



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

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**Campaign Finance Audit of  
Jason Potts  
Election Year 2012**



**Audit Team:**

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# STATE OF TENNESSEE



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June 12, 2013

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 Jason Potts' 2012 election campaign for House Representative, District 53. 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 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 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 Director

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

**Audit Highlights**

Jason Potts

2012 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Jason Potts' 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 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter and 2012 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

- 1. Mr. Potts failed to properly maintain his campaign records for \$150 in cash contributions.**

## TABLE OF CONTENTS

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<b>INTRODUCTION</b>	<b><u>PAGE</u></b>
Audit Authority	1
Audit Purpose	1
Audit Scope	1
<b>CAMPAIGN OVERVIEW</b>	
Campaign Organization	2
Overview of Financial Activities	2
<b>CHARTS</b>	
2012 Election Campaign Contributions	3
2012 Election Contributions by Source	3
2012 Election Contributions by Reporting Period	4
2012 Election Expenses by Reporting Period	4
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	5
Finding	6
Disbursements and Obligations	7
Recommendation to Candidate	8
Recommendation to Registry	8
<b>RESOLUTIONS</b>	
Registry of Election Finance Actions	9

## **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**

In non-election years, Tennessee’s campaign financial disclosure laws require 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 an election year, the disclosures expand to quarterly reports, pre-primary and pre-general reports. Therefore, the audit reviewed Mr. Potts’ disclosures on his 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter and 2012 Fourth Quarter Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Mr. Potts was a candidate in the August 2, 2012 primary election for House of Representatives in District 53. Mr. Potts filed an Appointment of Political Treasurer Statement with the Registry on February 27, 2012 appointing Tabitha E. Nash as political treasurer.

The candidate's first financial disclosure for the 2012 campaign was the 2012 First Quarter report filed on April 4, 2012. As of June 1, 2013, Mr. Potts' most recent financial disclosure was the 4<sup>th</sup> Quarter report indicated no cash on hand, no outstanding obligations and \$1,905.17 in outstanding loans. The candidate has not completed his 2012 election campaign reporting requirements. The candidate's next report will be the 2013 Annual Mid-Year Supplemental report due July 15, 2013.

### OVERVIEW OF FINANCIAL ACTIVITIES

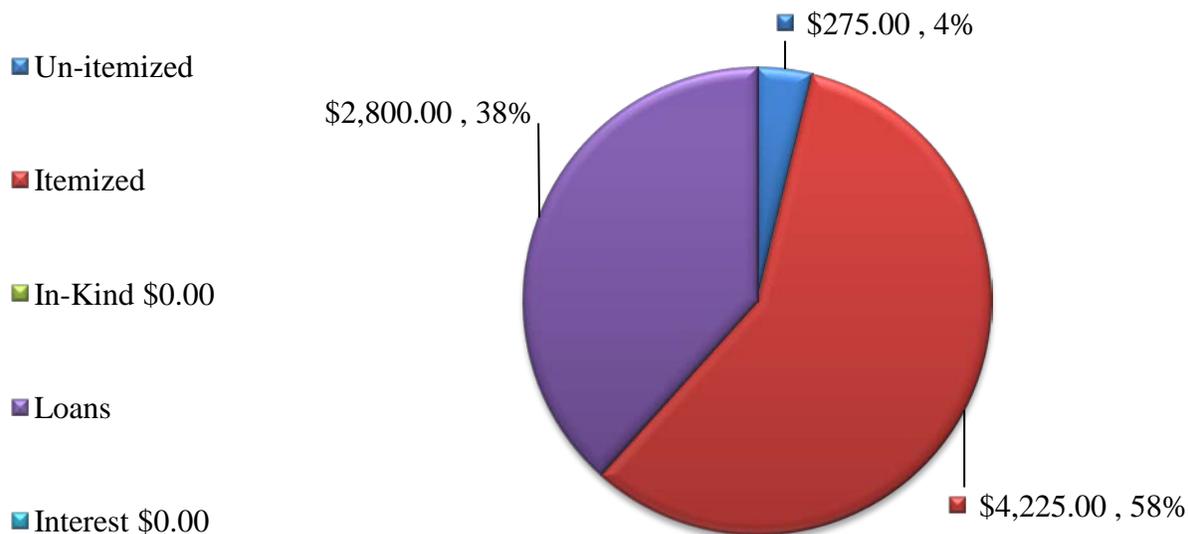
The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2012 First Quarter, 2012 Second Quarter, 2012 Pre-Primary, 2012 Third Quarter and 2012 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2012		\$0.00
Receipts		
Un-Itemized	\$275.00	
Itemized	\$4,225.00	
Loans receipted	\$2,800.00	
Interest	\$0.00	
Total receipts		<u>\$7,300.00</u>
Disbursements		
Un-Itemized	\$310.98	
Itemized	\$6,094.19	
Loans principal payments	\$894.83	
Obligation payments	\$0.00	
Total disbursements		<u>\$7,300.00</u>
Cash on hand at January 15, 2013		<u>\$0.0</u>
Loans outstanding at January 15, 2013		\$1,905.17
Obligations at January 15, 2013		\$0.00
Total in-kind contributions received		\$0.00

## CHARTS

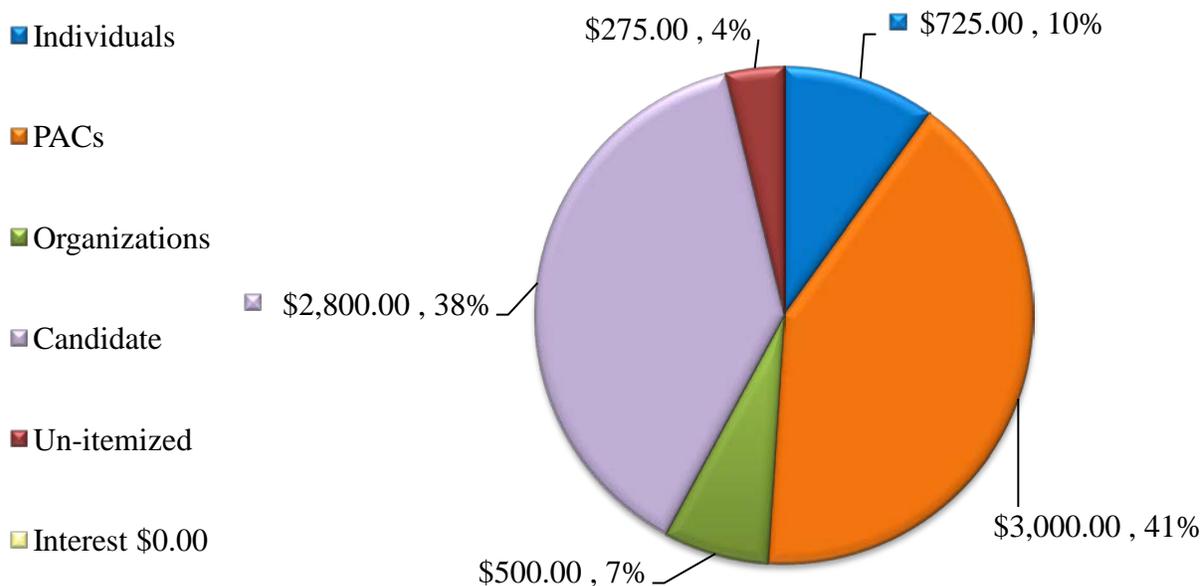
### 2012 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2012 election campaign.



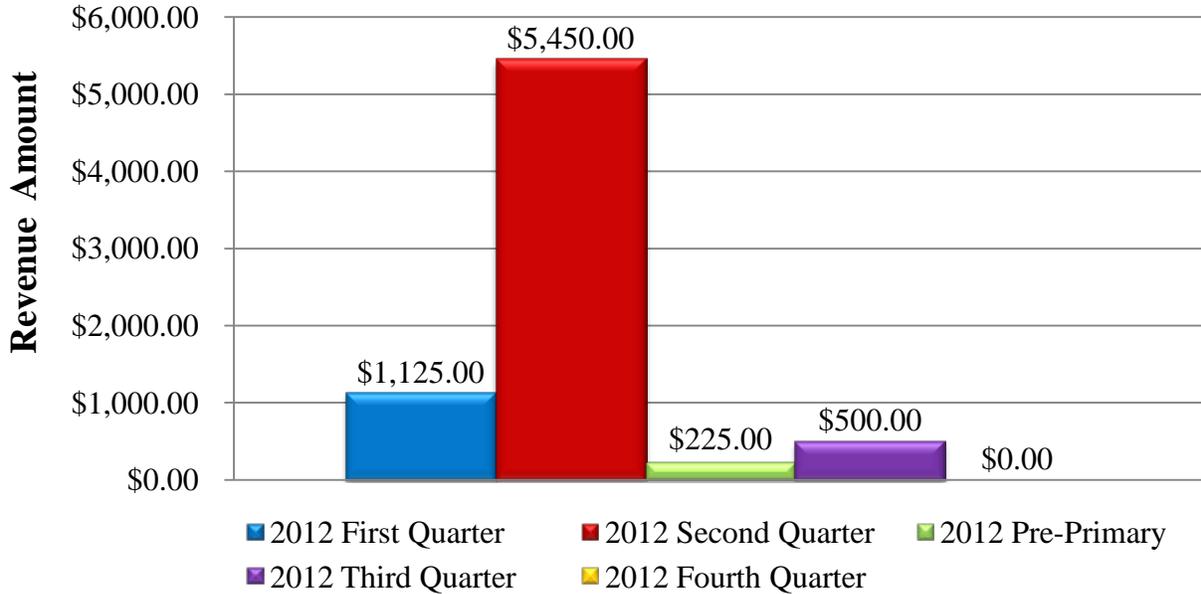
### 2012 ELECTION CONTRIBUTIONS BY SOURCE

The following chart shows the monetary contributions reported by the candidate for the 2012 election campaign. Organizations in this chart represent non-profit organizations, non-PAC campaign organizations, or businesses.



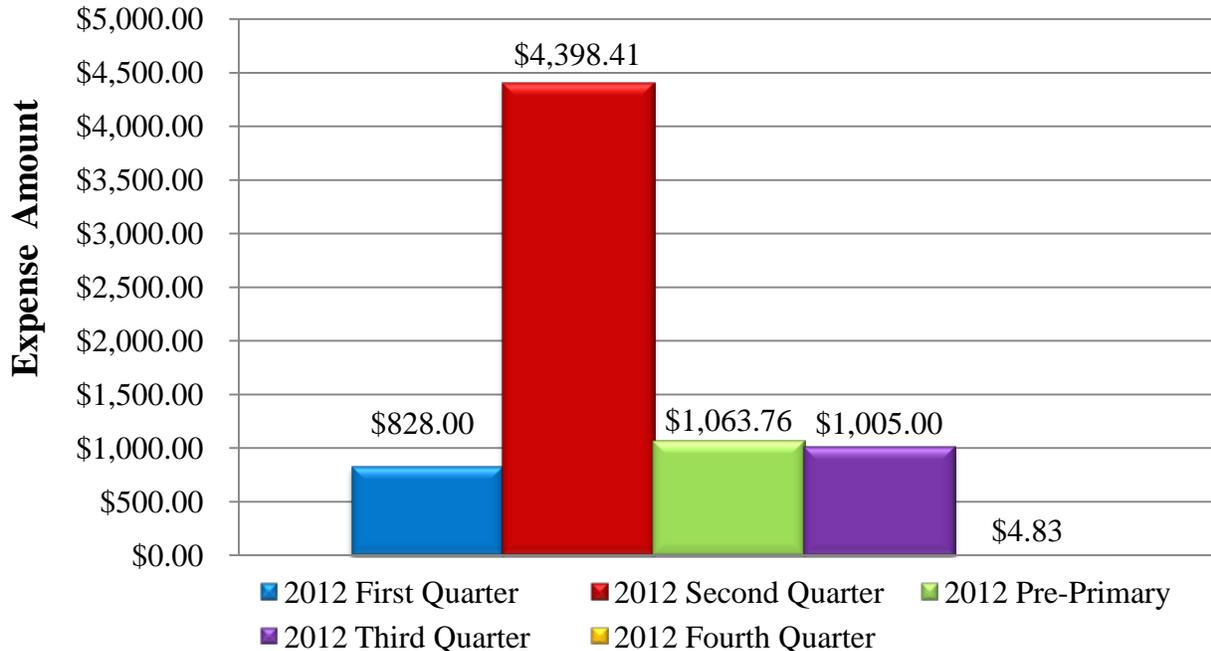
## **2012 ELECTION CONTRIBUTIONS BY REPORTING PERIOD**

The following chart shows the contributions that the candidate reported for the 2012 election campaign by reporting period.



## **2012 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2012 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 Mr. Potts' 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013. We requested Mr. Potts provide his campaign records to support all contributions, loans and interest that he received during his 2012 election campaign. Mr. Potts' campaign records for contributions included bank statements, copies of contribution checks and deposit receipts. The following steps were performed on Mr. Potts' campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2012 to January 15, 2013 totaled \$7,300.
- A reconciliation of monetary contributions reported to funds deposited into the campaign account 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.

- All itemized monetary contributions were 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.
- The documentation was reviewed to determine if the candidate's loan contributions from January 16, 2012 to January 15, 2013 totaled \$2,800.
- Loan contributions by contributor were 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.

***Audit Conclusion:***

Mr. Potts' 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013 and the candidate campaign records supported the \$7,300.00. The audit procedures indicated that the itemized monetary contributions reported by the candidate complied with campaign limits laws, except that Mr. Potts failed to maintain campaign contributor information for \$150 of the cash contribution received (See Finding 1). Mr. Potts' reports and the campaign records indicated no in-kind contributions or interest earnings from January 16, 2012 to January 15, 2013.

**Finding**

**1. Mr. Potts failed to properly maintain his campaign records for \$150 in cash contributions.**

Mr. Potts did not maintain or obtain sufficient contribution campaign records to verify compliance with all campaign finance statutes for cash contributions. Mr. Potts' campaign records indicated that he received cash contributions totaling \$150 from anonymous contributors. The campaign records show the cash was deposited into the campaign account. Without the specific contributors' names and amounts contributed we could not determine Mr. Potts' compliance with the following campaign finance statutes for the 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.

## **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 Mr. Potts' 2012 Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013. We requested Mr. Potts to provide his campaign records to support all expenses that he had during his 2012 election campaign. Mr. Potts' campaign records for expenses included bank statements, copies of disbursement checks and vendor receipts/invoices. The following steps were performed on Mr. Potts' campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2012 to January 15, 2013 totaled \$7,300.00.
- 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 the bank statements to determine if all disbursements were reported.
- All itemized expenditures 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:***

Mr. Potts' Campaign Financial Disclosure Statements from January 16, 2012 to January 15, 2013 and the candidate campaign records indicated that he had expenses totaling \$7,300. The audit indicated all expenditures reported were made from the campaign bank account and complied with campaign finance laws and Registry rules. The campaign records and disclosures indicated that expenses including obligations complied with campaign finance laws.

**RECOMMENDATION TO CANDIDATE**

Mr. Potts should develop a campaign record-keeping system that adequately meets the requirements of the campaign financial disclosure statutes to make certain that the candidate obtains and retains documentation for each contribution and expenditure made.

**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 2012 campaign finance audit of Mr. Potts during the June 2013 regular monthly meeting. The report contained one finding which had no corrective actions. The Registry voted to accept and approve the audit report with no further action.