



TENNESSEE REGISTRY OF ELECTION FINANCE

Contribution Audit of Johnny Patton's 2014 Third Quarter Campaign Finance Disclosure



Audit Team:

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STATE OF TENNESSEE



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December 10, 2014

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

Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Mr. Johnny Patton's 2014 Third Quarter Campaign Financial Disclosure Statement for the 2014 election campaign for the House of Representatives, District 75. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The audit procedures developed are to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Laws and Campaign Contribution Limit Laws. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Bureau of Ethics and Campaign Finance's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is 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
REGISTRY OF ELECTION FINANCE

Audit Highlights

Mr. Johnny Patton
2014 Third Quarter Contribution Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Mr. Johnny Patton'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 un-itemized contribution disclosures on his 2014 Third Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

FINDING

- 1. Mr. Johnny Patton violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$5,277.63 in campaign contributions from a contributor who contributed in excess of \$100 during a reporting period.**

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INTRODUCTION

AUDIT AUTHORITY

Tennessee Code Annotated (T.C.A.) §§2-10-206 and 2-10-212 authorize the Registry of Election Finance (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(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate's contributions reported as un-itemized contributions and the aggregate un-itemized contributions reported are greater than \$5,000.

AUDIT PURPOSE

The Registry's contribution audits are 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 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 prepared to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

AUDIT SCOPE

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 report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to only disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit only relates to disclosure on Mr. Patton's 2014 Third Quarter report.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Mr. Johnny Patton was a candidate in the November 4, 2014 general election for the House Representative, District 75. Mr. Patton filed an Appointment of Political Treasurer Statement with the Registry on April 2, 2014 appointing Roger Pafford as political treasurer.

The candidate's first financial disclosure for the 2014 campaign was the 2014 Second Quarter report filed on July 9, 2014. The candidate's latest financial disclosure report for the 2014 election was the 2014 Pre-General report filed on October 27, 2014. The 2014 Pre-General report indicated \$7,007.90 cash on hand, no outstanding obligations and \$1,083.97 in outstanding loans. The candidate has not completed his 2014 election campaign reporting requirements. The candidate's next report will be the 2014 Fourth Quarter report due January 26, 2015.

OVERVIEW OF FINANCIAL ACTIVITIES

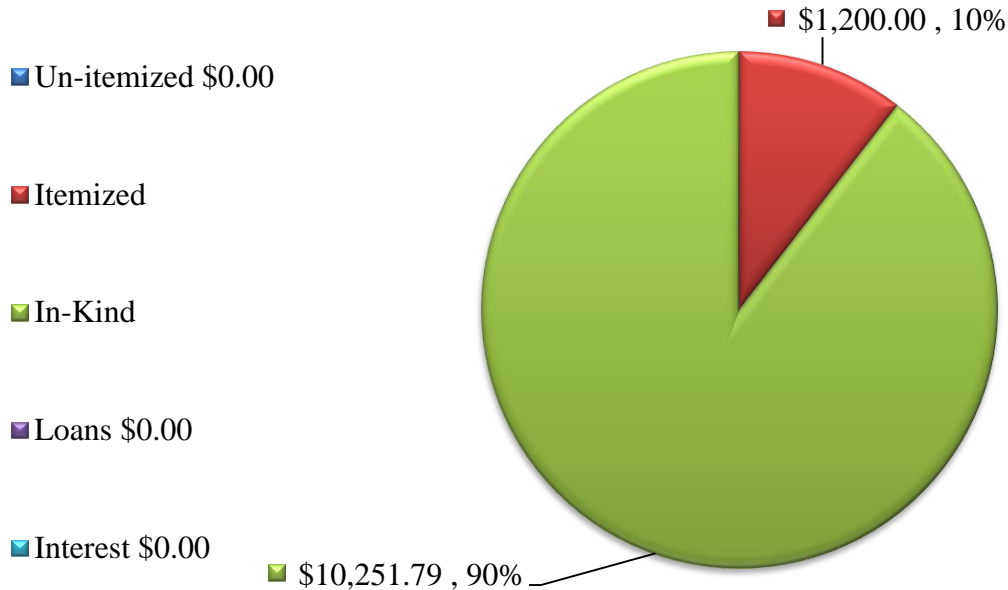
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter and 2014 Pre-General reports. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2014 Third Quarter report. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at April 2, 2014		\$0.00
Receipts		
Un-itemized	\$1,325.00	
Itemized	15,200.00	
Interest	0.00	
Loans receipted	1,083.97	
Total receipts		<u>\$17,608.97</u>
Disbursements		
Un-itemized	1,137.10	
Itemized	9,463.97	
Loans principal payments	0.00	
Total disbursements		<u>\$10,601.07</u>
Cash on hand at October 25, 2014		<u>\$7,007.90</u>
Loans outstanding at October 25, 2014		\$1,083.97
Obligations at October 25, 2014		\$0.00
Total in-kind contributions received		\$10,251.79

CHARTS

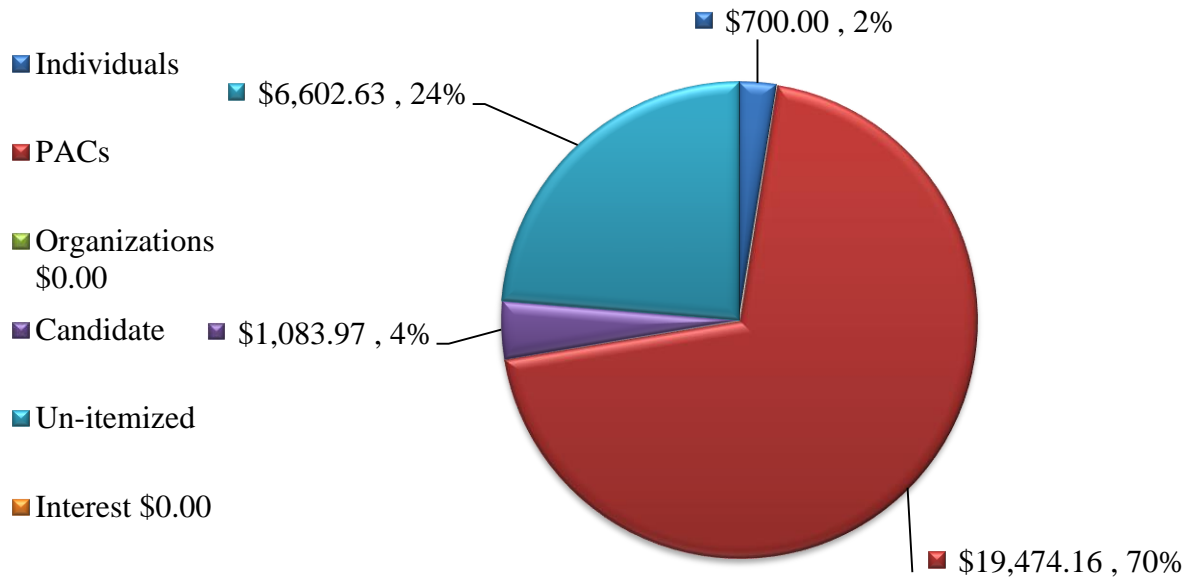
2014 THIRD QUARTER CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2014 Third Quarter report.



2014 ELECTION CONTRIBUTIONS BY SOURCE

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



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of the audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within 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; and
- all contributions were supported by bank statements and deposit slips.

Audit Methodology:

The Registry obtained Mr. Johnny Patton's 2014 Third Quarter Campaign Financial Disclosure Statement to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. We requested Mr. Patton provide supporting documentation for the un-itemized in-kind contributions of \$5,277.63 that he reported on his 2014 Third Quarter report. The candidate's campaign records for in-kind contributions were letters from the contributor. The letters provided a description of the goods or services contributed and the value of the contribution. The following steps were performed on Mr. Patton's campaign documentation:

- The campaign records were reviewed to determine if the candidate's un-itemized in-kind contributions received from July 29, 2014 thru September 31, 2014 totaled \$5,277.63.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the campaign to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- The un-itemized contributions list was reviewed to determine if all contributions were reported, all contributions were reported in the proper period, all contributions were in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were in compliance with the Registry's rules.

Audit Conclusion:

Mr. Patton's 2014 Third Quarter Campaign Financial Disclosure Statement reported un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions. The audit indicated the candidate should not have reported any un-itemized contributions. The \$5,277.63 the candidate reported as un-itemized was all from one contributor; therefore, the entire amount should have been itemized (Finding 1).

FINDING

- 1. Mr. Patton violated T.C.A. §2-10-107(a)(2)(A)(i) by failing to itemize \$5,277.63 in campaign contributions from one contributor who contributed in excess of \$100 during the reporting period.**

Mr. Johnny Patton reported a \$5,277.63 in-kind contribution from a PAC as an un-itemized contribution during the 2014 third quarter reporting period. 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 \$5,277.63 in contributions represents 100% of the un-itemized contributions reported by Mr. Patton on his 2014 Third Quarter Campaign Finance Disclosure Statement.

RECOMMENDATION TO CANDIDATE

Mr. Johnny Patton should amend his 2014 Third Quarter Campaign Financial Disclosure Statement to ensure that he properly reported all itemized contributions from PACs who contributed over \$100 during a reporting period. In subsequent reporting or future elections, Mr. Patton should maintain contributor data for all campaign contributions received and reconcile the campaign records to his campaign disclosures to ensure all disclosures are complete, accurate and properly supported by the campaign records.

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.

RESOLUTIONS

CANDIDATE'S CORRECTIVE ACTIONS

After discussing the above finding with Mr. Johnny Patton, he chose to take corrective action prior to the Registry's approval of the audit. Mr. Patton amended his 2014 Third Quarter Campaign Financial Disclosure Statements on December 1, 2014.

Corrective Actions - Finding 1

Mr. Patton added an itemized in-kind contribution on his 2014 Third Quarter report for \$5,277.63. Also, he removed all in-kind un-itemized contributions. The amended report properly discloses the contributions noted in Finding 1.

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2014 contribution audit of Mr. Johnny Patton during the December 10, 2014 regular monthly meeting. The report contained a finding along with candidate corrective actions. The Registry voted to accept and approve the audit report with no further action.