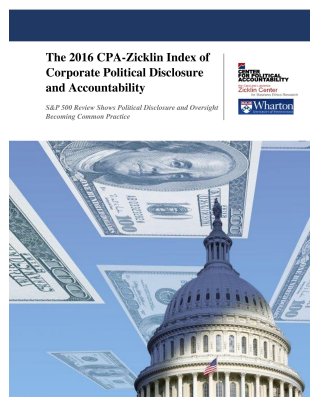




## ***Spotlight on CPA - September 2016***

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### **2016 CPA-ZICKLIN INDEX RELEASED: Benchmarks S&P 500 for Second Consecutive Year, Finds Corporate Political Disclosure and Accountability Becoming Common Practice**

Geysers of “dark money” have erupted across the country in this intensely divided political season. Nonetheless, with Election Day looming, the newly released 2016 CPA-Zicklin Index shows more leading U.S. companies are taking voluntary steps to bring sunlight and accountability to their political spending.

The sixth annual [Index of Corporate Political Disclosure and Accountability](#) was released Sept. 29 by the Center for Political Accountability in conjunction with the Carol and Lawrence Zicklin Center for Business Ethics Research at The Wharton School of the University of Pennsylvania.

The Index already has captured opening day media coverage in the [Washington Post](#), [American Prospect](#), [Newark \(NJ\) Star-Ledger](#) and [Center for Public Integrity](#). It was also featured on the [Bill Press Radio Show](#) (segment begins at 1:11:00).

Key findings of the 2016 Index included:

- A big increase (over 50 percent, from 23 to 35 companies) in corporations placing in the top-five rankings, thereby earning the new designation of CPA-Zicklin Trendsetters;
- More than a dozen companies that improved their scores by 50 percentage points or more; and
- A jump in the number of companies addressing “dark money” by strengthening or adopting policies on or disclosure of trade association payments and 501(c)(4) “social welfare” organization contributions.

“[D]ata from the 2016 Index reflect expansion of political disclosure and accountability that is both dynamic and sustained. Indisputably, a voluntary trend toward greater sunlight, board oversight and restrictions on political spending continues,” the executive summary states.

“The fact that so many companies have embraced greater political disclosure and accountability is a milestone for a super-spending election year,” CPA president Bruce Freed told the Washington Post. “Government is gridlocked but public corporations are not. They’re gradually moving toward sunlight.”

[The American Prospect](#) headlined its coverage by highlighting the fact that “More Corporations Embrace Disclosure, Despite Conservative Opposition.”

In a lengthy article, the [Newark Star-Ledger](#) focused on the track record of New Jersey companies, identifying top scoring companies like Becton, Dickinson and Prudential Financial and low scorers such as Zoetis and Bed, Bath and Beyond.

For the first time, the 2016 Index looks at two consecutive years of transparency practices and policies of the entire S&P 500. (For further discussion by Freed of the Index, see this newsletter’s Founder’s Column.)

**CPA Featured in The Hill and Harvard Law Blog on Due Diligence and Company Political Spending**

With an op-ed in [The Hill](#) and an expanded version in the [Harvard Law School Corporate Governance blog](#), CPA has furthered its political disclosure and accountability guidance for corporate directors and executives just as the 2016 political campaigns enter the home stretch.

"It's a common-sense business tenet that no public company would donate to a new charity without knowing how the money would be spent," CPA counsel Karl Sandstrom and president Bruce Freed wrote in [The Hill](#). "In 2016, if companies don't adopt and police good business practices when it comes to their political spending, secret channels of money and misuse of new political tools could ultimately land them in hot water, or worse."

Their Harvard Law blog post discussed due diligence policies and actions to protect companies from the heightened risks of political spending. Here is an excerpt:

"Prior to donating to a politically active 'social welfare' organization, trade association or political committee including a Super PAC, a company should do its due diligence and confirm the following about the recipient organization:

- It is governed by a board that consists of at least three members and preferably five, of which a majority are independent.
- It has an annual financial review or audit done by an independent accountant confirming that its spending complies with its bylaws, representations to donors and relevant tax laws.
- Its board receives legal advice from an attorney versed in applicable campaign finance law and major expenditures are reviewed by counsel for compliance.
- Its documents provide how residual funds will be disbursed consistent with the purposes of the organization set forth in its tax and organizational documents.
- It provides regular reports to its major donors on its spending including the candidates opposed and supported.

Both pieces by Sandstrom and Freed built upon an article they co-authored last year in the [Harvard Business Review](#) titled, "A Board Member's Guide to Corporate Political Spending." All of the published pieces are part of CPA's compliance initiative, launched in February.

### "Dark Money" in the News

**Arizona Public Service**, the state's leading public utility, is under FBI investigation for alleged "dark money" political contributions to independent political groups in order to influence state regulators on a rate increase sought by the company. The investigation is getting saturation media coverage in Arizona.

**The One Nation advocacy group** "just poured \$1 million into an ad buy in support of Senator Richard M. Burr," R-N.C., "on top of a \$1.5 million infusion weeks before," [The New York Times](#) reported. One Nation "does not disclose its donors, [and] is run by allies of Senator Mitch McConnell of Kentucky, the majority leader, and Karl Rove. It has already spent at least \$25 million on other close Senate races, including those in Pennsylvania and New Hampshire." The spending came as some donors supporting the GOP feared its control of the Senate may be at risk this year.

**Will the Supreme Court** confront dark money? [An American Prospect](#) essay asked this question after [The Guardian](#) recently unloaded a trove of leaked documents. The essay said the leak "from an investigation into Wisconsin Governor Scott Walker's 2012 recall election campaign has offered an unprecedented look at how politicians operate in a post-*Citizens United* world that features record levels of undisclosed political money." Several prosecutors have asked the Supreme Court to review a state court ruling that halted the investigation, a request the Supreme Court could decide soon.

The leaked documents "show that dark money is only dark to the public — not to the politicians who benefit from it," Brendan Fischer of the Campaign Legal Center told [The Washington Post](#). CPA's leaders have labeled this phenomenon "private disclosure, public anonymity" (see the report [Dangerous Terrain](#) from 2012).

**Governing magazine** highlighted the rise of secret political spending by governors in a Sept. 29 article on "[How Unregulated Dark Money Is Reshaping State Politics](#)." It cited Govs. Bruce Rauner of Illinois, Rick Snyder of Michigan, Nathan Deal of Georgia and Charlie Baker of Massachusetts.

**State supreme court races** are being flooded by "dark money," posing a serious threat to judicial fairness and the integrity of courts, according to a Sept. 28 article in [The American Prospect](#).

### Founder's Column by Bruce Freed

#### Taking Stock: Real Progress in Achieving Corporate Political Disclosure and Accountability

Each year at this time, publication of the CPA-Zicklin Index (see related news article) gives us a moment to take stock. With the tools from the Index, we can judge how well our campaign for corporate political disclosure and accountability is faring.

By the statistical yardsticks in the Index, we're continuing to make inroads. There are standout gains, such as the rise of a batch of new companies into the top-five rankings, where 35 companies earn our new designation of CPA-Zicklin Trendsetters. We congratulate all of the Trendsetters.

Yet there are softer measures of success, too. One of them you won't read about in the Index: Some companies are actually contacting CPA well in advance of its annual publication to find out how they can improve their scores. We're always happy to make suggestions, both small and large, to pinpoint ways they can improve.

So much for Wall Street Journal columnist Kimberley Strassel in her book *The Intimidation Game* likening me to TV's Tony Soprano earlier this year and suggesting CPA and its allies bully U.S. companies into submission (see [June 2016 CPA newsletter](#)).

Second, since we launched the Index in 2011, this is our sixth annual edition. Because we began by looking at the practices and policies of the S&P 100 and have expanded the Index over time to study the entire S&P 500, the data is more like snapshots taken yearly than a complete documentary. But each and every year, the snapshots have shown greater transparency and accountability than the year before.

Third, there's still another not-to-miss indicator. It comes from a group that once was one of the staunchest defenders of corporate political money secrecy.

It's just one sentence, but it is telling. In its "[Principles of Corporate Governance/2016](#)," The Business Roundtable advised: "To the extent that the company engages in political activities the board should have oversight responsibility and consider whether to adopt a policy on disclosure of these activities." We applaud the Business Roundtable for cracking open the door to daylight, and we hope it will go further in the future.

The bottom line for our campaign for greater disclosure and accountability is this: We haven't crossed the goal line. But we have made groundbreaking progress since beginning our effort in late 2003.

Our team has picked up some hugely influential adherents along the way – just take a look at the growing list of CPA-Zicklin Trendsetter companies – and these companies will provide a model for others. Perhaps some of the opposition is having a change of heart. And yes, there are still more companies asking us how to reach the Trendsetter ranks.

All of this is favorable news for companies, shareholders, and our democracy.

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