

Now Is the Time to Review Your PAC and Political Operations

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With the 2010 midterm elections behind us, now is the perfect opportunity for corporation and association political action committees (PACs) to take stock of the previous election cycle and to prepare for the upcoming presidential election cycle. Below are four suggestions on useful activities to undertake: a financial audit of the PAC, a political 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. In either case, the focus should be on having a disinterested person review the books and records, ensuring that all monies have been accounted for, that the PAC is on solid financial footing, and that filings with the Federal Election Commission (FEC) are in order and match the PAC's accounts. The results of a financial audit also will provide additional reassurance to the core PAC constituencies-senior corporate management, the PAC board, and the PAC contributors themselves-that everything is in order.

Process Audit of Both the PAC and Corporate Policies

Separate from a financial audit, 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. The PAC also may use this audit as an opportunity to amend its internal procedures to protect against embezzlement and the misappropriation of funds, adopting some of the internal controls recommended by the FEC. A process audit also can assist a PAC in benchmarking its activities and processes with those of other similarly situated PACs.

Corporations and PACs also should use this time to update their compliance policies by reviewing recent changes in campaign finance law. Some states and localities have adjusted their contribution limits, and others have adopted new registration and/or reporting obligations for corporate contributors. Many states and localities have pay-to-play provisions that could limit the ability of corporations and their PACs to contribute in certain circumstances. Moreover, as a result of the Supreme Court's decision in *Citizens United v. FEC*, corporations also may want to revisit their policies regarding corporate independent expenditures. For

corporations that may want to exercise this constitutional right in the 2012 election and beyond, it will be important to begin laying the procedural groundwork for such communications in advance of the actual election.

Evaluation of the Restricted Class

The end of an election cycle is the perfect time to evaluate the PAC's solicitation process to not only ensure 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. Changes to the political landscape following the November 2 election may affect the content of solicitation materials and approaches to be taken.

Training

The beginning of a new election cycle and a new calendar year also offer corporations and trade associations 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.