

THE LIST

GUEST COLUMN

Accountants are key to campaign finance teams



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The 2016 presidential election is set to be the most expensive campaign season in history. The financial backers of the top presidential candidates have poured more than \$176 million into their campaigns and the super PACs designed to boost them. As campaigns continue to require more and more money to get off the ground and win, reporting requirements are going to become more complex, and accounting firms are ramping up as a result. South Florida is ground zero for big donations this campaign season, and there are a number of things both businesses and politicians need to keep in mind as we enter the height of fundraising for 2016.

Even well-intentioned campaigns make innocent mistakes that can be turned into political issues that may endanger a candidate's reputation. Poorly managed campaigns can leave a candidate saddled with fines and late fees amounting to thousands of dollars. Reconstructing financial information after the fact, so reports can be filed or amended to the satisfaction of compliance authorities, can be time-consuming and very expensive. Poor monitoring of contributions can lead to inadvertent violations of contribution regulations.

Accountants can be valuable members of a campaign's or PAC's finance team. While accountants generally are not experts in campaign finance law, they do know financial reporting and the importance and relevance of adequate internal accounting controls as they relate to campaign finance. Monthly transaction reports and other records should be reviewed to help identify any inaccuracies and issues such as contributions over campaign limits and questionable expenditures as to purpose or classification. Monthly reconciliations of bank statement to accounting records and FEC/state/local reports would provide assurance that all contributions and expenditures are reflected in the election reports. However, the reports have specific rules concerning classification of contributions and expenditures; these may be beyond the scope of an

accountant's background, so the reports should be scrutinized by the campaign/PAC legal counsel before filing.

Political campaign finance reporting regulations were established to give voters an opportunity to review which financial interests may be influencing candidates for public office. The campaign reports also allow voters to see where all PAC and campaign money is spent. The Supreme Court's Citizen United ruling in 2010 led to the creation of super PACs that can accept unlimited contributions from individuals, corporation, unions and other organization - so long as these funds are not spent in direct coordination with a political candidate's campaign. The super PACs, which generally purchase ads and other indirect political expenditures, can advocate in support of or against candidates or causes. Their fundraising has dominated the current election cycle, with contributions to super PACs far exceeding contributions to candidates' campaigns.

The Federal Election Commission's rules on reporting contributions and expenditures apply to super PACs, as well as candidates' campaigns. PACs and campaigns are required to file pre-election and post-election reports during both election years and "off-cycle" years. The reporting requirements are not limited to federal campaigns; candidates for state and local offices generally are subject to separate reporting systems and have reporting calendars that differ from candidates for federal office. In Florida, candidates for state office (including judicial candidates and PACs) must report to an online portal maintained by the Florida Division of Elections, whereas candidates for office in Miami-Dade County (including county and municipal mayoral and commission candidates) report through a separate portal maintained by the Miami-Dade Elections Department.

Electronic reporting systems used by federal, state and local compliance authorities can be challenging to master. Detailed personal information on contributors must be compiled as a part of the reporting process. Uploading reports listing contributions and expenditures can be complicated and tedious. The rules regarding which contributions may or may not be accepted require an understanding of law, court rulings and administrative interpretations. Questions often arise regarding the legitimacy of certain expenditures.

Another resource accountants provide is assisting in the establishment

and evaluation of campaign budgets. Budgets are typically a collaborative effort with the campaign/PAC staff to plan the use of cash on hand and assess the need for additional fundraising to match anticipated expenditures. Such budgets can help prevent inappropriate use of funds by the committee.

Finally, accountants are a valuable resource in establishing a set of internal accounting controls to manage a campaign's or PAC's operations. Such controls should be designed to ensure that all amounts received through fundraising efforts are deposited in the depository bank accounts. For example, staff at fundraising events should compile a list of contributors and amounts received at the event. The accountant can then compare this list to the deposits reported on the bank statements to ensure that all contributions were properly deposited. Expenditures should be subject to approval by upper campaign staff and compared to budgets before checks are issued to ensure spending does not exceed funds available. There are many third-party accounting

software packages that are specifically tailored to political campaigns that assist with both financial report and compliance with campaign regulations. An accountant can provide valuable insight in selecting the software system appropriate for a committee's need.

These are some critical considerations to keep in mind as you or your business might give money to a political campaign in what is sure to be a record-breaking campaign season.

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