

**Minutes**  
**State Election Commission Meeting**  
**May 13, 2019**

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The State Election Commission meeting was called to order by Chairman Kent Younce at 10:04 a.m., Central Standard Time, May 13, 2019. The following members and staff were present: Commissioners Barrett, Duckett, McDonald and Wallace; Coordinator of Elections Mark Goins, Assistant Coordinator of Elections Beth Henry – Robertson, HAVA Coordinator Andrew Dodd and Kathy Summers, Elections Specialist.

Commissioner McDonald made a motion to adopt the minutes from April 1, 2019, Commissioner Wallace seconded the motion and the minutes were unanimously approved. (Aye votes: Barrett, Duckett, McDonald, Wallace and Younce; No votes: None; Abstention: None.)

Commissioner Barrett made a motion to adopt the minutes from the April 8, 2019, telephonic meeting. Commissioner Wallace seconded the motion and the minutes were unanimously approved. (Aye votes: Barrett, Duckett, McDonald, Wallace and Younce; No votes: None; Abstention: None.)

Commissioner McDonald made a motion pursuant to T.C.A. § § 2-12-101 and 2-12-106, seconded by Commissioner Wallace and unanimously approved any nomination(s) for county election commission appointments as submitted, and to leave the nomination process open until 4:30 p.m. Central Standard Time Monday, April 1, 2019. (Aye votes: Barrett, Duckett, McDonald, Wallace and Younce; No votes: None; Abstention: None.) **(See attached county election commission appointments made.)**

Commissioner Barrett made a motion to reappoint county election commissioners whose oaths were not returned timely from appointments made on April 1, 2019 and April 8, 2019, seconded by Commissioner Duckett and was unanimously approved. (Aye votes: Barrett, Duckett, McDonald, Wallace and Younce; No votes: None; Abstention: None.) **(See attached holdover list and county election commission appointments made.)**

**Old Business**

- NONE

**New Business**

- **Certify Administrators of Elections who passed the certification test given on May 9, 2019.**

A motion was made by Commissioner McDonald and seconded by Commissioner Wallace to certify those Administrators of Elections, who passed the certification test given on May 9, 2019. (Aye votes: Barrett, Duckett, McDonald, Wallace and Younce;

No votes: None; Abstention: None.) (See attached memo regarding administrators passing the certification test.)

County	Administrator
Coffee	Andy Farrar
Warren	Susie Davenport

- **Discuss TACEO Financial Documents and Accounting Practices.**

Commissioner Barrett gave a presentation before the State Election Commission regarding TACEO financial documents and accounting practices. The reason for the presentation is there are rumors of “off the books” accounts and several requests for documents, from TACEO members, going unanswered. Concerned TACEO members want financial safeguards put in place, with internal controls and audit practices to hold office members more accountable for funds collected by the association. (See attached presentation provided by Commissioner Donna Barrett labeled TACEO Financials.)

Commissioner Barrett stated in February 2019, TACEO members received three (3) years of financial records and the current 990 form. Commissioner Barrett requested and received additional material. (See attached presentation with findings.)

Commissioner Barrett’s recommendations to TACEO are as follows:

- Adhere to GAAP
- Review and comply with relevant recommendations from *Guidebook for Tennessee Nonprofits*
- Use Bookkeeping Software (Microsoft Money or Quicken)
- More detailed chart of Accounts
- Comply with Sales Tax Collection on T-shirt and Auction Sales
- Establish Check Writing Procedures
- Establish Deposit Procedures
- Written Records Retention/Destruction Policy
- Consult and Comply with Center for Nonprofit Management relevant recommendations – Nashville, TN

Commissioner Younce recognized those individuals who requested to address the State Election Commission.

- **Jeanette Cronise, AOE – Hardin County**

Ms. Cronise is currently on the summer seminar and budget committees, and spoke about the ongoing frustration to obtain accurate financial information, regarding TACEO’s prior expenses. Specifically, a letter was written to Leigh Schlager, TACEO Treasurer, asking for past expenses for the last ten (10) years. This request asked for all 990’s, bank statements, copies of checks, check stubs, invoices, receipts and documentation for expenses. Mrs. Schlager provided Ms.

Cronise with a copy of the financial report presented at the prior annual meeting of TACEO. Ms. Cronise asked again about obtaining documents. Mrs. Schlager advised her she had spoken with an attorney and she would send a response once she heard back from the attorney. With the documents Ms. Cronise received, she was able to review and compare the information and the documents did not match up.

Chairman Younce questioned why the association is selling t-shirts if they have \$238,000 in checking and \$50,000 in savings.

Ms. Cronise stated when her committee was planning the seminar they had no idea how much money was in the bank. Ms. Cronise believes the current registration fees for the seminars are \$350.00 per person. Most of the registration money pays for the food costs at seminar, which are high.

Coordinator Goins asked Ms. Cronise what prompted her to write the letter regarding the documents.

Ms. Cronise stated the committee was having meetings, and at every meeting they had questions about seminar expenses and were not getting answers to their questions. Ms. Cronise and Joanie Collins, AOE for McNairy County, decided to go straight to Treasurer Schlager to get the information. Mrs. Schlager provided them copies of the annual income expense statements, which are presented at the annual seminar, and this information did not give them the information requested. Ms. Cronise observed that from financial statement to financial statement the numbers did not match. Ms. Cronise pulled filed 990's from an online source and these documents did not match; nor did they account for the three grand divisions checking accounts.

- **Leigh Schlager, AOE – Obion County and TACEO Treasurer**

Mrs. Schlager, current Treasurer for TACEO, stated she was there to answer any questions the commission might have for her. Mrs. Schlager stated she does not understand why this issue has come before the State Election Commission, and she has tried to go through the proper procedures under TACEO's bylaws. Mrs. Schlager stated a lot of receipts are missing because they are only legally required to keep three (3) years of receipts. TACEO does not have a written policy regarding retention of receipts.

Commissioner Barrett clarified the missing documentation is for 2015 – 2019 time period which she reviewed.

Commissioner McDonald noted that Commissioner Barrett pointed out a lot of irregularities and asked if there are ways for these irregularities to be corrected.

Mrs. Schlager stated she did not have any resistance in turning documents over to association members. Mrs. Schlager stated she went to Lebanon to meet with Phillip Warren, TACEO President, when he first got elected to show him how she

was keeping the books. At no time did anyone suggest to her to change the way she was keeping the books. Mrs. Schlager stated when she became Treasurer, the association was delinquent in filing their 990's and had lost their non-profit status. IRS notices of delinquency were being sent to the prior officer who had retired. Mrs. Schlager and previous President, Amber Moore, went to an accountant in Obion County to work out the 990 delinquency issues. The accountant used was Art Sparks of ATA.

Chairman Younce asked Mrs. Schlager if she, or any other TACEO officers were compensated.

Mrs. Schlager stated that no officers were compensated.

Chairman Younce asked why checks were written to "cash" and why anyone would need \$4,000.00 in petty cash.

Mrs. Schlager stated the association has always carried large amounts of petty cash, and they can change the amount allowed and implement procedures for carrying petty cash. Mrs. Schlager stated because of the sale of t-shirts and silent auctions, the association has always had large amounts of cash so they were prepared to break larger bills when purchases were made. Mrs. Schlager stated, in hindsight, she should have put more securities in place when giving petty cash out, but she was following previous practices of the association.

Commissioner Duckett asked if the association has a policy about how much petty cash can be kept at any given time.

Mrs. Schlager stated there are no policies as it relates to petty cash.

Coordinator Goins asked Mrs. Schlager who supplied the documents to the accountant for the 990's and who signed on behalf of the association.

Mrs. Schlager stated the Treasurer of the association would sign the 990's and that she signed them, but should not have signed the one for 2014.

Coordinator Goins asked if the 990's were also supplied to the founding members (executive committee, president, etc.) and if she was aware of this requirement.

Mrs. Schlager stated the 990's were not supplied to the founding members and she was not aware she was required to file a copy with them.

Coordinator Goins asked who prepares the income and expense summary provided to association members every year.

Mrs. Schlager stated she has prepared the income and expense summary during her term as Treasurer.

Coordinator Goins asked if Mrs. Schlager prepared the 2016 and 2017 reports.

Mrs. Schlager stated she had prepared the 2016 and 2017 reports.

According to Coordinator Goins review, it appears there might have been an off the books account. A savings account in the amount of \$51,639.00 was only reported in recent years on the income and expense report. No explanation of where the money came from. The savings account did not show up on prior income and expense reports until questions were asked about the funds.

The 990's appeared to list only the checking account funds. The report filed in December 2018, showed a total of \$333,680.00 in funds. These funds were not broken down on the 990, by checking and savings, but were detailed as a prepaid account. A prepaid account would be for future expenses that have been paid in advance. Coordinator Goins asked Mrs. Schlager why the funds would have been reported as prepaid.

Mrs. Schlager stated she did not know why TACEO funds were reported on the, 990 report filed in December 2018, as a prepaid account.

Coordinator Goins stated the report file in 2017 detailed a total of \$173,468 in funds. The 990 should have included the savings account funds for a total amount of \$222,659. Coordinator Goins asked Mrs. Schlager if the report filed was accurate.

Mrs. Schlager stated the report filed in 2017 should have included the savings account.

Mrs. Schlager stated she did not prepare the 990 for 2017, but she did sign the filed 990 report.

Coordinator Goins stated the 990 filed in December 2018, has a box checked which stated there is a written retention policy for record retention. Coordinator Goins asked what the written records retention policy is for TACEO.

Mrs. Schlager stated she is not aware of a written retention policy for TACEO.

Coordinator Goins stated the report filed in December 2018, states there are no conflicts of interest. Coordinator Goins asked if there was a conflict of interest policy for the association. Coordinator Goins stated there are rumors that the association has done business with a family member of another association member.

Mrs. Schlager believes the association has purchased t-shirts from an association member's family.

Coordinator Goins stated, under IRS rules, any conflict of interest would have to be disclosed.

Commissioner Duckett asked Mrs. Schlager if there was a competitive bid for the items purchased.

Mrs. Schlager stated she was not aware of a bid.

Commissioner Wallace asked Mrs. Schlager to find out what family member was associated with the TACEO member for the sale of t-shirts.

Commissioner Duckett asked Mrs. Schlager if the \$850.00 paid out was to the accountant, or to the IRS.

Mrs. Schlager stated she believes the money was paid to the IRS for a refiling fee and the association was not fined, but was reinstated.

Coordinator Goins asked Mrs. Schlager about the increase in the amount of funds used for petty cash over time. Specifically, two (2) checks were written within twenty-fours for cash. One check was written for \$3000.00 and the other for \$4,000.00.

Mrs. Schlager stated both she and the President of TACEO would carry a cash bag.

Coordinator Goins asked Mrs. Schlager what the starting amount of cash would be for t-shirt and auction sales.

Mrs. Schlager believes the start out money for t-shirt sales and auction items are \$250.00 each.

Coordinator Goins asked what the remaining \$6,500.00 in petty cash would go for.

Mrs. Schlager stated additional petty cash was used for gratuities and tips, but she did not keep record of what was paid out. Mrs. Schlager believes she tipped about \$250.00 out of her petty cash.

Coordinator Goins asked Mrs. Schlager if she knew the previous amount spent for petty cash was usually around \$750.00, why would she cash checks for \$7,000.00. In 2011, the amount of petty cash used, by the association for the seminar, was \$700.00. Documentation is not clear where the funds were spent, or if unspent funds were returned to the associations account.

Commissioner Duckett asked Mrs. Schlager who the attorney was she referenced.

Mrs. Schlager stated she took Ms. Cronise's letter to a friend who is an attorney to determine what she needed to turn over.

Commissioner Duckett asked Mrs. Schlager why she did not contact the President of the association when she received the letter.

Mrs. Schlager stated the TACEO President was not aware of the letter she received, and that she was on her way to Nashville when she received the letter.

Commissioner Duckett asked Mrs. Schlager, as Treasurer, if a letter came in requesting certain information of TACEO, why the President of the association would not be notified immediately of this request.

Mrs. Schlager stated she was on her way to Nashville when she received the letter.

Commissioner Duckett asked Mrs. Schlager if she had a cellphone, and questioned why she would not have picked up the cellphone and called the President of the association.

Mrs. Schlager stated she was in route to Nashville to attend TACEO's Legislative event, and she could have called the TACEO President, but did not call the President.

Commissioner Barrett stated she did not receive expenses prior to the middle of 2015, but she did receive bank statements showing copies of checks. In her review, of TACEO records, Commissioner Barrett could document expenses based on the notations written in the "for" section of the check. Commission Barrett has concerns regarding the lack of accounting processes, and the lack of documentation of income and expenses by TACEO.

- **Peg Hamlett, AOE – Carroll County**

Peg Hamlett, Administrator for Carroll County, spoke before the State Election Commission. Mrs. Hamlett asked, as a paying member of TACEO, will the association be able to vote on the recommendations suggested by the State Election Commission. Mrs. Hamlett feels Mrs. Schlager should have gotten a copy of the report prior to the meeting, so she would have been better prepared to discuss the concerns of the commission.

Chairman Younce stated the commission will make a decision by the end of the meeting and the commission is not after any one person. Chairman Younce stated the association spends taxpayer money and these funds should be accounted for by TACEO.

Commissioner Wallace stated individual county commissions are funding TACEO activities, and State Election Commission members believe they have a responsibility, to taxpayers, to guarantee funds are not misappropriated and TACEO officers are held accountable for funds received and spent.

Commissioner Barrett stated her report was not given to any State Election Commission member prior to the meeting. As a TACEO member, Commissioner Barrett is concerned and did her research as a neutral third party. The information she researched had been requested previously by TACEO members, but was not being provided. Mrs. Barrett stated she did an uninfluenced and aboveboard review.

Commissioner Duckett stated he had heard issues of the overall activities of the association, but did not receive Commissioner Barrett's report until today's meeting. Commissioner Duckett stated he specifically asked Mrs. Schlager about attorneys and accountants today, and as a lawyer, he would not be advising his client and risking his license with the seriousness of the issues presented. Commissioner Duckett stated the IRS could assess penalties to a nonprofit organization, and the officers of an organization may be held personally liable for any impermissible benefits. Commissioner Duckett stated he asked Mrs. Schlager if there was a competitive bid regarding the t-shirts. Commissioner Duckett stated an insider bid could be done if disclosure is given, and the individuals making the decision recuse themselves and do not make the decision. Commissioner Duckett stated the commission has to decide who is in the best position to help get the answers needed.

- **Paige Dennis, County Election Commissioner – Obion County**

Commissioner Paige Dennis, Obion County Election Commissioner, spoke before the commission. Commissioner Dennis stated all of the commission members for Obion County are in holdover status. Mrs. Dennis is a member of TACEO, and she is concerned about the lack of policies and procedures for the association. Mrs. Dennis believes policies and procedures need to be discussed at the upcoming seminar. Commissioner Dennis asked commission members if they were aware check forgery and fraud are Class C felonies in Tennessee. Commissioner Dennis asked the State Election Commission members if they feel comfortable in their findings, since they did not have a forensic expert review the documents.

Commissioner Barrett advised Commissioner Dennis she would be happy to show her the checks reviewed.

Commissioner Duckett asked Commissioner Dennis what she was insinuating.

Commissioner Dennis stated she was not insinuating anything, she is concerned and a forensic expert needs to review the documents to determine if fraud was committed. Commissioner Dennis stated she plans to bring this issue up at the next TACEO board meeting and will suggest a forensic expert review TACEO records to determine if a felony has been committed.

Chairman Younce stated there were no additional speakers who signed up to speak and the commission would need to review what was heard to determine what course of action needs to be taken. Chairman Younce stated it is obvious there are some areas lacking checks and balance with the association's funds. Chairman Younce asked TACEO President, Phillip Warren, if he would answer some questions for the commission. Chairman Younce asked Mr. Warren if he knew why the dues for TACEO doubled.

- **Phillip Warren, AOE – Wilson County and TACEO President**

Mr. Warren, current president of TACEO, advised commission members he did not know why the dues were doubled, as they doubled before he became president of the association. Mr. Warren stated the increase in dues was voted on by TACEO members. Mr. Warren believes the increase in dues was due to break even on expenses. Mr. Warren stated the typical expenses for the seminar are meals, food services and audio visual at the hotel. Mr. Warren stated the by-laws of TACEO call for a budget every year. When Mr. Warren was vice-president for Middle TN, the association never had a meeting to set a budget. Mr. Warren stated in December 2018, TACEO had a meeting to set the budget for the seminar. Mr. Warren believes the concerns addressed were associated with the December budget meeting, as the numbers given were not thorough as they should have been. Mr. Warren stated the Budget Committee wants to post the books and not audit them. Mr. Warren stated the most recent books look like the association is making money and questions if their reserves should go back to the counties.

Commissioner Barrett stated there have been reports each of the three (3) grand divisions, of TACEO, have separate checking accounts. Commissioner Barrett asked Mr. Warren if he knows the balance in those accounts.

Mr. Warren stated he was not aware of the balances in those accounts, but is working with an accountant to determine procedures for reporting.

Chairman Younce asked Mr. Warren what his take away was from today's meeting.

Mr. Warren stated the accountability of the association has to improve and change. Mr. Warren says the primary focus of the association has been on the seminar and annual meeting. Mr. Warren stated the mission of the association is on education and dissemination of ideas.

Chairman Younce reiterated when the association is spending taxpayer dollars they need to be more accountable for spending taxpayer funds.

Mr. Warren stated, as election officials, the association should hold themselves to a higher standard. Mr. Warren stated the TACEO Bylaws Committee has worked over the last two (2) years and come up with some suggestions to be voted on at the seminar. Mr. Warren stated one of the suggestions is to have the books for the association reviewed every two (2) years.

Commissioner McDonald asked Mr. Warren if he would be in favor of, or against an audit done by the Comptroller of the Treasury.

Mr. Warren stated he believes Commissioner Barrett did a great job of reviewing TACEO's records and he wishes this issue could have been handled within TACEO. Mr. Warren stated if the commission wishes for a review by the Comptroller of the Treasury, he is all for it and will abide by their wishes.

Commissioner Barrett stated she was not sure what depth of an audit would be, but welcomes an audit by the Comptroller's office. Commissioner Barrett believes having someone come in and give the association day to day operating advice, for reconciliation and keeping of records, would be of benefit to the association.

Commissioner Wallace stated because of the way the association works, all ninety-five (95) county governments, fund TACEO and the county governments do not have a way oversee how their money is spent. Commissioner Wallace stated the reason we are here today is somebody needs to makes sure TACEO funds are wisely, fairly and honestly spent.

Mr. Warren believes the association is moving in the right direction and will be more accountable and transparent.

Commissioner Duckett commended the association about moving forward with their proposed bylaws. Commissioner Duckett asked about the process for committees to call a meeting, if the chair of a committee does not want to call a meeting. Commissioner Duckett believes given the multitude of rumored issues, a concrete next step is going to be somewhat difficult. Commissioner Duckett believes a road map is needed for good government practices for the association; and the association is going to need additional consultation and expert advice to get to required transparency. Commissioner Duckett would like for Coordinator Goins, to work with the association, to identify what the best resources are to get everyone where they can agree and not have to come before the State Election Commission again.

Commissioner Barrett discussed the bylaws with Mr. Warren. Specifically, Commissioner Barrett asked about the three (3) grand divisions and their accounts. Commissioner Barrett stated there are two (2) vice-presidents over each grand division and according to bylaws the vice-presidents fall under the guidance of the President of TACEO and Treasurer.

Mr. Warren stated the bylaws need to be revised and much of the recommended revisions are due to the budget concerns addressed by TACEO members.

Commissioner Barrett asked Mr. Warren, given the cash on hand, does he believe the fifty dollar increase (\$50.00) is necessary at this point in time.

Mr. Warren stated based on the last two (2) years of TACEO bank records, he does not believe the dues should have been increased. TACEO members would be required to vote on the dues because the dues are regulated in the bylaws. Mr. Warren stated TACEO needs to look at the excess funds and determine what needs to be done to further the mission of the association.

Chairman Younce advised Mr. Warren, TACEO needs to plan the dues accordingly, plan a budget and make an accounting for all funds received and

spent. Chairman Younce stated there is a lot of criticism about the electoral process; and as election officials we need to be as transparent and upfront going forward.

Commissioner Barrett stated TACEO needs to put traditions and personalities aside and do what is best for the association; as the association is a direct reflection of each election commission office and the State Election Commission. Commissioner Barrett stated the State Election Commission needs to insist on better bookkeeping and until this is cleaned up, county election commissioners should not be members and the State Election Commission should not participate in annual training.

Coordinator Goins advised the commission, annual training is scheduled for June, and many county election commission members have already paid to attend this training.

Commissioner Barrett said the recommendation would be going forward.

Coordinator Goins reaffirmed what he understood the State Election Commission would like from the association. It is his understanding TACEO needs to handle this matter internally; and if they do not do so the local county election commission members would not be able to participate in TACEO functions.

Commissioner Barrett stated the county election commission members would not participate in TACEO and they would not be dues paying members.

Commissioner Barrett stated the annual training would be held separate from TACEO's training after the annual training in June 2019, if issues are not addressed.

Chairman Younce asked Coordinator Goins if he had any recommendations.

Coordinator Goins recommends filed 990's need to be shared with TACEO board members, there needs to be a documented whistleblower policy, documented retention policy, documented conflict of interest policy and a documented petty cash policy for the association. Coordinator Goins also recommended TACEO hire professional help and counsel to assist them with their nonprofit management.

Commissioner Duckett stated he would like Coordinator Goins to be at the table, with the association, to make sure what comes out of today's meeting is reflected in their end product.

Commissioner Barrett made a motion that TACEO obtain the necessary advice and direction from legal, accounting, nonprofit and any other professional services to bring the financial policies and documents up to gold standards. In the event TACEO does not bring their accounting practices up to par, the membership of state appointed local county election commissioners will cease with TACEO, and the State Election Commissioners will cease providing training in conjunction

with TACEO meetings. Annual training would be conducted separately. If things are brought up to standard, at the next TACEO meeting, the training will go back to status quo regarding the State Election Commissions involvement. TACEO leadership is required to have ongoing communication with Coordinator Goins regarding their progress. TACEO leadership is expected to present their milestones during the State Election Commission meetings through the remainder of the year. Commissioner Duckett seconded the motion; all members present unanimously approved the motion. (Aye votes: Barrett, Duckett, McDonald, Wallace, and Younce; No votes: None; Abstention: None.)

### **Coordinator Update**

- **TACEO - June Seminar**

Coordinator Goins advised commission members of the June 2-5, 2019, seminar. There will be a break-out session for county election commissioners on June 4, 2019. All State Election Commissioners are invited to attend and participate in this break-out session and seminar.

The next regularly scheduled meeting is set for July 22, 2019, and will be held in the William R. Snodgrass – Tennessee Tower, Nashville Room - 3<sup>rd</sup> floor at 12:00 Noon, Central Standard Time.

The meeting was adjourned at 12:28 p.m. Central Standard Time.

Respectfully submitted,



Greg Duckett, Secretary  
State Election Commission

# Awaiting Oath Letters

13-May-19

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	PARTY	STATUS	APPOINTMENT	RE-APPOINTMENT
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## Crockett

(D) Greg Duckett  
(R) Jimmy Wallace

<b>Randy Camp</b>	<b>D</b>		<b>10/9/2017</b>	<b>4/1/2019</b>
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## Hardeman

(D) Greg Duckett  
(R) Jimmy Wallace

<b>Melanie Renee' Bowers</b>	<b>D</b>		<b>6/22/2015</b>	<b>4/1/2019</b>
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## Loudon

(D) Tom Wheeler  
(R) Judy Blackburn

<b>Betty E. Brown</b>	<b>D</b>		<b>6/24/2003</b>	<b>4/1/2019</b>
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Oath Letters Not Returned: 3

# State of Tennessee



State Election Commission  
312 Rosa L. Parks Avenue, 7th Floor  
Nashville, Tennessee 37243-1102

## Holdover Status

May 13, 2019

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		Appointment	Reappointment
<b>Jackson</b>	R Kent Younce / D Mike McDonald		
	R Nell Anderson	4/18/1995	4/3/2017
<b>Morgan</b>	R Kent Younce / D Tom Wheeler		
	R Howard Human	4/3/1995	4/3/2017
<b>Obion</b>	R Jimmy Wallace / D Greg Duckett		
	R Robert C. Joyner	4/5/1999	4/3/2017
	R David K. Parks	4/6/2009	4/3/2017
	D John Algee	2/19/2003	4/3/2017
	D Paige Burcham Dennis	4/14/2014	4/3/2017

**Total Holdovers: 6**

# State of Tennessee



**State Election Commission**  
312 Rosa L. Parks Avenue, 7th Floor  
Nashville, Tennessee 37243-1102

## Vacant Status

*May 13, 2019*

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<b>Hickman</b>	R Donna Barrett / D Greg Duckett
	D
<b>Lawrence</b>	R Donna Barrett / D Greg Duckett
	D
<b>Macon</b>	R Kent Younce / D Mike McDonald
	D
<b>Overton</b>	R Kent Younce / D Mike McDonald
	R
<b>Washington</b>	R Judy Blackburn / D Tom Wheeler
	D

**Total Vacancies: 5**

# State of Tennessee



State Election Commission  
312 Rosa L. Parks Avenue, 7th Floor  
Nashville, Tennessee 37243-1102

## New Appointment Status

May 14, 2019

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		Appointment
<b>Crockett</b>	R Jimmy Wallace / D Greg Duckett	
	D Tiffany Nance	5/13/2019
<b>Hardeman</b>	R Jimmy Wallace / D Greg Duckett	
	D Melanie Renee' Bowers	5/13/2019
<b>Lawrence</b>	R Donna Barrett / D Greg Duckett	
	D Stanley Eugene Watkins	5/13/2019
<b>Loudon</b>	R Judy Blackburn / D Tom Wheeler	
	D Betty E. Brown	5/13/2019
<b>Macon</b>	R Kent Younce / D Mike McDonald	
	D Michael David McClard	5/13/2019
<b>McMinn</b>	R Judy Blackburn / D Tom Wheeler	
	R Jordan Curtis	5/13/2019
	R Amber Robinson	5/13/2019
	R Matthew Todd Watson	5/13/2019
<b>Obion</b>	R Jimmy Wallace / D Greg Duckett	
	R James Michael Daniel	5/13/2019
<b>Total New Commissioners: 9</b>		

Tennessee Secretary of State

Tre Hargett



Elections Division  
312 Rosa L. Parks Avenue, 7<sup>th</sup> Floor  
Nashville, Tennessee 37243-1102

Mark Goins  
Coordinator of Elections

615-741-7956  
Mark.Goins@tn.gov

**MEMORANDUM**

**To:** State Election Commission Members  
**From:** Mark Goins *Mark Goins*  
Coordinator of Elections  
**Date:** May 13, 2019  
**Subject:** Results of the May 9, 2019 Certification Exam

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On May 9, 2019, this office administered a certification exam. The following Administrators of Elections obtained a passing score on that exam:

**Andy Farrar (Coffee County)**

**Susie Davenport (Warren County)**

# TACEO Financials

An Elementary Observation of  
Documentation and Accounting Practices



## Reason for inquiry

- ▶ Rumors of “Off the Books” account
- ▶ December 2017 internal questions from TACEO membership regarding financial safeguards, internal controls and segregation of duties, including audits and following GAAP (General Acceptable Accounting Practices).
- ▶ December 2018 TACEO Budget Committee members questions not answered.
- ▶ January 2019 TACEO Budget & Finance Committee conference call; voted to hire a CPA to post the books for past 5 years (move records from check register to bookkeeping software) - received 1 no vote - TACEO Treasurer voted against
  - ▶ TACEO Treasurer stated Executive Committee is the approving committee, not Budget
  - ▶ TACEO Treasurer stated she will only call a Budget meeting if there is a complaint
- ▶ February 2019 Additional request from TACEO members for financial records resulted in receiving only 3 years of financial statements and current 990

## Reasons for the SEC to be concerned

- ▲ Members are asking for transparency and are not getting answers but feel they are getting resistance.
- ▲ This organization is funded almost entirely by taxpayer funds.
- ▲ The SEC appoint the LEC's who are a majority of the TACEO members (475) as counties pay the dues for all LEC's as well as election office staff. Thus this is a serious direct reflection on the SEC.
- ▲ The SEC is tied to TACEO via the annual seminar due to state mandated training which adds credibility and defines the sole purpose for the expense of conducting the meeting.
- ▲ According to TACEO Bylaws, all SEC members are ex-officio TACEO members by virtue of position. Coordinator of Elections and Secretary of State are also members. I initiated this review by asking for this information as a TACEO member.
- ▲ Nonprofits are supposed to be run in the best interest of the organization, not for the benefit of board members and executives.

## Findings approach

- ▶ A review of:
  - ▶ Check register
  - ▶ Deposits
  - ▶ Debit card transactions
  - ▶ Checks
  - ▶ Financial Statements
  - ▶ IRS 990's
- ▶ Guidelines
  - ▶ Transparency
  - ▶ Unrelated to seminars or meetings
  - ▶ In excess of TACEO Policies
  - ▶ Out of State Charges



# Observations of Checks

- ▶ There were 238 checks written from 6/15 to 2/19
  - ▶ Receipts for 165 (65%)/no receipts for 77 (32%)

- ▶ 2 very apparent forged signatures
  - ▶ Appear to be legitimate expenses

- ▶ Apparent inconsistency on signature requirements.
  - ▶ 24 contain 2 signatures, all others only one.

- ▶ Checks made payable to officer signed by same officer

▶ 3	Amber Moore	Totaling \$ 537.32	(2 have documentation)
▶ 3	Darrin Thompson	Totaling \$ 468.44	(0 have documentation)
▶ 25	Leigh Schlager	Totaling \$4,756.59	(9 have documentation)

# Observations of Checks made payable to Cash

- ▶ 2012 - 2018
  - ▶ 13 checks payable to cash
  - ▶ 2011 \$ 700 Note indicates for Petty cash
  - ▶ 2012 \$4,500
  - ▶ 2013 \$4,510
  - ▶ 2014 \$3,000
  - ▶ 2015 \$7,000 (2 checks: \$3,000 & \$4,000)
  - ▶ 2016 \$7,000 (2 checks: \$3,000 & \$4,000)
  - ▶ 2017 \$7,000 (2 checks: \$3,000 & \$4,000)
  - ▶ 2018 \$ 800 (2 checks: \$500 & \$300)
  - ▶ **Total \$33,810**
  - ▶ **Why carry \$7,000 in cash and why two separate checks?**

# Observation of Checks made payable to Cash (conti)

- ▶ 2011 Petty Cash amount was documented on a handwritten note as \$700
  - ▶ Significant increase to \$4,500 in 2012
  - ▶ Significant increase to \$7,000 in 2015
  - ▶ Significant decrease to \$800 in 2018
- ▶ **Checks payable to Cash is NOT best accounting practices**
- ▶ No Petty cash log for any withdrawal
- ▶ No receipts for expenses paid with cash
  - ▶ Hotels give receipts for gratuities
    - ▶ What is TACEO policy on gratuities
- ▶ No documentation of source of cash in deposits

# Financial Statement Observation

- ▶ No indication of a savings account on 2009 Financial statement.
- ▶ 2011 Financial Statement shows \$30,000 transfer to an existing but not reported TACEO savings account that had a balance of \$20,000. - Still no records of this on either Financial Statements or IRS Form 990's
- ▶ 2016 savings account shows for the first time on a Financial Statement with \$51,000 balance. Still not reported on IRS Form 990
- ▶ Financial Statement should show a Beginning Balance for the Fiscal year as well as an Ending Balance as it did prior to 2010.
- ▶ 2017 Financial statement missing interest.
- ▶ Seminar and meeting costs are not itemized by category: food, lodging, etc.
- ▶ TACEO currently doubled membership dues, yet most current Financial Statement show post seminar balances of:
  - ▶ \$281,943.96 - checking
  - ▶ \$ 51,736.29 - savings

## IRS Form 990 Observations

- ▶ Answered incorrectly “No” to the following when answer should have been “Yes”
  - ▶ Part IV
    - ▶ 4. Does organization lobby
    - ▶ 5. Receives membership dues
    - ▶ 28b. Business with family member of current/former officer
  - ▶ Part V
    - ▶ 6a. Solicit contributions that were not tax deductible
    - ▶ 7c. Dispose of tangible property
  - ▶ Part IV
    - ▶ 6. Organization have members
    - ▶ 7a/b. Members elect governing body
    - ▶ 10a. Local chapters, branches or affiliates

## IRS Form 990 Observations (conti)

- ▶ Answered incorrectly “Yes” to the following when answer should have been “No”
  - ▶ Part VI
    - ▶ 11a Members receive copy of 990
    - ▶ 12a Written Conflict of Interest policy
    - ▶ 13 Written Whistleblower policy
    - ▶ 14 Written Records Retention/Destruction policy
- ▶ Part IX Does not list non seminar fees
  - ▶ Accounting services
  - ▶ Occupancy (Lodging)
  - ▶ Travel
  - ▶ Payment to affiliates (East, West, Middle TACEO)
- ▶ Part X Did not list any savings account (until December 2018 and then in the wrong category) or affiliate account balances
- ▶ Schedule A Section A
  - ▶ Did not list SEC services provided

# Observations of Concern Debit Card Transactions

- ▶ Morton's, J Alexander, Watermark
  - ▶ Hi-end restaurants that exceed per diem limit
  - ▶ Dinners that only include select TACEO members
    - ▶ Stated TACEO policy limits meal reimbursement to per diem rates for all members
- ▶ 33 restaurant charges
  - ▶ No documentation as to associated meeting or attendees
  - ▶ Several were not associated with any scheduled meeting
  - ▶ Likely all exceed the stated TACEO policy of meal cost limit
- ▶ At least four large computer/electronics company purchases (\$3k each)
  - ▶ Where are these assets
- ▶ Check to IRS
- ▶ Airline ticket purchase for one - no documentation

## Observations of Debit Card Transactions (conti)

- ▶ 84 charges
  - ▶ Receipts or invoices for 44 transactions (52%), no receipt or invoice for 40 (48%)
- ▶ Obvious meal purchases for one to two people at locations unrelated to meetings
- ▶ Out of state purchases unrelated to meetings



▶ **Additional Observations of Concern exists with:**

- ▶ **Deposits**
- ▶ **Other Checks**
- ▶ **Overall lack of proper documentation**
  - ▶ Inability to compare travel claims to hotel charges
- ▶ **Lack of sufficient breakdown of costs**
  - ▶ Expanded Chart of Accounts needed
- ▶ **Charitable giving policy**
  - ▶ \$50 - \$2000 range at the moment



# Recommended Practices & Policies

- ▶ Adhere to GAAP
- ▶ Review and comply with relevant recommendations from Guidebook for Tennessee Non Profits
- ▶ Bookkeeping software (Microsoft Money or Quicken)
- ▶ More detailed Chart of Accounts
- ▶ Comply with Sales Tax Collection on T-shirt and auction sales
- ▶ Establish Check Writing Procedures
- ▶ Establish Deposit Procedures
- ▶ Written Records Retention/ Destruction Policy
- ▶ Consult and comply with Center for Nonprofit Management relevant recommendations- Nashville, TN