

Dowie, Aide Guilty on All Counts in Bill Scam

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Douglas Dowie, a former political power broker and newspaper executive, was convicted Tuesday of 15 counts of conspiracy and fraud in a scheme to overbill city taxpayers for public relations consulting services.

The scandal rocked Los Angeles City Hall, spurred ethics reform and, coming amid other allegations of “pay to play” exchanges of city contracts for political contributions, helped persuade voters to elect Antonio Villaraigosa mayor last year.

The federal jury also convicted Dowie’s aide and co-defendant, John Stodder Jr., of 12 similar charges. Neither man visibly reacted to the verdicts.

Jurors believed that public relations giant Fleishman-Hillard intentionally overbilled Los Angeles taxpayers for its services to the city Department of Water and Power, the port and the airport. The foreperson said a combination of precise billing records and e-mails presented by prosecutors convinced jurors of the existence of the criminal enterprise.

Another juror cited a series of e-mails among Dowie, Stodder and other Fleishman-Hillard executives in Los Angeles and the firm’s headquarters in St. Louis. In them, Dowie asked that the billing be “padded” to help meet monthly revenue projections, and Stodder repeatedly directed his subordinates to bill more time to the city.

The jurors’ names were not made public.

City Controller Laura Chick, who audited city public relations billing in 2002 and refused to pay some Fleishman bills the following year, said the case represents “wrongdoing, game playing, backroom deals.”

The scandal grew as allegations were lodged that political fundraisers were awarded lucrative city contracts.

“The way the game worked in the past was that there were lots of lucrative contracts awarded, and not necessarily on the merits. It was kind of a way to reward your friends,” Chick said. “That’s the ‘pay to play’ game.”

Dowie and Stodder were indicted last year after seven former Fleishman-Hillard employees told *The Times* they were encouraged -- sometimes told -- to falsify the hours they worked under the DWP contract.

Dowie headed Fleishman’s Los Angeles operation, earning as much as \$330,000 a year and using his media and political contacts to build a bustling office that received City Hall contracts amounting to \$3 million a year from the DWP alone.

The firm, with 80 offices worldwide, was never charged with a crime, though several executives at its Los Angeles office under Dowie were alleged to have participated in the scheme. The firm paid the city almost \$6 million last year to settle a civil lawsuit that alleged overbilling.

Jurors in the trial, which began April 4 in federal court in downtown Los Angeles, heard from a succession of figures from the administrations of mayors Tom Bradley, Richard Riordan and James K. Hahn who had gone to work for FleishmanHillard.

The lead prosecutor, Assistant U.S. Atty. Adam D. Kamenstein, said he was pleased with the verdict. Both defendants were found guilty on all charges.

Neither defendant had testified during the trial, and neither would comment on the verdict. Dowie’s lead attorney, Thomas E. Holliday, said he would consider what to do next. Stodder’s lawyer, Jan Handzlik, said he would appeal and denied that his client intended to defraud anyone.

Richard S. Kline, the Los Angeles general manager for Fleishman-Hillard, said the company took “numerous steps to avoid the possibility of something like this ever occurring again.”

“We deeply regret that improper and indefensible bills were presented to several of our Los Angeles clients, and we again apologize to the residents of Los Angeles,” Kline said in a statement.

The company reimbursed city taxpayers for more than the amount of the indefensible bills and replaced management in Los Angeles, Kline said.

City expenditures for public relations consulting services have plummeted from the \$13 million billed to taxpayers three years ago.

Dowie, 58, of West Hills, and Stodder, 50, of Palos Verdes Estates, contended that they were unaware of any false billing. Dowie, a onetime confidant of Hahn, was once managing editor of the *Daily News* in Los Angeles. Stodder is a former reporter

who worked for Bradley.

The defendants' former colleagues said each repeatedly justified their billing practices as "value billing," which they described as charging for the value of the services provided rather than the hours worked. Witnesses for clients, including the DWP, testified that their contracts specified billing hourly.

Billing sheets and invoices dominated the trial, along with 1.2 million e-mails Fleishman-Hillard surrendered.

A former top City Hall staffer, Steven Sugerman, has pleaded guilty to wire fraud in the case. He testified that he believed that Dowie gave him "specific direction" to falsify bills.

Testifying under a grant of immunity from prosecution, Monique Moret, a former Fleishman executive, spent 14 hours on the witness stand implicating Stodder in the overbilling scheme.

The Dowie trial and the Fleishman-Hillard scandal have had a broad effect on the public relations industry.

Mike Cherenson, an official with the Public Relations Society of America, said the rarity of the scandal "makes this case stand out. The entire profession has taken note of this case."

The society put out a memorandum to its 20,000 members when the scandal surfaced in 2004, reminding members that "the bottom line is, we only charge for the work we do," Cherenson said.

In a parallel lawsuit, Dowie alleged that he was fired by Fleishman-Hillard because he was a whistle-blower who exposed illegal campaign donations. A judge has tentatively dismissed that claim after lawyers for the firm argued that Dowie was trying to extort his former employer.

Dowie was represented by four attorneys in the courtroom of U.S. District Judge Gary A. Feess. Jurors reached the verdict on their sixth day of deliberations.

Each man was convicted of one count of conspiracy, which can be punished by five years in prison. Dowie's 14 wire fraud convictions and Stodder's 11 are punishable by prison terms that range up to a maximum of 20 years per count. A sentencing date was not set.

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