The audit noted that all of the invoiced services can be defined as “professional services”, as reported by the candidate in all his reported purposes, except the October 6, 2020 disclosure which reported “advertising”. It was, however, noted that most of the activities do relate to the preparation and distribution of campaign advertising. As such, “campaign advertising”, in most instances, would have been a more descriptive purpose, with the exception of the polling and consulting services. As is the case in most disclosures, a more

descriptive purpose, showing the exact activities that occurred, would have been recommended by the Registry staff, even if not required.

In addition to the invoices to support the services received and performed by Dixieland Strategies, the candidate also provided several ad proofs, mp3, and other documents (like the BBQ invitation prepared) to support the ad media created by Dixieland Strategies. The ad proofs are prepared by media and consulting groups prior to the distribution of ad media in order to confirm the production with their client. The ad proofs provided by the candidate, along with the mp3 and other documentation, appears to directly relate to several of the activities listed on the various invoices and appears to verify campaign related services were actually received and actually provided by the entity called Dixieland Strategies.

Audit Conclusions:

The result of the limited procedures performed indicates that Todd Warner's campaign incurred \$75,461.67 in expenses for services performed by an entity called Dixieland Strategies. The difference in the amount incurred and the amount included within the complaint's allegation of \$72,961.67 appears to relate to \$2,500 reported on October 6, 2020 and likely relates to the timing of the complaint and when the final expense was reported to the Registry. The entire \$75,461.67 amount was disbursed from the Todd Warner campaign account to the entity Dixieland Strategies as reported. Based on the bank records, disbursement checks, invoices and other supporting documentation provided, the expenses reported related to Dixieland Strategies appear to have been incurred and the related services provided and received.

The disclosures related to Dixieland Strategies appear proper, except for one instance of non-compliance related to reporting an expense in the proper reporting period. The Dixieland Strategies expense of \$15,338.20 reported on the 2020 Pre-Primary report as being incurred on July 1, 2020 was not incurred on that date or during that reporting period. Based on the records provided the expense was incurred on June 18, 2020, when invoiced by Dixieland Strategies, or at the latest on June 25, 2020, when the check was written by the campaign. In either case, the expense was incurred prior to June 30, 2020, and therefore should have been reported on the 2020 Second Quarter Campaign Finance Disclosure. The failure to report an expense during the period it was incurred is non-compliant with T.C.A. § 2-10-105. The summary of the non-compliance is as follows:

- **Todd Warner was non-complaint with T.C.A. § 2-10-105 by reporting one expense of \$15,338.20 one reporting period late.**

The audit found no support for the allegations that the candidate failed to report, or improperly reported, activities related to expenses with Dixieland Strategies, except for the one item noted above related to late reporting, which was not part of the allegations made.

Allegation #3

Rep. Warner’s campaign financial disclosure statements list a loan to his campaign of \$154,100 but fails to provide any details about the loan.

Inferred items in allegation and related campaign finance statutes

- The candidate improperly reported loans per the campaign finance statutes.

Related statutes. Campaign contributions are defined by T.C.A § 2-10-102(4) which includes loans. Reportable contributions are defined by T.C.A. §§ 2-10-105 and 2-10-107. The required content of disclosures is also found at T.C.A. § 2-10-107.

Audit Objectives :

The objectives of our audit of the allegation were:

- To determine if the Todd Warner Campaign reported \$154,100 in loans.
- To determine if the source of the loan contributions were reported from the proper sources.
- To determine if loan contributions were reported in the proper period and reported in compliance with T.C.A. § 2-10-107.

Audit Methodology:

In order to determine the validity of the complaint, the disclosures of Todd Warner’s campaign were reviewed to determine the amount of any loans reported and the source reported. Todd Warner’s 2020 Campaign Finance disclosures show the following loans made from the candidate to his campaign:

	Reporting Period	Source	Date	Amount
1	2020 Second Quarter	Candidate (Self endorsed)	8/20/2020	\$80,100
2	2020 Pre-Primary	Candidate (Self endorsed)	07/01/2020	\$47,000
3	2020 Third Quarter	Candidate (Self endorsed)	08/20/2020	\$27,000
			Total	\$154,100

As all the reported loans were from the candidate, the audit reviewed both the campaign bank account and the candidate’s personal bank records to confirm that the loans came from the candidate’s personal accounts. The records indicate the following transfers from the candidate’s personal and business accounts to the campaign account during the various reporting periods:

2020 Second Quarter Reporting Period		
1	April 15, 2020	\$10,000.00
2	April 17, 2020	\$1,000.00
3	April 23, 2020	\$3,000.00
4	May 1, 2020	\$3,000.00
5	May 6, 2020	\$600.00
6	May 6, 2020	\$5,000.00
7	May 6, 2020	\$8,000.00
8	May 7, 2020	\$5,000.00
9	May 12, 2020	\$10,000.00
10	May 18, 2020	\$70.49
11	May 21, 2020	\$5,000.00
12	May 27, 2020	\$5,000.00
13	June 11, 2020	\$10,000.00
14	June 26, 2020	\$15,000.00
	Total	\$80,670.49

2020 Pre-Primary Reporting Period		
1	July 2, 2020	\$10,000
2	July 7, 2020	\$2,000
3	July 9, 2020	\$10,000
4	July 10, 2020	\$8,000
5	July 14, 2020	\$7,000
6	July 21, 2020	\$5,000
	Total	\$42,000

2020 Third Quarter Reporting Period		
1	August 13, 2020	\$2,000
2	August 20, 2020	\$25,000
	Total	\$27,000

The bank records provided indicate that the transfer of \$3,000 on April 23, 2018 was not from the candidate's personal account but from the bank account for Representative Warner's business, PCS of TN, LLC. No other records beyond the bank account transfer were provided to support this loan contribution. Campaign Finance statutes allows for business entities including LLCs to make campaign contributions. Because no other records were provided to indicate that these funds either came from another source or represent funds disbursed by the business to Todd Warner as either compensation or an equity draw on the business, the funds appear to be coming from the general funds of the business, and as a result, based on transfer record and the name of the account, the contributor of this \$3,000 was PCS of TN, LLC, rather than Representative Warner personally.

Audit Conclusions:

The result of the limited procedures performed indicate that the Todd Warner Campaign reported \$154,100 in loan contributions from the candidate. The campaign records indicate only \$146,670.49 was provided to the campaign from the candidate by transfer and \$3,000 was provided by PCS of TN, LLC. The difference between the \$154,100 reported as loans and the \$149,670.49 received was \$4,429.51. The difference appears to be the result of transactions during the 2020 Second Quarter and a \$5,000 overstatement of the loan during the 2020 Pre-Primary period. The 2020 Second Quarter transactions that appear improperly were as follows:

- \$600 transferred on May 6, 2020 appears to be unreported.
- \$70.49 transferred on May 18, 2020 appears to have been rounded to \$100, instead of reported at the actual amount.

The result is that the loans reported received during the 2020 Second Quarter were understated by \$570.49. In addition, the 2020 Pre-Primary records indicate that only \$42,000 was provided to the campaign, despite the candidate having reported receiving \$47,000. Thus, the candidate overstated the loans during the 2020 Pre-Primary period. Although the audit could not confirm how the misstatement occurred, the audit noted it could have been a miscalculated amount when totaling the loans for the period or was a keying error between reading a 7 for a 2. The misstatements partially offset when add together, and the overall result is that total loans received were overstated by \$4,429.51. The overstating of the loans received appears to be noncompliant with reporting contributions received during the period detailed in T.C.A. § 2-10-105 and 2-10-107. Further, the understatement and overstatement of the loan balances also resulted in the improper reporting of the available balances on the campaign finance reports since the 2020 Second Quarter. The summary of the non-compliance is as follows:

- **Todd Warner was non-complaint with T.C.A. § 2-10-105 and 2-10-107 by overstating loans made to the campaign in the amount of \$4,429.51. The error was the result of both an understatement and an overstatement that started during the 2020 Second Quarter, with the end result being the improper reporting of the available balance on the candidate's campaign finance filings, as required by T.C.A. § 2-10-107(e).**

In addition to misreporting the total amount received in loans noted above, the audit also noted that \$3,000 of the loan received was reported from the wrong contributor. The candidate reported the loans as coming from personal funds but, based on the campaign records, the funds came from PCS of TN, LLC. The summary of the non-compliance is as follows:

- **Todd Warner was non-complaint with T.C.A. § 2-10-107 by improperly reporting the contributor of \$3,000 in loan contributions provided to the campaign.**

It was also noted that, due to the amount of the contribution and the campaign limits associated to LLC, when the contribution is properly reported, two entries will be required. The contribution will need to be allocated to both the primary and general elections with a maximum

allocation to either election being \$1,600 (or the candidate could equally split the contribution \$1500 each for simplicity).

Except for the errors noted above in reporting the amounts of the loans received, the audit found no instances where the candidate reports do not reflect the loan contributions received. The candidate's disclosures of the source of the loans appears to be proper, except for the \$3,000 reported from the improper contributor noted above, per the requirements of Tennessee's Campaign Finance Statutes and the prescribed procedures for reporting candidate loans to their campaign.

Allegation #4

Rep. Warner "failed to disclose expenditures and failed to disclose contributions from coordinated activities with Faith Family Freedom Fund."

Inferred items in allegation and related campaign finance statutes

- The candidate failed to report campaign expenses for activities conducted with Faith Family Freedom Fund Multi-Candidate Campaign Committee (commonly referred to as a PAC).

Related statutes Campaign expenses are defined by T.C.A § 2-10-102(6) and reportable expenses are defined by T.C.A. §§ 2-10-105 and 2-10-107. The required content of disclosures is also found at T.C.A. § 2-10-107.

- The candidate failed to report in-kind contributions from coordinated campaign activities with Faith Family Freedom Fund.

Related statutes Campaign expenses are defined by T.C.A § 2-10-102(6) and reportable expenses are defined by T.C.A. §§ 2-10-105 and 2-10-107. The required content of disclosures, including disclosures relating to in-kind contributions, is also found at T.C.A. § 2-10-107. Indirect Contributions are defined by T.C.A. § 2-10-303.

Audit Objectives :

The objectives of our audit of the allegation were:

- To determine if the Todd Warner Campaign incurred any expenditures related to Faith Family Freedom Fund.
- To determine if expenses were incurred to Faith Family Freedom Fund, if any such expenses were reported in the proper period and if reported in compliance with T.C.A. §§ 2-10-107 and 2-10-114, including whether campaign services or goods were received and whether all disbursements were made for non-prohibited activities.

- To determine if the Todd Warner Campaign received an in-kind contribution from Faith Family Freedom Fund from coordinated activities.

Audit Methodology:

In order to determine the validity of the complaint, the disclosures of Todd Warner’s campaign were reviewed to determine what disclosures were made related to Faith Family Freedom Fund. No activity was reported. Todd Warner’s campaign bank records and other records were reviewed for activity related to Faith Family Freedom Fund. No activity or payments to the PAC were noted.

Faith Family Freedom Fund’s disclosures were also reviewed for any activity related to Todd Warner. Again, no activity was reported directly relating to Todd Warner. The PAC only reports two campaign related advertising expenses, both of which are reported as independent expenditures. These expenditures were reported as follows:

Vendor	Purpose	Candidate	Support/ Opposition	Date	Amount
PostNet	Advertising	Tillis Thomas R.	Opposition	07/14/2020	\$7,000
Facebook	Advertising	Baum, Charlie	Supporting	10/20/2020	\$200

Based on the candidate’s campaign records and campaign disclosures, no activity related to Faith Family Freedom Fund occurred that would require disclosure. Based on the Faith Family Freedom Fund PAC’s disclosures, no contribution, either direct or in-kind, was provided to the Todd Warner campaign.

The allegation also infers that the independent expenses reported were coordinated, meaning the PAC improperly reported the expense and that the expense was an in-kind contribution to the candidate. However, the complaint provided no evidence or other proof to support the allegation of coordination, and the inference seems to rely entirely on the use of the same postal permit code by the two organizations (See Faith Family Freedom Fund report for additional information). As noted above, the audit noted no activity in the candidate’s campaign records, including the bank records, that indicates activity between the PAC and the campaign. Absent any supporting documentation to show some coordination between the candidate and the PAC, the audit relies solely on the statements of the candidate and statements of the PAC made in its disclosures. The candidate has indicated in statements made to the Registry staff that he is unaware of the PAC, its contributors, or their activities. The PAC, on the face of its disclosures, indicates the transactions were done independent of the campaign by reporting the expenses as independent.

Audit Conclusions:

The result of the limited procedures performed indicate that there is no evidence to support the allegation that Todd Warner's campaign failed to report any expenses related to activity conducted in coordination with the Faith Family Freedom Fund PAC. There is also insufficient evidence to indicate that the Todd Warner Campaign received any in-kind contribution from Faith Family Freedom Fund PAC and thus failed to report the contribution. There is also insufficient evidence to indicate Faith Family Freedom Fund PAC incurred a coordinated expense on the campaign's behalf.

RECOMMENDATION TO CANDIDATE

Todd Warner should amend his 2020 Second Quarter and 2020 Pre-Primary campaign financial disclosure statements to ensure that he reported the loan contributions as they were received during each period as outlined in the audit report. Todd Warner should amend his 2020 Second Quarter and 2020 Pre-Primary campaign financial disclosure statements to report the \$15,338.20 Dixieland Strategies expense in the proper period as outlined in the audit report.

For future reporting periods, we recommend that the candidate reconcile the campaign bank account or other account records to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded and reported. Such reconciliations can ensure contributions including loans are reported properly and expenses are recorded in the proper period.

RECOMMENDATION TO REGISTRY

We recommend the Registry review the report being presented for approval and determine whether subsequent actions should be taken. Additionally, we recommend the Registry post the report to the Registry's website. The report and related issues noted will assist current and future candidates and Multi-Candidate Campaign Committees in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the errors noted in the audit report, Rep. Warner chose to take corrective action on his reports with the Registry staff's assistance prior to the Registry's approval of the audit. Rep. Warner's 2020 Second Quarter and 2020 Pre-Primary Campaign Financial Disclosure Statements reports were amended on September 21, 2021. The corrections made on these reports are listed below and corrected all disclosures for the items noted in the audit.

Corrective Actions – late reported expense:

Rep. Warner's 2020 Second Quarter was amended to add a \$15,338.20 itemized expenditure to Dixieland Strategies on June 18, 2020 for advertising. Rep. Warner's 2020 Pre-Primary report was amended to remove a \$15,338.20 itemized expenditure to Dixieland Strategies on July 1, 2020. The corrections properly moved the expense to the proper reporting period and correct the date the expense was incurred.

Corrective Actions –improperly reported loans:

Rep. Warner's 2020 Second Quarter was amended to add a \$570.49 in loans received during the period. Rep. Warner's 2020 Pre-Primary report was amended to remove a \$5,000 in loans received for the period. The corrections properly correct the \$570.49 understatement of loans and the \$5,000 overstatement of loans noted in the audit report. In addition, the \$3,000 of the loans reported from the candidate during the 2020 Second Quarter were removed and two \$1,500 loans from PCS of TN, LLC were added

Additional Actions taken by candidate-business loan

In addition to the corrective action noted by the Registry audit staff, Rep. Warner's indicated it was not his intent to make a \$3,000 loan from his business to his campaign. Mr. Warner indicated the transfer was inadvertently done from the wrong account. As such, Mr. Warner also chose to correct the loan from a business loan to a personal loan. This was done by reporting a payment to the business loan and then reporting a new \$3,000 loan from the candidate on the most current disclosure statement which was the 2021 Mid-Year Supplemental. The candidate then confirmed the funds were properly disbursed and received. The candidate provided the bank transfer records to show the funds returned to the business and the new funds added from the candidate personal accounts. These transactions and supporting records properly return the business contribution and reestablish the funds as a candidate loan.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members will review the board requested audit of Todd Warner's campaigns during the November 4, 2021 regular meeting. Approval and any subsequent action taken by the Members will be documented in the meetings minutes.