



The Commonwealth of Massachusetts
Office of the Inspector General

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June 20, 2011

Nicola Favorito, Executive Director
State Board of Retirement
One Ashburton Place, Room 1219
Boston, MA 02108

Dear Mr. Favorito:

I am writing, pursuant to 945 CMR 1.09(3)(c), to notify you of matters that may be appropriate for administrative action by the Massachusetts State Board of Retirement.

The Office of the Inspector General (OIG) is currently reviewing matters regarding two related organizations, the Merrimack Special Education Collaborative (MSEC) and Merrimack Education Center, Inc. (MEC). In the course of this review, we have received information regarding an individual receiving a state pension. I am providing notice to you of this information because it may be appropriate for administrative action by the State Board of Retirement.

Richard W. McDonough is currently receiving a state pension of \$31,049 a year. This amount is based on statements in his retirement application that he has 17 years of creditable service as a public employee with an average salary of \$96,115 during his three highest earning years of service. Those three years were 2006, 2007, and 2008, when Mr. McDonough was on the payroll of MSEC.

Mr. McDonough's pension benefits are based in part on crediting him for full-time employment during the five years and two months he was on the MSEC payroll from 2003 to 2008. However, he was not a full-time employee of MSEC. Other than his bi-weekly paychecks, there is virtually no trace of Mr. McDonough working for MSEC. In response to an official request from my office, an attorney for MSEC said the organization could find "no work product" generated by Mr. McDonough.

My staff interviewed the two people who have been co-executive directors of MSEC since September 2007. They stated that they were unaware that Mr. McDonough was on the organization's payroll until my office requested all of the agency's records related to Mr. McDonough. Similarly, former employees and board members interviewed by my staff had no idea Mr. McDonough was on MSEC's payroll. Those that could recall ever seeing Mr. McDonough noted that it was a rare occurrence, typically at a social event and they assumed he was a guest of his friend, MEC Executive Director John B. Barranco.

Mr. Barranco was the MSEC executive director who put Mr. McDonough on the payroll in 2003 and signed four of Mr. McDonough's six employment contracts. Mr. Barranco refused to be interviewed by my staff.

We have not attempted to verify the earlier state service that Mr. McDonough claimed in his pension application, which included summer jobs in the 1960s as well as nine years at what was then the Massachusetts Department of Commerce. Prior to joining MSEC's payroll, Mr. McDonough had not worked for the state since 1983.

As you know, Mr. McDonough has been a registered lobbyist in Massachusetts since the 1980s. In 2001, Mr. McDonough registered with the Secretary of State's office as a lobbyist for Merrimack Education Center Inc. and he continued to list Merrimack Education Center Inc. as a client through 2008. From 2001 to the fall of 2003, Merrimack Education Center Inc. periodically paid Mr. McDonough a fee, usually monthly, as its lobbyist on Beacon Hill.

In the fall of 2003, Mr. McDonough's name began appearing on MSEC's bi-weekly payroll and he stayed on the payroll until Dec. 31, 2008, ostensibly as the full-time director of public affairs and government relations for MSEC. Throughout that period, Mr. McDonough continued to operate his lobbying firm, McDonough Associates, representing a sizable roster of clients.

For example, in 2003, when Mr. McDonough first began receiving a MSEC paycheck, he reported having 12 clients who combined paid him \$516,800 for lobbying services. The following year, Mr. McDonough's filings at the Secretary of State's office listed seven clients paying him \$233,000. In 2005, McDonough Associates reported having 16 clients and receiving payments totaling \$675,837.

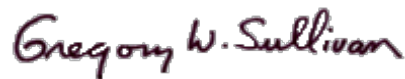
In 2006, 2007, and 2008, the three years used to compute Mr. McDonough's state pension amount, McDonough Associates reported having 17, 13 and 13 clients respectively for those years. Combined those clients paid his firm \$2.9 million during that period. (Mr. McDonough was also affiliated with another lobbying firm, Capitol Strategies LLC, during 2006, 2007 and 2008. Capitol Strategies LLC reported three, eight and 11 clients for those years respectively. One of its clients is The Educational Cooperative, a public educational collaborative like MSEC.)

MSEC provided my office with its employment agreements with Mr. McDonough for the years 2003 through 2008. (Some agreements indicate they are between McDonough and the related organization, MEC Inc., but his name was always on the payroll of MSEC, the governmental entity.) His job description is "all duties designated or assigned to you by the Program Manager/Director and/or Executive Director." As I indicated above, the co-executive directors during the latter part of McDonough's time on MSEC's payroll did not know he was an employee and consequently had almost no interaction with him.

My office formally requested any work product produced by Mr. McDonough during the years he was paid as MSEC's ostensible full-time director of public affairs and government relations. MSEC representatives reported no work product could be found. Mr. McDonough had no office space at MSEC nor did he have a telephone, according to the current co-executive directors. It was literally a no-show job.

In short, Mr. McDonough's purported full-time employment at this public agency is a sham. His receipt of pension benefits based on crediting him with five years of full-time service at MSEC and with an average salary of more than \$96,000 during his three highest-earning years defrauds the state retirement system. I recommend that the state retirement board review Mr. McDonough's pension.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan
Inspector General