MEMORANDUM

To: The Commission

Through: Alec Palmer
Staff Director

From: Patricia C. Orrock
Chief Compliance Officer

Thomas E. Hintermister
Assistant Staff Director
Audit Division

Zuzana O. Pacious
Audit Manager

Kendrick Smith
Audit Manager

By: Christopher Carrell
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the Caesars Entertainment Corporation Political Action Committee (A12-01)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presents its recommendation(s) below and discusses the finding(s) in the attached Draft Final Audit Report (DFAR). The Office of General Counsel has reviewed this memorandum and concurs with the recommendation(s).

**Misstatement of Financial Activity – 2011 and 2012**

In response to the Interim Audit Report, Caesars Entertainment Corporation Political Action Committee (CECPAC), filed amendments that materially complied with the recommendation. CECPAC had no additional comments in response to the DFAR.

The Audit staff recommends that the Commission find that CECPAC misstated its financial activity for calendar years 2011 and 2012.
Misstatement of Financial Activity – Increased Activity
In response to the Interim Audit Report, CECPAC stated that its management was unaware that the original reports partially disclosed its receipts and disbursements and that the committee would implement more rigorous internal reviews as well as periodic financial reconciliations. CECEPAC had no additional comments in response to the DFAR.

The Audit staff recommends that the Commission find that CECPAC's original reports were materially misstated.

CECPAC did not request an audit hearing.

If this memorandum is approved, a Proposed Final Audit Report will be prepared within 30 days of the Commission's vote.

In case of an objection, Directive No. 70 states that the Audit Division Recommendation Memorandum will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Christopher Carrell or Zuzana Pacious at 694-1200.

Attachments:
- Draft Final Audit Report of the Audit Division on the Caesars Entertainment Corporation Political Action Committee

cc: Office of General Counsel
Draft Final Audit Report of the Audit Division on the Caesars Entertainment Corporation Political Action Committee
(January 1, 2011 – December 31, 2012)

Why the Audit Was Done
Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act. The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action
The Commission may initiate an enforcement action, at a later time, with respect to any matter discussed in this report.

About the Committee (p. 2)
The Caesars Entertainment Corporation Political Action Committee is a non-party separate segregated fund of Caesars Entertainment Corporation, headquartered in Las Vegas, Nevada. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 2)
• Receipts
  o Contributions from Individuals $ 328,196
  Total Receipts $ 328,196

• Disbursements
  o Contributions to Federal Candidates/Other Committees $ 308,430
  o Operating Expenditures 18,909
  o Other Disbursements 20,126
  Total Disbursements $ 347,465

Finding and Recommendation (p. 3)
Misstatement of Financial Activity

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1 2 U.S.C. §438(b).
Draft Final Audit Report of the Audit Division on the Caesars Entertainment Corporation Political Action Committee

(January 1, 2011 – December 31, 2012)
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Part I
Background

Authority for Audit
This report is based on an audit of the Caesars Entertainment Corporation Political Action Committee (CECPAC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

Scope of Audit
Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:
1. the consistency between reported figures and bank records;
2. the disclosure of individual contributors' occupation and name of employer; and
3. other committee operations necessary to the review.

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2 The committee's name during the audit period was Caesars Entertainment Political Action Committee. It was changed on June 4, 2013.
### Part II

**Overview of Committee**

#### Committee Organization

<table>
<thead>
<tr>
<th>Important Dates</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Date of Registration</td>
<td>December 11, 1989</td>
</tr>
<tr>
<td>• Audit Coverage</td>
<td>January 1, 2011 - December 31, 2012</td>
</tr>
</tbody>
</table>

**Headquarters**
- Las Vegas, Nevada

**Bank Information**
- Bank Depositories: One
- Bank Accounts: One Federal

**Treasurer**
- Treasurer When Audit Was Conducted: Meredith Hartstern
- Treasurer During Period Covered by Audit: Meredith Hartstern

**Management Information**
- Attended Commission Campaign Finance Seminar: Yes
- Who Handled Accounting and Recordkeeping Tasks: Paid Staff

### Overview of Financial Activity

(Audited Amounts)

<table>
<thead>
<tr>
<th>Cash-on-hand @ January 1, 2011</th>
<th>$ 132,248</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>o Contributions from Individuals</td>
<td>328,196</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>$ 328,196</td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
</tr>
<tr>
<td>o Contributions to Federal Candidates/Other Committees</td>
<td>308,430</td>
</tr>
<tr>
<td>o Operating Expenditures</td>
<td>18,909</td>
</tr>
<tr>
<td>o Other Disbursements</td>
<td>20,126</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td>$ 347,465</td>
</tr>
<tr>
<td>Cash-on-hand @ December 31, 2012</td>
<td>$ 112,979</td>
</tr>
</tbody>
</table>
Part III
Summary

Finding and Recommendation

Misstatement of Financial Activity
During audit fieldwork, a comparison of CECPAC's reported financial activity with its bank records revealed a misstatement of receipts and the beginning and ending cash balances for 2011 and receipts, disbursements, and the beginning and ending cash balances for 2012. For 2011, CECPAC understated the beginning cash balance by $38,481, understated receipts by $6,701, and understated the ending cash balance by $44,997. For 2012, CECPAC understated receipts by $9,995, disbursements by $22,265, and the ending cash balance by $32,727. Following the exit conference held at the end of audit fieldwork, CECPAC amended its reports to materially correct these misstatements.

In addition, CECPAC's original reports for 2011 and 2012 materially understated receipts and disbursements. Specifically, CECPAC's original reports understated receipts by $151,950 and understated disbursements by $91,495. Amended reports filed prior to the notification of this audit did not correct the misstated financial activity.

In response to the Interim Audit Report recommendations, CECPAC stated that it would not submit an additional response since, in response to the audit, it had already filed amended reports that materially corrected the misstatements. CECPAC also indicated that it would implement more rigorous internal reviews as well as periodic financial reconciliations. (For more detail, see p. 4.)
Part IV
Finding and Recommendation

Misstatement of Financial Activity

Summary
During audit fieldwork, a comparison of CECPAC’s reported financial activity with its bank records revealed a misstatement of receipts and the beginning and ending cash balances for 2011 and receipts, disbursements, and the beginning and ending cash balances for 2012. For 2011, CECPAC understated the beginning cash balance by $38,481, understated receipts by $6,701, and understated the ending cash balance by $44,997. For 2012, CECPAC understated receipts by $9,995, disbursements by $22,265, and the ending cash balance by $32,727. Following the exit conference held at the end of audit fieldwork, CECPAC amended its reports to materially correct these misstatements.

In addition, CECPAC’s original reports for 2011 and 2012 materially understated receipts and disbursements. Specifically, CECPAC’s original reports understated receipts by $151,950 and understated disbursements by $91,495. Amended reports filed prior to the notification of this audit did not correct the misstated financial activity.

In response to the Interim Audit Report recommendations, CECPAC stated that it would not submit an additional response since, in response to the audit, it had already filed amended reports that materially corrected the misstatements. CECPAC also indicated that it would implement more rigorous internal reviews as well as periodic financial reconciliations.

Legal Standard
Contents of Reports. Each report must disclose:
- the amount of cash-on-hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the calendar year;
- the total amount of disbursements for the reporting period and for the calendar year; and
- certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b) (1), (2), (3), (4) and (5).
Facts and Analysis


1. Facts
As part of this audit, the Audit staff reconciled CECPAC’s reported financial activity with its bank records for calendar years 2011 and 2012. The following charts outline the discrepancies between CECPAC’s disclosure reports and its bank records. Succeeding paragraphs explain why the discrepancies occurred.

<table>
<thead>
<tr>
<th>2011 Committee Activity</th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance @ January 1, 2011</td>
<td>$93,767</td>
<td>$132,248</td>
<td>$38,481 Understated</td>
</tr>
<tr>
<td>Receipts</td>
<td>$155,900</td>
<td>$162,601</td>
<td>$6,701 Understated</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$181,258</td>
<td>$181,443</td>
<td>$185 Understated</td>
</tr>
<tr>
<td>Ending Cash Balance @ December 31, 2011</td>
<td>$68,409</td>
<td>$113,406</td>
<td>$44,997 Understated</td>
</tr>
</tbody>
</table>

The beginning cash balance was understated by $38,481 and the discrepancy is unexplained, but it likely resulted from prior period discrepancies.

The $6,701 understatement of receipts was a result of contributions from individuals, totaling $6,681, that were not reported and an unexplained difference of $20.

The $44,997 understatement of the ending cash balance was a result of the reporting discrepancies described above as well as the $185 understatement of disbursements.

<table>
<thead>
<tr>
<th>2012 Committee Activity</th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance @ January 1, 2012</td>
<td>$68,409</td>
<td>$113,406</td>
<td>$44,997 Understated</td>
</tr>
<tr>
<td>Receipts</td>
<td>$155,600</td>
<td>$165,595</td>
<td>$9,995 Understated</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$143,757</td>
<td>$166,022</td>
<td>$22,265 Understated</td>
</tr>
<tr>
<td>Ending Cash Balance @ December 31, 2012</td>
<td>$80,252</td>
<td>$112,979</td>
<td>$32,727 Understated</td>
</tr>
</tbody>
</table>

The understatement of receipts was the result of contributions from individuals, totaling $9,995, that were not reported.
The $22,265 net understatement of disbursements was a result of contributions to federal candidates/other committees, totaling $22,500, that were not reported, and an unexplained difference of $235.

The $32,727 understatement of the ending cash balance was a result of the reporting discrepancies noted above.

CECPAC filed amended reports on February 20 and 21, 2013, subsequent to the Audit Notification Letter dated December 4, 2012. These reports disclosed previously unreported contributions from individuals totaling $9,995. However, the amended reports disclosed only $5,000 of the previously unreported contributions to federal candidates and/or other committees totaling $22,500. Thus, the disbursements remained materially misstated for calendar year 2012.

2. Interim Audit Report and Audit Division Recommendation
The Audit staff discussed the misstatements for 2011 and 2012 with CECPAC’s representative during the exit conference and provided copies of relevant work papers detailing the misstatements. In response, CECPAC filed amended reports that materially corrected the misstatements.

The Interim Audit Report recommended that CECPAC provide any additional comments it considered necessary with respect to this matter.

3. Committee Response to Interim Audit Report
In response to the Interim Audit Report recommendation, CECPAC stated that it would not submit an additional response since it had already filed amended reports that materially corrected the misstatements.

B. Misstatement of Financial Activity – Increased Activity

1. Facts
In addition to examining CECPAC’s most recent reports filed prior to the audit notification, the Audit staff compared CECPAC’s originally filed reports with bank records and discovered a $151,950 understatement of receipts and a $91,495 understatement of disbursements over the two-year period (2011 and 2012). These figures include the $6,701 understatement of receipts from 2011 and the $9,995 and $22,265 understatement of receipts and disbursements, respectively, from 2012 discussed in Section A (Misstatement of Financial Activity – 2011 and 2012).

2. Interim Audit Report and Audit Division Recommendation

3 The amended reports reviewed by the Audit staff to determine the misstatements identified in Section A did not correct all the misstated activity identified by the Audit staff in its review of CECPAC originally filed reports. However, in response to this audit, CECPAC filed amendments to materially correct the misstated activity identified by the Audit staff.
The Audit staff discussed the understatement of receipts and disbursements on its original reports filed with the CECPAC representative during the exit conference and provided copies of relevant work papers detailing the receipts and disbursements not reported. In response, the CECPAC representative stated that the management was not aware that the original reports contained only partially reported receipts and/or disbursements. As a result, CECPAC management indicated it would implement more rigorous internal reviews as well as periodic financial reconciliations.

The Interim Audit Report recommended that CECPAC provide any additional comments it considered necessary with respect to the misstatement of activity on its original reports.

3. Committee Response to Interim Audit Report
In response to the Interim Audit Report recommendation, CECPAC stated that it would not submit an additional response with respect to the misstatements identified on its original reports.