



## **2008 Report of Random Audit of Lobbyist Steve Adams**

**April 3, 2009**

### **Introduction**

Registered lobbyist Steve Adams was randomly selected for audit on June 24, 2008. He was notified of his selection by letter of that same date. By letter of July 11, 2008, Tennessee Ethics Commission ("Commission") staff requested that Mr. Adams provide certain audit-related information in advance of scheduling an audit interview. Mr. Adams provided the requested information and participated in an audit interview that was held by mutual agreement on July 31, 2008. The interview took place at the offices of the Commission.

### **Audit authority and Scope**

Under the Tennessee Comprehensive Governmental Ethics Reform Act of 2006 ("Act"), the Commission has a duty to audit each year "the registration statements, amendments to registration statements and reports of no more than four percent (4%) of all lobbyists" to determine compliance with the Act. The lobbyists are selected randomly. Tenn. Code Ann. § 3-6-308(a)(7). The documents subject to audit are those which have been on file with the Commission less than two (2) years as of the time of the audit. Tenn. Code Ann. § 3-6-301(4)(A).

### **Audit objectives**

The overall objective of the audit was to determine whether the statements, amendments, and reports filed concerning the lobbyist in 2007 and 2008 were timely, accurate, complete, and otherwise in compliance with the Act. In order to achieve this objective, the following specific objectives were identified:

1. To determine whether the lobbyist and his or her employer(s) registered timely in 2007 and 2008;
2. To determine whether the lobbyist had entered into any prohibited contingency fee agreement(s);
3. To determine whether the compensation reported by the employer(s) for the period from October 1, 2007 through March 31 2008 correlated with the compensation received by the lobbyist;
4. To determine whether the lobbyist attended and paid for the required annual training in 2007 and 2008; and
5. To determine whether in-state events given by the lobbyist or the lobbyist's employer were in compliance with the requirements of the Act.

## Summary of Audit Conclusions

1. Mr. Adams and his employers registered timely.
2. Mr. Adams' employment agreements did not include any prohibited provision for paying fees contingent on lobbying success.
3. The compensation reported by two of Mr. Adams' employers for the period from October 1, 2007 through March 31, 2008, differed slightly from the amounts received by Mr. Adams.
4. Mr. Adams paid for and attended the 2008 annual training in June 2008.
5. One of Mr. Adams' employers gave an all-legislature in-state event in 2008, but Mr. Adams did not participate in it. Mr. Adams gave no such events himself.

Details regarding some or all of these conclusions follow.

### AUDIT CONCLUSIONS

- 1. Mr. Adams and his employers registered timely.**
- 2. Mr. Adams' employment agreements did not include any prohibited provision for paying fees contingent on lobbying success.**
- 3. The compensation ranges reported by two of Mr. Adams' employers for the period from October 1, 2007 through March 31, 2008, differed from the amounts Mr. Adams received.**

Each employer of a lobbyist is required to report, by range of expenditures, "the aggregate total amount of lobbyist compensation paid by the employer"<sup>1</sup> for every six (6) month period.<sup>2</sup> The Act contemplates that the ranges reported will be checked against the information obtained from lobbyists during random audits.<sup>3</sup> Mr. Adams' random audit interview dealt with the most recent period for which expenditure reports were then on file: October 1, 2007 through March 31, 2008.

Some of Mr. Adams' employers for this period did not employ any other lobbyists. Comparison of reported compensation to the amount received by Mr. Adams showed

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<sup>1</sup> Tenn. Code Ann. § 3-6-303(a)(1).

<sup>2</sup> The registration year commences on January 1, whereas the expenditure reporting periods are October 1—March 31 and April 1—September 30.

<sup>3</sup> Specifically, in defining "random audit information," the Act provides as follows:

"Random audit information" also means information obtained pursuant to a review of the total lobbying and lobbying-related compensation and expenses paid to the lobbyist by an employer that will be checked against the range of expenditures reported by the employer in a random audit.

Tenn. Code Ann. § 3-6-301(4)(A).

discrepancies as to two employers. Infrastructure Corporation of America over-reported the amount of compensation paid to Mr. Adams during the period. Apparently Infrastructure included in its total a payment made in April 2008. Since the period in question ended on March 31, this payment should not have been included. The mistake appears to have been made because of a misunderstanding about the dates of the reporting period.

Neuromodulation Therapy Access Coalition very slightly under-reported the compensation it paid to Mr. Adams. This mistake appears to have been due to a slight difference between the amount of the first payment and the amounts of each succeeding payment.

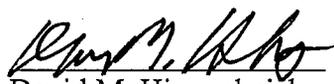
A number of Mr. Adams' employers retained other lobbyists in addition to Mr. Adams for the period in question. Therefore in order to determine whether Mr. Adams' compensation was consistent with the reported totals, it was necessary to obtain information from the employers regarding the aggregate compensation paid to the other lobbyists during this six month period.<sup>4</sup> All of these employers provided information showing that the range of aggregate total compensation reported was correct.

**4. Mr. Adams paid for and attended the 2008 annual training in June 2008.**

**5. One of Mr. Adams' employers gave an all-legislature in-state event in 2008, but Mr. Adams did not participate in it. Mr. Adams gave no such events himself.**

**Note:** Completion of this audit report was delayed pending confirmation of aggregate compensation figures from some employers. Mr. Adams was fully cooperative.

Report completed by:



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<sup>4</sup> The auditor did not request that this aggregate figure be broken down for any individual lobbyists. Both of these figures, aggregate compensation and the specific amount of Mr. Adams' compensation, are confidential random audit information. These figures are therefore not included in this report or any other public document available from the Commission. Tenn. Code Ann. § 3-6-308(c).