

ENRON ACCOUNTING AT THE NRCC

While I was buried in the White House's amazing email fraud yesterday, the Politico posted an article further developing the NRCC accounting story. The Politico describes three roots to the accounting fraud. The NRCC no longer required executive committee approval for certain expenditures, it consolidated all its accounts, and it permitted people to work outside the NRCC.

Under Virginia Rep. Tom Davis and New York Rep. Thomas Reynolds, who chaired the committee from 1999 until the end of 2006, the NRCC waived rules requiring the executive committee – made up of elected leaders and rank-and-file Republican lawmakers – to sign off on expenditures exceeding \$10,000, merged the various department budgets into a single account and rolled back a prohibition on committee staff earning an income from outside companies.

These changes gave committee staffers more freedom to spend money quickly and react to a shifting political landscape during heated campaign battles, and House Republicans were able to claim larger majorities after the 2000, 2002 and 2004 elections.

The article goes on to provide a few details that—along with an admittedly amateur review of the FEC filings involved I did—sheds further light on what's going on.

In another decision that has become controversial, the NRCC began, during Davis' chairmanship, to allow its staffers to earn outside income. Taking advantage of that change, Ward founded Political Compliance Services in 2001 with Susan Arceneaux, helping dozens of

lawmakers and congressional candidates comply with Federal Election Commission laws. The two severed their ties earlier this year, a lawyer for Arceneaux said.

Ward wasn't alone in seeking outside income. Don McGahn, the NRCC's longtime counsel, was retained by numerous Republican campaigns and leadership PACs, helping those organizations comply with FEC disclosure requirements.

What appears to have happened after the changes is that Christopher Ward assumed the job of treasurer for the NRCC as well as a bunch of leadership PACs (and helped other start new ones). I didn't look at the NRCC account, but the PACs all seem to follow the same pattern: It records no charges for overhead. Instead, there are only payments to PCS and a range of fund-raising companies. In some cases, those fund-raising companies appear to be fly-by-night organizations, with no other clients and located in dubious sounding businesses. In others, the "fundraiser" in question is McGahn. In McGahn's case, it appears he was getting some bigger dollars under other line items. Also, these PACs don't appear to spend much money, and what they spend appears to go to the swing races that NRCC had already targeted.

Also, in this same time period, Ward started or moved the bank accounts for these funds to Wachovia Bank. The article notes that it was a loan from Wachovia that first alerted the NRCC to the forged audit.

NRCC officials contacted the FBI soon after discovering that the former employee, Christopher J. Ward, had submitted what they believe to be a fake internal audit to Wachovia as part of a loan application by the committee.

But here's the interesting thing about those accounts at Wachovia. In spite of the fact that

Ward served as treasurer for a bunch of PACs and other funds using Wachovia, he didn't have those accounts all at one branch. He had them spread out at branches around DC and (in at least one case) in North Carolina. I suspect such an arrangement would make it easy to move between accounts while still hiding some of that movement. Add in the fact that all the NRCC's accounts got merged into one, and it sure seems like the set-up would make it relatively easy to launder money through these various accounts—presumably to benefit the people who were managing the books, but almost certainly also to launder soft money into hard, so it could be used directly on campaign expenses.

Mind you, this is all a big guess. But to this non-expert, it does look like the changes made it easier to move money between the various kinds of accounts at RNCC and in PACs to make it available for campaigns.