



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

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**Campaign Finance Audit of  
Felicia Irons  
Election Year 2016**



**Audit Team:**

Jay Moeck, CPA, CFE  
Audit Director

# STATE OF TENNESSEE



## BUREAU OF ETHICS AND CAMPAIGN FINANCE REGISTRY OF ELECTION FINANCE

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August 9, 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 Felicia Irons' 2016 election campaign for House of Representatives, District 85. 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**  
Felicia Irons  
2016 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Ms. Felicia Irons' 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 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, and 2016 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDING(S)**

- 1. Felicia Irons violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,276.98 in campaign contributions from herself during the 2016 Pre-Primary reporting period.**
- 2. Felicia Irons violated T.C.A. §2-10-105(a) by failing to report \$2,674.24 in campaign expenditures. Included in the expenses was a candidate identified expense for clothing which is unallowable per T.C.A. §2-10-114.**
- 3. Felicia Irons did not maintain a separated campaign account nor obtain and/or retain supporting documentation for campaign activities, which appears to result in the improper reporting of the campaign balance during all reporting periods.**

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

*Tennessee Code Annotated* (T.C.A.) §§ 2-10-206, 2-10-212 authorize the Registry of Election Finance (the “Registry”) to conduct audits of campaign financial disclosure statements filed with the Registry. The audit was initiated based on T.C.A. § 2-10-212(2), which requires the Registry to audit approximately two percent of all candidates for the general assembly.

### **AUDIT PURPOSE**

The Registry’s campaign finance audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

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. Therefore, the audit reviewed Ms. Felicia Irons’ disclosures on her 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, and 2016 Fourth Quarter Campaign Financial Disclosure Statements.

## **CAMPAIGN OVERVIEW**

### **CAMPAIGN ORGANIZATION**

Felicia Irons was a candidate in the August 4, 2016 primary election for House of Representatives District 85. Ms. Irons filed an Appointment of Political Treasurer Statement with the Registry on May 11, 2016 appointing Angelica Woods-Smith as political treasurer.

The candidate's first financial disclosure for the 2016 campaign was the 2016 Second Quarter report filed on July 10, 2016. As of June 30, 2017, Ms. Iron's most recent financial disclosure was the 2016 Fourth Quarter Report, which she filed on January 25, 2017. The Fourth Quarter report indicated \$2,674.24 on hand, no outstanding obligations, and no outstanding loans. The candidate has completed her filing requirement for the 2016 election. The candidate has not completed the 2016 election filings; the candidate's next report will be the 2017 Annual Mid-Year Supplemental report due on July 17, 2017.

### **OVERVIEW OF FINANCIAL ACTIVITIES**

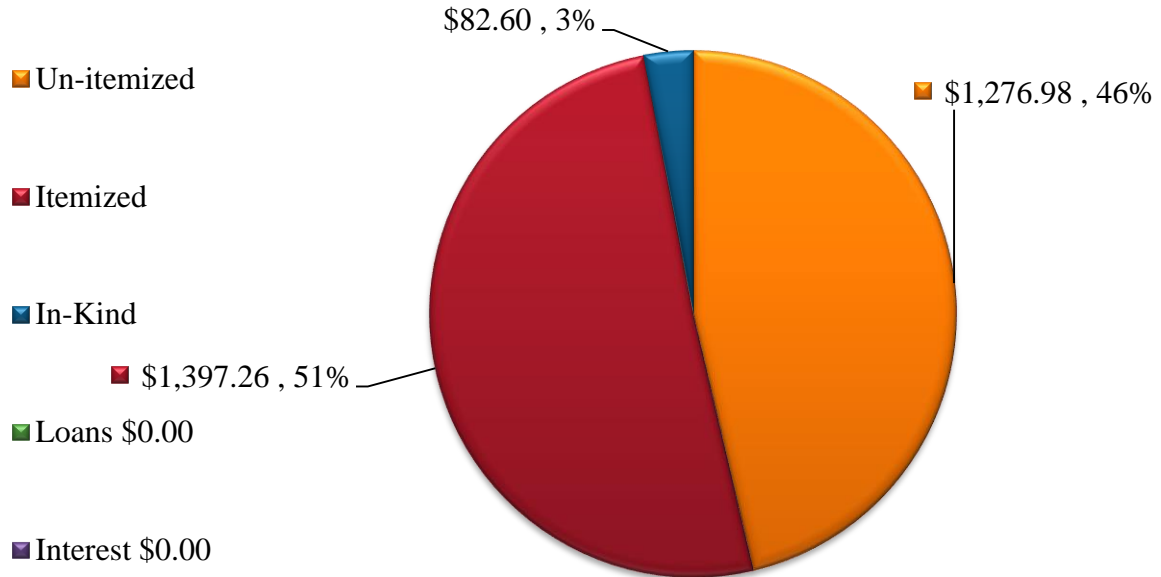
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2016 Second Quarter, 2016 Pre-Primary, 2016 Third Quarter, and 2016 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at April 1, 2016		\$0.00
Receipts		
Un-Itemized	\$1,276.98	
Itemized	1,397.26	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$2,674.24</u>
Disbursements		
Un-Itemized	0.00	
Itemized	0.00	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$0.00</u>
Cash on hand at January 15, 2017		<u>\$2,674.24</u>
Loans outstanding at January 15, 2017		\$0.00
Obligations at January 15, 2017		\$0.00
Total in-kind contributions received		\$82.60

## CHARTS

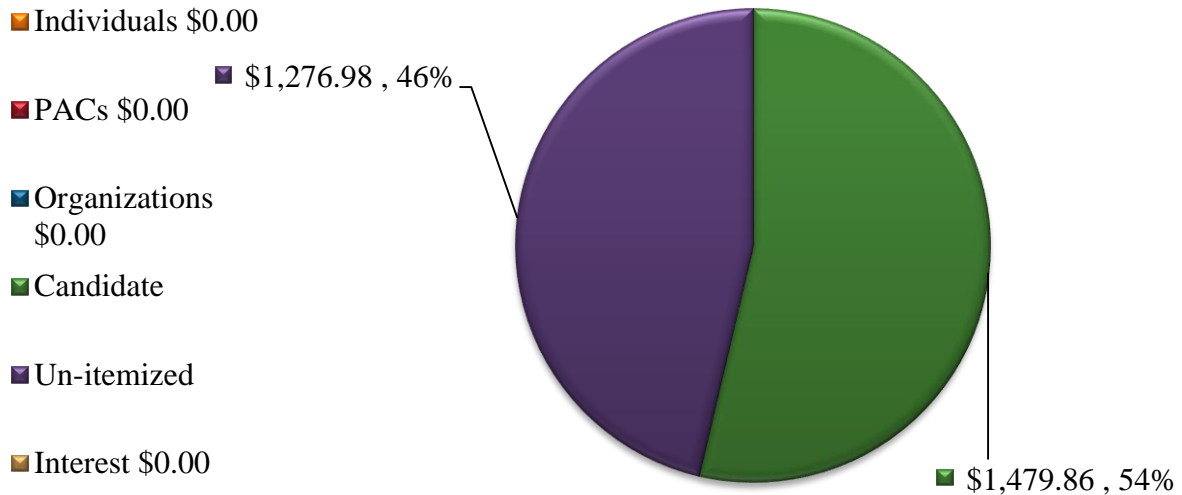
### 2016 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2016 election campaign.



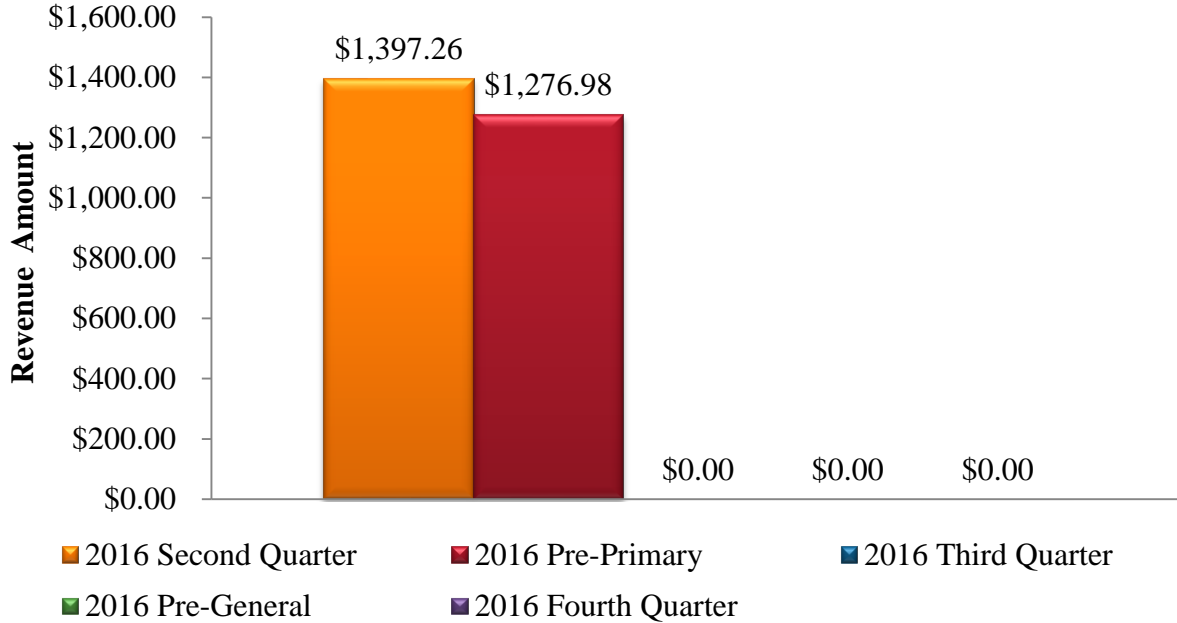
### 2016 ELECTION CONTRIBUTIONS BY SOURCE

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



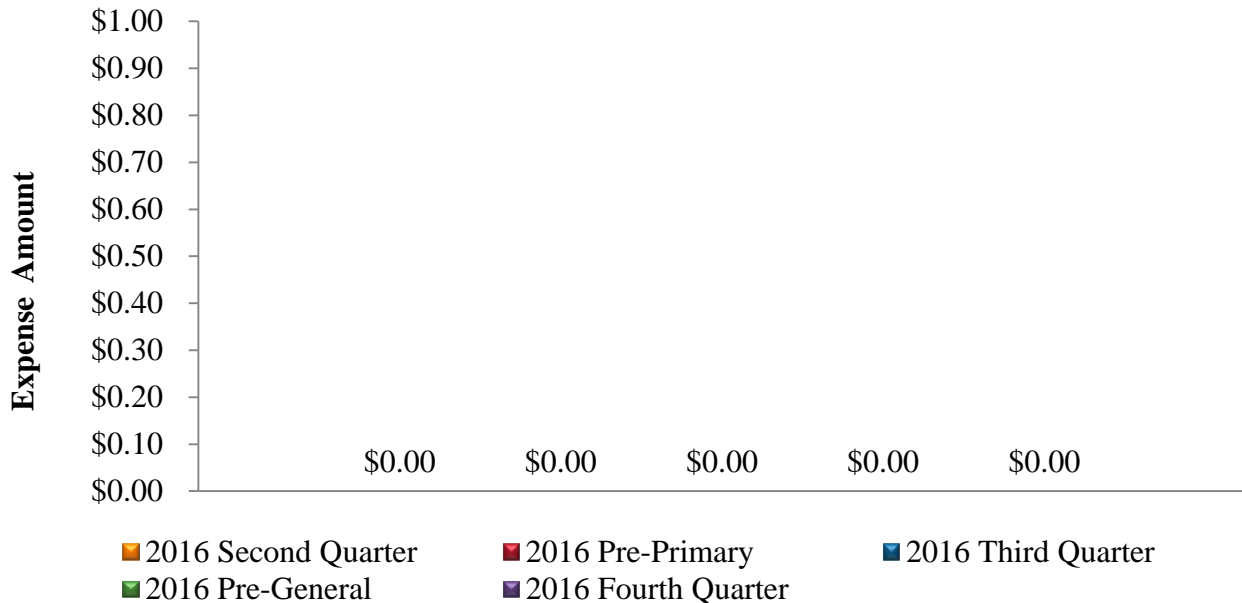
## **2016 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

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



## **2016 ELECTION EXPENSES BY REPORTING PERIOD**

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





## **OBJECTIVES, METHODOLOGIES, CONCLUSIONS**

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### **CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

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

- all campaign contributions from individuals and Political Action Committees (PACs) were within campaign limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letter or other appropriate supporting documentation;
- all interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements;
- all loans received were reported to the Registry, reported in the proper period, report in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all loans received from lending institutions were supported by loan agreements.

#### ***Audit Methodology:***

The Registry obtained Ms. Felicia Irons' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to January 15, 2017. We requested Ms. Irons provide her campaign records to support all contributions, loans, and interest that she received during her 2016 election campaign. Ms. Irons' had no campaign records for contributions except she provided a statement that all campaign purchases were made with the candidate's personal funds. Included with the statement were expense receipts to support both the expenses and related candidate contributions. The following steps were performed on Ms. Irons' reported campaign contributions:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from April 1, 2016 to January 15, 2017 totaled \$2,674.24.

- All unitemized and itemized reported monetary contributions were reviewed to determine that contributions were reported in the proper periods, 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.

***Audit Conclusion:***

Felicia Irons' 2016 election campaign financial disclosure statements for the period April 1, 2016 to January 15, 2017 and a signed statement provided for audit both indicate that the candidate provided \$2,674.24 in campaign contributions. The signed statement indicated that she used her funds from her personal accounts to make all campaign expenditures and then provided support for \$2,032.88 in expenses. The remaining \$641.36 amount was not supported by any record other than the campaign disclosures. Based on the signed statement and disclosures, the audit determined the \$2,674.24 amount is likely accurate. However, Ms. Irons failed to report \$1,276.98 of those contributions as itemized contributions as noted in Finding 1.

In addition to the finding noted above, Ms. Irons' statements and disclosures do not support the \$82.60 in in-kind contribution reported on the 2016 Pre-Primary report. Ms. Irons confirmed no in-kind contributions were received and this amount should not appear on her disclosures. No detailed finding for the in-kind contributions was noted as the error appears to be an inadvertent entry.

**FINDING**

**1. Felicia Irons violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$1,276.98 in campaign contributions from herself during the 2016 Pre-Primary reporting period.**

Ms. Irons reported \$1,276.98 in un-itemized contributions during the 2016 Pre-Primary reporting period. The contributions were all from the candidate; therefore, the contributions were required to be itemized. T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100 received from one source during a reporting period to be itemized. The candidate provided a signed statement to support that all campaign contributions were personal funds expended from her personal accounts. This means as each campaign expense is incurred there is a required contribution and expense that needs to be reported. During the 2016 Pre-Primary reporting period the candidate determined that expenses totaled \$1,276.98 and reported that amount but as an unitemized contribution. As the amount is over \$100, the amount should have been itemized. The \$1,276.98 in contributions represents approximately 47% of all the contributions reported for the 2016 campaign.

## **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 Felicia Irons' 2016 Campaign Financial Disclosure Statements from April 1, 2016 to January 15, 2017. We requested Ms. Irons provide campaign records to support all expenses during her 2016 election campaign. Ms. Irons' campaign records for expenses included vendor receipts/invoices and a candidate signed statement. The following steps were performed on her campaign documentation:

- The documentation was reviewed to determine if the candidate had any disbursements from April 1, 2016 to January 15, 2017.
- The list of disbursements was compared to the candidate's campaign disclosures and the bank statements to determine if all disbursements were reported.
- The listing of disbursements was 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:***

Felicia Irons' 2016 election campaign financial disclosure statements for the period April 1, 2016 to January 15, 2017 indicated the campaign incurred no expenses. However, Ms. Irons provided a signed statement stating the campaign incurred expenses totaling \$2,674.24. The failure to report the campaign expenses incurred is a violation of T.C.A. §2-10-105(a) and is detailed in Finding 2. Ms. Irons' statement indicated that she did not maintain a separate campaign account but made all campaign purchases from her personal accounts using her personal funds. The statement also documents expenses for which no support was provided, beyond being on her statement. The descriptions she provided indicated that some expenses were unallowable per T.C.A. §2-10-114 (See Finding 2). Beyond not maintaining a separate campaign account, Ms. Irons' failed to maintain complete campaign records as required by Registry rules and campaign finance statute. The failure to maintain proper records appear to have resulted in

the failure to report expenses along with causing Ms. Irons to improperly report the ending balance on each of her disclosure statements (See Finding 3).

## **FINDINGS**

### **2. Felicia Irons violated T.C.A. §2-10-105(a) by failing to report \$2,674.24 in campaign expenditures. Included in the expenses was a candidate identified expense for clothing which is unallowable per T.C.A. §2-10-114.**

Ms. Irons failed to report \$2,674.24 in disbursements for her 2016 campaign. In a statement provided for the audit, Ms. Irons stated the campaign incurred \$2,674.24 in expenses. The candidate campaign disclosures show no expenses. The failure to report these expenditures violates T.C.A. §2-10-105(a), which requires a candidate to prepare a statement of all expenditures made by or on behalf of the candidate.

In addition to her statement, Ms. Irons provided vendors receipts for \$2,032.88 of her stated expenses. The remaining \$641.36 expenses she indicated were not well tracked, which based on the records provided appears to mean the receipts/invoices were not maintained. Ms. Irons then provided categories for these additional unsupported expenses. The categories included supplies, professional pictures, travel, food, and business attire.

The last category, business attire, would appear to indicate that an unallowable purchase was to be disclosed on the campaign disclosure statement (The related contributions appear to have been disclosed on the disclosure statement). T.C.A. §2-10-114 (b)(2)(D) specifically prohibits the use of campaign funds for clothing such as business attire. When the candidate reported the contribution from her funds she is designating the funds to the campaign and the funds would then be subject to this restriction. The auditor noted, however, as the entire campaign was candidate funded it would appear the correction would not be to refund the campaign but would be the removal of the expenses and the related candidate contributions from the disclosure.

### **3. Felicia Irons did not maintain a separated campaign account nor obtain and/or retain supporting documentation for campaign activities, which appears to result in the improper reporting of the campaign balance during all reporting period.**

As noted in the audit conclusions and other findings, Ms. Irons provided a statement indicating that she collected no funds for her campaign and did not maintain a separate campaign account. Ms. Iron also stated that she used her own personal funds and accounts to make all campaign purchase. She then provided receipts for two vendors which appears to support \$2,032.88 of her stated expenses (approximately 76% of her stated expenses of \$2,674.24). The remaining expenses she indicated were not well tracked, which based on the records provided appears to mean the receipts/invoices were not maintained. As she did not provide her personal bank account records, it would appear to indicate that the expenses are not easily identified in her banking records. By not using a separate campaign account or maintaining complete receipts for all expenses, Ms. Irons did not follow Registry rules for campaign finance record keeping. Although not required by statute, the Registry has developed guidance for candidates for maintaining their campaign accounts and records of campaign activities. This guidance is not the

sole method for maintaining records and does not include all variations of campaign activities; however, the failure to use a separate campaign bank account, retain expenses records and reconcile reports increases the likelihood of errors in recording and reporting campaign activities. The candidate did not implement the following Registry Rules, which resulted in inadequate campaign records:

- Registry Rule 0530-1-1-.01(1) defines a campaign account as “a separate bank account which must be maintained by a candidate or political campaign committee into which all campaign contributions shall be deposited and from which all campaign monies shall be expended.”
- Registry Rule 0530-1-1-.02(1) states that a candidate shall not commingle personal funds or other monies with campaign account funds.
- Registry Rule 0530-1-3-.05(2) & (3) states that a candidate through his/her record-keeping system must be able to determine the aggregate amount of contributions received per election from each contributor and all expenditures incurred. The Registry recommends that candidates and their committees maintain photocopies of all contribution checks received or in the alternative, a journal or listing of contributions.
- Registry Rule 0530-1-1-.02(8) states that a candidate should perform bank reconciliations that reconcile the bank account and the campaign records to the financial disclosure statements.

If the candidate had followed the Registry’s guidance, she may have averted the other findings in this report. In addition, her failure to follow Registry bookkeeping procedures along with the failure to report expenses as noted in Finding 2 appear to have resulted in the candidate improperly reporting the ending balances on hand on all her disclosures reports. Based on Ms. Irons’ statement, the ending balances on all reports should be zero. This is due to the fact that each purchase made with the candidate’s personal funds should be reported as an expense and contribution of the same amount. A separate account or a reconciliation of transactions to disclosures would have more easily identified the zero balance. The failure to accurately report the ending balances is a violation of T.C.A. § 2-10-107(a)(1). Finally, the failure to maintain complete campaign records for expenses is a violation of T.C.A. §§ 2-10-105(f) and 2-10-212(c), which requires the candidate to maintain records for audit that support campaign finance activities that occur and the related disclosure made.

### **RECOMMENDATION TO CANDIDATE**

Ms. Irons should amend her campaign financial disclosure reports to report all contributions received as itemized contributions of the candidate and remove all disclosed un-itemized contributions. Ms. Irons should amend her campaign financial disclosure report to accurately disclose campaign expenditures incurred.

For future reporting periods, the candidate should consider using a separate campaign account. 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 the campaign reports contributions and expenses fully and correctly. In addition, the record keeping system should include the retention of all vendor invoices and receipts. Finally, the candidate should reconcile the campaign bank account or other account records to the campaign disclosure statements to ensure that all campaign finance activities are properly recorded and reported.

### **RECOMMENDATION TO REGISTRY**

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

## **RESOLUTIONS**

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### **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2016 campaign finance audit of Ms. Irons during the August 2017 regular monthly meeting. The report contained three findings. The Registry voted to accept the audit and issue a show cause notice.