

PAC Compliance: Recommended End of Cycle PAC Audits

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Now that the 2008 election is in the history books, it is the perfect opportunity for corporation and association PACs to take stock of the previous election cycle, and to prepare for the upcoming year and new election cycle. Below are four suggestions on useful activities to undertake: a financial audit of the PAC, a process audit, an evaluation of the restricted class and training.

Financial Audit of the PAC

We recommend that each PAC have a financial audit at least once per election cycle. Such an audit can be performed by internal audit staff or outside auditors. Either way, the focus should be on having a disinterested person looking at the books and records, and ensuring that all monies have been accounted for and that the PAC is on solid financial footing.

Many PACs have received additional useful information by using an auditor well-versed in FEC rules, auditing the books against FEC reports as well as for misappropriation, etc. In any event, the results of a financial audit allow a PAC to refine its internal processes and lines of authority over the PAC funds. The results importantly also provide additional reassurance to the core PAC constituencies—senior corporate management, the PAC board and the PAC contributors themselves.

Process Audit of the PAC

In addition to a financial audit of the PAC, it is also useful for the PAC to undertake a legal process audit. This audit involves the review of the PAC bylaws, solicitation materials, communications and processes for compliance with applicable FEC rules, state laws, tax laws, etc.

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Such a process audit also can assist a PAC in benchmarking its activities and processes with those of other similarly situated PACs.

Evaluation of the Restricted Class

The end of an election cycle is the perfect time to evaluate the PAC's solicitation process to ensure not only that all those being solicited are in the restricted class, but also to decide whether the class of solicitees should be expanded or contracted, to determine whether the messaging should be differentiated between different types of solicitees, and to make any additional changes to the PAC's solicitation materials. This particular new election cycle, with its new administration and the new economy, may affect solicitation materials and approaches in ways that have not been useful in the past.

Training

The beginning of a new election cycle and a new calendar year both present corporations and trade associations with an opportunity to focus on training—especially before Congress and the state legislatures convene for new sessions. Proper training encompasses three areas of political involvement: campaign finance, lobbying and ethics. Training doesn't have to be dry and boring—a mere recitation of the rules—but can be an interactive and interesting process that informs the employees, and lets them know about their employer's commitment to proper behavior. Knowledge about the applicable law is the first defense against problems down the road. Training in 2009 is especially important in order to reinforce the discussions about last year's ethics and lobbying changes.