

March 6, 2008

F.B.I. Investigates Missing G.O.P. Money

By PHILIP SHENON

WASHINGTON — Hundreds of thousands of dollars are missing and presumed stolen from the chief fund-raising arm of House Republicans, according to party officials who described the findings of emergency internal audits.

The financial records of the group, the National Republican Congressional Committee, may also have been falsified for several years, Republican officials said. The campaign committees of several Republican lawmakers may also have been victims of a scam that is now under criminal investigation by the F.B.I.

The audits were ordered after the abrupt departure several weeks ago of Christopher J. Ward, who had been treasurer of the committee. Lawmakers said that Mr. Ward, who served a similar role for dozens of individual members of Congress and their political committees, is the focus of the F.B.I.'s criminal investigation.

The committee has acknowledged publicly that it was aware of "irregularities in our financial audit process" and that it had called in the F.B.I. in February because "these irregularities may include fraud."

But until now the committee has not acknowledged that any money was missing from its bank accounts or that the financial irregularities might extend beyond the national committee to the campaign funds of individual Republican lawmakers who also worked with Mr. Ward, a longtime party operative.

The Republican officials said they could not discuss the details of their findings on the record because of the continuing criminal investigation.

A lawyer for Mr. Ward, Ronald C. Machen of the Wilmer Hale law firm in Washington, had no comment. A spokeswoman for the F.B.I.'s Washington field office acknowledged that the bureau had opened an investigation at the request of the Republican committee.

The F.B.I. investigation comes at an especially awkward time for House Republicans, who are struggling to raise money for Congressional races in November.

Their job has been made even more difficult by the large number of Republican lawmakers — more than two dozen from the House — who have announced their retirements, and by a series of unrelated criminal and ethics investigations of other Congressional Republicans.

Mr. Ward had been treasurer of the national Republican committee since 2003. He had also been a partner in a private campaign consulting firm, Political Compliance Services, that gained notice in the 2004 presidential campaign because of its work on behalf of Swift Boat Veterans for Truth, a group that ran advertisements that criticized the military record of Senator John Kerry of Massachusetts, the Democratic

presidential nominee.

Committee officials said that bookkeeping irregularities were discovered in January after the chairman of the panel's auditing committee, Representative Mike Conaway of Texas, a certified public accountant, repeatedly asked to meet with representatives of the audit firm that was supposed to be reviewing the committee's books.

"I just kept insisting that we meet with the auditors," Mr. Conaway said in an interview. "It finally came into my head, and as the circumstances unfolded, that no audit had been done."

He said that Mr. Ward had promised to set up a meeting with the auditors and scheduled the gathering in late January.

But 30 minutes before the scheduled meeting, committee officials said, Mr. Ward sent an e-mail message to colleagues announcing that, in fact, no audit had been done. The officials said the fund-raising committee had since determined that its books had not been audited since 2003 and that Mr. Ward had submitted a series of falsified audits. The committee then called in the F.B.I. It is not clear, lawmakers said, if any fees were paid to audit firms in recent years by the committee, or where that money ended up.

"This was a longtime trusted employee and there were no obvious signs that he was living beyond his means," Mr. Conaway said.

Mr. Conaway said that the many Republican lawmakers who used Mr. Ward for their campaign funds or for bookkeeping for their political action committees were now hurriedly reviewing their own books for evidence of missing money or other improprieties.

"If you were one of the members who had a relationship with him, you should go back through your records extensively to see if you were caught up," he said.

Committee officials said that at least two Republican lawmakers who were clients of Mr. Ward's had reported to the committee in recent weeks that they had also found discrepancies in their campaign accounts.

Representative Rodney Alexander, Republican of Louisiana, said he ended his ties to Mr. Ward in February after learning of the concerns at the national committee. "Until then, we hadn't seen anything to indicate there was a problem," Mr. Alexander said, adding that his bookkeepers had found no evidence of missing money or other wrongdoing.

Mr. Ward was named treasurer of the national Republican committee five years ago by Representative Thomas M. Reynolds of New York, who stepped down as the committee's chairman last year. Mr. Reynolds has found himself under attack on the campaign trail at home because of the reports of financial irregularities at the committee.

"Does Tom Reynolds ever accept responsibility for his poor leadership or does he just pass the buck?" asked John Gerken, campaign manager for Jon Powers, a Democrat who is challenging Mr. Reynolds.

Mr. Reynolds said in a statement that he and the national Republican committee were possible victims of "an

elaborate scheme resulting in financial irregularities" by a "long-serving professional staff member," a reference to Mr. Ward. "At no time were there any red flags raised," the lawmaker said.

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> At least 10 members of Congress have dropped Christopher J. Ward as treasurer of their re-election campaigns or political action committees.

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> Some committees said they had no complaints about Ward or his performance as fiduciary officer, but felt obliged to separate themselves from the problems at the National Republican Congressional Committee (NRCC).

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> That same dynamic could continue to play out in the weeks ahead. Ward served as treasurer for at least 32 committees in recent years. According to Federal Election Commission records, he remains an officer of record with most of them.

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> The FBI is investigating potential mismanagement of funds at the request of the NRCC. "We feel very strongly that until names are cleared or not, you can't take a chance on it," said Sen. John Ensign, R-Nev., who dropped Ward as treasurer of his Battle Born PAC.

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> Severed Ties

> Battle Born PAC raised \$423,932 last year and spent \$474,365. Ward became treasurer March 29, 2006, and filed a year-end report on Jan. 23, 2008. After Cynthia Hampton became the new treasurer Feb. 12, she filed an amended year-end report eight days later.

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> A spokeswoman described the amendment as fixing routine bookkeeping errors unrelated to Ward.

> Ward also was treasurer for Senate Majority Committee, a joint fundraising committee for six senators who are up for re-election this year.

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> Senate Majority Committee raised \$214,500 last year. Ward was listed as treasurer from April 2006 to January 2008. The committee registered Hampton as its treasurer Feb. 12.

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> Ensign said he didn't know Ward personally but had removed him in reaction to news coverage of the investigation. The committee is auditing its records to "make sure nothing was done wrong," Ensign said.

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> "We're just making sure, and that's why we're having a full-blown audit done on the whole thing," he said.

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> Ward's lawyer, Ronald Machen, declined to comment.

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> Other GOP political committees that have severed ties with Ward:

- > • Montana Rep. Denny Rehberg's Building Our Opportunities Together committee;
- > • Pennsylvania Rep. Phil English's Prosperity Helps Inspire Liberty PAC;
- > • New York Rep. James T. Walsh's Commitment to Outstanding Leadership PAC;
- > • New York Rep. Peter T. King's Know-How and Integrity in our Government PAC;
- > • Virginia Rep. Robert W. Goodlatte's Good Fund;
- > • Texas Rep. Jeb Hensarling Jobs, Economy and Budget Fund;
- > • Puerto Rico Del. Luis Fortuño's Leading Us in Success PAC
- > • Committee to Re-Elect Vito J. Fossella of New York.

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> Rehberg's committee raised \$15,000 last year and spent \$9,510. Ward was treasurer from Feb. 22, 2006, to Jan. 18, 2008. Lorna Kuney became treasurer Jan. 18.

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> English's PAC raised \$155,585 last year and spent \$129,957. Ward was treasurer from 2002 until Lisa Lisker took over on Feb. 7, 2008.

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> "I can tell you that upon hearing the NRCC news, immediate steps were taken to remove Mr. Ward as the treasurer," said Julia Wanzco, spokeswoman for English. "When we did make the switch, there was no knowledge of any wrongdoing on his part."

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- > Fossella's committee was the richest, apart from the NRCC, that Ward worked for. In 2007, the Fosella campaign raised \$700,967 and spent \$462,866.
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- > "We have severed ties with this vendor as of last week and have hired a new accounting firm," said Georgea Kay, spokeswoman for Fossella's campaign.
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- > Ward worked for Goodlatte's PAC from January 2005 to February 2008. The PAC raised \$184,636 last year and spent \$151,806. He worked for the Walsh PAC from May 2005 to January 2008; for King's PAC from April 2006 to January 2008; for Hensarling's PAC from February 2006 to January 2008; and for Fortuño's PAC from 2004 until Maria Sanchez Bras replaced him on Feb. 20, 2008.
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- > Ward had been a longtime staff member for the NRCC, going on the payroll in November 1995 and serving as treasurer off and on from May 2003. He was paid \$95,255 last year as a staff member through July and then a strategic-planning consultant after Aug. 3.
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- > On Feb. 1, Rep. Tom Cole, R-Okla., the chairman of the NRCC, announced "irregularities in our financial audit process" that prompted an FBI investigation.
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- > Rep. K. Michael Conaway, R-Texas, who is an accountant, sparked the investigation after becoming head of the NRCC's internal audit committee last fall. Conaway said he asked repeatedly for a meeting with auditors without staff, but Ward canceled a January meeting just before it was to begin.
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- > Conaway discovered that no audits had been conducted for years. "He was a trusted employee, somebody we put our faith and trust in," Conaway said. "All we know is we have an audit issue."
- > He said the committee has given the FBI's forensic accountants "unfettered access to everything we've got."
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- > The FBI set no timetable for completing its investigation, Conaway said. "All of us are anxiously awaiting the results," he said.
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- > The previous NRCC chairman, Rep. Thomas M. Reynolds of New York, said he thought audits were being performed on a regular basis.
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- > "It now appears over an extended period of time a long-serving, professional staff member may have put together an elaborate scheme resulting in financial irregularities that are currently under review," Reynolds said.
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- > Alex Knott, Greg Vadala and Molly Hooper contributed to this story.
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