



TENNESSEE REGISTRY OF ELECTION FINANCE

Campaign Finance Audit of Representative Stephen McManus Election Year 2006



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April 2, 2007

Members of the Registry of Election Finance
404 James Robertson Parkway, Suite 1614
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Ladies and Gentlemen,

Transmitted herewith are the agreed upon procedures for the campaign finance audit of Representative Stephen McManus' 2006 election campaign for the House of Representatives. 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 Registry'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 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 Manager

STATE OF TENNESSEE
REGISTRY OF ELECTION FINANCE

Audit Highlights
Representative Stephen McManus
2006 Campaign Finance Audit

AUDIT OBJECTIVES

The objectives of the audit were to determine Rep. McManus' compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limits laws and regulations; accuracy and completeness of the disclosures on the 2006 Second Quarter, 2006 Pre-Primary, 2006 Third Quarter, 2006 Pre-General and 2006 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

FINDINGS

The audit report contains no findings.

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INTRODUCTION

AUDIT AUTHORITY

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *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 finance 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

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 disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. Therefore, the audit reviewed only Rep. McManus’ disclosures on his 2006 Second Quarter, 2006 Pre-Primary, 2006 Third Quarter, 2006 Pre-General, and 2006 Fourth Quarter Campaign Financial Disclosure Statements.

CAMPAIGN OVERVIEW

CAMPAIGN ORGANIZATION

Rep. McManus was a candidate in the November 7, 2006 general election for the House of Representatives for district 96. Rep. McManus filed an Appointment of Political Treasurer Statement with the Registry on April 3, 2006 appointing Christal McManus as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 first quarter report filed on April 3, 2006. The candidate's concluding financial disclosure report for the 2006 election was the 2006 fourth quarter report filed on January 21, 2007. The 2006 fourth quarter report indicated \$915.78 in cash on hand, no outstanding obligations, and no outstanding loans. The candidate completed his reporting requirements for the 2006 election campaign as of January 2007 when he transferred his remaining balance to his 2008 election campaign.

OVERVIEW OF FINANCIAL ACTIVITIES

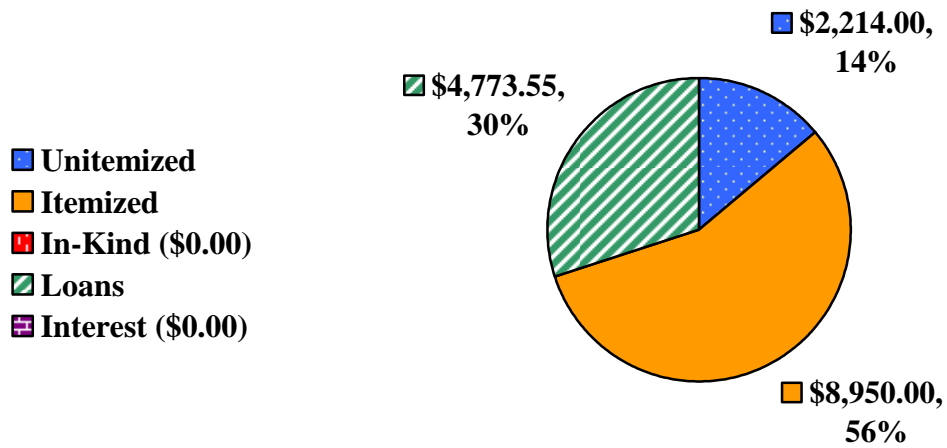
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports. As noted in the audit scope, we only audited disclosures from the 2006 second quarter through the 2006 fourth quarter. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 1, 2005		\$0.00
Receipts		
Itemized	\$2,214.00	
Un-itemized	8,950.00	
Interest	0.00	
Loans received	4,773.55	
Total receipts		<u>\$15,937.55</u>
Disbursements		
Itemized	619.17	
Un-itemized	9,629.05	
Loans principal payments	4,773.55	
Total disbursements		<u>\$15,021.77</u>
Cash on hand at January 15, 2007		<u>\$915.78</u>
Loans outstanding at January 15, 2007		\$0.00
Obligations at January 15, 2007		\$0.00
Total in-kind contributions received		\$0.00

CHARTS

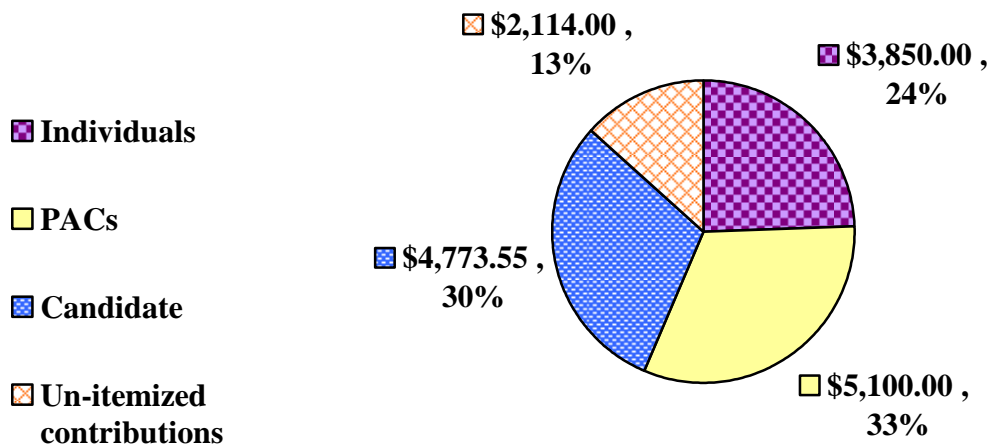
2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



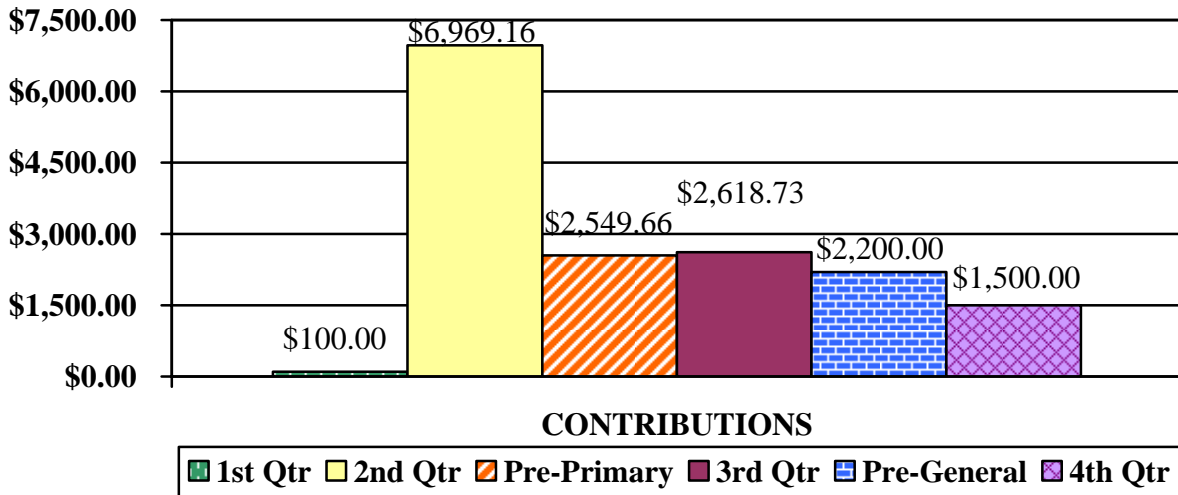
2006 CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2006 election campaign.



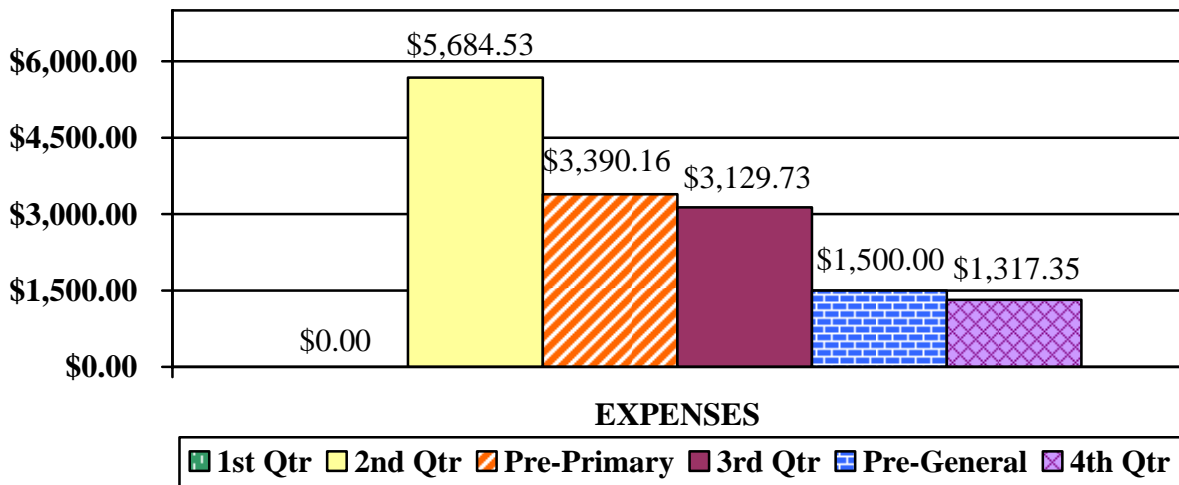
2006 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2006 election campaign by reporting period. The candidate had no activity in fourth quarter or mid-year supplemental (2007) reporting periods; therefore, these periods were not displayed.



2006 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2006 election campaign by reporting period.



OBJECTIVES, METHODOLOGIES, CONCLUSIONS

CONTRIBUTIONS AND RECEIPTS

Audit Objectives:

The objectives of our audit of contributions and loans 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;
- all monetary contributions were supported by bank statements and deposit slips;
- all in-kind contributions were supported by donation letters 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;
- 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
- loans received from lending institutions were supported by loan agreements.

Audit Methodology:

The Registry obtained Rep. McManus' 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007. We requested Rep. McManus to provide his campaign records to support all contributions, loans, and interest that he received during his 2006 election campaign. Rep. McManus' campaign records for contributions included bank statements, photocopied contribution checks, and his campaign check register. The following steps were performed on Rep. McManus' campaign documentation:

- The documentation was reviewed to determine if the candidate's contributions received from April 1, 2006 thru January 15, 2007 totaled \$11,164.00.

- A list of contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of contributions by contributor was prepared and 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.
- Contribution lists and bank statements were reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, all contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were reported in compliance with the Registry's rules.
- The supporting documentation was reviewed to determine if the candidate's loan proceeds from April 1, 2006 thru January 15, 2007 totaled \$4,773.55.
- A schedule of loans received and payments made by source was prepared and compared to the candidate's bank statements to determine if the candidate deposited all loan proceeds into a campaign bank account and made all payments from campaign funds.
- The schedule of loans was compared to loan agreements or other supporting documentation to determine the source and terms of the loans received.
- The schedule of loans was reviewed to determine if all loan activity was reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all loans were in compliance with the Registry's rules.

Audit Conclusion:

Rep. McManus' 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007 consisted of the 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general and 2006 fourth quarter. Rep. McManus' campaign records indicated that he received and deposited contributions totaling \$11,164.00. Rep. McManus' campaign records indicated that he provided personal loans totaling \$4,773.55. Rep. McManus' campaign records and disclosures indicated that contributions reported complied with campaign finance limits and campaign finance laws. Rep. McManus reported no in-kind contributions, interest earnings, or investment earnings during his 2006 election 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 Rep. McManus' 2006 Campaign Financial Disclosure Statements from April 1, 2006 to January 15, 2007. We requested Rep. McManus to provide his campaign records to support all expenditures that he had during his 2006 election campaign. Rep. McManus' campaign records for expenditures included his bank statements, credit card statements, campaign check register, and vendor invoices. The following steps were performed on Rep. McManus' campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from April 1, 2006 thru January 15, 2006 totaled \$10,248.22.
- 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 and bank statements were reviewed to determine if all expenses were reported, all expenses were reported in the proper period, all expenses were reported in compliance with T.C.A. §§2-10-107 and 2-10-114, and all expenses were in compliance with the Registry's rules.
- A list of obligations was prepared and compared to supporting documentation to determine if all obligations were accurate, reported in the proper period, and if paid verified to subsequent payments.

Audit Conclusion:

Rep. McManus' 2006 Campaign Financial Disclosure Statements and campaign records indicated that he had expenses totaling \$10,248.22 from April 1, 2006 to January 15, 2007. The campaign records and disclosures indicated that expenses complied with campaign finance laws. Rep. McManus reported no obligations during the 2006 election campaign.

RESOLUTIONS

REGISTRY OF ELECTION FINANCE ACTIONS

The Members of the Registry of Election Finance reviewed the 2006 campaign finance audit of Rep. McManus during the April 9, 2008 regular monthly meeting. The report contained no findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.