



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

**Board Requested Audit of
Jeremy Durham
Election Cycle 2014 to Current**



Audit Team:

Jay Moeck, CPA, CFE
Audit Director

STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE
REGISTRY OF ELECTION FINANCE
404 JAMES ROBERTSON PARKWAY, SUITE 104
NASHVILLE, TN 37243-1360
(615) 741-7959
Fax: (615) 532-8905

BOARD MEMBERS
Tom Lawless, Nashville, Chairperson
Tom Morton, Bristol, Secretary
Henry Fincher, Cookeville
Patricia Heim, Nashville
Norma Lester, Memphis

EXECUTIVE DIRECTOR
Drew Rawlins

AUDIT DIRECTOR
Jay Moeck, CPA, CFE

February 8, 2017

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

Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Jeremy Durham's campaign activities for House of Representatives, District 65 from the beginning of the 2014 election cycle through the 2016 Second Quarter reporting period (on or about January 15, 2013 to June 30, 2016). This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution 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 other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE
Audit Director

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

Audit Highlights

Jeremy Durham
Board Requested Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Jeremy Durham'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 2012 Year-End Supplemental, 2013 Mid-Year Supplemental, 2013 Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, 2014 Fourth Quarter, 2015 Mid-Year Supplemental, 2015 Year-End Supplemental, 2016 First Quarter, and 2016 Second Quarter Financial Disclosure Statements Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDINGS

1. **Jeremy Durham violated T.C.A. §2-10-105(a) and T.C.A. §2-10-107(a)(2)(A) by failing to report \$36,334.95 in campaign contributions.**
2. **Jeremy Durham violated T.C.A. §2-10-105(a) by reporting \$4,600 in contributions where the associated funds cannot be identified as being deposited into a bank account.**
3. **Jeremy Durham violated T.C.A. §2-10-105(a) by failing to report \$10,623.70 in interest earned on campaign funds and T.C.A. §2-10-114(b)(1) by depositing \$1,637.50 of that interest into his personal account.**
4. **Jeremy Durham violated T.C.A. § 2-10-302 by receiving \$5,500 in contributions over the campaign limits.**
5. **Jeremy Durham violated T.C.A. §2-10-105(a) by reporting \$6,500 of contributions intended for PACs he controlled as contributions to his campaign account.**
6. **Jeremy Durham violated T.C.A. § 2-10-107(a)(2)(A) by failing to accurately disclose the names of several contributors.**
7. **Jeremy Durham violated T.C.A. §2-10-105(a) and T.C.A. § 2-10-107(a)(2)(B) by failing to accurately report campaign expenditures.**

- 8. Jeremy Durham violated T.C.A. §2-10-114 by disbursing \$10,176.35 in campaign funds for prohibited activities.**
- 9. Jeremy Durham made cash withdrawals and reimbursements to himself in the amount of \$11,927.43 from campaign funds without support which is a violation of T.C.A. §2-10-114(b)(1).**
- 10. Jeremy Durham reimbursed \$7,702.07 in expenses to himself from his campaign account that were also reimbursed by the State of Tennessee which is a violation of T.C.A. §2-10-114(b)(1).**
- 11. In violation of T.C.A. §2-10-212(c), Jeremy Durham failed to retain sufficient expense records to determine whether all expenditures were allowable.**
- 12. Jeremy Durham disbursed \$64,800 for promissory & convertible note activity which appears to be unallowable per T.C.A. §2-10-114(b)(1).**

TABLE OF CONTENTS

INTRODUCTION	<u>PAGE</u>
Audit Authority	1
Audit Purpose	1
Audit Scope	1
CAMPAIGN OVERVIEW	
Campaign Organization	2
Overview of Financial Activities – 2014 Election	2
Overview of Financial Activities – 2016 Election	3
CHARTS	
2014 Election Campaign Contributions	4
2014 Election Contributions by Source	4
2014 Election Contributions by Reporting Period	5
2014 Election Expenses by Reporting Period	5
2016 Election Campaign Contributions	6
2016 Election Contributions by Source	6
2016 Election Contributions by Reporting Period	7
2016 Election Expenses by Reporting Period	7
OBJECTIVES, METHODOLOGIES, CONCLUSIONS	
Contributions and Receipts	8
Findings	10
Disbursements and Obligations	16
Findings	19

Promissory & Other Note Activity	28
Finding	33
PAC Activity	33
Recommendation to Candidate	35
Recommendation to Registry	36
Recommendation Tennessee Ethics Commission	37
RESOLUTIONS	
Registry of Election Finance Actions	38

INTRODUCTION

AUDIT AUTHORITY

Tennessee Code Annotated (T.C.A.) §§2-10-206, 2-10-207, 2-10-212 and 2-10-213 which authorize the Registry of Election Finance (the “Registry”) to conduct investigations and audits of campaign activities and the related disclosures made on campaign financial disclosure statements filed with the Registry. The audit was initiated on a vote by the Members of the Registry at their June 8, 2016 meeting after review of a letter from the Office of the Attorney General concerning Jeremy Durham.

AUDIT PURPOSE

The Registry’s audits provide a tool to the Registry to evaluate Jeremy Durham’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 his 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 candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual reporting periods are from January 16 to June 30 and July 1 to January 15 of each year. During election years, the disclosures expand to quarterly, pre-primary, and pre-general reports. The audit review of Jeremy Durham was conducted from his 2014 election cycle through the 2016 Second Quarter. The following disclosures were audited: 2012 Year-End Supplemental, 2013 Mid-Year Supplemental, 2013 Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, 2014 Fourth Quarter, 2015 Mid-Year Supplemental, 2015 Year-End Supplemental, 2016 First Quarter, and 2016 Second Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

2014 ELECTION CYCLE

Jeremy Durham was a candidate in the November 4, 2014 general election for House of Representatives District 65. He commenced his campaign when he filed an Appointment of Political Treasurer statement with the Registry, dated December 27, 2012, appointing Rick Graham as political treasurer. The candidate's first financial disclosure for the 2014 campaign was the 2012 Early Year-End Supplemental report filed on February 2, 2013. The report beginning balance was \$42,620.90, which was the transfer of the remaining balance from the 2012 election cycle as reported by the candidate on his amended 2012 Fourth Quarter report filed on January 27, 2013. Jeremy Durham's last disclosure for the 2014 election was the amended 2014 Fourth Quarter Report, which he filed on January 23, 2015. The Fourth Quarter report indicated \$143,101.20 cash on hand, no outstanding obligations, and no outstanding loans.

2016 ELECTION CYCLE

Jeremy Durham was a candidate in the August 4, 2016 primary election for House of Representatives District 65. He commenced his campaign for 2016 when he filed an Appointment of Political Treasurer Statement with the Registry, dated April 16, 2015, appointing Patti Carroll as political treasurer. The candidate's first financial disclosure for the 2016 campaign was the 2015 Early Mid-Year Supplemental report filed on July 4, 2015. The report transfers the remaining balance of \$143,101.20 from the 2014 election cycle. The audit goes through the 2016 Second Quarter report filed on July 11, 2016. The 2016 Second Quarter report indicated \$122,147.32 cash on hand, no outstanding obligations, and no outstanding loans. The candidate is continuing to file his 2016 election filings.

OVERVIEW OF FINANCIAL ACTIVITIES

2014 ELECTION CYCLE

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2012 Year-End Supplemental, 2013 Mid-Year Supplemental, 2013 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 2014 Election **(Un-audited Amounts)**

Cash on hand at January 16, 2013	\$42,620.90	¹
Receipts		
Un-Itemized	\$0.00	
Itemized	175,975.00	
Loans receipted	0.00	

Interest	0.00	
Total receipts		<u>\$175,975.00</u>
Disbursements		
Un-Itemized	23,466.56	
Itemized	52,028.14	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$75,494.70</u>
Cash on hand at January 15, 2015		<u>\$143,101.20</u>
Loans outstanding at January 15, 2015		\$0.00
Obligations at January 15, 2015		\$0.00
Total in-kind contributions received		\$1,668.66

¹ The balance on hand at 1/16/2013 is funds transferred from the candidate's 2012 campaign.

2016 ELECTION CYCLE

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2015 Mid-Year Supplemental, 2015 Year-End Supplemental, 2016 First Quarter and 2016 Second Quarter reports after amendments prior to 7/12/2016. The amounts displayed are for informational purposes only.

Summary of Financial Activity 2016 Election (Un-audited Amounts through second quarter)

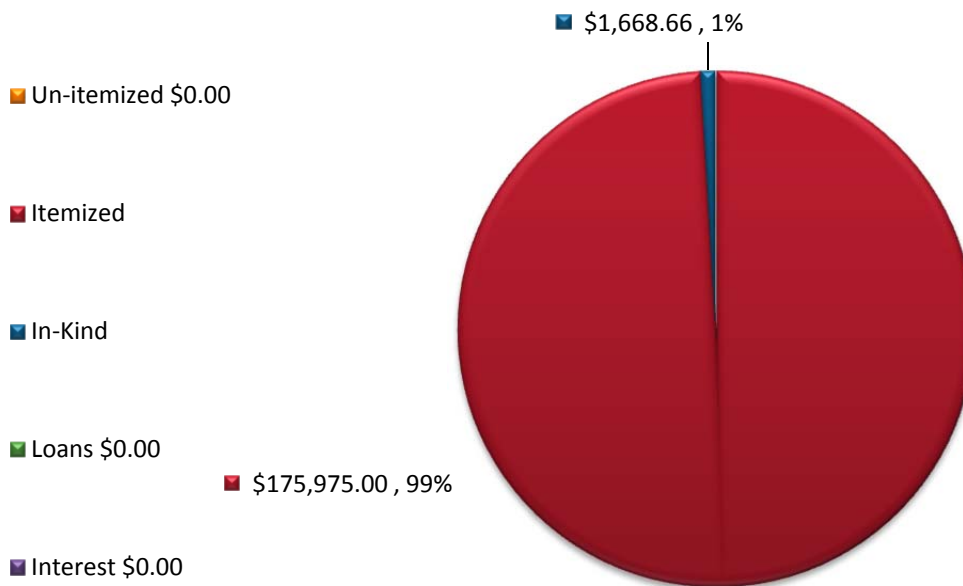
Cash on hand at January 16, 2015		\$143,101.20	¹
Receipts			
Un-Itemized	\$2,707.00		
Itemized	116,670.00		
Loans received	0.00		
Interest	4,349.33		
Total receipts		<u>\$123,726.33</u>	
Disbursements			
Un-Itemized	15,877.17		
Itemized	128,805.02		
Loans principal payments	0.00		
Obligation payments	0.00		
Total disbursements		<u>\$144,682.19</u>	
Cash on hand at January 15, 2015		<u>\$122,145.34</u>	
Loans outstanding at January 15, 2015		\$0.00	
Obligations at January 15, 2015		\$0.00	
Total in-kind contributions received		\$234.46	

¹ The balance on hand at 1/16/2015 is funds transferred from the candidate's 2014 campaign as noted in the schedule above.

CHARTS

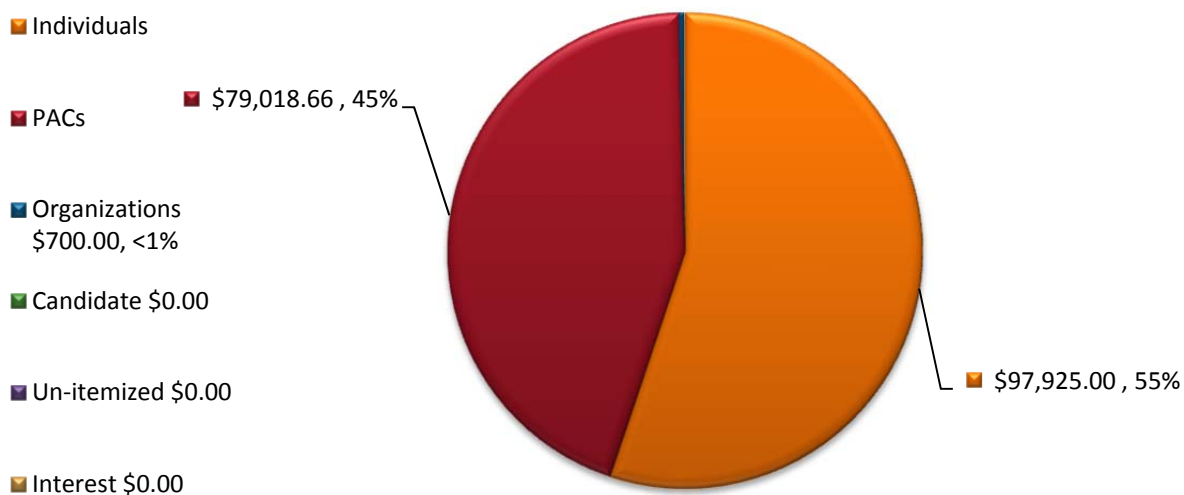
2014 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2014 election campaign.



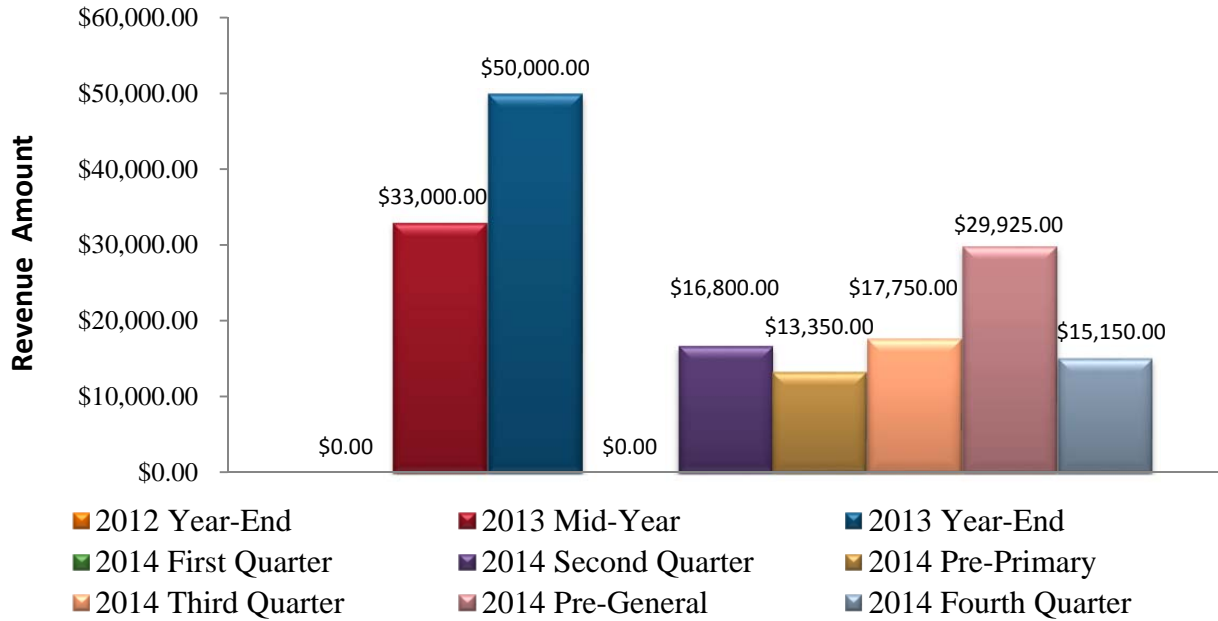
2014 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2014 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



2014 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2014 election campaign by reporting period.



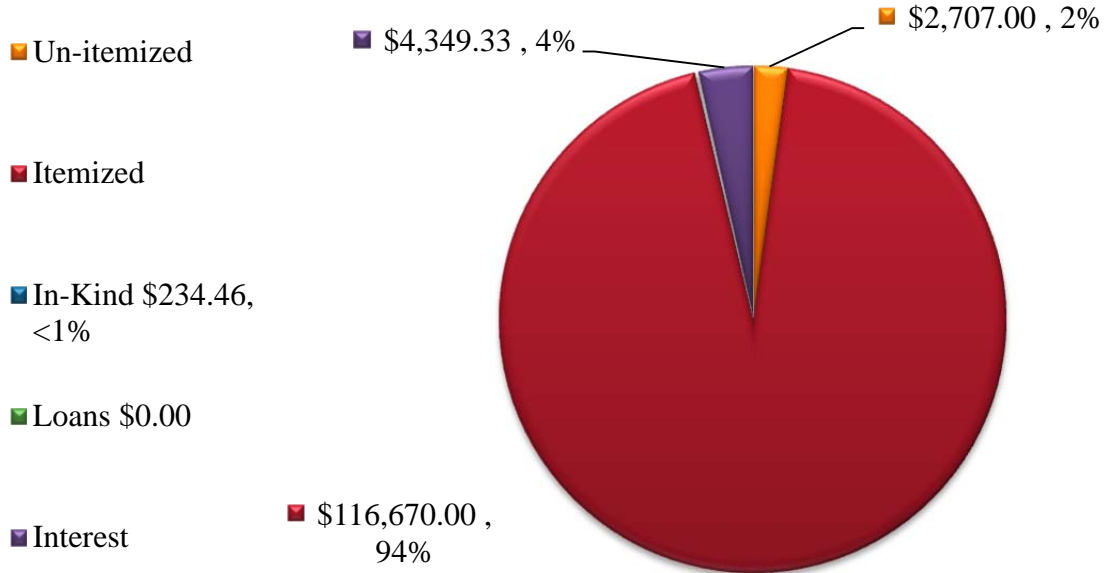
2014 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2014 election campaign by reporting period.



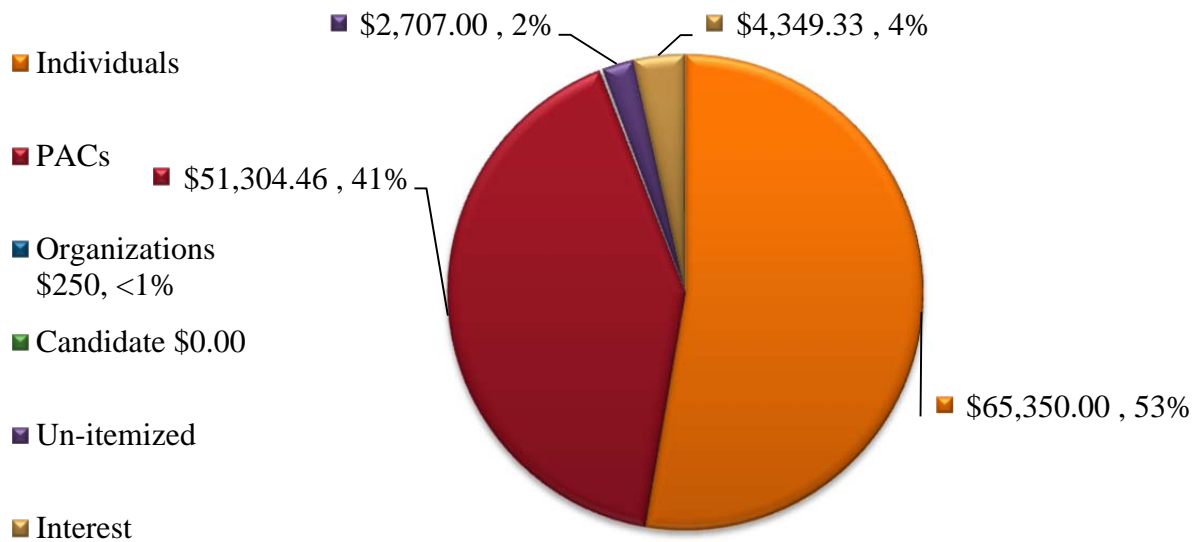
2016 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2016 election campaign through the 2016 Second Quarter reporting period.



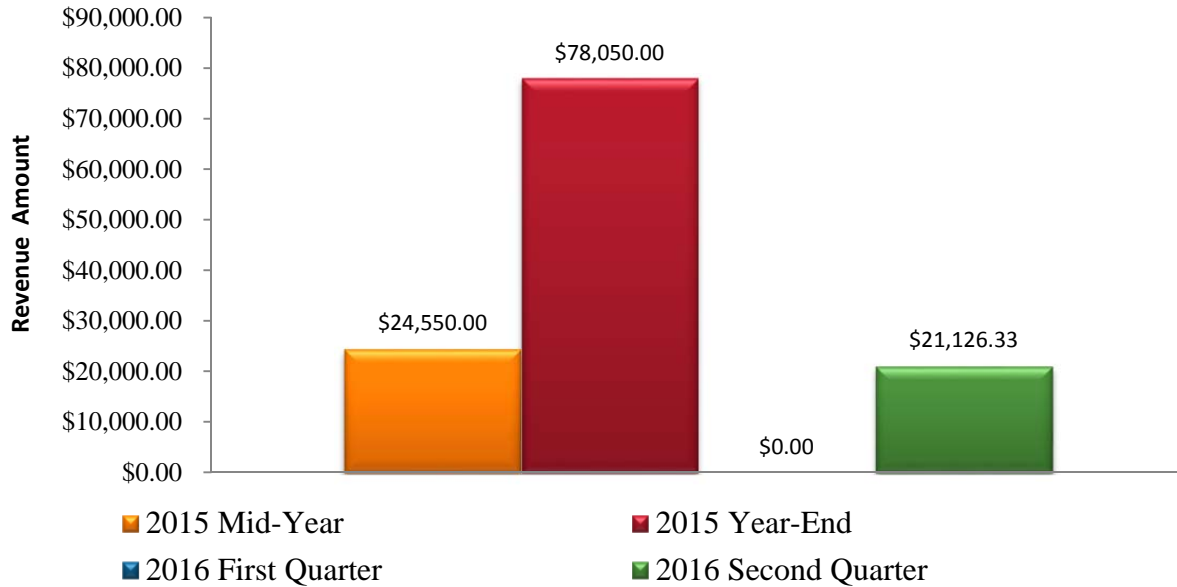
2016 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2016 election campaign through the 2016 Second Quarter reporting period. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



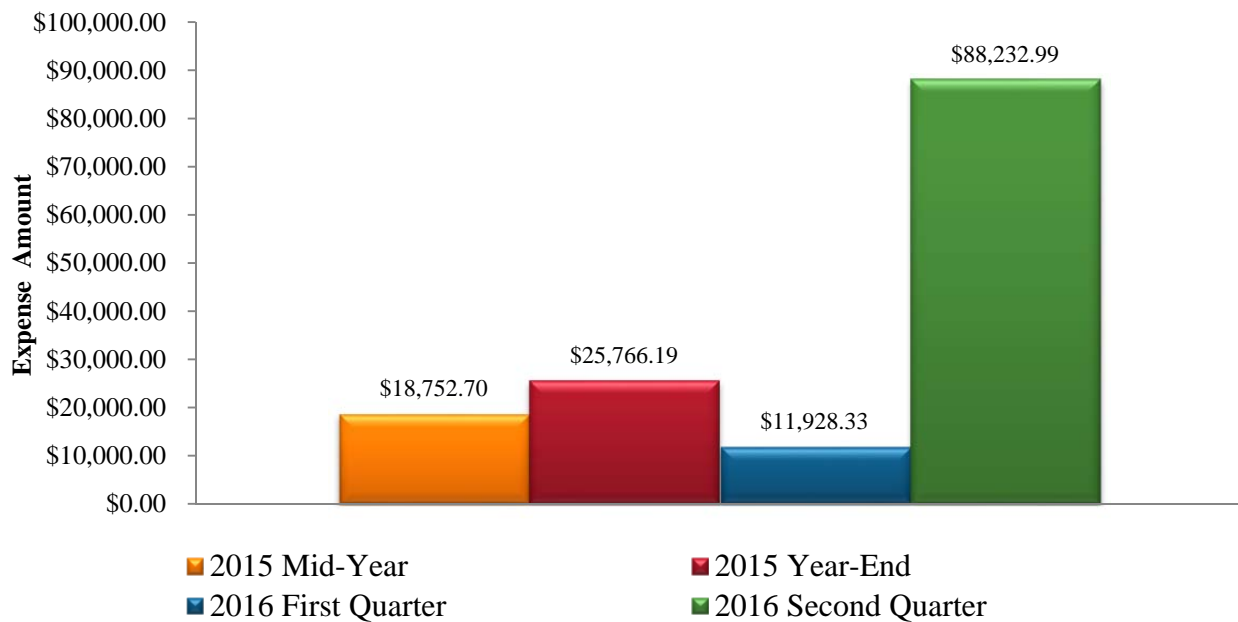
2016 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2016 election campaign by reporting period through the 2016 Second Quarter reporting period.



2016 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2016 election campaign by reporting period through the 2016 Second Quarter reporting period.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of our audit of contributions and receipts were to determine whether:

- all campaign contributions from individuals and Political Action Committees (PACs) were within campaign limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, 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 Jeremy Durham's Campaign Financial Disclosure Statements from December 27, 2012 to June 30, 2016. We requested Jeremy Durham provide his campaign records to support all contributions, loans, and interest that he received from the beginning of his 2014 election campaign through June 30, 2016. He appears to have maintained no campaign records for contributions and other receipts. However, he was able to obtain and provide copies of bank statements and deposit detail reports for the campaign account. As these items were insufficient to reconcile all the campaign activities, additional bank records for the candidate's PAC accounts, personal accounts, and business accounts were obtained by subpoena by the Registry. In addition to bank records, the Registry obtained other candidate and PAC campaign disclosures and statements by contributors to help assess and rebuild the supporting records. The following steps were performed on the data obtained:

- The documentation was reviewed to determine if the candidate's monetary contributions for 2014 election from January 16, 2013 to January 15, 2015 totaled \$175,975 and in-kind contributions totaled \$1,668.66 for the same period. Also the documentation was reviewed to determine if the candidate's monetary contributions for 2016 election from January 16, 2015 to June 30, 2016 totaled \$119,377, interest earnings totaled \$4,349.33 and in-kind contributions totaled \$234.46 for the same period
- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts was prepared to determine if the candidate deposited all funds into a campaign bank account and properly reported the funds in his campaign account on his campaign disclosures.
- A listing of un-itemized and itemized monetary contributions was prepared and compared to the candidate's disclosures reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.; contributions were properly reported; contributions were reported in the proper period; contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107; and contributions were reported in compliance with the Registry's rules.
- In-kind contributions by contributor was compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- The documentation was reviewed to determine if the candidate received loans.

Audit Conclusion:

As noted in the audit methodology Jeremy Durham did not maintain sufficient campaign records to support disclosures made nor to support all reportable campaign activities. In addition, he did not properly maintain a separate campaign account for all campaign activity but used multiple accounts. After reviewing campaign bank records provided by the candidate, the audit determined the records were insufficient to verify all campaign activities. The Registry requested additional records through the subpoena process and other avenues to assist the audit in rebuilding records for the campaign. The additional records the audit reviewed included additional bank accounts for Durham PAC, Volunteer Values PAC (federally registered PAC), Jeremy and Jessica Durham (candidate's personal checking, savings and credit card accounts) and Battle Ground Title and Escrow LLC. In order to complete audit work for receipts in addition to the campaign account the audit also reviewed records related to various promissory notes, statements of contributors and campaign disclosures made by other candidate's and PACs to the Registry of Election Finance and the Federal Election Commission.

The audit showed Jeremy Durham's 2014 Campaign Financial Disclosure Statements disclosed he had received \$175,975 in contributions. Based on the records obtained for audit, the

campaign received \$185,022.95 in contributions during that period a difference of \$9,047.95. His 2016 Campaign Financial Disclosure Statements indicated he received \$119,377 in contributions from January 16, 2015 to June 30, 2016. Based on the records obtained for audit the campaign received \$141,914 in contributions a difference of \$22,537. The \$31,584.95 differences are the results of Jeremy Durham failure to report \$36,334.95 in campaign contributions (Finding 1) and reporting \$4,600 in contributions for which there are no records of the contributing funds being received (Finding 2). The remaining \$150 appears to be minor accounting or mathematical errors.

Jeremy Durham's Campaign Financial Disclosure Statements indicated he received interest earnings totaling \$4,349.33 during the audit period. Based on the records reviewed for the audit, the campaign received \$14,973.03 during that period. The \$10,623.70 difference was unreported interest earnings (Finding 3). The records indicated that he received \$5,500 in contributions above the campaign limits set by statute (Finding 4). The records indicated the candidate placed campaign funds in the PAC account and PAC funds in the campaign account resulting in \$6,500 of PAC funds being reported as campaign funds (Finding 5). The audit indicates that Jeremy Durham inaccurately reported the contributor for several contributions (Finding 6).

The audit records also indicate Jeremy Durham failed to report \$416.85 of his own contributions related to his reimbursement payments. In some cases, the candidate identified expenses to be reimbursed and then did not reimburse himself the amount of the total expenses, the result is he used his personal funds to pay the difference. In order for the campaign account to properly show all funds used for campaign disbursements, \$416.85 in calculation errors would need to be reported as campaign contribution from the candidate. The \$416.85 was not included in finding 1 along with the other unreported contributions as they appear to be related to a calculation error and may not necessarily have been intended contributions (Credit card overpayments were also noted and appear in finding 9).

Besides the findings noted above, the records obtained for audit indicate that Jeremy Durham received and reported \$1,903.12 in in-kind contributions during the audit period. The campaign records indicate that he properly reported no loans received during the election cycle. However, the audit did note the candidate wrote a check from his personal account to his campaign account for \$5,000 deposited on August 20, 2013. He then wrote a \$5,000 check from the campaign to Jessica or Jeremy Durham which cleared the campaign bank account on August 23, 2013. Neither deposit nor check was reported and the transaction has a net effect of zero to the balance on hand. The activity may have been a banking error or change in needs, the resulting effect of the transaction was a three day loan.

FINDINGS

1. Jeremy Durham violated T.C.A. §2-10-105(a) and T.C.A. §2-10-107(a)(2)(A) by failing to report \$36,334.95 in campaign contributions.

Jeremy Durham failed to report \$36,334.95 in contributions during the audit period. T.C.A. §2-10-105(a) requires all contributions received to be reported on campaign finance reports. In

addition, T.C.A. §2-10-107(a)(2)(A) requires detailed disclosure of contributions over \$100 and a lump sum disclosure of contributions of \$100 or less. The various groups of unreported contributions are detailed in the sections below.

Un-itemized Contributions

Jeremy Durham failed to report the contributions related to \$3,945 in checks that were \$100 or less. His campaign disclosures show the candidate only disclosed un-itemized contributions twice during the audit period, 2015 Year-End and 2016 Second Quarter (after audit notice).

The audit found that 29 checks of \$100 or less, totaling \$2,180, were received and deposited between January 16, 2013 and June 30, 2015 and not reported. During the 2015 Year-End reporting period the campaign reported unitemized contributions of \$550. The audit found 31 checks of \$100 or less, totaling \$2,315, were deposited into the campaign account. Since the campaign maintained no support to indicate which contributions made up the \$550, the audit assumption was that the \$550 was a portion of the 31 checks which means \$1,765 of the \$2,315 went un-reported during the 2015 Year-End reporting period.

Cash Deposits – Anonymous Contributions

Jeremy Durham failed to report contributions related to cash deposits totaling \$5,122. In addition, he did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for the cash contributions. The records obtained indicate that \$5,216 in cash was deposited into the campaign accounts in nine deposits during the audit period. The amount includes \$94 that was reported in unitemized contributions on the 2016 Second Quarter disclosure.

Beyond the cash amount appearing on the deposit detail records of the bank account, there is no other record to indicate the source of these funds. As the candidate maintained no support to show the source of the cash deposits the entire \$5,216 is considered anonymous contributions. Without the specific contributor's names and amounts contributed the audit could not determine Jeremy Durham's compliance with the following campaign finance statutes for cash contributions:

- T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.
- T.C.A. §2-10-311(a) limits cash contributions to \$50 per election for each contributor.

Online Deposits – Anonymous Contributions

Jeremy Durham appears to have failed to report contributions related to on-line campaign contributions totaling \$2,806. In addition, he did not maintain or obtain any contribution campaign records to verify compliance with all campaign finance statutes for online contributions. The records obtained indicated that \$2,651.67 was deposited in seven transactions by wire transfers from Rally / Piryx into the campaign accounts from July 1, 2014 to January 16, 2015. Rally and Piryx are related companies that provide online fundraising platforms to assist candidates in collecting funds. The firm collects the contributions then transfers the funds to a designated account minus a fee. The audit determined that the fee appears to be 5.5% of the contribution. Thus, it appears that the campaign received \$2,806 in campaign contributions less fees of \$155.33.

Although the audit notes un-supported itemized contributions (Finding 2) which could be related to some of these deposits, Jeremy Durham maintained no record to verify the online contributions were for those contributions. Also, based on the amounts and dates reported for the unsupported contributions compared to the amounts and dates of the online contributions, only some of the un-reported online contributions could relate to these contributions. As a result, the audit has reported all \$2,806 in online contribution as being un-reported.

Regardless of whether the amounts are related, as Jeremy Durham maintained no support to show the source of the online deposits, the entire \$2,806 is considered anonymous contributions. Without the specific contributor's names and amounts the audit could not determine compliance with same campaign finance statutes noted for anonymous cash deposits in the prior section.

Itemized Contributions

Jeremy Durham failed to report the \$24,461.95 contributions deposited into the campaign account related to contributors who contributed more than \$100 during a reporting period. The amount includes the following;

- Checks from four individuals totaling \$2,750.
- A check from a business for \$500.
- \$5,000 of a \$6,000 contribution check from a couple. The candidate reported a \$1,000 contribution from an individual with the remaining \$5,000 being unreported. Campaign finance law would allow a \$6,000 check from a couple as long as the amount is allocated \$1,500 to each individual for each election.
- \$1,500 of a \$3,000 contribution check from an individual. The \$3,000 check appears to support a reported itemized contribution of \$1,500 from the individual (2016 Second Quarter report). The remaining \$1,500 being unreported. Total contributions from the individual are over the campaign limits for the 2016 election (Finding 4).

- \$1,000 check and \$500 of a \$5,000 check from a couple. The \$5,000 check appears to support three reported itemized contributions of \$1,500, two from one of the couple (one designated for the primary election and one designated for the general election) and \$1,500 from the other individual totaling \$4,500. Total contributions from the couple are over the campaign limits for the 2016 election (Finding 4).
- \$1,000 from a \$3,000 check from an individual where the check was written with no payee. Based on the deposit slips, the candidate split the funds between Durham PAC (\$2,000) and the campaign account (\$1,000). Jeremy Durham reported the \$2,000 deposit to the PAC in the PAC reports but failed to report the \$1,000 deposited in the campaign account. Total contributions from the individual are over the campaign limits for the 2014 election (Finding 4).
- A transfer of \$2,211.95 from an account called Jeremy Durham DBA Volunteers Value PAC. Based on disclosures made to the Federal Election Commission, Volunteers Value PAC was a federally registered PAC from April 1, 2014 to October 1, 2014 with Jeremy Durham as treasurer. The \$2,211.95 was the remaining amount in the PAC bank account when it was closed and was transferred to the campaign account on November 26, 2014.
- \$10,000 check from the Jeremy Durham's personal account (Jeremy and Jessica Durham checking account). The check dated July 25, 2015 (deposited on July 24, 2015) has no information to indicate the source or purpose of the check and the candidate did not report any activity related to this check on his campaign disclosures.

2. Jeremy Durham violated T.C.A. §2-10-105(a) by reporting \$4,600 in contributions where the associated funds cannot be verified as being deposited into a bank account.

Jeremy Durham reported 10 contributions totaling \$4,600 that have no supporting documentation to verify that the funds were deposited into a campaign account. Nine of the contributions were from individuals with four of the individuals confirming the contributions as having been made. One contribution was from a PAC, which also reported the contribution, but the contribution check never cleared the bank.

3. Jeremy Durham violated T.C.A. §2-10-105(a) by failing to report \$10,623.70 in interest earned on campaign funds and T.C.A. §2-10-114(b)(1) by depositing \$1,637.50 of that interest into his personal account.

Jeremy Durham failed to report \$10,623.70 in interest earnings during the audit period. T.C.A. §2-10-105(a) requires the disclosure of all contributions. The definition of contribution (T.C.A. §2-10-102(4)) includes “deposit, distribution, transfer of funds, ...”. The candidate earned interest both on the campaign bank account and through promissory note activity during the audit period.

Jeremy Durham's campaign checking account earned interest of \$529.97 during the audit period of which \$43.27 was reported (Second Quarter 2016). The remaining \$486.20 was

unreported. In addition to the campaign account, his campaign provided funds from the campaign account to businesses and individuals through which he generated interest earnings. Through these activities the campaign earned and was paid interest totaling \$14,443.06. Jeremy Durham reported \$4,305.45 of the interest on the 2016 Second Quarter report. The remaining \$10,137.50 was un-reported.

The campaign also appears to have earned interest on a note/line of credit with Jeremy Durham; however, that amount was not included or calculated as the payment date was not specified in the note. In addition, no earnings were calculated for the Oakstreet Health LLC convertible note. Any earnings gained on the units owned after conversion would also be reportable as interest earnings.

Jeremy Durham deposited \$1,637.50 of the interest earned from promissory notes related to campaign funds into his personal bank account. This would be a violation of T.C.A. §2-10-114(b)(1) which prohibits the personal use of campaign funds.

4. Jeremy Durham violated T.C.A. § 2-10-302 by receiving \$5,500 in contributions over the campaign limits.

Audit records indicate that Jeremy Durham received \$5,500 in contributions above the individual contribution limit. T.C.A. §2-10-302 establishes the limit an individual may contribute to a candidate per election. For the audit period the limit was \$1,500 per election. The amount over the limit related to the three groups of transaction detailed below:

- One individual made two contributions totaling \$4,500 to Jeremy Durham's campaign 2016 campaign (\$1,500 on November 23, 2015 and \$3,000 on May 18, 2016). The contribution limit for an individual was \$3,000 (\$1,500 primary and \$1,500 general). The \$1,500 difference is a violation of T.C.A. § 2-10-302. He also failed to report \$1,500 of the contributions received from this individual which is noted in Finding 1.
- A couple made three contributions on a joint account totaling \$7,500 to Jeremy Durham's 2016 campaign (\$1,500 on April 23, 2015, \$1,000 on November 23, 2015 and \$5,000 on January 8, 2016). The contribution limit for a couple was \$6,000 (\$1,500 primary and \$1,500 general for each individual). The \$1,500 difference is a violation of T.C.A. § 2-10-302. He also failed to report \$1,500 of the contributions received from these individuals which is noted in Finding 1.
- An individual wrote a check in the amount of \$10,000 with the payee as "Jeremy Durham" and "PAC" in the memo line. Jeremy Durham split the contribution between his campaign (\$6,000), Durham PAC (\$2,700) and Volunteers Values PAC (\$1,300). Although the check only has one individual in the check header, Jeremy Durham attributed \$3,000 (\$1,500 primary and \$1,500 general) of the \$6,000 to the individual and \$3,000 (\$1,500 primary and \$1,500 general) to the individual's spouse. The individual then contributed an additional \$1,500, which was disclosed on the 2014 Fourth Quarter report and \$1,000 which was not disclosed and noted in finding

1. The \$2,500 in excess contributions is a violation of T.C.A. § 2-10-302. (Note: The \$1,300, mentioned above, that was deposited into Volunteer Values PAC was part of a transfer into Jeremy Durham's campaign account when Volunteer Values PAC was closed. The transfer into his campaign account was not disclosed and reported in Finding 1.)

5. Jeremy Durham violated T.C.A. §2-10-105(a) by reporting \$6,500 of contributions intended to PACs he controlled as contributions to his campaign account.

Besides maintaining his account for his campaign activities for the 2014 and 2016 elections, Jeremy Durham operated and controlled an account for Durham PAC (Tennessee registered PAC) and Volunteer Values PAC (federally registered PAC). The records reviewed indicate he improperly reported \$6,500 of contribution intended for PACs he controlled as contributions to his campaign. The improper reporting appears to be the result of the failure to maintain separated accounting for each entity. The records indicated several related transactions for the PACs and his campaign, resulting in the mixing of his campaign and PAC funds.

An individual wrote a check, dated April 20, 2014, for \$10,000 to Jeremy Durham. The check was associated to three deposits slips, one for his campaign account for \$6,000, one for Durham PAC for \$2,700 and one for Volunteer Values PAC for \$1,300 (This is the same check noted in bullet point 3 of finding 4). Jeremy Durham then reported the contributions to each group on their related disclosures. The check memo line had the notation "PAC". As noted in various sections of the audit, he maintained no records for contribution and the audit rebuilt the support from the bank records. Based on check memo line, this check is not a campaign contribution for Jeremy Durham but a \$10,000 contribution to a PAC. The \$6,000 in contributions deposited into the campaign account and reported on the campaign disclosure are improper. As the memo line only reads "PAC", the audit cannot determine which PAC should have received the funds, however, both PACs are subsequently closed and the remaining funds were transferred to Jeremy Durham's campaign account.

On the 2013 Mid-Year report Jeremy Durham reported a \$500 contribution from an individual. The check associated to this contribution was actually from a business (Finding 6). The check's payee line reads "Jeremy Durham PAC". Like other transactions, he maintained no records for this contribution. Based on the check payee line the check is not a campaign contribution but a \$500 PAC contribution that appears to be for Durham PAC.

6. Jeremy Durham violated T.C.A. § 2-10-107(a)(2)(A) by failing to accurately disclose the names of several contributors.

Jeremy Durham's campaign records indicate that the campaign listed the incorrect contributor for several contributions. T.C.A. § 2-10-107(a)(2)(A) requires that each contribution over \$100 disclosed must contain the complete name, address, amount, occupation and employer. The contributors that were incorrectly disclosed are listed below:

- Thirteen contribution checks from businesses, each listed a business in the header, were reported as contributions from the business owner or signer of the check.

- A \$250 check listed from an organization was reported as being contributed by the individual who signed the check.
- A \$500 check from a candidate committee was reported as being from what appears to be the candidate's spouse.
- A \$250 check was reported being from the bank on which the check was drawn not the individual who made the contribution. This check appears to be a cashier check. The name of the donor appears in the payee information on the check.
- A \$2,000 check from an individual was allocated as \$1,500 to the account holder and \$500 to another individual. Although this could be the spouse, the check is not from a joint account.
- A \$500 check was listed to an incorrect or incomplete last name.

When a candidate receives a contribution and prepares the disclosure, the candidate should consistently apply a method for determining the contributor. This process should start with the header of the check as it will usually be the source of the funds. The candidate may use additional information provided by the contributors but should obtain and maintain the documentation in written format for reporting and audit purposes. As noted in this report, Jeremy Durham maintained no campaign records to support his disclosures but provided bank records for the audit. The audit supported contributions through rebuilding records from various bank records. For items in this finding there was no record on the checks to indicate that the contribution was from any other source than the account holder listed in the header of the check.

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 Jeremy Durham's Campaign Financial Disclosure Statements from December 27, 2012 to June 30, 2016. We requested Jeremy Durham provide campaign records to support all campaign expenses and obligations incurred from December 27, 2012 to June 30, 2016. Also, we requested he supply records to support any disbursements made from the campaign account. He appears to have maintained no campaign records for expenses except for maintaining personal credit card statements used to support some expenses that were reimbursed to him. However, he was able to obtain and provide copies of bank statements and canceled checks for the campaign account. As these items were insufficient to reconcile all the campaign activities, additional bank records for the Jeremy Durham's PAC accounts, personal accounts and business accounts were obtained by subpoena by the Registry. Also, bank records and other documents were obtained from groups and individuals who were disbursed campaign funds. In addition to bank records, other candidate and PAC campaign disclosures and statements by individuals were obtained to help assess and in some cases rebuild the supporting records. The following steps were performed on the data obtained:

- The documentation was reviewed to determine if the campaign disbursements for 2014 election from January 16, 2013 to January 15, 2015 totaled \$75,494.70. Also the documentation was reviewed to determine if the campaign's disbursements for 2016 election from January 16, 2015 to June 30, 2016 totaled \$144,682.19.
- A list of disbursements was prepared and compared to the candidate's bank statements and copies of cleared checks to determine if the candidate expended all funds from the campaign bank account.
- The list of disbursements was compared to the candidate's campaign disclosures and bank statements to determine if all disbursements were reported.
- The list of disbursements 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:

Jeremy Durham did not maintain sufficient campaign records to support disclosures made nor to support all reportable campaign activities. Included in the failure to maintain records he retained no receipt, bill or invoice to confirm expense items and services purchased. Additionally, He did not properly maintain a separate campaign account from which all campaign expenses were disbursed. After reviewing the campaign bank records and credit card statements provided, the audit determined the records were insufficient to verify all campaign activities. The Registry issued subpoenas or requested additional records to assist the audit in rebuilding records for the campaign. The following additional bank accounts were reviewed, Durham PAC, Volunteer Values PAC, Jeremy and Jessica Durham (personal checking, savings and credit card accounts) and Battle Ground Title and Escrow LLC. In the case of disbursements and obligations, the audit also reviewed records related to various promissory notes and related bank documents, statements from individuals and campaign disclosures made by other

candidate's and PACs. The audit reviewed these records and attempted to verify the disclosures made by Jeremy Durham to the expenses incurred.

Due to the inadequacy of the records and reconciliations, various reporting errors noted, and the manner in which unitemized expenses are reported, the audit could not verify all the disclosures made by Jeremy Durham. Most of the verification problem is the result of unitemized expenses. When a candidate incurs expenses with a vendor, during a reporting period, where the payment to that vendor is \$100 or under, the candidate may report the expense as an unitemized expense. These expenses are then reported by expense categories. The categories can include not only multiple transactions to one vendor but can include multiple vendors as long as the purpose for the expenses are the same. The candidate should then maintain records that reconcile expenses for each category reported. Jeremy Durham maintained no such records; therefore, the audit attempted to reconcile the expenses incurred to the unitemized disclosures but was unable to calculate which expenses made up each category. The audit used the disbursement records obtained for the audit to create an auditor prepared report for each period. These re-creations show expenses as they should have been reported based on the disbursement records (The re-creations include all disbursements from the campaign accounts except promissory note activity without considering allowableness of the expense).

Jeremy Durham's 2014 Campaign Financial Disclosure Statements indicate he disbursed \$75,494.70 for campaign expenses incurred. Based on the records and recreated reports prepared by the audit, the campaign account paid expenses totaling \$91,094.83 during that period a difference of \$15,600.13. Jeremy Durham's 2016 Campaign Financial Disclosure Statements indicated he disbursed \$145,680.21 for campaign expenses incurred. Based on the records and recreated reports prepared by the audit, the campaign account paid expenses totaling \$181,220.64 during that period a difference of \$35,540.43 (The proceeding audit amount excludes promissory note disbursement noted in Promissory & Other Note Activity section below, as noted in that section the candidate disclosures also exclude those same disbursement). As the amount calculated by the audit is greater than the amount reported, the \$51,140.56 difference represents expenses Jeremy Durham failed to report during the audit period (Finding 7). Along with the unreported expenses, he failed to accurately report expenses. These failures included: failing to itemize expenditures; miss-reporting the amounts of expenses; reporting expenses which are not supported by payments made with campaign funds or any other record to indicate the expense was incurred and double reported expenses (Finding 7). In addition, the records indicate Jeremy Durham failed to report \$1,038.48 in funds deposited into the campaign account for shared expense payments or returned expenses (The candidate should have reported these funds as expenditure adjustments). Relatedly, the candidate reported a \$500 expenditure for professional services that appears to be a return of a campaign contribution received. This disbursement is reported with an improper purpose and should have been reported as a contribution adjustment.

In addition to the errors related to reporting expenses noted above and excluding promissory note activity, the audit identified \$10,176.35 in expenses that were paid with campaign funds but appear to be unallowable per TCA §2-10-114 (Finding 8). Also, the campaign account shows disbursements of \$11,927.43 to Jeremy Durham for which there is no support to indicate a campaign expense occurred (Finding 9). The audit records indicate Jeremy Durham disbursed campaign funds into his personal account for unallowable expenses as the expenses were not incurred by the campaign but were incurred by the State of Tennessee

(Finding 10). Besides the specifically prohibited expenses noted in Finding 8, the candidate failed to maintain sufficient records to determine whether all expenditures were allowable (Finding 11).

FINDINGS

7. Jeremy Durham violated T.C.A. §2-10-105(a) and T.C.A. §2-10-107(a)(2)(B) by failing to accurately report campaign expenditures.

Jeremy Durham failed to keep adequate records to support campaign expenses resulting in numerous discrepancies in the reporting of campaign expenditures. T.C.A. §2-10-105(a) requires that a candidate report all expenditures made by the campaign. In addition, T.C.A. §2-10-107(a)(2)(B) requires accurate disclosure of expenditures as itemized or unitemized expenditures. The audit discovered the following inaccuracies in the reporting of campaign expenses:

- The campaign failed to disclose \$51,140.56 in campaign expenditures. The campaign's disclosures show itemized and unitemized expenses totaling \$221,174.91 (\$181,831.18 itemized and \$39,343.73 unitemized) for the audit period. The audit determined the expense amount to be \$272,315.47, resulting in a difference of \$51,140.56.
- The campaign failed to report expenses of \$75,938.55 as itemized expenditures. The 208 instances include both instances where the expenditure was not reported and where the expenditure was included in unitemized expenditures. The 208 also includes single vendor transactions and multiple transactions grouped together to the same vendor.
- The campaign failed to report the correct amount for sixteen expenditures totaling \$4,458.91. The incorrect reporting consisted of three expenses understated by \$39.46 and thirteen expenditures overstated by \$4,498.37.
- The campaign reported nine expenditures totaling \$8,154 which appear to have not been incurred.
- The campaign double reported expenses totaling \$13,358.13. The double reported expenditures were each reported in two different reporting periods.

8. Jeremy Durham violated T.C.A. §2-10-114 by disbursing \$10,176.35 in campaign funds for prohibited activities.

Based on the records obtained for the audit, Jeremy Durham appears to have disbursed \$10,176.35 of campaign funds for activities prohibited in T.C.A. §2-10-114. Campaign finance statutes allow candidates to use campaign funds for expenditures based on the definition of expenditures in T.C.A. §2-10-102(6):

- (A) a purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value made for the purpose of influencing a measure or the nomination for election or election of any person to public office.

- (B) use of campaign funds by an officeholder for the furtherance of the office of the officeholder.

In addition, T.C.A. §2-10-114(a) outlines the various allowable disbursements of unexpended funds in campaign accounts after an election, specifically §2-10-114(a)(7) states “The funds may be used to defray any ordinary and necessary expenses incurred in connection with the office of the officeholder.” T.C.A. §2-10-114(b)(1) outlines prohibited activities starting with the general restriction as following:

Except as provided in subsection (a), no candidate for public office shall use any campaign funds for any other purpose other than a contribution or expenditure as defined by this part. The disbursement of campaign funds for a candidate's own personal use is not permitted. For the purpose of this section, “personal use” means any use by which the candidate for public office or elected public official would be required to treat the amount of the expenditure as gross income under 26 U.S.C. § 61, or any subsequent corresponding Internal Revenue Code section.

T.C.A. §2-10-114(b)(2) outlines specific expenditures that are prohibited to be made with campaign funds:

- (A) Any residential or household items, supplies or expenditures, including mortgage, rent or utility payments for any part of any personal residence of a candidate or officeholder or a member of the candidate's or officeholder's family;
- (B) Mortgage, rent, or utility payments for any part of any nonresidential property that is owned by a candidate or officeholder or a member of a candidate's or officeholder's family and used for campaign purposes, to the extent the payments exceed the fair market value of the property usage;
- (C) Funeral, cremation, or burial expenses related to deaths within a candidate's or officeholder's family;
- (D) Clothing, other than items of de minimis value that are used in the campaign;
- (E) Tuition payments within a candidate's or officeholder's family other than those associated with training campaign staff or associated with an officeholder's duties;
- (F) Dues, fees, or gratuities at a country club, health club, or recreational facility, unless they are part of a specific fundraising event that takes place on the organization's premises;
- (G) Salary payments to a member of a candidate's family, unless the family member is providing bona fide services to the campaign. If a family member

provides bona fide services to the campaign, any salary payment in excess of the fair market value of the services provided is a prohibited use;

- (H) Admission to a sporting event, concert, theater, activity, charitable event or other form of entertainment, unless the event is an expense associated with a legitimate campaign or officeholder activity, where the tickets to such event are provided to students attending schools, guests or constituents of the candidate or officeholder, or persons involved in the candidate's or officeholder's campaign;
- (I) Payments for grooming or enhancing one's personal appearance unrelated to campaign activities; or
- (J) Payment of any fines, fees, or penalties assessed pursuant to this chapter or title 3, chapter 6.

The following expenditures are prohibited by T.C.A. §2-10-114:

- Aaron and Brenda's Wedding \$50: Jeremy Durham's credit card statement showed an expense reimbursed by the campaign that appeared as "*WPY Aaron and brendas wed*". There appears to be no campaign or legislative purpose to this "gift" unlike bonuses or gifts given to campaign workers or other related staff.
- Bank wire transfer fees \$30. Appear be related to Jeremy Durham facilitating a transaction as an attorney.
- BeutiControl Spa for \$43.70. BeutiControl Spa's primary products are cosmetics and spa products (personal appearance items) all of which are prohibited.
- Benton Smith check for \$500: Benton Smith was both a campaign worker and employee of Battleground Title and Escrow LLC. This check was written to Benton Smith from the campaign account and reported as professional services but deposited into the operating account of Battleground Title and Escrow LLC. Based on statements provided by Benton Smith, the funds were not paid for professional services but were a transfer from the campaign account to the business to assist in business expenses. The deposit occurs on the day that text messages between Jeremy Durham and Benton Smith indicated that he (He indicating Jeremy Durham) could transfer funds from the campaign account to the business but would need to get credit for funding as an owner.
- Cool Springs Wine & Spirits for \$53.52 on 11/14/2014 and Red Dog Wine & Spirits for \$87.38 on November 17, 2014: These expenses appear on Jeremy Durham's personal credit card with the notation "battleground". Based on that data, it appears these expenses were related to the title company and not legislative or campaign activity.

- Cool Springs EyeCare LLC \$105: This expense appears on Jeremy Durham's personal credit card with the notation "suns". This appears to indicate purchase of sunglasses, which does not appear to be a campaign related expense nor an ordinary and necessary expense of an office holder.
- Defined by Darla for \$500: Defined by Darla appears to be a custom clothier or custom home décor service, both of which are prohibited.
- Fairview Lions Club \$55: The campaign records indicate campaign paid \$110 to the Fairview Lions Club for membership dues for Jeremy Durham and his spouse. Jeremy Durham's \$55 membership is an allowable expense; however, his spouse's membership is an unallowable expense.
- Franklin theater expenses for \$52: On Jeremy Durham's personal credit card there are four expenses totaling \$52 to the Franklin Theater on April 23, 2016.
- Groupon \$6.00: The campaign paid Groupon for tickets to the Williamson County Fair. There is no record to indicate these tickets were used by anyone but Jeremy Durham.
- Heritage Cleaners was paid \$108.84 from 10/31/2014 to 2/2/2016 for dry cleaning which would appear to be additional clothing related prohibited purchases
- Herron Travel for \$30.00: Based on the records provided, this travel expense is associated with Jessica Durham's travel to the Chicago ALEC conference. Jeremy Durham's travel was paid by the State of Tennessee. Campaign funds may be used to reimburse the candidate's travel to such a conference if not paid from another source but not for a spouse.
- Herron Travel for \$30.00: Based on the records provided this travel expense is associated with Jessica Durham's travel to the Washington, D.C. ALEC conference.
- JJ's wine Bar for \$252.50: This expense appears on Jeremy Durham's personal credit card and was included in the reimbursement paid from the campaign account. A note next to the expense reads "Jeremy's b-day." Expenses associated to a birthday celebration would be personal in nature and therefore unallowable.
- Johnathan Shearon was paid \$1,474 from October 10, 2013 to April 11, 2016 for landscaping or home improvement related services to the Jeremy Durham's personal residence or rental properties from the campaign account. Based on discussions with Jeremy Durham and an internet search, it appears Johnathan Shearon operates a lawn care/landscaping business and was paid to keep the grounds of the Jeremy Durham's personal residence or rental property used for campaign storage or events.
- Jos A. Bank Catalog for \$206.50: This expense appears on Jeremy Durham's personal credit card and was included in the reimbursement paid from the campaign account.

A note next to the expense reads “Byron”. This appears to indicate purchase of prohibited clothing for a campaign worker.

- Lee’s Alterations was paid \$290.69 in two transactions: Clothing alteration would appear to be clothing related purchase which is prohibited.
- Logicforce \$1,850: Jeremy Durham personally paid and then reimbursed from the campaign account a \$1,000 payment to Logicforce and then later paid the firm directly from the campaign \$850. Logicforce is a computer forensic company. Based on statements of Jeremy Durham and other records, Jeremy Durham hired the firm to make a forensic copy of his mobile phone to assist him in a defense for allegations investigated by the Office of the Attorney General. The hiring of a firm to provide forensic services for a possible legal defense is not a campaign expense or an ordinary and necessary expense incurred in connection with the office of an officeholder and therefore would be unallowable.
- Mona Gill \$474: Based on records obtained and statements made this was a gift paid to a hostess of an event attended by Jeremy Durham. There appears to be no campaign or legislative purpose to this “gift” unlike bonuses or gifts given to campaign workers or other related staff.
- Nissan Stadium Concession \$54: On the Jeremy Durham’s personal credit card there are four purchases on September 5, 2015 at the Nissan Stadium Nashville.
- Nordstrom for \$29.35. Expense appears to be a personal purchase.
- PayPal eBay Marketplace for \$1,807.14 (Four transactions \$111.99, \$665.20, \$854.95 & \$175.00): All the expense appear on Jeremy Durham personal credit card and was included in the reimbursement paid from the campaign account. A note next to the expense reads “suits”. This appears to indicate purchase of prohibited clothing.
- Physician paid by campaign \$95: Based on the various records reviewed this appear to be a payment to personal physician for professional services.
- Postage / copying expenses of \$92.36 (\$20.26 to FedEx and \$72.10 to 5-Point Station): This is twelve purchases under \$20 from August 11, 2015 to September 7, 2015 made on Jeremy Durham’s personal credit card with no notation. Most appear to be standard rate shipping of \$5.75 and all appear to be single shipments or copy charges. These transactions appear to be more likely personal or business related.
- RCGOLF \$115.72: This expense appears on Jeremy Durham’s personal credit card with the notation “suns”. Again appears to indicate the purchase of sunglasses.
- Southwest Airline for \$541.70: Based on the records provided this travel expense is airfare for Jessica Durham’s travel to the Washington, D.C. ALEC conference.

- Speedway Concession \$24: On Jeremy Durham's personal credit card there are two purchases on August 24, 2013 in Harrisburg, NC that read Speedway Concessions which were reimbursed by the campaign.
- Tennessee Bar Association \$125. Based on a review of the bar fees schedules this appears to be continuing professional education fees for Jeremy Durham being an attorney.
- Tennessee Bar Association \$145. Based on a review of the bar fees schedules this appears to be membership dues for Jeremy Durham being an attorney.
- Tennessee Commission on Continuing Education \$12. Additional continuing professional education fees for being an attorney.
- Tennessee Department of Commerce and Insurance paid \$110: This appears to be part of the start-up expenses for Battleground Title and Escrow LLC.
- Tennessee Department of Safety for \$50. Based on statement from Jeremy Durham this expense is for a handgun carry permit. This appears likely based on the amount and vendor paid.
- Tennessee Secretary of State paid \$300: Based on records obtained from the Tennessee Secretary of State and campaign bank statements, a campaign check paid the filing fee for the Articles of Organization for Battleground Title and Escrow LLC.
- Tennessee Secretary of State paid \$20: Based on records obtained from the Tennessee Secretary of State and campaign bank statements, a campaign check paid the filing fee related to a Change of Registered Agent/Office for Battleground Title and Escrow LLC.
- Tom James Company for \$179.17: Tom James Company appears to be a custom clothier. Therefore, this appears to be another prohibited clothing purchase.
- TPAC Concession \$18: On Jeremy Durham's personal credit card there is a purchase on May 26, 2015. This appears to be concessions at a TPAC.
- UT CFO Office for \$160: On Jeremy Durham's personal credit card there are two purchases to the UT CFO office on 10/10/2015 for \$640 and reimbursed by the campaign. The purchase appears to be for UT football tickets. As noted there are no records except bank statements and credit card statements. On the credit card statement there is a note next to \$480 of the expenses that reads "Zachary, Campbell, and Randell" the other for \$160 has no notes. Based on this record the audit determined \$480 of the tickets may have been expended per the statute, however, the remaining \$160 appears to be personal used tickets and therefore unallowable per the statute.

- Walmart \$68.78 for office paint. The only office identified by Jeremy Durham was in his personal residence. (Although he kept no receipt for expense, this disbursement was made on the his personal credit card, the purpose of this expense was determined based on a note written on that statement and discussions with Jeremy Durham.).
- Williamson County Drug Court \$30. The campaign records show an expense for \$60. Based on information provided by Jeremy Durham, the \$60 expense was tickets to a fundraiser for him and his wife. Jeremy Durham's \$30 ticket is an allowable use of campaign fund but his spouse's ticket is an unallowable expense.

9. Jeremy Durham made cash withdrawals and reimbursements to himself in the amount \$11,927.43 from campaign funds without support which is a violation of T.C.A. 2-10-114(b)(1).

Based on the records obtained for the audit, Jeremy Durham appears to have disbursed \$11,927.43 from the campaign account where no campaign expenses can be identified as occurring. Included in the amount is \$5,750 in cash withdraws, \$4,750.65 in reimbursements paid to Mr. Durham's personal accounts where no related campaign expense was identified as being reimbursed and \$1,346 in reimbursements to Mr. Durham's personal accounts for campaign expenses identified by Mr. Durham but there is no related expense from his personal account. The remaining \$100 was a check disbursed with no payee on the front of the check and no payee or account on the back of the cleared check.

The records provided for the campaign account show Jeremy Durham withdrew in twelve transactions a total of \$5,750 in cash from the campaign account throughout the audit period. As the candidate maintained no support to show the purpose of the cash withdrawals, the entire \$5,750 would be considered a personal expense which is unallowable pursuant to T.C.A. §2-10-114(b)(1).

Additionally, the records indicate that Jeremy Durham made several purchases on his personal credit card which he reimbursed to himself or his spouse from the campaign account along with other expenses. For each personal credit card statement the candidate or his spouse would highlight/circle expenditures that should be reimbursed by the campaign. On those credit card statements, they would also write notes for additional expense that they determined should be reimbursed (usually these could be supported by checks disbursed from the candidate's personal accounts). They would then calculate the amount of the reimbursement. A check was disbursed from the campaign account for the reimbursement based on their calculation. The records indicated during several reporting periods the reimbursement check was larger than the expenses supported. These overpayments represent improper transfers of campaign funds to the personal account. The total overpayments of \$6,096.65 would be considered a personal expense which is unallowable pursuant to T.C.A. §2-10-114(b)(1).

Finally, a blank check in the amount of \$100 which cleared the bank with no additional information denoted on the check would be unallowable and considered a personal use of campaign funds unallowable pursuant to T.C.A. §2-10-114(b)(1).

10. Jeremy Durham reimbursed \$7,702.07 in expenses to himself from his campaign account that were also reimbursed by the State of Tennessee which is a violation of T.C.A. §2-10-114(b)(1).

The records obtained for the audit indicate Jeremy Durham used campaign funds to reimburse himself for expenses that were also being reimbursed by the State of Tennessee. T.C.A. §2-10-114(a)(7) allows a candidate to use campaign funds to defray any ordinary and necessary expenses incurred as an officeholder. However, an officeholder may only use campaign funds to pay any excess costs above the amount of reimbursements received. The audit records indicate that Jeremy Durham had expenses on his credit card that he reimbursed from his campaign account to his personal account. These expenses were also reimbursed to him through direct reimbursement or per diem allowance from the State of Tennessee. This resulted in expenses being reimbursed to Mr. Durham that were unallowable in violation of T.C.A. §2-10-114(b)(1) which prohibits the personal use of campaign funds.

The records used for the audit indicate there was \$570.93 of directly reimbursed expenses to the Jeremy Durham by the State of Tennessee which were also paid for by the campaign. The records also indicate that there was \$7,131.14 in expenses paid for by the campaign that Jeremy Durham received per diem payments from the State of Tennessee.

The direct identified expenses were expenses related to ALEC conferences attended by Jeremy Durham in 2013 and 2014. The five expenses were paid on Jeremy Durham's personal credit card and then reimbursed by the campaign account to Jeremy Durham's personal account. The records indicate the same five expenses totaling \$570.93 were also reimbursed to Jeremy Durham's personal account by the State of Tennessee.

The state pays legislative members a per diem for session days, committee days and other legislative work days. They also will pay the per diem for a legislative trip to conferences or summits. The state paid per diem is to cover lodging, food and other incidental cost. Jeremy Durham made purchases at various restaurants or snack/coffee/convenience shops on the same day he was receiving per diem. As Jeremy Durham maintained no records; what was purchased and/or number of guest cannot be determined. The audit records indicated that Jeremy Durham purchased \$8,438.94 in food and food related expenses on days in which the state paid him per diem. On various per diem days, Mr. Durham spent a total of \$1,307.80 more than he received in per diem. The difference of \$7,131.14 would have been double reimbursed to Jeremy Durham by the campaign and state and appears to result in unallowable expense pursuant to T.C.A. §2-10-114(b)(1) which prohibits the personal use of campaign funds.

11. In violation of T.C.A. §2-10-212(c), Jeremy Durham failed to retain sufficient expense records to determine whether all expenditures were allowable.

As noted in the disbursement and obligation section, Jeremy Durham failed to maintain adequate documentation to support disbursements made. This failure is a violation of T.C.A. §2-10-212(c), which states that a candidate shall retain copies of all checks, bank statements and vendor receipts for two years after the date of an election. The audit records consisted of bank statements with canceled checks and credit card statements. These are adequate to show

amounts disbursed and in most cases the vendor paid. In cases where reimbursements are made to the candidate or other individuals for campaign expenses, the vendor may not be supported. The records provided for audit are insufficient to identify the purpose of the expense and thus the audit cannot verify all disbursements are allowable.

In order to make an assessment of allowable and unallowable expenses for the audit, the auditor reviewed each expense to see if the records provided included any notations (for example: in some cases there were notes on the credit card statements or notes on the memo lines of checks). Included in the review of records was a review of the campaign disclosure's itemized expenses to determine if the expense's purpose was disclosed by Jeremy Durham. The auditor then reviewed the business entity to determine if the business services or goods sold would appear likely to be incurred by a campaign. The same procedure was used to review payments to individuals. Finally, some expenses were able to be verified as allowable or unallowable through confirmation from other sources including statements made by Jeremy Durham or payee. While the audit was able to determine whether most expenditures were allowable or unallowable as noted in Finding 8, the audit could not determine whether other expenses were allowable or unallowable.

In addition to the expenses noted above, fuel purchases were also examined. It is difficult to determine whether all fuel purchases are allowable. An officeholder is allowed to use campaign funds for fuel used in the campaign as well as the fuel used for officeholder activities. Since the officeholder is reimbursed mileage, by the State of Tennessee, for travel to and from his home to the Capitol for legislative business, these fuel purchases are unallowable unless they exceed the reimbursed amount. As shown in the chart below fuel charges increased dramatically in 2015 and first half of 2016 from the previous years:

Reporting period (months covered)	Charges paid by campaign	Total paid by the campaign
2013 Mid-Year (six)	3	\$170.59
2013 Year-end (six)	4	\$190.22
2014 1 st Qtr. (3)	1	\$51.16
2014 2 nd Qtr. (3)	6	\$323.19
2014 Pre-primary (1)	3	\$124.22
2014 3 rd Qtr. (2)	4	\$133.12
2014 Pre-general (1)	2	\$122.72
2014 4 th Qtr. (2)	0	\$0.00
2015 Mid-Year (six)	14	\$495.85
2015 Year-end (six)	53	\$1,436.79
2016 1 st Qtr. (3)	10	\$286.62
2016 2 nd Qtr. (3)	20	\$652.88

Since Jeremy Durham retained no records to support the purpose of any fuel purchases the audit cannot determine whether fuel purchases are personal to him, his spouse (credit card is a joint account), business related, legislative related or campaign/officeholder related.

PROMISSORY & OTHER NOTE ACTIVITY

Besides the disbursements for campaign and officeholder expenses noted above the campaign records show several other large disbursements and deposits. The auditor was provided several promissory notes and a note purchase agreement to support the disbursements to/from the account. Jeremy Durham indicated the purpose of these promissory note activities for the campaign account was to generate interest earnings on the campaign funds. The review of the record indicated related activity in the campaign account, Durham PAC account and the Durham's personal accounts. Details of the note activities obtained during the audit appear below along with the finding noted.

LIFE WATCH PHARMACY LLC

The campaign bank records showed a disbursement on July 24, 2013 to Life Watch Pharmacy LLC in the amount of \$65,500. Jeremy Durham indicated and provided support to indicate the disbursement was related to promissory note activity. The audit contacted Life Watch Pharmacy LLC, who provided information on all promissory activity. This activity included activity of the Jeremy Durham campaign account, Durham PAC and the Durham's personal account. The following are the details for the various notes and payments made:

\$65,500 Campaign Account Note

- On July 24, 2013 a secured promissory note in the amount of \$65,500 (The check disbursed on July 24, 2013 noted above) was executed between Life Watch Pharmacy, LLC and Jeremy Durham Campaign Account (listed as an individual residing in Tennessee). The note had the following terms; maturity date 1/24/2013 (appears to be a note error and should be January 24, 2014); interest rate of 5% per annum payable at maturity; and a guarantor by Andrew Miller. The note was signed by Steven Kress, CFO for Life Watch Pharmacy, LLC; Jeremy Durham for the campaign; and Andrew Miller as guarantor.
- On January 25, 2014 the note was refinanced under the same amounts and conditions with a maturity date of July 25, 2014. The note was signed by the same individuals as the note issue on July 24, 2013.
- On February 4, 2014 Life Watch Pharmacy, LLC. wrote a check to J Durham Campaign for \$1,637.50 for the interest earned for the six month period (July 2013 to January 2014). The check was deposited into the Durham's personal account not the campaign account and no interest earnings were reported for this transaction in the campaign account (The failure to report the interest earning is noted in Finding 3).

\$34,500 Campaign Account Note

- On or about January 10, 2014 a secured promissory note in the amount of \$34,500 was executed between Life Watch Pharmacy, LLC. and Jeremy Durham Campaign Account. In this case the campaign issued the check on January 10, 2014 for the

\$34,500 amount but there is no date on the promissory note. The promissory notes appear to be standardized and the date blank was not completed except for the 2014 pre-printed year. The note had the same terms as the note above but the maturity date field was also left blank. The note was signed by Jeremy Durham for the campaign; and Andrew Miller as guarantor. The note had a signature line for Steven Kress, CFO for Life Watch Pharmacy, LLC but the copy provided was not signed by Mr. Kress.

\$120,000 Campaign Account Note – (New principal and consolidation of prior notes)

- On August 5, 2014 a secured promissory note in the amount of \$120,000 was executed between Life Watch Pharmacy, LLC. and Jeremy Durham Campaign Account. The \$120,000 principal is the \$65,500 note, the \$34,500 note and \$2,500 in interest earned for the 6 month period of February 2014 to July 2014 on both notes. The remaining \$17,500 was a check written from the campaign account on August 5, 2014. The note had the following terms; the maturity date was no longer included but became a demand note payable on 45 day notice by the holder (Jeremy Durham Campaign Account); interest rate of 5% per annum payable at maturity; and a guarantor by Andrew Miller. The note was again signed by the parties listed for the other notes.

Based on this information the campaign had activity outside the campaign account that was reportable on August 5, 2014. When the \$2,500 in interest was placed into the principal of the note, it was reportable as interest earned on the campaign disclosure. This interest was not reported on a campaign disclosure; however, it was placed into the campaign account when the note principal was returned by wire transfer in June of 2016. The failure to report the interest is noted in Finding 3.

- On February 2, 2015 Life Watch Pharmacy, LLC wrote a check to J Durham Campaign for \$3,000 for the interest earned for the six month period (August 2014 to Jan 2015). The check was deposited into the campaign account, however; no interest earnings were reported for this transaction. The failure to report the interest earning is noted in Finding 3.

\$100,000 Campaign Account Note – (\$20,000 principal payment new note issued)

- On August 11, 2015 Life Watch Pharmacy, LLC. wrote a check to J Durham Campaign for \$23,000. The amount is to return \$20,000 of the principal paid and \$3,000 for the interest earned for the six month period (February 2015 to July 2015). The check was deposited into the campaign account, however; no interest earnings were reported for this transaction. The failure to report the interest earning is noted in Finding 3.

Just prior to that payment a new secured promissory note in the amount of \$100,000 was executed between Life Watch Pharmacy, LLC. and Jeremy Durham Campaign Account on August 4, 2015. The \$100,000 principal is the remaining principal

amount after the \$20,000 principal return noted above. The note had the following terms; maturity date February 4, 2016 (The maturity date was back for this note instead of a demand note like the one before); interest rate of 5% per annum payable at maturity; and a guarantor by Andrew Miller. The note was signed this time by Andrew Miller for Life Watch Pharmacy, LLC.; Jeremy Durham for the campaign; and Andrew Miller a second time as guarantor.

\$104,305.56 Wire Payment– (campaign account promissory note close out)

- On June 13, 2016, Life Watch Pharmacy wired \$104,305.56 to the campaign account. The payment was the final return of the outstanding principal of \$100,000 and interest earnings of \$4,305.56 (calculated as 5% per annum on \$100,000 for 311 days). The principal and interest appears to properly pay and close out the Life Watch LLC note. The \$4,305.56 of interest earned was properly reported on the 2016 Second Quarter report (This transaction occurred and 2016 Second Quarter report was filed after audit notice).

\$4,500 PAC Note (includes close out)

- On July 24, 2013 (The same as the first campaign noted) a secured promissory note in the amount of \$4,500 was executed between Life Watch Pharmacy, LLC and Durham PAC. In this case the PAC issued the check on July 24, 2013 for the \$4,500 amount. The note had the following terms; maturity date January 24, 2013 (appears to be a note error and should be January 24, 2014); interest rate of 5% per annum payable at maturity; and a guarantor by Andrew Miller. The note was signed by Steven Kress, CFO for Life Watch Pharmacy, LLC; Jeremy Durham for the PAC; and Andrew Miller as guarantor.
- On February 4, 2014 Life Watch Pharmacy, LLC wrote a check to Durham PAC for \$4,612.50 for the return of principal and interest earned for the six month period (July 2013 to January 2014). The check was split deposited \$4,500 into the PAC account and \$112.50 into the campaign account. Jeremy Durham did not report the interest earnings on this transaction in the PAC disclosures and improperly placed PAC funds into the campaign account. (Both failures are addressed in the PAC section of this report).

\$15,000 Personal Account Note (includes close out)

- On July 30, 2013 (Shortly after the first campaign note and PAC note) a secured promissory note in the amount of \$15,000 was executed between Life Watch Pharmacy, LLC, and Jeremy Durham. In this case the Jeremy Durham wrote a check on July 30, 2013 for the \$15,000 amount from his personal account to Life Watch (This check noted the disbursement as a CD in the memo line). The note had the following terms; maturity date January 30, 2014; interest rate of 5% per annum payable at maturity; and a guarantor by Andrew Miller. The note was signed by

Steven Kress, CFO for Life Watch Pharmacy, LLC; Jeremy Durham; and Andrew Miller as guarantor.

- On February 4, 2014 Life Watch Pharmacy, LLC wrote a check to Jeremy Durham for \$15,375 for the return of principal and interest earned for the six month period (July 2013 to January 2014). The check pays back the loan and interest and was deposited into the Jeremy Durham's personal account.

As noted in the details above, funds from the campaign account, PAC account, and Jeremy Durham were invested. These funds were returned with interest with the principal being placed into the proper accounts. However, the interest earned on the notes for both the campaign and the PAC were not reported except for interest earned after the audit notice (See Finding 3 and the PAC section on page 33). As a result of having related note activity from the campaign account, PAC account and his personal accounts, Jeremy Durham improperly placed interest earned into the wrong accounts based on the principal for which they related (See Finding 3).

OAK STREET HEALTH LLC – NOTE PURCHASE AGREEMENT/CONVERTIBLE NOTE

Based on the records reviewed for the audit on or about January 25, 2014, Jeremy Durham invested in Oak Street Health LLC using personal funds. The investment was confirmed both by a disbursement check from the personal account and his 2013 and 2014 Statements of Disclosure of Interest with the Tennessee Ethics Commission where the investment was reported in 2014 but not 2013. In November of 2014, Oak Street Health LLC and Jeremy Durham entered into a note purchase agreement/convertible note agreement. The purchase price of the note was \$25,000. The payment was made by two checks one from the campaign account (Check 2171 for \$10,000 dated November 26, 2014) and the other from his personal account (Check 521 for \$15,000 dated November 26, 2014).

The purchase agreement had the following terms:

- Maturity date and conversion: All unpaid principal if not converted by March 31, 2015 will convert to Company Investor II Class units as prescribed in note (conversion securities)
- Conversion on Qualified Financing: Prior to maturity and on closing of a Qualified Financing event the principal will convert preferred round units as prescribed in the note (conversion securities)
- The note purchase agreement was signed by a member of Oak Street LLC (name is unreadable) and Jeremy Durham. The convertible promissory note which was referenced in the purchase agreement was signed by a member of Oak Street LLC (again unreadable name),

Beyond the check disbursed for the agreement there appears to be no other activity related to this agreement in the campaign account. This would appear to indicate that the note converted to securities. As noted above and unlike the Life Watch Pharmacy notes for the campaign and PAC which note the campaign and PAC as holders of the notes, this agreement is only in the name of Jeremy Durham. Based on the agreement being only in the name of the Mr. Durham, and no other activity in the campaign account, nor reported on the campaign disclosures (gains or losses on investments would be reportable each reporting period), it appears Jeremy Durham used campaign funds to enhance a personal investment. T.C.A. §2-10-114 states “The disbursement of campaign funds for a candidate's own personal use is not permitted.” The disbursement of campaign funds to enhance a personal investment would appear to be a prohibited use of campaign funds for personal use (see Finding 12).

DAVID WHITIS – PROMISSORY NOTE

Based on the records reviewed for the audit the Jeremy Durham issued three checks to David Whitis from the campaign account, check 2315 dated October 6, 2015 for \$15,000, check 2316 dated October 12, 2015 for \$8,800 and check 2211 dated November 3, 2015 for \$6,000 for a total of \$29,800. Checks 2315 and 2211 have a note on the memo line which reads “loan to friend”. Based on notation on the cancelled checks, all the checks appear to have been cashed. When asked about the transactions, Jeremy Durham indicated these were disbursements related to another promissory note.

The candidate provided a note dated October 14, 2015 between Jeremy Durham and David Whitis. The note indicated it was capital for a startup venture and that the transfer of \$23,800 in funds had been paid to Mr. Whitis. However, the note also indicated Mr. Whitis, would pay the \$23,800 back and if repaid in full prior to February 2, 2016, no interest would be incurred. If paid after February 2, 2016 the note would accrue interest at 10% per annum from the notes execution date. The signatures lines on the note are blank. The audit requested contact information for Mr. Whitis from Jeremy Durham to confirm if the disbursements were actually for the purpose listed in the note and to confirm the difference in the note amount of \$23,800 and the disbursement amount of \$29,800. Jeremy Durham failed to provide the requested information.

As the agreement is unsigned and the audit was unable to confirm any transaction with Mr. Whitis, the disbursement cannot be attributed to the note by the audit. As such, the only support is the notation on the checks themselves that states “loan to friend”. A loan to friend with campaign funds is not an allowable campaign expense, nor an ordinary or necessary expense associated with being an officeholder but a personal decision. As such the \$29,800 in disbursements would appear to be a personal use of campaign funds and unallowable pursuant to T.C.A. §2-10-114 (Finding 12).

JEREMY DURHAM – PROMISSORY NOTE/LINE OF CREDIT

Based on the records reviewed for the audit the candidate issued a check (Check 2280) from the campaign account to Jessica Durham on August 12, 2015 for \$25,000 which was

deposited into the Durham's joint personal account on August 20, 2015. Per Jeremy Durham, this disbursement is related to a promissory note. The provided note dated October 15, 2014 was between Jeremy Durham and Jeremy Durham campaign. This note is set up as a line of credit allowing multiple draws up to a maximum limit of \$30,000 outstanding during any period. The note has no maturity date, due to its nature of being a line of credit. The note indicates an interest rate of 2.5% per annum but is silent on when the payment of interest is to occur, however, it does have terms so that the note is demandable by the holder.

On October 31, 2015 Jessica Durham, wrote a check to Jeremy Durham Campaign for \$5,000 with the notation in the memo line of "loan repayment" which appears to be the return of \$5,000 of the \$25,000 principal. The check was determined to be only principal as no interest was disclosed on the campaign reports. The campaign account shows no other activity related to this promissory note. In addition, the campaign disclosures never disclose the interest earned. The records would appear to indicate interest was earned by the campaign account when the account completed its responsibilities in regards to a draw or portion of a draw. The return of the \$5,000 in principal after 80 days outstanding would appear to be such an event and therefore would be reportable. However, the amount of the interest was not calculated or added to the amount of unreported interest (Finding 3). As noted in in this section T.C.A. §2-10-114 restricts the personal use of campaign funds. A line of credit from the campaign to the candidate appears to be a violation of that statute (see Finding 12).

12. Jeremy Durham disbursed \$64,800 for promissory & convertible note activity which appears to be unallowable pursuant to T.C.A. §2-10-114(b)(1).

The records obtained for the audit indicate Jeremy Durham disbursed \$64,800 for promissory & convertible note activity which appear to be personal, which is prohibited by T.C.A. §2-10-114(b)(1). The funds improperly disbursed include \$10,000 used to enhance a personal investment, \$29,800 loan to an acquaintance and a \$25,000 line of credit to the candidate (\$5,000 was repaid on the line of credit; however, the original disbursement appears to be unallowable). All three activities appear not to be campaign related or an ordinary and necessary expense incurred in connection with the office of the officeholder. All three activities appear to be for the candidate's own benefit or use and therefore appear to be unallowable.

PAC ACTIVITY

As noted in the audit conclusions, the audit records included the bank statements for two PACs that were controlled by Jeremy Durham. The PAC records were obtained and reviewed because of several transactions showing PAC and campaign funds being comingled resulting in misreporting. In addition, the records indicate that when both PACs were closed the remaining un-spent funds were transferred to the campaign account. The review of these records noted both errors in the campaign account (which are included in the findings above) and errors in the PAC account (which are reported in this section). The comingling also appears to extend to the Jeremy Durham's personal accounts which are noted throughout the audit report including this section. The comingling along with failure to maintain adequate campaign records resulted in the additional discrepancies noted at the end of this section. The activity associated to each PAC is noted below.

Volunteer Values PAC

An account called Jeremy Durham DBA Volunteer Values PAC was identified during the audit. Based on disclosures made to the Federal Election Commission, Volunteer Values PAC was a federally registered PAC from April 1, 2014 to October 1, 2014 with Jeremy Durham as treasurer. The federal disclosures, confirmed by bank statements obtained by subpoena, show the PAC generated only two contributions totaling \$2,300 and incurred one expense of \$88.05 as follows:

Contributions:

- An individual for \$1,300 - This contribution is related to a \$10,000 check noted in Findings 4 & 5.
- Red State PAC \$1,000 - The bank records show this a check from Red State PAC, a State of Tennessee registered PAC controlled by Sen. Brian Kelsey (the federal disclosure shows the contribution from Brian Kelsey and not the PAC).

Expenses:

- Check order \$88.05 shown on the bank statement

The only other transaction that occurred per the bank statements and disclosures was a transfer of the balance of \$2,211.95 to the Jeremy Durham's campaign account on November 26, 2014 which resulted from the closing of the federal PAC. The \$2,211.95 transfer is an unreported PAC contribution which was noted in Finding 1.

Durham PAC

During the audit the bank account and disclosures of Durham PAC were reviewed. Durham PAC is a registered PAC in the State of Tennessee controlled by Jeremy Durham. Durham PAC was started by the filing of an Appointment of Treasurer form on 8/8/2012. The PAC appointment named Jeremy Durham as PAC chair and Jessica Durham as PAC treasurer. At the beginning of the audit period Durham PAC campaign disclosures showed a balance on hand at January 16, 2013 of \$6,150 and show the following activity:

Reporting period	Contributions	Disbursements	Ending balance
2013 Mid-Year	\$0	\$1,150	\$5,000
2013 Year-End	\$2,100	\$2,600	\$4,500
2014 1 st Qtr	\$0	\$1,500	\$3,000
2014 2 nd Quarter	\$5,700	\$6,650	\$2,050
2014 Pre-Primary	\$0	\$1,850	\$200
2014 Third Quarter	\$3,500	\$3,500	\$200
2014 Pre-General	\$0	\$0	\$200
2014 Fourth Quarter	\$100	\$100	\$200
2015 Mid-Year	0	\$100	\$100
2015 Year-End	\$2,136.53	\$100	\$2,136.53
2016 1 st Qtr	\$0	\$1,000	\$1,136.53

2016 2 nd Quarter	\$3,000	\$0	\$4,136.53
TOTALS	\$16,536.53	\$1,8550	

Durham PAC's campaign disclosures after the audit period showed no additional transaction except the \$4,136.53 balance on hand being contributed to Jeremy Durham on September 30, 2016 as shown on the 2016 Third Quarter report. Then an email from the Jeremy Durham was provided to show his intent to close the PAC for future filing. The PAC was then closed by the Registry staff.

The following discrepancies were noted during the review of Durham PAC:

- Durham PAC failed to report \$4,700 in contributions received (Includes \$1,700 from the Jeremy Durham campaign account).
- Durham PAC overstated contributions by \$4,500 by reporting contributions that are not supported by a PAC deposit. In addition, he overstated contributions by an additional \$500 by reporting a campaign check deposited into the PAC account as being a PAC contribution.
- Durham PAC failed to report \$112.50 in interest earned on promissory noted activity.
- Durham PAC failed to report \$3,263.47 in expenditures incurred.
- Durham PAC overstated expenses by \$1,200 by reporting expenditures that were not incurred, \$100 of those were incurred by Jeremy Durham campaign and not Durham PAC.

RECOMMENDATION TO CANDIDATE

Jeremy Durham should amend his campaign financial disclosure reports to accurately disclose campaign contributions. To accurately report campaign contribution he should:

- Add all campaign contributions received including personal contributions related to expenses paid from personal sources.
- Add all interest earned on campaign funds. This should include any gains related to units owned on the converted note. Relatedly, the \$1,637.50 noted in finding 3 should be properly placed into the campaign account.
- Correct the disclosures or campaign account for the \$4,600 noted in finding 2, and the \$6,500 noted in Finding 5.
- Correct the disclosures to accurately disclose contributor's names.

- Return all contributions in excess of the campaign finance limits to the applicable contributor and report the return as a contribution adjustment on his current campaign finance disclosure statement.

Jeremy Durham should amend his campaign financial disclosure report to accurately disclose campaign expenditures. To accurately report campaign expenditures he should:

- Add expenditures that were not reported.
- Correct the amounts for expenditures that were improperly reported.
- Add itemized expenditures which were incorrectly included in un-itemized expenditures or not reported.
- Adjust unitemized expenses amounts to show the amounts that actually occurred and report proper unitemized categories that reflect the activity that occurred.
- Remove expenditures that were double reported.

Jeremy Durham should place funds into the campaign account for all expenses that were paid that were personal or business related and not campaign related and report the reimbursement as expenditure adjustments. Jeremy Durham should place into the campaign account funds for the expenses that were reimbursed by the State of Tennessee and report the expenditure adjustments. Jeremy Durham should return to the campaign account all funds which were disbursed for promissory notes and other activities that were personal in nature.

For Durham PAC the candidate has similar corrections that should occur. Durham PAC was closed by the Registry based on the last disclosure and statement of Jeremy Durham, therefore, Jeremy Durham should work with the Registry audit staff to arrange corrections to the PAC disclosures which includes verifying the proper amount for the final closing transfer.

For any future reporting periods, the candidate should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes. The system should ensure that campaign and personal funds are maintained separately and that documentation is obtained and retained for each contribution and expenditure. Finally, the candidate should reconcile the campaign bank account to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded and reported.

RECOMMENDATION TO REGISTRY

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's website notwithstanding whether a significant penalty is assessed, as outlined in T.C.A. §2-10-212(f). The report and related findings will assist current and future candidates in understanding the audit process, the purposes of Registry rules and types of procedures needed to comply with campaign finance laws.

TENNESSE ETHICS COMMISSON - RECOMMENDATION TO REGISTRY

As part of the records review for this report, the auditor reviewed Jeremy Durham's disclosures on his Statement of Interests for 2013 to 2016. The statement is annually filed with the Tennessee Ethics Commission (Commission) and is required by statute. While reviewing the Statement of Interests and the various records provided for the audit, the auditor became aware of deficiencies and possible deficiencies in Jeremy Durham's disclosure statements. These include the failure to report his personal promissory note activity with Life Watch Pharmacy LLC; rental income, and earnings/activities associated with property acquisitions and divestitures. In addition to those failures, it appears that the Jeremy Durham promissory note should be disclosed on his Statement of Interests.

Since the auditor serves both the Registry of Election Finance (Registry) and the Commission; he has responsibilities to report possible violations to both boards. However, this audit was performed under the direction of the Registry. As such, the auditor recommends that the members of the Registry of Election Finance refer the audit report and the possible violations of the statutes governed by the Tennessee Ethics Commission to the Commission for their consideration thus maintaining the separation of the two boards and the auditor's responsibilities to both.