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Hevesi in middle of comptroller probe — again
By Michael Gormley, Associated Press Writer

ALBANY, N.Y. - A well known political operative, a disgraced career politician in New York, and the rising fortunes of two Democrats are colliding in Albany.

In the balance may also be the immense power of the comptroller's office as sole trustee of the state's \$154.4 billion public retirement fund, a duty in which Forbes magazine once said gave the comptroller control over more capital than anyone on the planet.

State Attorney General Andrew Cuomo is investigating former state Comptroller Alan Hevesi's dealings in which his longtime political consultant, Hank Morris, reportedly received millions of dollars in private fees from companies seeking investment by the state pension fund.

Cuomo has issued subpoenas to companies and individuals who may have been involved or who knew about the so-called placement fees paid by companies to Morris, in his other role as a financial consultant to investors, in exchange for an introduction or access to the comptroller's office under Hevesi. Albany County District Attorney P. David Soares is also investigating.

Current Comptroller Thomas DiNapoli, also a Democrat, said "it is apparent that former Comptroller Hevesi and others on his staff engaged in unethical, irresponsible and possibly criminal activity." DiNapoli made the statement in July when he announced that he fired a former Hevesi staffer and that he found records were missing from the pension investment deputy comptroller's desk.

There have been no charges and no clear finding that a crime was committed involving the placement

fees, which are common in dealings of the pension fund for local and public employees.

"Alan Hevesi did absolutely nothing wrong with respect to management of the pension fund," Hevesi lawyer Bradley D. Simon said Friday.

Morris and his attorney didn't respond to telephone calls requesting comment.

Cuomo and Soares have declined comment.

For the two prosecutors, though, this is more than just another case.

The investigation of Hevesi, a Democrat who resigned earlier this year after being convicted of using state workers as drivers for his wife, would be another big "public integrity" case for Cuomo, a Democrat.

Cuomo is already papering 2007 with national headlines for other investigations into student loan conflicts of interest and other cases. It was just five years ago that he withdrew from the Democratic primary for governor, his support plummeting after he criticized Republican Gov. George Pataki for his leadership following the Sept. 11 attacks.

Soares is also building a national reputation through his investigation into steroid distribution to pro athletes. Last month, the Democrat also issued an important review of a political scandal that he said clears Democratic Gov. Eliot Spitzer and his aides of any wrongdoing. Earlier this year, Soares was part of forcing Hevesi to resign, shortly after the comptroller was re-elected despite the scandal.

Last week, a Quinnipiac University poll found New Yorkers suspect there is something to the latest Hevesi investigation. The poll also found nearly 80 percent of New Yorkers questioned feel the state should limit the pension power of the comptroller who, unlike in most governments, is the sole trustee of the massive fund.

"It looks bad," said Maurice Carroll of the Quinnipiac poll about the investigation. He said the public seems to be suspicious about the appearance of a politically connected adviser getting a reported \$25 million to get the attention of his longtime political friend.

At the heart of it is the power of the comptroller to broadly direct the fund, although teams of financial experts invest most of the money and act as a check on the rest.

Still, "it's probably a dumb idea to have a sole trustee, because you could always get a crook," Carroll said.

"The argument in favor of a sole trustee is you have clear accountability and that has served us well," said Robert Ward of the Rockefeller Institute of Government. "From an overall governmental perspective, the comptroller's office has tended to perform well and the pension fund is managed professionally."

"I think most people would say that, aside from his personal issues, Comptroller Hevesi did a good job in the office and to a large extent that is

a reflection of the professional people who work there," Ward said. "But it's always important that the person at the top set the right standard."

That was an argument made by Mitchell L. Moss, a professor of urban policy and planning at the Wagner School of Public Service at New York University.

He said last week that he favors a three-person board of the comptroller, the governor and a financial markets expert to guide the pension fund.

Putting one person in control of the massive fund "is, at the very least, unwise. Any comptroller can steer investments to politically favored managers or funds, send legal work to preferred law firms, or channel investments into causes or companies that advance a personal or political agenda."

Moss wrote that in November, months before the Hevesi-Morris case became public.

Now, the Senate's Republican majority is looking at changing the pension control of the comptroller, an office held by a Democrat for years.