



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

2013 NOV -5 PM 3: 28

November 5, 2013

MEMORANDUM

AGENDA ITEM

To: The Commission

Through: Alec Palmer *AP*
Staff Director

For Meeting of 12-5-13

From: Patricia C. Orrock *PCO*
Chief Compliance Officer

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Assistant Staff Director
Audit Division

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Audit Manager

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Audit Manager

By: Christopher Carrell *CC/AC*
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.¹ 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		
○ Contributions from Individuals		\$ 328,196
Total Receipts		\$ 328,196
• Disbursements		
○ Contributions to Federal Candidates/Other Committees		\$ 308,430
○ Operating Expenditures		18,909
○ Other Disbursements		20,126
Total Disbursements		\$ 347,465

Finding and Recommendation (p. 3)

Misstatement of Financial Activity

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)², 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.

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

Important Dates	
• Date of Registration	December 11, 1989
• Audit Coverage	January 1, 2011 - December 31, 2012
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)

Cash-on-hand @ January 1, 2011	\$ 132,248
Receipts	
○ Contributions from Individuals	328,196
Total Receipts	\$ 328,196
Disbursements	
○ Contributions to Federal Candidates/Other Committees	308,430
○ Operating Expenditures	18,909
○ Other Disbursements	20,126
Total Disbursements	\$ 347,465
Cash-on-hand @ December 31, 2012	\$ 112,979

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

A. Misstatement of Financial Activity – 2011 and 2012

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.

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

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.

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

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)³.

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.