



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

---

**Campaign Finance Audit of  
Representative James Coley  
Election Year 2014**



**Audit Team:**

Jay Moeck, CPA, CFE  
Audit Director

# STATE OF TENNESSEE



BUREAU OF ETHICS AND CAMPAIGN FINANCE  
REGISTRY OF ELECTION FINANCE  
404 JAMES ROBERTSON PARKWAY, SUITE 104  
NASHVILLE, TN 37243-1360  
(615) 741-7959  
Fax: (615) 532-8905

#### BOARD MEMBERS

Tom Lawless, Nashville, Chairperson  
Henry Fincher, Cookeville  
Patricia Heim, Nashville  
Norma Lester, Memphis  
Tom Morton, Bristol

EXECUTIVE DIRECTOR  
Drew Rawlins

AUDIT DIRECTOR  
Jay Moeck, CPA, CFE

June 8, 2016

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 Representative James Coley's 2014 election campaign for House of Representatives, District 97. 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**  
Representative James Coley  
2014 Campaign Finance Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Rep. James Coley'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 disclosures on the 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter Campaign Financial Disclosure Statements; and to recommend appropriate actions to correct any deficiencies.

The audit report contains no findings.

## TABLE OF CONTENTS

---

<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>	
2014 Election Campaign Contributions	3
2014 Election Contributions by Source	3
2014 Election Contributions by Reporting Period	4
2014 Election Expenses by Reporting Period	4
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	5
Disbursements and Obligations	7
<b>RESOLUTIONS</b>	
Registry of Election Finance Actions	9

## **INTRODUCTION**

---

### **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 Rep. James Coley’s disclosures on his 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter Campaign Financial Disclosure Statements.

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Rep. James Coley was a candidate in the November 4, 2014 general election for House of Representatives District 97. Rep. Coley filed an Appointment of Political Treasurer Statement with the Registry on May 31, 2013 appointing William H. Watkins, Jr. as political treasurer.

The candidate's first financial disclosure for the 2014 campaign was the 2013 Mid-Year report filed on July 12, 2014. Rep. Coley's final financial disclosure for the 2014 election was the 2014 Fourth Quarter Report, which he filed on January 26, 2015. The Fourth Quarter report indicated \$55,921.58 cash on hand, no outstanding obligations, and no outstanding loans. The candidate filed his Appointment of Political Treasurer Statement for the 2016 election on January 16, 2015, which transferred his remaining balance to the 2016 election. The transfer ended his 2014 reporting requirements.

### 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: 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter reports after amendments. The amounts displayed are for informational purposes only.

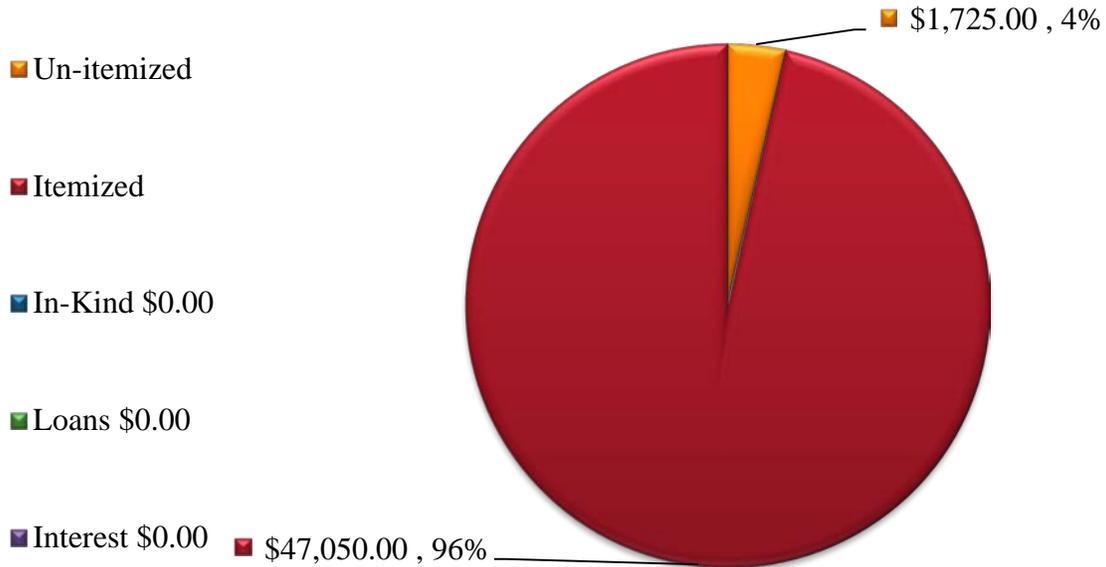
<u>Summary of Financial Activity</u>		
<u>(Un-audited Amounts)</u>		
Cash on hand at January 16, 2013		\$40,064.54 <sup>1</sup>
Receipts		
Un-Itemized	\$1,725.00	
Itemized	47,050.00	
Loans receipted	0.00	
Interest	0.00	
Total receipts		<u>\$48,775.00</u>
Disbursements		
Un-Itemized	2,567.88	
Itemized	30,350.08	
Loans principal payments	0.00	
Obligation payments	0.00	
Total disbursements		<u>\$32,917.96</u>
Cash on hand at January 15, 2015		<u>\$55,921.58</u>
Loans outstanding at January 15, 2015		\$0.00
Obligations at January 15, 2015		\$0.00
Total in-kind contributions received		\$0.00

<sup>1</sup> The balance on hand at 1/16/2013 is funds transferred from the candidate's prior campaign.

## CHARTS

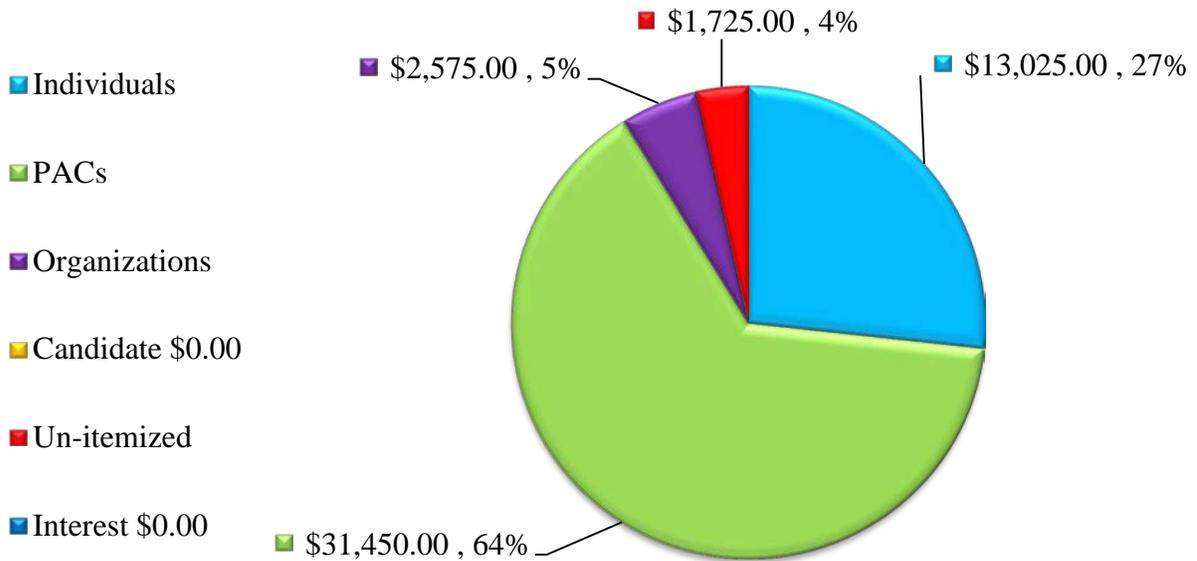
### 2014 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2014 election campaign.



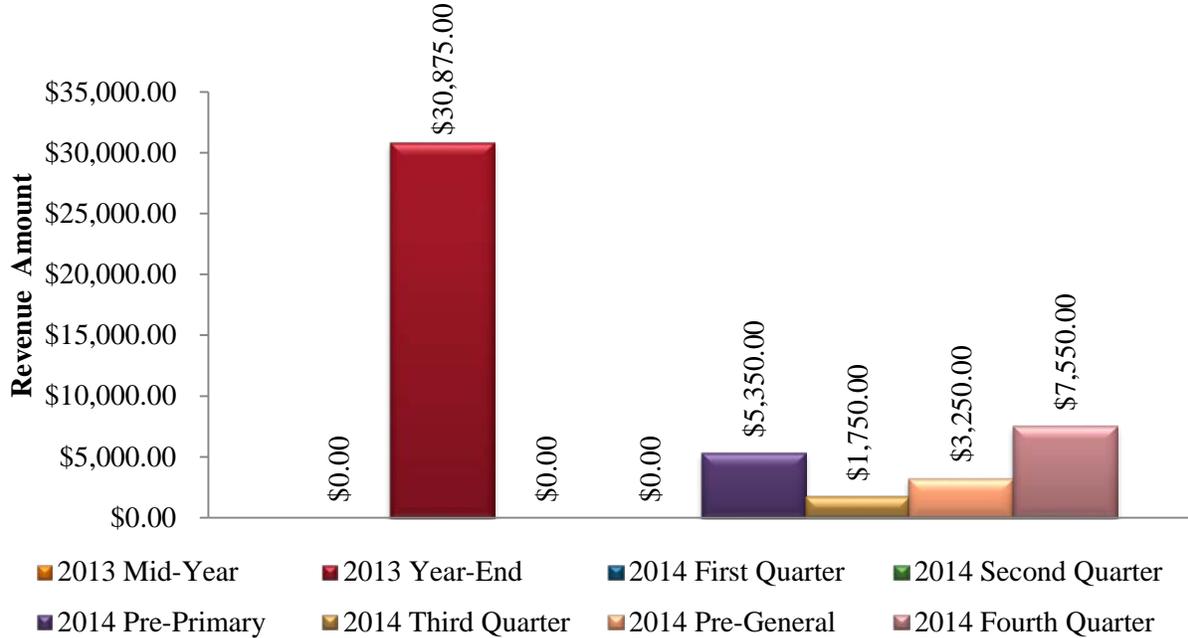
### 2014 ELECTION CONTRIBUTIONS BY SOURCE

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



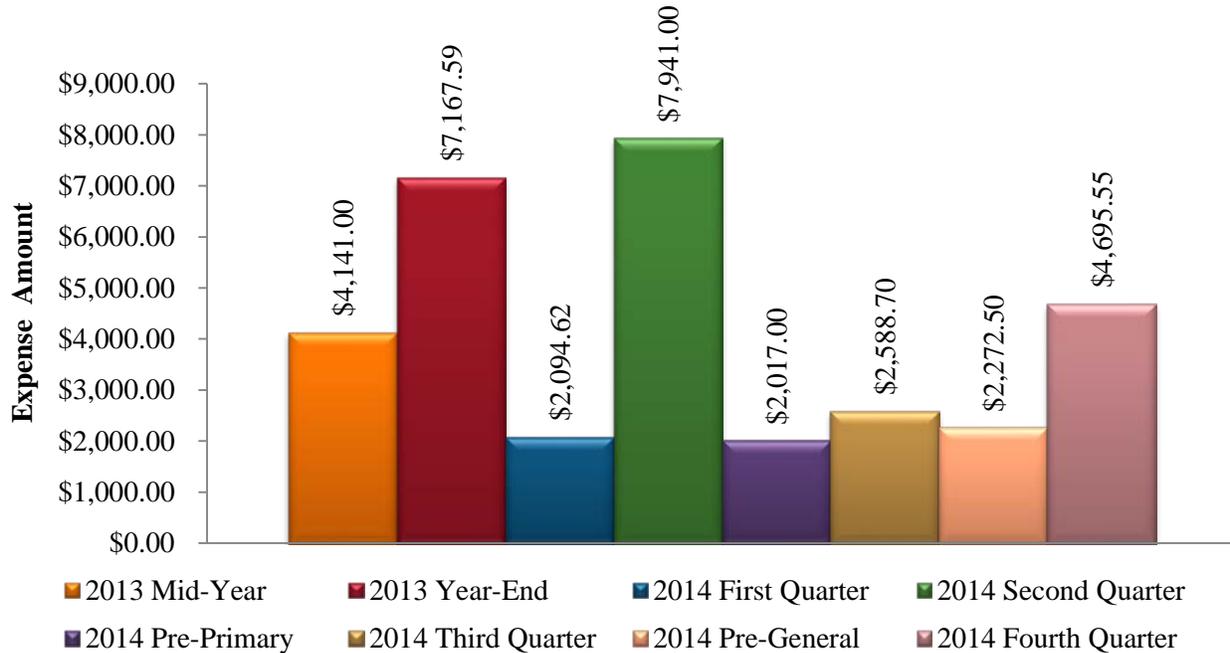
## 2014 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2014 election campaign by reporting period.



## 2014 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2014 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:

- 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, 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 loans received from lending institutions were supported by loan agreements.

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

The Registry obtained Rep. James Coley's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015. We requested Rep. Coley to provide his campaign records to support all contributions, loans, and interest that he received during his 2014 election campaign. Rep. Coley's campaign records for contributions included bank statements, deposit slip copies, contributor check copies, electronic accounting reports (contributor lists). The following steps were performed on Rep. Coley's campaign documentation:

- The documentation was reviewed to determine if the candidate's monetary contributions and interest received from January 16, 2013 to January 15, 2015 totaled \$48,775.

- A reconciliation of monetary contributions reported to funds deposited into the campaign accounts 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.
- A listing of un-itemized contributions and a sample of itemized monetary contributions was prepared and 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.
- In-kind contributions by contributor was 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.
- The documentation was reviewed to determine if the candidate's received any loans from January 16, 2013 to January 15, 2015.

***Audit Conclusion:***

Rep. Coley's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015 indicate he received \$48,775; however, the candidate campaign records indicated that he received and deposited contributions totaling \$49,275. The audit testwork indicated that the \$500 difference was an unreported PAC contribution deposited in December 2013. A review of the PAC check indicated the check was written in September 2012. A review of the candidate's and PAC's report for 2012 noted both candidate and PAC reported the check in 2012. Then both candidate and PAC amended their report removing the transactions. Notations for the 2012 cross index testwork performed by the Registry indicated that the PAC and candidate reported the check was returned and had not cleared the bank and amended the reports to report the transaction. No detailed findings were provided for the unreported contribution as the errors represent less than 1% of the contributions reported by the candidate. In addition, the audit staff discussed the errors with candidate and he amended the applicable campaign finance to report the contribution and contacted the PAC to also correct their reporting. The campaign records and disclosures indicated that Rep. Coley had no interest earnings or loans for his 2014 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. Coley's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015. We requested Rep. Coley provide campaign records to support all expenses during his 2014 election campaign. Rep. Coley's campaign records for expenses included bank statements, cancelled checks, vendor receipts/invoices, electronic accounting reports (expenditure lists). The following steps were performed on his campaign documentation:

- The documentation was reviewed to determine if the candidate's disbursements from January 16, 2013 to January 15, 2015 totaled \$32,917.96.
- 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.
- Samples of un-itemized and 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:***

Rep. James Coley's 2014 Campaign Financial Disclosure Statements from January 16, 2013 to January 15, 2015 indicated that he had expenses totaling \$32,917.96; however, the candidate campaign records indicated he disbursed only \$32,417.96 from the campaign account. The audit testwork indicated that the \$500 difference was an unsupported campaign worker

expense. The review of the campaign bank account indicated that the campaign worker expense for \$500, reported on the 2014 pre-general report, was not disbursed from the campaign account. There is no support that this expense occurred except for the disclosure made and an IRS 1099 form for the worker that included the \$500 amount. No detailed finding was provided for the unsupported expense as the errors represent less than 1% of the contributions reported by the candidate. In addition, the audit staff discussed the errors with candidate and he amended the applicable campaign finance report to correct the reporting error. In addition to the unsupported expense, the expenditure sample indicated that the candidate failed to maintain supporting documentation, except for the transaction amounts being shown on the bank statement, for four transactions. No detailed finding was provided for the lack of supporting expenditure records as the errors represent less than 1% of the expenses incurred by the candidate.

## **RESOLUTIONS**

---

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

The Members of the Registry of Election Finance reviewed the 2014 campaign finance audit of Rep. James Coley during the June 2016 regular monthly meeting. The report contained no findings. The Registry voted to accept and approve the audit report with no further action.