



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 22, 2006

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON  
RICHARD ROMERO FOR CONGRESS COMMITTEE

Attached please find a copy of the audit report on the Richard Romero for Congress Committee which was approved by the Commission on June 6, 2006.

All parties involved have received informational copies of the report and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library  
Web Manager



# Report of the Audit Division on Richard Romero for Congress

January 1, 2003 – December 31, 2004

## 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.<sup>1</sup> 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 of the matters discussed in this report.

## About the Campaign (p. 2)

Richard Romero for Congress (RRFC) is the principal campaign committee for Richard Romero, Democratic candidate for the U.S. House of Representatives from the state of New Mexico, 1<sup>st</sup> District. RRFC maintains its headquarters in Albuquerque, New Mexico. For more information, see the chart on Campaign Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Contributions from Individuals \$1,621,520
  - Contributions from Political Committees 450,909
  - Refunds 14,803
  - Other Receipts 119
  - **Total Receipts** 2,087,351
- **Disbursements**
  - Operating Expenditures \$ 2,096,952
  - Contribution Refunds 2,450
  - **Total Disbursements** \$ 2,099,402

## Findings and Recommendations (p. 3)

- Failure to Itemize Debts and Obligations (Finding 1)
- Untimely Filing of Form 3Z-1 (Finding 2)

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<sup>1</sup> 2 U.S.C. §438(b).

# **Report of the Audit Division on Richard Romero for Congress**

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January 1, 2003 – December 31, 2004



# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
<b>Part II. Overview of Campaign</b>	
Campaign Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings and Recommendations</b>	
Finding 1. Failure to Itemize Debts and Obligations	4
Finding 2. Untimely Filing of Form 3Z-1	5

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Richard Romero for Congress (RRFC), 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**

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of disbursements, debts and obligations.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

## Part II

# Overview of Campaign

## Campaign Organization

<b>Important Dates</b>	<b>RRFC</b>
• Date of Registration	January 24, 2002
• Audit Coverage	January 1, 2003 – December 31, 2004
<b>Headquarters</b>	Albuquerque, NM
<b>Bank Information</b>	
• Bank Depositories	1
• Bank Accounts	1 Checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	David Duhigg
• Treasurer During Period Covered by Audit	Victor S. Bruno (January 1, 2003 – June 18, 2003) David Duhigg (June 19, 2003 – December 31, 2004)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Volunteer campaign staff

## Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2003</b>	<b>\$ 40,221</b>
o Contributions from Individuals	\$ 1,621,520
o Contributions from Political Committees	450,909
o Refunds	14,803
o Other Receipts	119
<b>Total Receipts</b>	<b>\$ 2,087,351</b>
o Operating Expenditures	\$ 2,096,952
o Contribution Refund	2,450
<b>Total Disbursements</b>	<b>\$ 2,099,402</b>
<b>Cash on hand @ December 31, 2004</b>	<b>\$ 28,170</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Failure to Itemize Debts and Obligations**

The Audit staff identified debts and obligations totaling \$26,881 that were not itemized on Schedules D (Debts and Obligations). In response to the Interim Audit Report, RRFC amended their reports to materially disclose these debts and obligations. (For more detail, see p. 4)

##### **Finding 2. Untimely Filing of Form 3Z-1**

RRFC failed to file timely Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 Year End Report due on January 31, 2004. Instead, RRFC filed Form 3Z-1 on April 14, 2004 (73 days late) in response to a Request for Additional Information (RFAI). In response to the Interim Audit Report, RRFC acknowledged that Form 3Z-1 was filed untimely and questioned the significance of the filing since no candidate committed personal funds in connection with the primary or general elections. (For more detail, see p. 5)

## Part IV

# Findings and Recommendations

### **Finding 1. Failure to Itemize Debts and Obligations**

#### **Summary**

The Audit staff identified debts and obligations totaling \$26,881 that were not itemized on Schedules D (Debts and Obligations). In response to the Interim Audit Report, RRFC amended their reports to materially disclose these debts and obligations.

#### **Legal Standard**

**A. Continuous Reporting Required.** A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

**B. Separate Schedules.** A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

#### **C. Itemizing Debts and Obligations.**

- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

#### **Facts and Analysis**

During a 100% review of disbursements, the Audit staff identified debts and obligations totaling \$26,881 owed to four vendors that were not itemized on Schedules D. One of the errors was a debt of \$25,000 for media production costs that should have been itemized on Schedule D of the 2004 October Quarterly Report. The Audit staff notes that RRFC reported no debts owed for the entire period covered by this audit.

The Audit staff discussed this matter with RRFC representatives at the exit conference and provided a schedule of the transactions noted above. A RRFC representative stated that amendments would be filed to disclose the debts.

#### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that RRFC amend its reports to correct the disclosure of the debts and obligations noted above. In response, RRFC filed amended reports materially correcting these errors.



## **Finding 2. Untimely Filing of Form 3Z-1**

### **Summary**

RRFC failed to file timely Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 Year End Report due on January 31, 2004. Instead, RRFC filed Form 3Z-1 on April 14, 2004 (73 days late) in response to a Request for Additional Information (RFAI). In response to the Interim Audit Report, RRFC acknowledged that Form 3Z-1 was filed untimely and questioned the significance of the filing since no candidate committed personal funds in connection with the primary or general elections.

### **Legal Standard**

**Special Reporting Requirements.** Principal campaign committees of candidates for the U.S. House and the U.S. Senate must file FEC Form 3Z-1 as part of their July Quarterly and Year-End Reports in the year preceding the year in which the general election for the office sought is held. The information in this form allows opposing candidates to compute their “gross receipts advantage” used to determine whether a candidate is entitled to an increased contribution limit. The following information must be disclosed:

1. Gross receipts to date for the primary and general elections,
2. Aggregate amount of contributions from personal funds of the candidate for the primary and general elections, and,
3. A calculation of gross receipts less the candidate’s personal contributions for each election. 11 CFR §104.19.<sup>2</sup>

### **Facts and Analysis**

The Audit staff reviewed all filings by RRFC and determined that a Form 3Z-1 was not filed with its 2003 Year End Report due on January 31, 2004. Instead, RRFC filed Form 3Z-1 73 days late on April 14, 2004 in response to a Request for Additional Information (RFAI).

The Audit staff determined gross receipts for the primary election of \$191,463 and for the general election of \$11,020 should have been disclosed on Form 3Z-1 of the 2003 Year-End Report. The totals disclosed on the Form 3Z-1 filed in April 2004 were determined to be materially correct. There were no personal contributions by the candidate.

The Audit staff discussed this matter with RRFC representatives at the exit conference. In response, RRFC acknowledged the late filing of FEC Form 3Z-1 and noted that other committees faltered in this area. Nonetheless, RRFC was required to file FEC Form 3Z-1 in a timely manner.

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<sup>2</sup> This regulation became effective January 27, 2003; as such, this form was first required to be filed by committees in the 2004 election cycle.

**Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended RRFC demonstrate that Form 3Z-1 was filed timely or provide any comments it may have relative to this matter. In response to the Interim Audit Report, RRFC again acknowledged the late filing of Form 3Z-1 and stated that at the close of 2003 they were unaware of the change to the regulations requiring the filing of the form. RRFC reiterated that the Form 3Z-1 was promptly filed in response to a Request for Additional Information (RAI) in April of 2004 and noted that no candidate in either the primary or general election committed any personal funds in connection with this election.