

DOE Financial Chief Went Into Business for Himself

By DAVID SIMS | Posted: Friday, May 27, 2011 5:00 pm

The Department of Education's bad track record with consultants continued May 24 with a report from its Special Commissioner for Investigation charging that former DOE Chief Financial Officer George Raab had "an inappropriate financial relationship with three consultants" who worked for the agency.

Mr. Raab allegedly hatched a plan with the consultants, on city time, to set up a department at Guggenheim Securities, a financial-services firm that he joined upon leaving the DOE.

'Did Prohibited Business'

"Raab engaged in prohibited private business relationships with DOE consultants while in the employ of the DOE," SCI Commissioner Richard Condon said in his letter to Schools Chancellor Dennis Walcott. "Some of this work was performed by consultants...during periods for which they billed the DOE."

The investigation was launched after DOE General Counsel Michael Best told SCI in April 2010 that Mr. Raab's e-mail account showed he may have used city resources to perform work for Guggenheim. This discovery was prompted by a Freedom of Information Law request by the Daily News.

A comparison of timesheets filed by the three consultants (Bill Howatt, David O'Connor and Joyce Thorne) and Mr. Raab's e-mails indicated that they worked on Guggenheim matters on DOE time.

Among the e-mails were a document from Mr. Howatt titled "George Raab Exit Strategy" that listed tasks relating to DOE and Guggenheim, and PowerPoint slides labeled "Guggenheim" of which Mr. Howatt wrote, "George wants to keep this under the radar."

Mr. Raab eventually wrote back, "Although I've informed the DOE of my intention to join Guggenheim Partners, they are keeping it quiet for various reasons so I'd ask that you keep my coming confidential."

\$100-an-Hour Consultant

Ms. Thorne and Mr. O'Connor were hired through a temporary staffing firm at Mr. Raab's direction and were paid \$35 an hour and \$100 an hour, respectively.

Former DOE Chief Operating Officer and Deputy Chancellor Photeine Anagnostopoulos told SCI that Mr. Raab had requested that Mr. Howatt be hired, since he had worked with him at Bear Sterns, his previous employer.

Ms. Anagnostopoulos had seen some of his personal e-mails concerning his “exit strategy” from DOE and future employment at Guggenheim, when Mr. Raab’s assistant forwarded them to her. She allegedly admonished his assistant. She told SCI that she “directed Mr. Raab not to use DOE e-mail for personal correspondence,” and had only “glanced” at the e-mails and had not informed supervisors.

Holes in Their Explanations

Ms. Thorne told SCI that she had not billed the DOE for any work concerning Guggenheim, although she admitted that while working from home she had answered e-mails and taken calls from other clients while on DOE time.

Mr. O’Connor said that he had “possibly” worked on Mr. Raab’s “exit strategy” document but insisted Mr. Raab told him that any work performed for Guggenheim was “pro bono” and could not be billed to the DOE.

Mr. Raab testified that he had sent the documents and e-mails through his DOE account but that he had not been compensated by Guggenheim before he started work there. He also admitted to not reviewing all of Mr. Howatt’s \$100-per-hour time sheets but believed was “capped” at eight or 12 hours per day.

Mr. Condon estimated that Mr. Howatt generally billed the DOE nine hours each weekday without specifying the hours worked. He is recommending that Mr. Raab and all three consultants be made ineligible to work for the DOE, and has forwarded the matter to the Conflicts of Interest Board.