



Spotlight on CPA - February 2016

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CPA Opens Groundbreaking New Front on Political Disclosure Compliance

With two high-caliber programs in February, the Center for Political Accountability has opened a groundbreaking new front in its work. CPA will collaborate with experts in developing guidance for companies about achieving meaningful compliance in political disclosure (see *Founder's Column*). The programs laid a strong foundation.

CPA cosponsored with the RAND Center for Corporate Ethics and Governance, Columbia Law School, and the Zicklin Center for Business Ethics at The Wharton School a roundtable entitled "Operations, Compliance and Accountability in Corporate Political Spending: A Dialog Regarding What, How and Why."

Session I was devoted to the topic "Bringing Accountability to Corporate Political Spending" and was moderated by Robert J. Jackson Jr., a professor at Columbia Law School. Session II addressed "Making Corporate Political Transparency Effective" and was moderated by Professor William S. Laufer of The Wharton School.

The panel sessions yielded a candid dialog that often bridged opposing points of view; a summary of the roundtable will be released soon.

Participants included experts from corporations, academia, the legal sector, shareholder groups and corporate governance experts.

In addition to the moderators, participants included CPA President Bruce Freed and Counsel Karl Sandstrom; Wes Bizzell of Altria, Dan Bross of Microsoft, Pat Doherty of the New York State Comptroller's office, the Hon. Vic Fazio of Northrop Grumman, Peggy Foran of Prudential Financial, Michael Greenberg of RAND, Keir Gumbs of Covington & Burling, Jack Hansen of the Center for Business Ethics at Bentley University and Kellie Huenekens of the EY Center for Board Matters.

Also Adam Kanzer of Domini Social Investments, Charles Kolb formerly of the Committee for Economic Development, Nell Minow of ValuEdge Advisors, Karen Nelson of AIG, Hans van Oosterhout of Erasmus University in The Netherlands, Maria Patterson of New York University's Stern School, and Larry Zicklin, formerly chairman of Neuberger Berman.

Earlier this month Freed and Sandstrom addressed a meeting of The Conference Board's Global Business Conduct Council. They discussed with compliance officers the risks associated with spending corporate dollars to influence elections, the importance of corporate political disclosure, and the responsibilities tied to adhering to the letter and spirit of the policies that companies adopt.

It's time for Companies to "Walk the Walk"

Founder's Column
By Bruce Freed

CPA is excited to announce that we're building on success and launching a new phase of our mission.

We're beginning to focus on helping public companies achieve compliance with the political disclosure and accountability policies they've adopted. Talk is fine, but this means "walking the walk." For us "the walk" means adherence by management to the letter and spirit of the company's political spending policies.

It's a measure of CPA's success that corporate adoption of these policies is becoming a mainstream practice, warranting expansion of our work.

Last year we co-wrote "A Board Member's Guide to Corporate Political Spending" ([Harvard Business Review](#)). Now, we're developing expert guidance about the nuts-and-bolts of achieving meaningful political disclosure and accountability. In February, two events have helped us start focusing on ensuring compliance with those policies.

On Feb. 10, CPA Counsel Karl Sandstrom and I spoke to executives from about 15 major corporations at a session of The Conference Board's Global Business Conduct Council. We gave compliance officers an overview of our work and answered their questions. On Feb. 26, we cosponsored separately a

Business Conduct Council. We gave compliance officers an overview of our work and answered their questions. On Feb. 20, we cosponsored separately a roundtable on corporate political transparency and compliance, gathering experts from business, academia, law firms and shareholder groups. You can read more about both events elsewhere in this issue.

Political disclosure hasn't traditionally been in the portfolio of compliance officers. The good questions they are asking will help us as we develop guidance on disclosure and compliance.

As long as corporate political disclosure and accountability are voluntary, these are critical steps to ensure that it is meaningful and effective. You'll be hearing a lot more about our compliance initiative in upcoming months.

Big Law Firms Rely on CPA-Zicklin Index

The Center for Political Accountability is featured prominently in two pitches by big law firms aimed at helping companies avoid political pitfalls.

[“Getting Ahead of Corporate Political Disclosure Issues”](#) from Covington & Burling LLP gives companies tips about how to boost their scores in the annual CPA-Zicklin Index, a benchmarking study of corporate political disclosure and accountability.

Venable LLP meanwhile has a slide show about [“How Companies Can Avoid Campaign Finance and Pay-to-Play Pitfalls.”](#) Its section about transparency prominently mentions the Index and the kinds of policies and practices it examines.

Campaign Finance, Corporate Money: A Heated Election Season Issue

“Money in politics has become a heated issue in the 2016 presidential race” with candidates on both sides of the aisle, [The Hill](#) newspaper reported this month. And election law expert Rick Hasen wrote [in Politico](#), “Campaign finance reform has been a hot topic on the 2016 campaign trail, more than in any campaign I can remember.”

The topic became even hotter after the death of Supreme Court Justice Antonin Scalia on Feb. 13. His death could shake up campaign finance and result in a court that overturns its own *Citizens United*, the landmark 2010 ruling lifting restrictions on outside political spending by corporations and labor unions, Hasen said.

Democratic presidential candidates Bernie Sanders and Hillary Clinton have been exchanging jabs about money in politics issues, but they agree on some things.

CAMPAIGN TRAIL FACT I: Both Democratic presidential candidates “promise to put forward nominees who oppose the legal theory underlying *Citizens United*,” according to [NPR](#).

CAMPAIGN TRAIL FACT II: “To circumvent the courts, some reform advocates call for a constitutional amendment. Both Sanders and Clinton endorse the idea,” [NPR](#) reports.

CAMPAIGN TRAIL FACT III: Both Clinton and Sanders have endorsed a Securities & Exchange Commission rule requiring companies to disclose their political spending.

LEGAL ANALYSIS: If states challenged *Citizens United* and prevailed in an appeals court, and if President Obama is blocked from getting his Supreme Court nominee confirmed, then a 4-4 Supreme Court tie would leave the appeals court ruling in place, according to Hasen, a law professor.

POLITICAL ANALYSIS: Eliza Newlin Carney writes in [American Prospect](#), “Does Big money Still Matter? You Bet It Does.” Carney explains: “It takes more than a super PAC to win the White House, but big campaign contributions wield growing influence in congressional, state, and local contests, and continue to sway policy-making.”

A GET-YOUR-ATTENTION QUOTE: “[S]ustaining [this] rigged economy is a corrupt campaign finance system undermining American democracy, where billionaire, Wall Street, corporate America can contribute unlimited sums of money into super PACs and into candidates.” (Bernie Sanders)

Disclosure (or, NonDisclosure) in the News

KARL ROVE'S CROSSROADS GPS was reported by the [Center for Responsive Politics](#) to have received 501(c)(4) nonprofit “social welfare” group certification from the Internal Revenue Service, which allows it to keep its donors secret. CRP said, “While there are groups on both the left and the right that have pushed the bounds of nonprofit political activity, GPS sits in a place of its own. . . . [F]actoring in the FEC-reported spending that it has facilitated by making grants to groups like Americans for Tax Reform since its founding, political spending by Crossroads GPS tops that of all liberal dark money groups and unions combined, \$142 million to \$136 million.”

‘SHELL COMPANIES’? [Democracy21](#) said in a news release on Feb. 24: “Democracy 21 joined the Campaign Legal Center today in filing two complaints with the Federal Election Commission (FEC), calling on the agency to investigate campaign donors who are skirting disclosure laws by hiding behind corporations to anonymously fund elections.” The release was headlined, “Watchdog Groups file FEC Complaints Against Shell Companies Hiding Super PAC Donors.”

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