

## **INTRODUCTION**

We, the members of the 33<sup>rd</sup> Statewide Investigating Grand Jury, having received and reviewed evidence regarding allegations of violations of the Pennsylvania Crime Code and related laws, occurring in Dauphin County, Pennsylvania, pursuant to notice of submission of Investigation No. 21, do hereby make the following findings of fact, conclusions, and recommendation of charges.

## **FINDINGS OF FACT**

This investigation was commenced and continued as the result of public allegations of potential public corruption and criminal misconduct within the Pennsylvania Turnpike Commission (“the Turnpike” or “PTC” or “the Commission”). The Grand Jury investigation was initially commenced before the 31<sup>st</sup> Statewide Investigating Grand Jury in May of 2009, and, upon expiration of that Grand Jury, this matter was transferred to the attention of the 33<sup>rd</sup> Statewide Investigating Grand Jury in June of 2011. The 33<sup>rd</sup> Statewide Investigating Grand Jury issues this Presentment in furtherance of its ongoing investigation of the Pennsylvania Turnpike Commission.

In particular both the 31<sup>st</sup> and 33<sup>rd</sup> Statewide Investigating Grand Juries heard testimony from hundreds of witnesses; reviewed a wide range of exhibits, to include correspondence, emails, campaign contribution records, photographs, audio recordings, contracts, invoices, bank records, phone records, internal Turnpike policies and memoranda, expense reports, among other items; and considered and investigated referrals from the Turnpike’s Office of Inspector General. The investigation before the respective Grand Juries, to date, has spanned forty-four months. Through its expansive and thorough inquiry, the 33<sup>rd</sup> Statewide Investigating Grand Jury (“the

Grand Jury”) has identified significant criminal wrongdoing on the part of Turnpike officials and vendors, and state legislators concerning the Turnpike’s contracting and employment practices.

The Grand Jury has identified the following persons as having criminal responsibility and intent in the implementation, maintenance, and exercise of their authority over the Turnpike.

Robert Mellow was elected to the State Senate in 1970 and was the Democratic Caucus leader from 1989 through 2010. Mellow represented the 22<sup>nd</sup> district, which included all of Lackawanna County, and neighboring portions of Monroe and Luzerne Counties. When the Democrats held the majority in the Senate from 1992 to 1994, Mellow served as the President Pro Tempore. Mellow also served as the Democratic Floor Leader until his retirement in 2010. Anthony Lepore served as his Chief of Staff during a significant portion of his tenure in Senate Leadership. As an elected official, Mellow was bound by the requirements of the State Ethics Act. Despite that fact, the Grand Jury finds that Mellow was actively involved in steering Turnpike contracts to particular vendors, imposing fundraising participation on Turnpike executive staff and Turnpike vendors, and personally benefiting from sports entertainment paid for by a significant vendor with the Turnpike.

Mitchell Rubin is a former chairman of the Pennsylvania Turnpike Commission. In 1998 and through the influence of Senator #6, Rubin was named to the Turnpike Commission. In 2003, Rubin was elected Chairman of the Turnpike Commission until his removal by the Governor in 2009. As a Commissioner with the Turnpike, Rubin was bound by the requirements of the State Ethics Act. Senator #6 exerted great influence over Rubin and, as a direct result, Rubin influenced contracting decisions made by executive staff at the Turnpike and regularly advocated that campaign contributions be made by Turnpike vendors to Senator #6 and other

state officials. In addition, Rubin personally benefitted financially from Turnpike work he steered to City Line Abstract Company.

Joseph Brimmeier is the former Chief Executive Officer (“CEO”) of the Pennsylvania Turnpike Commission. Brimmeier was a campaign confidant for Gubernatorial Candidate #1. Following the successful campaign, the Governor appointed Brimmeier CEO of the Turnpike on February 4, 2003. As Chief Executive Officer of the Turnpike, Brimmeier was bound by the requirements of the State Ethics Act. Numerous witnesses testifying before the Grand Jury described Brimmeier as heavy-handed and extremely involved in all major decisions at the Turnpike. In addition, Brimmeier quickly aligned himself with the Senate Democrats and took orders directly from Senator Mellow, or his Chief of Staff Anthony Lepore, concerning the awarding of Turnpike contracts to particular vendors, and political fundraising efforts required of Turnpike personnel and Turnpike vendors.

George Hatalowich is the former Chief Operating Officer (“COO”) and former Contracts Administrator of the Pennsylvania Turnpike Commission. Both positions bound Hatalowich by the requirements of the State Ethics Act. Hatalowich took direction from Turnpike Chairman Rubin and Turnpike CEO Brimmeier, and exerted tremendous influence over the internal processes at the Turnpike, resulting in the award of Turnpike contracts to those vendors favored by certain Senate officials. Hatalowich was also extremely active in the political fundraising activities, in particular by soliciting campaign contributions from Turnpike vendors which benefited Senators and Gubernatorial Candidates alike.

Dennis Miller is currently employed by Ciber as their Vice President of State and Local Government and Education for the United States, and also served there in a sales and marketing position. He was intrinsically involved in securing for Ciber approximately \$82 million in

Turnpike contracts by using his relationship with the Turnpike's Chief Information Officer ("CIO") to secure the work and improperly influence the contracting process. Further, Miller actively duplicated and created unnecessary work billed to the Turnpike, thereby significantly increasing his bonus payments and profit sharing with Ciber. Miller also developed a close relationship with Hatalowich and often bragged of his relationship to Rubin and political fundraising efforts for Senator #6.

Jeffrey Suzenski is the owner of Commonwealth Consulting Services, Inc. and a partial owner of Twin County Construction. Commonwealth Consulting Services represents TransCore and Twin County Construction, Inc., both long-term vendors with the Pennsylvania Turnpike Commission. Suzenski lavishly entertained Hatalowich, Rubin, and others at the expense of his clients, TransCore and Twin County Construction, in an effort to influence the awarding of Turnpike work to both entities, as well as to directly benefit himself.

The Grand Jury finds a *prima facie* case that these individuals, both individually and in concert with one another, committed and attempted to commit a series of crimes, including illegal bid-rigging, commercial bribery, conflict of interest, theft by unlawful taking, theft by deception, criminal conspiracy, and acted as a corrupt organization. Their criminal acts resulted in the misdirection, misuse, and theft of substantial amounts of public monies. Moreover, these individuals, employed by or associated with the Pennsylvania Turnpike Commission, used the Turnpike as an enterprise through which they engaged in commerce and, in the conduct of the Turnpike's affairs, a pattern of racketeering activity. These individuals wielded extraordinary power which they wrongfully used for self-enrichment and for their own political purposes, rather than for the good of the Commonwealth and its citizens.

## **History of the Pennsylvania Turnpike Commission**

The Grand Jury reviewed the enabling legislation responsible for the creation and governance of the Pennsylvania Turnpike Commission and provides the following by way of background and history. On May 21, 1937, the Pennsylvania Turnpike Commission was created to “facilitate vehicular traffic between the eastern and western sections of the Commonwealth.” Its mission was to construct, operate, and maintain the Turnpike, and was specifically authorized to issue Turnpike revenue bonds of the Commonwealth payable solely from tolls to pay for the cost of its construction. Today, the Turnpike consists of approximately 514 miles of roadway and it relies not only on the toll revenue generated by travelers on the Turnpike, but also a percentage of state gasoline tax and a portion of vehicle registration fees. The Turnpike itself remains in existence only so long as it remains in debt. “When all bonds, notes or other obligations and the interest thereon shall have been paid, . . . the Turnpike and the connecting road, tunnels, and bridges shall become a part of the system of State highways and shall be maintained by the Department of Highways free of tolls; and thereupon, the Commission shall be dissolved . . .”. The Grand Jury finds this to be of particular note given the practices of the Pennsylvania Turnpike Commission regarding the expenditure of state dollars discovered during the course of this investigation.

The Commission consists of five members with the Secretary of Transportation serving as an ex officio member. The remaining four members of the Commission are appointed by the Governor, by and with the advice and consent of two-thirds of the Senate. Each commissioner receives an annual salary, a vehicle, and reimbursement “for necessary expenses incurred in the performance of his duties.” The Commission is tasked with, in part, reviewing and considering the retention, use, or payment of any advisors, counsel, engineers, auditors, and consultants. The

Commission is also responsible for the making of any contracts, leases, agreements, and bonds. Further, the Commission must approve all requisitions, purchase orders, and investments.

Commissioners of the Turnpike and its employees are considered public officials and public employees, respectively, within the meaning of the Ethics Act. This requires the Commissioners and Turnpike employees to abide by the Ethics Act and submit financial disclosure forms to the State Ethics Commission. Financial disclosure forms require that individual gifts in excess of \$250.00 or \$650.00 in the aggregate for a calendar year received outside of a personal familial relationship be disclosed. Financial disclosure forms also require disclosure of any payment or reimbursement of actual expenses for transportation, lodging, or hospitality received in connection with public office or employment in excess of \$650.00 in the course of a single occurrence. Public officials and public employees are also required to disclose any employment in any business and any financial interest in any legal entity engaged in business for profit. The Grand Jury has reviewed financial disclosure forms for the years 2003 through 2010 and, except where noted, none of the individuals referenced in this Presentment reported any gifts, hospitality, or other relevant financial interests.

The Turnpike's enabling legislation establishes the structure and appointment process outlined above. The history and practice of the Turnpike establishes an additional layer. A former Chief Operating Officer explained to the Grand Jury that "this history and the tradition has been that there are always two Republican and two Democratic Commissioners, and whoever the governor is, since he names the Secretary of Transportation, he then becomes either - - it becomes the majority party in the Commission." Additionally, the governor coming into office has the privilege of nominating and selecting the Chief Executive Officer of the Turnpike. Traditionally, the Commissioners have named the Chief Operating Officer. Thus, the Turnpike's

day-to-day operations are also managed by those affiliated with the political party in power. Decisions at the Turnpike, and specifically those contracting decisions discussed in greater detail below, typically followed the “60/40 rule.” According to several witnesses testifying before the Grand Jury, whichever political party in power gets 60 percent of the contracts or jobs, and the minority party receives 40 percent.

Because of the Senate’s role in the confirmation process, it has historically exerted a great deal of power over the Turnpike. Anthony Lepore<sup>1</sup> explained the relationship between the Senate and the Turnpike in great detail to the Grand Jury. By way of background, Anthony Lepore serves as Chief of Staff to the democratic leader in the Senate and as Chief of Staff to the caucus. Lepore held that position during Senator Mellow’s tenure as the Senate Democratic leader. During much of that time period, Senator #6 served as the Appropriations Chair in the Senate. Despite their very important roles and coming through Senate leadership together, Senator Mellow and Senator #6 disliked each other. Lepore became the middle-man and took direction from both Senator #6 and Mellow.

In their respective positions, Mellow and Senator #6 enjoyed a great deal of power, which included control over the Turnpike. Commissioner J. William Lincoln explained to the Grand Jury that Senators #6 and Mellow exerted tremendous influence over the Turnpike. A former Chief Operating Officer described Senator #6’s influence over the Turnpike as follows:

Senator [#6] from Philadelphia was very, very powerful. He was the Minority Chairman of the Senate Appropriations Committee. He had a strong influence in everything that happened at the Turnpike. He would typically select who the Democratic Commissioner would be, recommend or tell the Governor, I want Joe Smith to be the Commissioner from Philadelphia. One of the - - one of the protégés of Senator [#6] was Mitchell Rubin, who was also a Democrat from Philadelphia. He was a businessman but a very close personal friend of Senator #6 . . . . Everybody [Senator #6] - - you know, people owed him favors. So when he talked people listened. He had no official position with the Turnpike but everyone knew who [Senator #6] was. And if a Commissioner from

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<sup>1</sup> Anthony Lepore testified pursuant to a grant of immunity.

Philadelphia wanted something, it would not be an untoward conclusion that it was coming through Senator [#6].

Senator #6 handpicked Mitchell Rubin for the Turnpike. According to Lepore, “He was sponsored by Senator [#6]. He answered to Senator [#6]. [Senator #6] and him [sic] were inseparable. When [Senator #6] was out and about, you had to look a foot behind him and there was Mitchell Rubin.” Commissioner Lincoln also knew of Senator #6’s connection to Rubin and explained that they acted in concert.

The Grand Jury finds that the political relationships and exercise of authority discussed herein superseded any efforts on the part of Turnpike staff to legitimize their processes. The most overwhelming evidence of improper influence, rampant within the Turnpike, concerned the Turnpike’s contracting and procurement practices.

#### **The 60/40 Rule**

The Turnpike does business with a huge host of firms providing a variety of services, including construction, engineering design, engineering construction, information technology , and professional services. The Grand Jury finds that while the Turnpike has a formal selection procedure for most of these services, the actual selection is made pursuant to the 60/40 Rule. A former Chief Operating Officer of the Turnpike explained, “the choice of who the - - which firms they are, as I said, typically, there was always a 60/40 rule, . . . that selection, depending on what year, and who the governor was, and who was on the State Senate, it would either come out of the Senate leadership or out of the Governor’s office.” In practice, the Senate provided direction to the Commission through their staff persons.

Political solicitations add another layer to the process and the ability to obtain work with the Turnpike. As explained to the Grand Jury, “money is the mother’s milk of politics, and these are prime opportunities to raise funds . . . if you were one of the chosen few who are given an

opportunity to be an underwriter or to be a thing, typically what will happen is, you will miraculously see political contributions developed by the other end of the cycle. . . . [T]hat's just part of the process, and that's what the magnetic attraction of the Turnpike is, because at every level, so you have - - as I said, you have a whole group of professionals, lawyers, underwriters, et cetera, and then you have the whole engineering world.” As discussed in greater detail below, George Hatalowich, both in his capacity as Turnpike's Contracts Administrator and later the Turnpike's Chief Operating Officer, and Joseph Brimmeier, the Turnpike's Chief Executive Officer, became key participants both in the political fundraising process and the corresponding selection of Turnpike vendors.

Chief of Staff Lepore explained the relationship between Senate influence, contracts, and political fundraising at the Turnpike as follows:

Any good politician is going to have connections, is going to get to know people throughout the state for a couple of reasons. One, you have to raise money to run campaigns. As Democrat leaders, they would raise money in a caucus fund, a caucus PAC [political action committee], and then spread it out to other Senators who are having a tough time raising money or a tough election and then also electing new members so they can be in power, which is what we did for about 18 months. To do that, you've got to raise money. You're constantly raising money. Some of the groups you raise money off of are lawyers. They are engineering firms. They are banks. . . . So to do that, you're raising money and then they say, oh, by the way, Bill Lincoln,<sup>2</sup> I really want to be part of this bond issue at the turnpike. Can you help me out with it? I've been your friend. We've gotten to know each other. I need some help. We pick up the phone and get them into the turnpike. An engineering firm says, hey, Bill Lincoln, we want to be on the top list, let's just say, to get a big contract out at the turnpike. Can you help me out? And we did.

To get firms contracts or business with the Turnpike, Lepore, on behalf of the Senate, went directly to the Turnpike's Chief Executive Officer, Chief Operating Officer, or the Commissioners. The Senate also reached out to Turnpike officials and tasked them with political fundraising obligations for state officials and political party caucuses. For example, Chief of

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<sup>2</sup> Lepore's testimony references, in part, the time period during which William Lincoln served as a Senator and prior to his nomination to the Turnpike Commission.

Staff Lepore, on behalf of Senator Mellow and others, called the Turnpike's CEO, COO, and Commissioners and requested that they sell tickets to political fundraisers or raise specific dollar figures for specific candidates. In describing the Turnpike as the cash cow for the Senate, Lepore explained, "It's a huge organization with vendors with deep pockets and their commissioners are approved by the Senate. It's as simple as that."

Senator Bob Mellow played a direct part of that process. "Bob Mellow, on the other hand, would call [PTC officials] up and say, hey, guys, I need \$20,000 for this event. I have a picnic. I need \$12,000. You're going to buy three four-somes for my golf outing and five signs and furthermore, I want you to put a dinner together for me with some of your vendors and I'll be there next Tuesday. I mean, there's no if, ands, or buts about it."

Joseph Brimmeier, Chief Executive Officer of the Turnpike, understood his obligations to the Senate and played a pivotal role both in the award of contracts and fundraising efforts. Brimmeier's first stop after accepting the Turnpike CEO position was to pay a visit to the Senate Democrats. Lepore met with Brimmeier in person and described the initial meeting in detail to the Grand Jury. "He came to our office and said, hey, you were with me when I was sort of down and out and I'm going to be with you. He and I had a relationship. He said, Tony [Lepore], Bob Mellow, I'm your guy. You come to me. Again, a good politician because if we're going to him, then, in a sense we owe him. If we're not going to the commissioners and going to the CEO, it makes that CEO even more powerful because Bob Mellow and the Senate Democrats are going to him directly. . . . When the CEO comes on day one or day two over and says, man, I got this job and I'll always remember you guys and I appreciate your support, you come to me, I'm your guy, you know what it is. You pick up the phone and call him, which we

did.” Lepore regularly called Brimmeier’s cell phone and met him at the Turnpike offices, or most often would meet Brimmeier with Mellow in their Senate offices.

Turnpike Commissioner Lincoln described CEO Brimmeier as having his hands in everything and explained that Brimmeier and Commissioner Rubin controlled the essential decisions made at the Turnpike.

Chief of Staff Lepore explained that they would pick and choose to whom they went for favors at the Turnpike. While CEO Brimmeier carried a great deal of water for Senator Mellow and the Senate Democrats, Lepore and Senator Mellow also went to Turnpike Chairman Mitchell Rubin. Lepore explained that they “would go to Mitchell [Rubin] and Mitchell would get a plum job for somebody.”

Numerous witnesses testified before the Grand Jury concerning the political efforts of Turnpike staff during a former Governor’s election and re-election campaigns. Part of the political fundraising effort was carried out by Hatalowich by calling contractors and engineering firms who had work with the Turnpike. As the Turnpike’s Contracts Administrator, Hatalowich maintained lists of all firms doing work with the Turnpike. The Grand Jury reviewed separate lists maintained for engineering contracts, non-engineering contracts, and attorneys doing work with the Turnpike. The engineering lists, in particular, track the name of the firm, the outstanding work with the Turnpike, the total amount of the contract, and how much that particular firm has been paid by the Turnpike to date. Witnesses explained that Hatalowich used these lists to generate invitations to political fundraisers and to contact vendors directly about their political participation. The Grand Jury also reviewed emails from Hatalowich directing Turnpike staff to convert vendor lists into label format and print them. Turnpike employees later learned that these labels were used for invitations to political fundraising events.

Hatalowich was not alone in relying on Turnpike vendor lists to conduct political fundraising activities. Lisa Smith<sup>3</sup> is an Executive Office Assistant with the Turnpike. As Executive Office Assistant she was assigned to support Chairman Mitchell Rubin and Commissioner Lincoln, among others. Chairman Rubin requested that she gather engineering lists on a number of occasions. Later she saw a version of the list at a gubernatorial fundraiser. Rubin also directed Smith to email the lists to Senator #6's office.

On occasion, Hatalowich asked others at PTC for political fundraising help. A former Special Assistant to the Commissioners was one such individual. This PTC Assistant worked for over 50 years in the transportation industry and worked exclusively for the Turnpike on the Mon/Fayette Expressway and Southern Beltway projects. Through his position, the PTC Assistant worked with those legislators whose districts were impacted directly or who showed a particular interest in these large Turnpike projects, as well as a broad spectrum of consultants that performed work on these projects. He also contributed heavily to political campaigns across the board. The former Special Assistant to the Turnpike described his political participation as follows. “[T]hat’s the way it is. I mean, from the time I, you know, was a summer employee and all the way through - - I’ve attended more political fundraisers than I would care to admit. It was so many.” He came to understand that the Turnpike was intimately involved in the process. The Grand Jury offers the table below to illustrate his most notable and significant political campaign contributions.

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
2/2/2000	\$500.00	Dem State Senate Campaign Com
8/9/2000	\$500.00	Dem State Senate Campaign Com
8/31/2000	\$500.00	Friends of Bob Mellow
3/14/2001	\$500.00	Gubernatorial Candidate
3/14/2001	\$500.00	Gubernatorial Candidate

<sup>3</sup> Lisa Smith testified pursuant to a grant of immunity.

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
6/4/2001	\$500.00	Dem State Senate Campaign Com
6/8/2001	\$500.00	Gubernatorial Candidate
6/8/2001	\$500.00	Gubernatorial Candidate
7/3/2001	\$1000.00	Senator #1
8/13/2001	\$1000.00	Friends of Bob Mellow
8/15/2001	\$500.00	Senator #1
8/30/2001	\$1000.00	Senator #2
10/17/2001	\$1000.00	Gubernatorial Candidate
3/7/2002	\$5000.00	Gubernatorial Candidate
3/30/2002	\$1000.00	Gubernatorial Candidate
4/19/2002	\$5000.00	Gubernatorial Candidate
7/21/2002	\$500.00	Dem State Senate Campaign Com
8/2/2002	\$500.00	Gubernatorial Candidate #1
8/5/2002	\$1000.00	Gubernatorial Candidate #1
8/16/2002	\$1000.00	Friends of Bob Mellow
8/16/2002	\$1000.00	Senator #1
8/31/2002	\$2500.00	Gubernatorial Candidate #1
9/23/2002	\$5000.00	Gubernatorial Candidate #1
10/28/2002	\$1000.00	Senator #6
10/30/2002	\$500.00	Gubernatorial Candidate #1
11/4/2002	\$250.00	Dem State Senate Campaign Com
5/12/2003	\$2500.00	Senator #6
6/1/2003	\$500.00	Dem State Senate Campaign Com
8/15/2003	\$1000.00	Friends of Bob Mellow
8/21/2003	\$1000.00	Senator #1
8/26/2003	\$1000.00	Senator #2
10/21/2003	\$500.00	Dem State Senate Campaign Com
4/12/2004	\$1000.00	Senator #6
9/7/2004	\$500.00	Friends of Bob Mellow
9/20/2004	\$500.00	Senator #2
9/20/2004	\$1000.00	Senator #1
10/1/2004	\$1000.00	Gubernatorial Candidate #1
5/13/2004	\$500.00	Senator #6
8/30/2005	\$500.00	Friends of Bob Mellow
8/31/2005	\$1000.00	Senator #1
9/6/2005	\$500.00	Senator #2
10/14/2005	\$5000.00	Gubernatorial Candidate #1
11/21/2005	\$500.00	Senator #6
3/14/2006	\$500.00	Senator #2
5/17/2006	\$500.00	Senator #6
6/16/2006	\$500.00	Dem State Senate Campaign Com
9/5/2006	\$1000.00	Senator #1
9/7/2006	\$500.00	Friends of Bob Mellow
9/14/2006	\$5000.00	Gubernatorial Candidate #1

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
5/17/2007	\$500.00	Senator #6
6/12/2007	\$500.00	Dem State Senate Campaign Com
8/24/2007	\$500.00	Friends of Bob Mellow
8/27/2007	\$1000.00	Senator #1
9/17/2007	\$200.00	Friends of Bob Mellow
8/21/2009	\$200.00	Senator #1

Between 2000 and 2009, the Turnpike Special Assistant contributed \$62,150.00 to those political candidates exercising the most direct and significant influence over the Turnpike.

Sometime in 2004, Joseph Brimmeier, then Turnpike Chief Executive Officer, asked the PTC Special Assistant to participate in a fundraiser for the Governor as a member of the host committee. The PTC Assistant recalled CEO Brimmeier calling him into his office at the Turnpike and stating “I’m having a group of engineers that are going to be hosting the fundraising for the Governor and I would like to ask you if you would be agreeable to be on that committee, the host committee.” CEO Brimmeier showed him a list of people that would be included in the host committee. Brimmeier also asked the PTC Assistant to make some calls to the Turnpike consultants he was working with to find out if they received their fundraising invitations and if they planned to attend. The Assistant agreed and made at least 25 phone calls. When he made the phone calls, the PTC Assistant indicated to the various Turnpike consultants that he was calling on Turnpike CEO Brimmeier’s behalf.

The request for political fundraising for the gubernatorial campaign came again in 2006. Sometime in August, Turnpike CEO Brimmeier called the Special Assistant to the Turnpike into his office. Turnpike COO Hatalowich joined the meeting and Brimmeier asked the PTC Special Assistant to make political fundraising phone calls to Turnpike consultants. Hatalowich had a prepared list with some of the Turnpike consultants marked and handed the list to Brimmeier. Brimmeier then provided the list to the Special Assistant. During the calls, the PTC Assistant

told the Turnpike consultants “that Joe Brimmeier, the CEO of the Turnpike Commission, asked me to call them to see if they got the invitation to the fundraiser on, I guess it was on September 12<sup>th</sup> in your exhibit, and asked them if they got it and if they were going to attend.” Once the Special Assistant completed the calls he telephoned Brimmeier and returned the list to Hatalowich. The Grand Jury reviewed the list returned to Hatalowich and the note affixed to the document, which reads, “George, attached is a copy of the list of people that I called. . . . I highlighted in yellow the calls that I still have to make. Y equals yes at full amount.” A former Turnpike Chief Engineer recalled the Special Assistant confiding in him that he was asked to make fundraising calls using a document generated and maintained by the Turnpike to track all vendors with the Turnpike.

After the PTC Special Assistant’s retirement from the Turnpike in June of 2010, CEO Brimmeier again called him and asked if he would be willing to have his name on a host committee for Gubernatorial Candidate #2. He agreed that Brimmeier could use his name, but did not pay to be a member of the host committee.

Many of the Turnpike consultants and representatives of various engineering firms who testified before the Grand Jury recalled Turnpike led political campaign solicitations. Some felt vexed and pressured by the number and frequency of these solicitations. Others viewed it as part of their marketing budgets, while yet others believed it to be the “800 pound gorilla in the room that no one wanted to talk about” and the key to getting work with the Turnpike.

A former PTC Assistant Chief Engineer for Design recalled a consultant complaining about Hatalowich’s requests for campaign contributions and the direct correlation to their ability to obtain work with the Turnpike. A particular consultant submitted a proposal for a construction inspection project and believed that the firm had a good chance at getting the job.

When they did not get the work, the consultant approached Hatalowich and asked if there was anything deficient about their proposal. According to the consultant, Hatalowich responded by stating, “maybe you should have given more to Senator [#6].”

The former Turnpike Chief Engineer also recalled one engineering firm in particular making the connection between campaign contributions and the ability to obtain work with the Turnpike. The then Vice President of Mackin Engineering met with the PTC Chief Engineer in his office and said, “you know, we were supposed to get whatever assignment it was. We were told that if we made the right calls and we did the right things and we made whatever contributions we were asked to make, we were told we were getting that job and we didn’t get it. I said Jerry, that’s certainly nothing you ever heard from me.”

The former Vice President of Mackin recalled expressing his frustration to the Turnpike’s Chief Engineer. He also explained the basis of his frustration to the Grand Jury. The specific project concerned the final design phase of the Mon-Fayette Expressway. There were thirteen segments and many engineering firms responded to the Request for Proposal (“RFP”). Prior to the selection of the 13 design firms, there was a major event held for the Governor’s election. All of the consultants were solicited to attend. Mackin Engineering attended the fundraiser and contributed at the minimum amount. Mackin Engineering felt uniquely qualified to perform the design work because they had managed the environmental impact analysis and had significant knowledge about each piece of the project. Mackin was not awarded a contract. To compound their frustration, a number of engineers employed by the Turnpike (including those involved in the selection of firms) expressed their surprise and belief that Mackin should have been awarded a design segment. Following the award, the former Vice President of Mackin analyzed the

campaign contributions made by the 13 firms awarded contracts. He testified that “the prize design contracts went to the people who contributed the most.”

The Grand Jury finds a *prima facie* case that the activity discussed above is part of a larger pattern of bid-rigging, improper influence, and commercial bribery as outlined in greater detail and specificity below.

### **A. Engineering Contracts**

Until 2011, the selection of engineering firms was governed by the Technical Review Committee.<sup>4</sup> One witness noted, “The Turnpike has a process for everything. Whether or not it is a sham or just used as an opportunity, window dressing to accomplish a goal once again has to depend on the individual facts of the particular case.” During the relevant time periods, the process provided by the Turnpike’s Purchasing Policies and Procedures Manual and Policy Letters required that the Turnpike advertise for needed engineering work. Once a RFP was issued by the Turnpike, the Engineering Department received and reviewed letters of interest submitted by interested firms. Prior to a meeting of the Committee, the relevant engineering department (design or construction) reviewed and summarized the responses received. Their review included a summary of strength, weaknesses, and recommendations by the relevant department. The review included an assessment by the project manager and Turnpike engineers concerning the firm’s expertise, their existing workload with the Turnpike, and whether they had the staffing to handle the project. Typically, three to five preferences would be presented to the Committee and a discussion would ensue. The Committee consisted of the Turnpike’s CEO, COO, the Chief Engineer, and the regional directors of the Eastern and Western offices. The

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<sup>4</sup> The selection of engineering contracts is now controlled by the Professional Services Procurement Committee, with a slightly different process. The evaluations created by the Engineering Department following receipt of the letters of interest are signed off on by a panel of at least three people. The Chief Executive Officer and Chief Operating Officer are no longer members of the Committee.

Assistant Chief Engineer for Design, the Assistance Chief Engineer for Construction or the Director of Facilities may also be present depending upon the projects up for discussion. The Contracts Administrator, a position once held by Hatalowich, facilitated the process.

Despite the procedure described above, there was a behind the scenes process that, in many instances, involved the pre-selection of preferred firms by the Senate. Chief of Staff Lepore explained that Senate officials would learn of work becoming available at the Turnpike and would call Turnpike CEO Brimmeier and tell him which firm, vendor, or consultant they wanted to steer Turnpike work to. Generally, their requests were honored. Lepore explained the instances that the Senate did not get their pick accordingly, “Sometimes, frankly, because there’s - - remember, we got the Senate Ds [Democrats], Senate Rs [Republicans], administration, and commissioners. If there’s not enough to take care of everybody that round, they would say, Tony, we can’t do it this time, but next time you will get the mother lode of it. Generally, that kept us happy.”

George Hatalowich took his direction from CEO Joseph Brimmeier and Commissioner Mitchell Rubin, and led the charge both before and during the official meetings of the Technical Review Committee. Lepore described Hatalowich’s role to the Grand Jury,

During this time of both him getting close to the apex, when we would call Mitchell, especially when we called Mitchell and he would come over, he would bring George with him. Sometimes when Joe came over, he brought George with him. When we would go to Senator #6’s house for picnics . . . George would be there and some other turnpike guys flipping burgers, as a matter of fact. George came over. He was involved in it. He wasn’t Joe Brimmeier and he wasn’t Mitchell. But a lot of times if I had an issue, they would say, call George and he’ll work it out. . . . He was what we would call a yes man. When Mitchell said get this done, he said yes. When Joe said get this done, he said yes.

The Grand Jury heard testimony from numerous witnesses and reviewed several exhibits which support this.

Prior to the official meeting of the Technical Review Committee, Hatalowich approached members of the Committee and indicated the “firms that we are looking for.” A former Turnpike Chief Operating Officer explained the “we” as follows: “the we I’m referencing is without - - is either through the desires of the Commissioners or desires communicated through the staff from other political entities, either the Governor’s office or political leaders in the Legislature.” In subsequent testimony, Hatalowich’s role in the Committee was described as follows, “George had the game plan. He had the play that was called and he just executed the play.” The task, then, for the members of the Committee was to ensure that first, the firm made it to the short list, and second, that it was advanced as the top choice to the Commissioners.

Carmen Marrone, the former Director for the Eastern Regional Office, experienced the pre-selection of firms and Hatalowich’s influence directly.<sup>5</sup> Marrone explained to the Grand Jury that he did not know anything about the various engineering firms responding to available work posted by the Turnpike. In advance of the meeting of the Committee, Marrone met with Hatalowich most often in Hatalowich’s office. During that informal meeting, Hatalowich told Marrone who would be awarded the contract and how to vote. Marrone testified as follows before the Grand Jury:

A: He would say to me for, say, like, No. 1, contract, the job, you pick this guy, pick this company. For the next one, you pick this company. All depends on how many was on the agenda for that day.

Q: But just so we are crystal clear, he is telling you per job the person to select?

A: Right.

Q: He is telling you how to vote?

A: Right.

Q: Okay. Did this happen every time you attended the meeting?

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<sup>5</sup> Carmen Marrone testified before the Grand Jury pursuant to a grant of immunity.

A: Every time because I didn't know nobody.

The current Eastern Regional Director testified that Hatalowich definitively and clearly voiced an opinion to ensure that the firm he wanted ended up on the list to be presented to the Commissioners. When asked if the members of the Committee could refuse Hatalowich, the Director responded, "I've never seen him refused."

The Director of the Western Regional Office also served on the Committee. With regard to whether he was approached by Hatalowich or anyone else in advance of the Committee meetings, the Director testified,

I was approached by George Hatalowich and he basically just would mention a particular contract that we were going to be talking about and said, we're looking at that. We're looking at the ABC Company with regards to that contract.

Q: What did you take that to mean?

A: I took it to mean that that's who he was going to vote for.

Q: When he used the pronoun "we" as opposed to "I" would really like to see ABC Corporation get it, who did you take that to mean?

A: I just assumed it was either him or him and Joe Brimmeier or whoever - - he - - whoever George is answering to, . . .

That Director believed that Hatalowich's efforts to influence the voting process in advance of the Committee meetings was inappropriate. In addition to the occasions that the Director of the Western Regional Office was directly approached by Hatalowich, he also recalled that Hatalowich would actively advocate for particular firms, "there were instances when I would get in one of those meetings where I got - - definitely got the feeling that Mr. Hatalowich was, for lack of a better word, lobbying or promoting."

A former Turnpike Chief Engineer described Hatalowich as chairing the Turnpike Committee meetings and being "very involved in the conversation about this firm or that firm."

He further described Hatalowich's interest in particular engineering firms as being something beyond their capabilities as engineers. When asked if Hatalowich's advocacy for particular firms influenced the voting members of the Committee, the Chief Engineer responded, "Sure. It definitely did. I mean, he's the COO. He's the second highest-ranking person in the organization. So as long as whoever he was advocating for didn't fall into the small list of people who were not qualified to do the job, generally we could live with whatever he was advocating for, whoever he was advocating for." Often Hatalowich's advocacy for particular firms with the Turnpike Chief Engineer pre-dated the actual meeting of the Turnpike Committee. The Chief Engineer recalled, "Again, maybe a day or perhaps a week before the technical review committee meeting was to be held, he would come to me or sometimes he would go to my assistant that was going to be in the meeting and express an interest in firm X, Y, Z. He always, always would say, they're looking for firm X, Y, Z for an assignment here. When he said they, my understanding was that the commissioners were looking for firm X, Y, or Z to be selected."

Another former Turnpike Chief Engineer testified before the Grand Jury. He is a West Point graduate who spent a significant portion of his career with the Army Corps of Engineers. During his tenure with the Turnpike, the Chief Engineer became frustrated with an apparent inability to get the administration to focus on the right issues. and not about going from one election to the next. He explained that the way the Turnpike "is set up right now lends itself to be sensitive to the election times. It seems like running a road is more like a public utility than it is something that ought to be, you know, a political environment." The Chief Engineer described his experience with the Technical Review Committee and recalled instances during Committee discussions that Hatalowich brought up names out of the blue, firms that were not really under discussion by the engineers in the room. There were also instances that Turnpike CEO

Brimmeier or COO Hatalowich approached the Chief Engineer in advance of the meeting to advocate for a firm with which they were interested in contracting.

One former Turnpike Assistant Chief Engineer for Design recalled that under CEO Brimmeier's tenure, the input from the engineering department was not considered as it should have been. In particular, he believed that Brimmeier and Hatalowich did not incorporate the evaluations prepared by the Turnpike's Engineering Department into their voting process. His frustration with the process eventually led him to resign from the Committee.

A former Turnpike Engineering Contract supervisor recalled a similar change once George Hatalowich became the Turnpike's Contracts Administrator. It was apparent to her that there were discussions and decisions made prior to the Committee meeting. "When you went to the Technical Review meeting and they didn't, you know - - I mean, they didn't really discuss the firm a whole lot, so - - and you knew when they voted that everybody was voting for the same firm as No. 1, you know there had to be some discussion somewhere prior to the meeting, prior to the formal meeting." During meetings of the Committee, the Turnpike Contract Supervisor often heard Hatalowich advocating for firms and asking that others be added to the list. It was clear that he was telegraphing the choices of Turnpike Commissioners, Legislators, or others. She also recalled the engineers and project managers becoming frustrated with the process. As Engineering Contract Supervisor, she also fielded complaints from engineering firms about requests to participate politically from Turnpike officials. One firm recalled getting a call from Hatalowich to attend a political fundraiser for Gubernatorial Candidate #2.

The Contracts Supervisor assisted Hatalowich with scheduling and phone calls when he served as Turnpike Contracts Administrator. She recalled many calls from Turnpike Commissioners, and that there was a direct correlation between his job as Contracts

Administrator and the Turnpike Commissioners telling him about particular firms they wanted the Turnpike to work with. In particular, the Contracts Supervisor recalled that former Chairman Rubin had a direct line to Hatalowich. Despite her role in the distribution of ballots, tallying the votes, and maintaining the relevant contractor files, she was ultimately not permitted to attend meetings of the Turnpike Committee. The directive came from Hatalowich. He informed her that he would take care of the ballots and the voting.

### **Orbital Engineering**

By way of example, Hatalowich pushed for the selection of Orbital Engineering (“Orbital”) for an assignment within the Turnpike’s Facilities Department.<sup>6</sup> The former PTC Director of Facilities openly voiced his concerns about the selection of Orbital based upon Orbital’s performance history with the Turnpike. Despite these objections, Orbital was selected.

When evaluating statements of interest from responding firms, the Turnpike’s Director of Facilities asked the people working for him for input and ranking. The PTC Director viewed it as his responsibility to assess a firm objectively, taking into consideration their qualifications, experience, workload, and work history with the Turnpike.. The PTC Director learned that the Turnpike Committee’s underlying processes were far from objective. He explained his experience in Committee meetings as follows;

What they wanted from us was tell me all of these contractors are capable of doing the work so we can basically pick whoever we want for the job, but I was going along anyway saying, okay, our department thinks this firm is one, two, three or we might say in some cases all three of these are qualified for the job. We can select any of those.

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<sup>6</sup> The Turnpike has awarded Orbital a significant amount of work, including: (1) a 1999 environmental services project systemwide for an unspecified amount; (2) a 2001 environmental services – east facilities project for approximately \$500,000.00; (3) a 2003 environmental design and construction services agreement for a wide variety of facility-related projects along the entire Turnpike system for approximately \$750,000.00; (4) a 2005 wastewater engineering services systemwide agreement for approximately \$750,000.00; (5) a 2006 mechanical, electrical, plumbing design and construction services agreement for a variety of building facility related projects in Districts 1, 2, and 3 for approximately \$750,000.00, and; (6) a 2007 environmental engineering services agreement for the management of facilities systemwide for approximately \$1,500,000.00. The approximate total, with the exclusion of the 1999 contract, is \$4,250,000.00.

If one of the firms they wanted to pick was not on that list or one of those top three, that put them in a quandary. It was like how can you recommend who we don't want to pick for this job. So they will find a way of getting that firm onto the list. So the Chairman, the COO [Hatalowich] would generally make a comment if that firm was not on the list, they would say that about Orbital Engineering. So you would have to respond as the person being asked the question and you might say, well, we have not been pleased with their work in the past because they didn't do satisfactory work or their work was excessive to complete the job. It might be any number of reasons. Therefore, we don't think they are best qualified and then they would say, well, let's add them to the list and a vote would be taken. Lo and behold, that company would get the contract. So it was like whenever anybody asked that question, it was the signal to the others that this is who we want and this is who we're going to give this contract to.

Sometime after the PTC Director of Facilities voiced his concerns about Orbital during a Committee meeting, the Chief Engineer of the Turnpike explained to him that Hatalowich was upset that he had expressed his concerns. The Director recalled "because I was doing what I was doing, which I thought was right or appropriate, I was told by my boss that the COO did not like me doing that because I think it hindered their ability to do what they wanted to do. . . My question to my boss was, why are we even doing this? Why are we reviewing these applications if that is how it is going to work?"<sup>7</sup>

An electrical engineer with the Turnpike experienced first-hand many of the difficulties in working with Orbital. The PTC Engineer described Orbital as difficult to work with, slow to perform requested work, as having a high turnover rate of qualified engineers, attempting to cut corners, and as submitting unreasonable invoices. When the PTC Engineer refused to approve a change order for additional payment, the president of Orbital Engineering called his cell phone and clearly expressed his displeasure at the Engineer's rejection of the change order. The Engineer testified regarding the phone call as follows:

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<sup>7</sup> The former Director of Facilities is a graduate of the Air Force Academy and spent most of his career in the Air Force as a civil engineering officer. Sometime after his dispute with Hatalowich, the Turnpike terminated the Director. He has since filed suit against the Turnpike.

He said, listen, we want to get paid for that money. I said, well, listen, we can't do it. He said, well, do I need to make a phone call because I can make a phone call and get this straightened out. I said okay. He said, I'll call Joe Brimmeier. Joe Brimmeier was the CEO of the Turnpike. He told me, he's a friend of mine. I'll call him up and I'll have this straightened out. I said, listen, I think if you call him right now you will find him in his office. And that slowed him down a bit right then. He said, oh, I notice your regular cell phone is a 215 area code. I said, that's correct. He said, well, do you know [the Governor]? I said, I met him before. He asked me did I know [the Congressman].. I said, I seen him. These are all politicians in Philadelphia.

Thereafter, Orbital's president repeatedly contacted the Turnpike's Engineer. The Grand Jury heard two saved voicemails pertaining to the ongoing dispute with Orbital. During the first message left on December 2, 2009, Orbital's president stated "I'm going to have to meet with Brimmeier and I don't want to have to tell Brimmeier that you and I aren't getting along. He hates hearing that. Now . . . call me man because I want to know what we are going to do and there is no damn committee here so let's just figure out what we are doing." In a message left December 8, 2009, Orbital's president indicated that he learned of two new generator projects coming up with the Turnpike in the Pittsburgh area and that he wanted the work because of the losses Orbital experienced.

The Grand Jury finds that Hatalowich and others directly ignored the advice of their own employees and offers this as an example of the power exerted by Turnpike officials to benefit a preferred Turnpike firm.

**Orth-Rodgers & Associates, Inc. (ORA)**

Orth-Rodgers is a consulting engineering firm specializing in traffic engineering, planning, and environmental services. The Grand Jury heard testimony from the President of Orth-Rodgers and a Senior Associate in charge of marketing at Orth-Rodgers. .

Orth-Rodgers enjoyed a close relationship with the Turnpike's executive staff. By way of example, the Turnpike awarded Orth-Rodgers a significant contract without bid or

competitive selection. Orth-Rodgers received a contract to design and install a fog detection system along the Turnpike. Witnesses recalled that this project was unique because it did not go through the normal selection process. A former Turnpike Chief Engineer testified that Brimmeier wanted to address the fog in a particular area of the Turnpike because of a significant accident involving severe injuries and fatalities. The PTC Chief Engineer “was told this is how we were going to solve this problem and we were going to use Orth-Rodgers to do it.” There were problems with the project throughout and the Chief Engineer left the Turnpike while those issues were still being sorted out. The subsequent Chief Engineer for the Turnpike recalled, “At some point in time, [Brimmeier] decided we needed to have some alert system for the fog out there. I’m honestly not sure how this went down, but somehow he knew the firm Orth-Rodgers. My recollection is that he just gave them the assignment to design and install a fog detection system at Sideling Hill. It was unusual because I don’t believe this ever went through the technical review committee.”

On July 9, 2003, the Engineering Department recommended to the Commission that they enter into an agreement with Orth-Rodgers & Associates, “to provide design and construction of the Fog Detection, Traveler Information, and Dynamic Traffic Control system for a cost not-to-exceed \$5,000,000.00.” The justification provided for abrogating the normal bid process was as follows: “Since this is a safety concern it is desirable to implement such a system as quickly as possible. Authorization is requested to forego the normal consultant selection and construction bidding process and negotiate with Orth-Rodgers & Associates to provide design and construction of the Fog Detection, Traveler Information, and Dynamic Traffic Control System.” The Commission approved the recommendation on August 5, 2003. On June 11, 2004, the Engineering Department sought to supplement the original \$5,000,000.00 awarded to Orth-

Rodgers by \$700,000.00. The Commission approved the supplement on the same date. On October 3, 2006, the Engineering Department again sought to supplement the now \$5,700,000.00 authorized to Orth-Rodgers. The supplement was for \$341,000.00 and the result of extra work required as part of the construction phase of the project, thereby bringing the total authorized amount to \$6,041,000.00.

Both ORA's President and Senior Associate described the political activities of Orth-Rodgers in detail. In addition representing Orth-Rodgers, these employee serve or have served as officers of American Counsel of Engineering Companies (ACEC). ACEC has both a national and statewide political action committee and tender contributions through those PACs regularly. ACEC and Orth-Rodgers regularly receive invitations to fundraisers and requests to contribute from a variety of candidates across the board. ORA's president recalled notes from various Turnpike Commissioners contained in invitations to political events. He estimated that in approximately half of the invitations he received, there was a personal note from former Chairman Mitchell Rubin and other Commissioners. ORA's president believed that a failure to contribute to a particular political fundraiser might result in their absence being noted by Turnpike decision-makers. He went on to testify about the effect of the solicitations on his firm and the ability to do work with the Turnpike. "I think you can look at the list of contributors and look at the list of Turnpike contract holders and draw your own conclusions. And I think that's the, you know, 800-pound gorilla that's in the room that no one ever wanted to talk about."

The 800-pound gorilla made its presence known and clearly felt in July 2009. On March 9, 2009, the Turnpike issued RFP No. 3-200 for open/end traffic engineering services - systemwide. Orth-Rodgers responded, along with Traffic Planning & Design and other firms. Ordinarily, the firms responding to the RFP are posted within a couple days of the date due. A

Senior Associate with Orth-Rodgers followed the project closely and repeatedly checked the Turnpike's website for the list of responding firms. None were posted. She described the absence as follows, "It was out of the ordinary for them not to post that. It was like, you do this on every other job. Why are you holding this up? I just thought it was really, really strange that they did that." On July 8, 2009 and before Orth-Rodgers received formal approval from the Turnpike, the ORA Senior Associate received a call from a financial advisor retained by the Turnpike.

The ORA Senior Associate knew the Turnpike's advisor from political fundraisers in Philadelphia for former Senator #6 and believed him to be bond counsel or a financial consultant to the Turnpike. During the telephone call, he suggested that "[Senator #6]'s regime is out. . . . But there is a new regime in place at the turnpike that can do good things for you and companies like yours. We're holding a fundraiser and these guys want to help you out. Do you think you guys can donate \$12,000?" The ORA Senior Associate was shocked and testified to her reaction as follows, "the hair went up on the back of my neck because I thought, how coincidental is this. This man is calling for a contribution while we are waiting to hear that we're going to get this contract. The Turnpike meeting was on the 7<sup>th</sup> and he was calling me at 10:00 the next morning. It was just too close." Also on that date, a fax was sent at 8:31 AM to the Orth-Rodgers' offices. The fax was an invitation to an evening reception from the Philadelphia and Southeast Region Democratic State Senate Delegations and was the event the Turnpike's advisor referenced in his call to ORA's senior associate.

The President of Orth-Rodgers recalled discussing the phone call between the Turnpike's Financial Advisor and the ORA Senior Associate as being concerning "because it was the most direct anyone had ever drawn a connection between the campaign contribution, which again,

those things happen all the time, and an impending project selection.” ORA’s president decided to support the particular event at \$5,000 and sent the check directly to the campaign instead of to the Turnpike’s Financial Advisor. This was done to avoid the appearance of influence as a result of the phone call. The Turnpike’s Financial Advisor called two to three more times between July 8<sup>th</sup> and the event on July 16, 2009 to determine whether Orth-Rodgers would be attending or contributing. In one call, the Turnpike’s Financial Advisor thanked ORA’s senior associate for their contribution. Thereafter, on July 21, 2009, Orth-Rodgers was formally awarded the open-end contract with the Turnpike.

A former Turnpike Commissioner described the Turnpike’s Financial Advisor in great detail to the Grand Jury. In particular, he recalled that Turnpike Commissioner Rubin had a long relationship with him and that it was Rubin who suggested that the Turnpike use his services as a financial advisor. The former Turnpike Commissioner was also aware of the PTC Financial Advisor’s relationship with Senator #6. The former Turnpike Commissioner was skeptical of the selection and reluctantly went along with the recommendation.

Lepore described the Turnpike’s financial advisor to the Grand Jury as follows,

[The Financial Advisor] was the ultimate insider at the turnpike and some in Philly politics. He had his hands in basically every deal one way or another at the turnpike, whether through a law firm, whether through a financial firm. He was involved with [Senator #6]. He was involved with Mitchell. He was involved with the Republicans. He was involved with the Democrats. In fact, he’s on a couple major boards in Philadelphia now. He’s a big-time insider.

During the Financial Advisor’s contracts with the Turnpike, he was paid a monthly retainer or a percentage of a given bond deal. The Grand Jury reviewed monthly invoices and expenses provided by the Turnpike concerning these payments. Between June 2003 and December 2009, the Turnpike paid the Financial Advisor \$838,000.00 in consulting fees.

In addition, the Financial Advisor submitted expenses to the Turnpike for reimbursement, to include lunches with their own Commissioners and other employees. A former Turnpike Commissioner was confronted with several of the expense reports and reacted as follows, “This is the first time I’ve ever seen this and I’m shocked at what the lunches were costing. Yes, he did take me to lunch a few times. I didn’t know that it was that kind of a number because the bill never came to the table. I’ve never seen an expense bill like that that came before the commission. I would have objected to that had I known about it.”

The Grand Jury found the following expenses worthy of note: (1) breakfast with another financial advisor in the amount of \$134.35; (2) lunch with a Turnpike Commissioner in the amount of \$134.14; (3) dinner at the Tribeca Grill in the amount of \$1,012.70; and (4) hotel accommodations for the Financial Advisor, Commissioner Rubin, another Commissioner, and a former Chief Operation Officer of the Turnpike in the amount of \$1,148.78.” Between June 2003 and December 2009, the Turnpike reimbursed the Financial Advisor \$6,913.15 in expenses, including those itemized above.

Orth-Rodgers assisted with invitations for a fundraiser for Gubernatorial Candidate #2 during his 2010 campaign. In preparation for that fundraiser, Hatalowich made phone calls using the Orth-Rodgers office in Mechanicsburg to generate additional support. Hatalowich used spreadsheets and consultant lists generated by the Turnpike to track the calls he made. On June 30, 2010, based upon telephone records reviewed by the Grand Jury, Hatalowich contacted the following companies from the Orth-Rodgers offices:

<b>Duration (minutes) of calls made on 6/30/2010</b>	<b>Company</b>	<b>Contracts with the Turnpike</b>

<b>Duration (minutes) of calls made on 6/30/2010</b>	<b>Company</b>	<b>Contracts with the Turnpike</b>
0.8	A.D. Marble & Company	April 19, 2010 * <sup>8</sup>
1.5	AECOM	December 7, 2010
1.1	Alderson Engineering, Inc.	N/A
1.4	Alfred Benesch & Company	December 12, 2005
1	AMES & Gough	N/A
1.5	Amman & Whitney	March 20, 2007
1.1	Sam Knaster (Amman & Whitney)	March 20, 2007
1.9	Borton-Lawson Architecture	April 20, 2010
1.6	Buchart Horn, Inc.	June 24, 2010 *
2.5	Burns Engineering	June 20, 2006
3.9	CECO Associates, Inc.	November 23, 2010 *
1	Clough Harbour & Associates (CHA Inc.)	January 9, 2010 *
1	DCK Worldwide, LLC	November 17, 2009
1.3	Hill International	N/A
1.5	Dewberry	N/A
5.1	Earth, Inc. Corporation	May 19, 2009
1.8	GAI Consultants, Inc.	February 6, 2010/July 19, 2010 *
4	HDR Engineering, Inc.	March 17, 2009 *
1.8	HNTB	April 21, 2009 *
1.1	Johnson, Mirmiran & Thompson (JM&T)	October 26, 2010
1.9	L.R. Kimball	December 7, 2010/March 15, 2011
2	Baker Stanley	N/A
1.3	Consolidated Comm	N/A
2.1	Parsons Brinckerhoff	February 22, 2006
1.9	Pickering, Corts & Summerson, Inc.	N/A
0.6	Rettew Associates, Inc.	October 19, 2010
1.7	Rummel, Klepper & Kahl	February 3, 2004
1.5	The EADS Group	August 16, 2011
1.3	Traffic Planning & Design	August 10, 2010
1.4	Trans Associates Engineering	N/A
0.8	TRC Engineering, Inc.	December 21, 2010
6.4	Urban Engineers, Inc.	July 13, 2010
4.8	AMAN Environmental Construction, Inc.	N/A
2.1	Wilbur Smith Associates	September 8, 2010
1.8	Czop/Spector, Inc.	February 19, 2008
0.9	Jeff Zell Consultants, Inc.	April 15, 2009 * / October 19, 2010

<sup>8</sup> Contracts notated with (\*) were previously issued by the Turnpike but supplemented on the dates indicated to increase the contract amount.

<b>Duration (minutes) of calls made on 6/30/2010</b>	<b>Company</b>	<b>Contracts with the Turnpike</b>
8	Lotus Environmental Consulting, Inc.	N/A
1.7	Select-A-Branch ATM Network, LLC	Sub-contractor to HMS Host
8.1	Keystone Acquisition Services, Corp.	Ongoing professional services

The political fundraising invitations were assembled in the Orth-Rodgers office. During that process, CEO Brimmeier called ORA’s Senior Associate and indicated that he wanted to drop something off to her offices for inclusion in the fundraising invitations. Subsequently, CEO Brimmeier dropped off blue cards to be included in the fundraising invitations, which read “[First name of Gubernatorial Candidate #2] supports transportation infrastructure. So do we. See you there. Bill Lincoln, [a Turnpike Commissioner], Joe Brimmeier, and George Hatalowich.”

The principals of Orth-Rodgers, as indicated in the testimony summarized above, understood the importance of political campaign contributions to their ongoing relationship with the Turnpike. The Grand Jury offers the table below to summarize the more significant contributions made by executives employed by Orth-Rodgers.

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
9/13/2002	\$1000.00	Gubernatorial Candidate
10/9/2002	\$2000.00	Gubernatorial Candidate
10/10/2002	\$3000.00	Gubernatorial Candidate
10/13/2002	\$500.00	House Republican Campaign Committee 2002, Inc.
10/24/2002	\$5000.00	Senator #6
10/24/2002	\$5000.00	Gubernatorial Candidate #1
4/1/2003	\$200.00	PA Consulting Engineers PAC
5/1/2003	\$4500.00	Senator #6
3/29/2004	\$5000.00	Senator #6
4/25/2004	\$5000.00	Senator #6
8/9/2005	\$2000.00	Senator #1
10/14/2005	\$10000.00	Gubernatorial Candidate #1
3/9/2006	\$5000.00	Senator #2
4/17/2006	\$5500.00	Senator #6

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
8/7/2006	\$2000.00	Senator #1
9/7/2006	\$10000.00	Gubernatorial Candidate #1
2/20/2007	\$500.00	Representative #1
4/16/2007	\$5500.00	Senator #6
8/8/2007	\$1000.00	Representative #1
10/9/2007	\$5000.00	Senator #6
4/15/2008	\$1000.00	Representative #2
4/17/2008	\$5500.00	Senator #6
6/19/2008	\$100.00	PA Consulting Engineers PAC
5/1/2009	\$250.00	Gubernatorial Candidate #2
8/7/2009	\$1000.00	Senator #1
8/28/2009	\$250.00	Senator #1
11/20/2009	\$400.00	PA Consulting Engineers PAC
11/20/2009	\$100.00	PA Consulting Engineers PAC
3/29/2010	\$500.00	Gubernatorial Candidate #2
3/29/2010	\$1000.00	Gubernatorial Candidate #2
8/9/2010	\$10000.00	Gubernatorial Candidate #2
8/31/2010	\$400.00	PA Consulting Engineers PAC
9/20/2010	\$500.00	Gubernatorial Candidate #2
10/14/2010	\$5000.00	Gubernatorial Candidate #3

Between 2002 and 2010, principals of Orth-Rodgers contributed \$103,700.00 to those political candidates exerting the most power and influence over the Turnpike.

Turnpike employee George Hatalowich also enjoyed travel and amenities at Orth-Rodgers' unreimbursed expense. Hatalowich and his family made use of the Orth-Rodgers' Las Vegas condo and attended shows in Las Vegas. Hatalowich also traveled to Tampa, Florida at Orth-Rodgers' expense. ORA's Senior Associate recalled that she received instruction from the owner of her company to book flights to Tampa and coordinate with Mr. and Mrs. Hatalowich. Hatalowich provided the dates to the associate and she subsequently booked the airfare. Later she expensed the airfare and was reimbursed by Orth-Rodgers.

The Grand Jury made every effort to analyze those dinners, lunches, travel, and amenities enjoyed by all Turnpike officials at Orth-Rodgers' expense. Unfortunately, Orth-Rodgers was

unable to provide itemized expense reports for the owner, limited expense reports for its president, and fairly complete records for the Senior Associate.

The Grand Jury finds a *prima facie* case that George Hatalowich engaged in a conflict of interest with respect to his receipts of meals, travel, and entertainment at Orth-Rodgers' expense. The Grand Jury finds a *prima facie* case that Joseph Brimmeier engaged in bid-rigging with regard to the selection of Orth-Rodgers to implement a fog detection system.

**Buchart Horn, Inc.**

Buchart Horn is an engineering firm that provides a wide variety of services including transportation planning, design, and construction, environmental services, and architectural work. Buchart Horn received significant work with the Turnpike, including; the re-widening of the Turnpike from Valley Forge to Norristown, in-depth inspection of the Blue and Kit tunnels, and a design project for the reconstruction and widening 13 miles west of Carlisle. A former Senior Vice President estimated that Buchart Horn was paid approximately \$24 million for the Valley Forge project, \$1.2 million for the tunnel inspection, and \$14 million for the reconstruction project, for a total of approximately \$39.2 million.

Buchart Horn's Vice President met with Turnpike Commissioner Rubin to introduce the firm and discuss upcoming projects and capital budget projects in particular. During that meeting, Commissioner Rubin indicated that Buchart Horn would receive invitations to political fundraisers and advised that they needed to watch out for those. Buchart Horn's Senior Vice President described the correlation between campaign contributions and the potential of work with the Turnpike, "With the turnpike, I would say it was more just to be seen. My feeling was that an absence might be noted."

As Commissioner Rubin promised, the Senior Vice President received a call from Hatalowich and a request that he assist with a political fundraiser for the Governor. "I received a call probably around a week or so or a number of days before the event advising me there was an event being held and that I recall that I was asked to - - would you mind letting a few firms know since it's kind of short notice." In addition to making calls, Buchart Horn's Senior Vice President also received an invitation to the gubernatorial event and was upset that his firm was not asked to participate as a member of the host committee. In an email dated August 8, 2006, he wrote, "I just received my invite to the fundraiser we had known about for several months. I'm curious who determined the host committee for this event? I thought this was a Brimmeier PTC lead. I surely would have helped if I had known certain individuals/firms were being granted favored nation status particularly since the invite is from the **transportation community of Pennsylvania**" (emphasis in original). Buchart Horn's Vice President testified that he felt that participating as a member of the host committee would enable his firm to maintain "a very positive relationship with the decision-makers of the turnpike," which would in turn lead to favorable consideration for future projects.

The President of Orth-Rodgers recalled learning of the email and being stunned. He was shocked that Buchart Horn's Senior Vice President would put his thoughts in writing, "that he would infer by his 'favored nation status' comment there, he would infer that work would come - - since it shows that it was PTC lead for the assembly, it would infer that 800-pound gorilla that nobody ever talked about."

Buchart Horn and its employees made campaign contributions through the White Rose PAC. The Grand Jury reviewed the contributions made by White Rose PAC for the time period of 2002 through 2010. While there were numerous small contributions made to local candidates,

the most consistent and largest contributions were made to gubernatorial candidates. The table below summarizes those contributions as well as a few other noted contributions.

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
5/28/02	\$1000.00	Gubernatorial Candidate
8/22/02	\$200.00	Gubernatorial Candidate #1
9/10/02	\$500.00	Gubernatorial Candidate #1
9/11/02	\$500.00	Gubernatorial Candidate #1
10/10/02	\$500.00	Gubernatorial Candidate
10/25/02	\$1000.00	Gubernatorial Candidate #1
5/10/03	\$1000.00	Senate Rep. Campaign Com.
8/26/03	\$600.00	Mellow, Bob Friends of
6/24/04	\$140.00	Mellow, Bob Friends of
9/9/04	\$300.00	Mellow, Bob Friends of
9/9/04	\$900.00	Mellow, Bob Friends of
10/1/04	\$1000.00	Gubernatorial Candidate #1
5/21/05	\$2000.00	Gubernatorial Candidate #1
2/15/06	\$1000.00	Gubernatorial Candidate #1
4/17/06	\$1000.00	Senator #2
11/3/06	\$1000.00	Gubernatorial Candidate #1
11/5/09	\$2500.00	Gubernatorial Candidate #3
2/11/10	\$1000.00	Gubernatorial Candidate #2
2/11/10	\$1000.00	Gubernatorial Candidate #2
8/12/10	\$1000.00	Gubernatorial Candidate #2
8/12/10	\$1000.00	Gubernatorial Candidate #2

Between 2002 and 2010, the White Rose PAC contributed \$19,140.00 to those political candidates exerting the most power and influence over the Turnpike.

The Grand Jury finds that the Buchart Horn Senior Vice President’s testimony, the experience of Buchart Horn, as well as the corresponding contributions to the White Rose PAC, are further examples of Turnpike officials’ pattern of improper influence and commercial bribery.

**McTish, Kunkle & Associates (MKA)**

McTish, Kunkle & Associates (“MKA”) is a firm specializing in engineering, environmental services, and construction management. Since 1993, Matthew McTish has served as the company’s president.

On December 14, 2006, McTish purchased a \$4000.00 travel voucher from Liberty Travel and gave it to George Hatalowich. McTish could not provide the Grand Jury with a reasonable explanation for the gift. McTish recalled that he wanted to do something nice for Hatalowich and testified, “Thinking back, I don’t remember what my state of mind was. Thinking about it now, it wasn’t the right thing to do. . . .” Later in his testimony, McTish stated “I felt it was a gift thanking the Turnpike for the opportunity to be doing work like that.”

McTish was not the only employee providing gifts or entertainment to Hatalowich. The Grand Jury heard testimony from MKA’s Western Regional Office Manager and reviewed emails provided to the Grand Jury by McTish, Kunkle & Associates. Between June 30, 2006 and July 3, 2006, Hatalowich enjoyed use of an apartment in Pittsburgh and four tickets to a Pirates game, all expensed to McTish. The cost of the apartment was \$480.00 and the cost of tickets was \$320.00, bringing the total cost of the trip to Pittsburgh trip to \$800.00.

Hatalowich again made use of the MKA apartment on July 26, 2008 and requested to be given tickets to the Pirates game, which MKA did. The total cost of that Pittsburgh trip was \$440.00.

With regard to the June 2006 trip, the Grand Jury reviewed emails indicating that Hatalowich requested both use of the apartment and tickets. The Grand Jury reviewed the following email exchange:

On May 22, 2006, Hatalowich wrote to MKA’s Office Manager, “Hey, I wanted to ask you, are we still okay for staying at the apartment from June 30 to July 3<sup>rd</sup>? Do you have an [sic]

baseball tickets for the July 1<sup>st</sup> game? Let me know. Thanks, G.” On that same date MKA’s Office Manager replied, “Yes the apartment is yours. Yes tickets for July 1.” On May 30, 2006, MKA’s Office Manager confirmed with Hatalowich, “I’ve reserved the apartment for arrival Friday June 30 and departing Tuesday July 4. Let me know if OK. Thanks.” On May 31, 2006, Hatalowich replied, “That’s great! Do you know if you have four tickets to the game on Saturday? Can you tell me where your seats are located if you do? Thanks, G.” On that same date, MKA’s Office Manager replied, “4 seats club level section 212 Saturday 7:05 game. Do you have any idea when 0-10 DB will be awarded/ntp [notice to proceed]?” Hatalowich responded on the 31<sup>st</sup>, “Cool. Thanks, The award is on the agenda for June 6. The NTP [Notice To Proceed] will be given once all the paperwork/bonds etc. is returned. I think it’s a ten day turn around requirement. G.”

The also Grand Jury reviewed the agreements between McTish and the Turnpike between October 2006 and February 2007. On November 4, 2003, the Turnpike awarded McTish its first contract. The agreement entered into obligated McTish to provide construction management and inspection on the Findlay Connector project, which is part of the Southern Beltway. The initial agreement amount was \$19,765,322.06. That agreement was supplemented twice on October 3, 2006 and January 23, 2007 bringing the final agreement amount to \$21,628,378.30.

McTish, Kunkle & Associates’ initial contract with the Turnpike came as a surprise to many in the Turnpike Engineering Department and specifically from the construction side of the Turnpike Commission. MKA was a new firm to the Turnpike and not one of the construction firms on the top of the list for those voting on that particular project.

On August 2, 2005, MKA was selected to replace the Allegheny River Bridge. The total agreement amount to date is \$15,149,367.33.

Lastly, MKA was selected to provide roadway reconstruction between MP A20 to MP A30 at a total agreement amount of \$22,340,440.90. Also during the relevant time period MKA likely functioned as a sub-contractor on three additional Turnpike projects.

The Grand Jury also reviewed the campaign contributions made by Matthew McTish and another executive with the company. Between 2002 and 2010, McTish and others at MKA contributed \$277,515.80 to various Pennsylvania state candidates. The Grand Jury offers the table below to demonstrate their most significant contributions.

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
11/4/2002	\$500.00	Gubernatorial Candidate #1
6/12/2003	\$2,000.00	Dem State Senate Campaign Com
8/29/2003	\$1,000.00	Senator #1
9/3/2004	\$4,000.00	Senator #1
10/1/2004	\$5,000.00	Gubernatorial Candidate #1
11/9/2004	\$2,000.00	Representative #2
12/20/2004	\$2,500.00	Gubernatorial Candidate #1
2/17/2005	\$5,000.00	Senator #6
2/19/2005	\$5,000.00	Gubernatorial Candidate #1
5/13/2005	\$5,000.00	Senator #6
8/24/2005	\$2,250.00	Senator #1
8/31/2005	\$100.00	Pa Society of Professional Eng PAC
10/14/2005	\$5,000.00	Gubernatorial Candidate #1
10/20/2005	\$5,000.00	Gubernatorial Candidate #1
10/24/2005	\$5,000.00	Gubernatorial Candidate #1
11/21/2005	\$1,000.00	Senator #6
12/15/2005	\$5,000.00	Gubernatorial Candidate #1
2/14/2006	\$10,000.00	Gubernatorial Candidate #1
4/27/2006	\$4,500.00	Senator #6
4/27/2006	\$5,500.00	Senator #6
5/11/2006	\$2,000.00	Representative #3
5/12/2006	\$5,000.00	Gubernatorial Candidate #1
5/12/2006	\$2,500.00	Senator #2
6/3/2006	\$750.00	Gubernatorial Candidate #1
6/16/2006	\$1,000.00	Dem State Senate Campaign Com
6/28/2006	\$2,500.00	Mellow, Bob Friends Of
8/2/2006	\$2,000.00	Phila Dem Co Exec Com Finance Com
8/5/2006	\$10,000.00	Gubernatorial Candidate #1
9/13/2006	\$2,000.00	Senator #1
10/27/2006	\$5,000.00	Representative #3

<b>Date</b>	<b>Amount</b>	<b>Recipient</b>
11/3/2006	\$5,000.00	Senator #6
11/14/2006	\$100.00	PA Society of Professional Eng PAC
2/20/2007	\$500.00	Representative #1
5/17/2007	\$5,500.00	Senator #6
5/17/2007	\$5,500.00	Senator #6
6/21/2007	\$2,500.00	Dem State Senate Campaign Com
8/31/2007	\$2,000.00	Senator #1
9/17/2007	\$100.00	PA Society of Professional Eng PAC
10/15/2007	\$5,000.00	Senator #6
6/10/2008	\$500.00	Senator #3
6/13/2008	\$1,000.00	Dem State Senate Campaign Com
10/16/2008	\$1,000.00	Senator #4
9/1/2009	\$1,250.00	Senator #4
3/29/2010	\$5,000.00	Gubernatorial Candidate #2
3/29/2010	\$5,000.00	Gubernatorial Candidate #2
6/28/2010	\$1,000.00	Gubernatorial Candidate #2
8/13/2010	\$5,000.00	Gubernatorial Candidate #2
8/13/2010	\$5,000.00	Gubernatorial Candidate #2
9/7/2010	\$1,250.00	Senator #4
10/14/2010	\$1,000.00	Representative #1

Between November 2002 and October 2010, principals with McTish, Kunkle & Associates contributed \$161,300.00 to those political candidates exerting the most power and control over the Turnpike.

The Grand Jury finds a *prima facie* case that George Hatalowich committed a conflict of interest by accepting a \$4,000.00 travel voucher from Matthew McTish, and use of the MKA apartment and Pirates tickets from the MKA Office Manager. The Grand Jury further finds a *prima facie* case that the work awarded to McTish, Kunkle, & Associates, along with the gift motivated by a desire to “thank” the Turnpike, and their campaign contributions are indicative of a larger pattern and practice of bid-rigging and commercial bribery by decision-makers within the Turnpike and those legislators endeavoring to influence those decisions.

**Sucevic, Piccolomini & Kuchar Engineering, Inc. (SP&K)**

Sucevic, Piccolomini & Kuchar Engineering, Inc. (“SP&K”) is an engineering firm specializing in transportation. SP&K began obtaining work with the Turnpike in 2005. SP&K was selected to replace a bridge at mile post 197 and act as a sub-consultant to SAI. Also beginning in 2005, SP&K gave gift certificates to Nemacolin Woodlands Resort to Turnpike Commissioner Lincoln and Turnpike employee George Hatalowich. Hatalowich acknowledged receipt of the gift certificates during casual conversations and Commissioner Lincoln often sent thank you notes. The Grand Jury provides the table below to illustrate the work received by SP&K and the timing of the unreported and undisclosed gifts to George Hatalowich and Commissioner Lincoln.

<b>Date</b>	<b>Item</b>	<b>Dollar Amount</b>	<b>Recipient</b>
1/24/05	Sub-consultant to SAI Mon-Fayette Expressway	Not to exceed \$313,675.23	SP&K
3/5/05	Replace bridge MP 197.19 & 197.20	Not to exceed \$600,000.00	SP&K
5/18/05	Replace bridge MP 197.19 & 197.20	Not to exceed increased to \$850,000.00	SP&K
12/14/05	Nemacolin Woodlands Resort gift certificate	\$600.00	George Hatalowich
12/14/05	Nemacolin Woodlands Resort gift certificate	\$600.00	William Lincoln
3/6/06	Open end contract surveying services systemwide	Not to exceed \$500,000.00	SP&K
12/5/07	Nemacolin Woodlands Resort gift certificate	\$700.00	George Hatalowich
12/5/07	Nemacolin Woodlands Resort gift certificate	\$800.00	Mr. and Mrs. William Lincoln
1/25/08	Sub-consultant to Maguire Group, Inc. for the replacement of the Beaver Bridge	Not to exceed \$302,719.28	SP&K
12/15/08	Nemacolin Woodlands Resort gift certificate	\$700.00	George Hatalowich
12/15/08	Nemacolin Woodlands Resort gift certificate	\$700.00	William Lincoln
11/10/09	Open end contract surveying services systemwide	Not to exceed \$500,000.00	SP&K
12/18/09	Nemacolin Woodlands Resort gift certificate	\$1000.00	George Hatalowich
12/18/09	Nemacolin Woodlands Resort gift certificate	\$1000.00	Bill Lincoln
2/25/10	Sub-consultant to Maguire Group, Inc. for the replacement of the Beaver Bridge	Additional not to exceed amount	SP&K

Date	Item	Dollar Amount	Recipient
		\$246,882.92	
7/2/10	Replacement of bridge No. WB-228	Not to exceed \$800,000.00	SP&K

Between 2005 and 2010, the Turnpike awarded SP&K \$4,113,277.43 in contracts. The Grand Jury is cognizant of the fact that SP&K may not have billed up to the full amount awarded. During that same time frame, SP&K gave \$6100.00 collectively in gift certificates to George Hatalowich and Commissioner Lincoln, both key decision-makers at the Turnpike. A principal of SP&K testified before the Grand Jury that there would be no further gifts because of his involvement in the grand jury investigation.

The Grand Jury finds a *prima facie* case that George Hatalowich committed a conflict of interest crime in the acceptance of the Nemaquin Woodlands gift certificates. Commissioner J. William Lincoln testified before the Grand Jury pursuant to a grant of immunity. Commissioner Lincoln admitted that he received the gift certificates and failed to report them on his annual Statement of Financial Interests.

**Traffic Planning & Design, Inc. (TPD)**

The President of Traffic Planning & Design, Inc. (“TPD”) testified before the Grand Jury. TPD specializes in transportation planning and highway design and 45% of their work is in the public sector for government entities and municipalities. TPD considers an open-end contract with the Turnpike as significant work. TPD’s President explained his view and participation in political fundraising as follows, “We look at it as basically it is a marketing expense in a way. . . it still is something that we need to do in order to be able to pursue these type of projects and that is why I said it is marketing.”

TPD's President also explained his relationship with George Hatalowich and the role Hatalowich played in getting his firm work with the Turnpike. "George was somebody that, you know, you obviously needed to talk to and needed to know in order to be considered for a selection on the Turnpike projects. . . . But really, we might not call George or talk to George on a particular project when it was advertised and that is when - - if you knew he was going to be out at a political event, it was obviously something that you were - - that we attended."

With regard to specific events, TPD's President recalled that Hatalowich attended the larger events for the gubernatorial races and "I think [Senator #6] held an annual event, if I remember right, that I think 99 percent sure George was - - you know, was there or at least we would have the expectation that George would be there. We would definitely participate in an event like that."

TPD's President recalled receiving personalized invitations to fundraisers. In lieu of a blank or standard invitation, Turnpike endorsed events would arrive with a personalized note from two members of the Commission (typically those Commissioners representing the relevant political party) and occasionally the CEO Joseph Brimmeier or Hatalowich. On other occasions a letter would be included with the invitation, indicating the support of the Turnpike. He explained the effect of those personalized invitations on TPD, "You know, you definitely had to be there. For one, they are going to be there. So you need to be there to talk to them but all of the other engineering firms that would do work with the Turnpike Commission, so you needed to be there to talk with those people as well." There was a specific event for then Senator #6 that the President also knew he had to attend. He testified before that Grand Jury that,

And in particular, I remember the last event that [Senator #6] had in particular. That was one I knew I absolutely had to attend. . . . Because that was at the time when the Act 44 had just been passed. The Turnpike Commission was going to be awarding several open-ended contracts. They also had the regular contracts that they has as well on the

Northeast Extension, some construction projects. They were going to have a tremendous number of projects all coming out at the same time, so it was going to be critical to be at those events and have a face there so that they - - you know, they could see you and those sorts of things in order to - - in order to be considered for pursuing those projects particularly as a prime consultant.

The President of TPD was confronted with an invitation to a fundraiser for Gubernatorial Candidate #2, which was entered as an exhibit before the Grand Jury. Enclosed with the invitation was a blue card that read, “[Gubernatorial Candidate #2] supports transportation infrastructure. So do we. See you there. Bill Lincoln, [a Turnpike Commissioner], Joe Brimmeier, and George Hatalowich.” TPD’s President recalled receiving and participating in this event with particularity and explained to the Grand Jury that,

Because like I said, most of the invitations we received in the past for events were either the Turnpike there, whether it is members of the Commission or whether it is senior staff. Those would have the names of the Turnpike Commissioners on it. So let’s say for the two D’s in this case, Bill Lincoln and [a Turnpike Commissioner]; but this was the one, I remember this one clearly because it had George’s name and Joe’s name on it. It just was very surprising to see that. It really, really stood out in my mind when it came across my desk seeing it because they were employees of the [Turnpike] Commission.

They weren’t Commissioners themselves and that is why when I answered the question before, because this one sticks out in my mind so much, I think it might have been the first one that I remember it in writing, having their names on it.

Although, I do know that there have been calls that had been made if we didn’t respond quickly enough to see if we were going to be attending and those kind of things. This one here is very clearly I remember it because of the fact that their two names were on there. . . . If that card hadn’t been in there, I probably would have blown this event off.

In addition to receiving the invitation discussed above, he also recalled receiving a voicemail message from Hatalowich inquiring as to whether he would be attending and contributing. The Grand Jury confirmed the call made by Hatalowich on June 30, 2010 through phone records obtained from Orth-Rodgers, which is where Hatalowich made these particular fundraising calls. The Grand Jury finds that the experience of TPD is yet another example of the

pressure exerted by Turnpike officials on Turnpike vendors to contribute politically to those politicians exercising the most significant control over the Turnpike.

**Wilbur Smith & Associates (CDM Smith)**

Robert Pintar is currently Vice President at CDM Smith, formerly and during the relevant time frame Wilbur Smith & Associates. Wilbur Smith has a long history of traffic work for the Turnpike.<sup>9</sup> In addition to traffic studies, Wilbur Smith also designed highways, bridges, road reconstruction, and performed site development work. During his testimony before the Grand Jury, Pintar contrasted his experience in working with PennDOT versus the Turnpike. PennDOT's process is transparent and based 100% on a company's ability to perform the work. The Turnpike, however, is less transparent and there is an underlying political component absent from Pintar's dealings with PennDOT. Pintar explained in greater detail:

There's fundraisers held by Commissioners and whether they're for - - in the past, they were for [Senator #6] or something like that. We would get a lot of those in the mail and some of the times I think it was understood that it would be a good idea if we attended an event and all that in the Turnpike's eyes. . . . Sometimes there would be a piece of paper inside the envelope saying, you know, we would like to see you there, Joe, or something like that. A lot of times the fundraisers come out and there's an executive committee that's holding the fundraiser. You can look at that list and sometimes if the list has a lot of engineering companies or there was a commissioner on there or something like that, you can take a look at that and say, yes, this is something that's engineering related.

If Pintar was uncertain about whether a particular political fundraising event was sponsored or somehow associated with the Turnpike, he would contact George Hatalowich for clarification. Hatalowich would indicate whether the Turnpike was looking for people to go or whether it was important for Pintar, in particular, to be present. Typically, Hatalowich would use a scale that ranged from "very important" to "pretty important" to "you don't have to" or "don't worry about it." From those instructions Pintar was able to determine which events were important to the Turnpike. Pintar explained their willingness to participate in Turnpike related

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<sup>9</sup> Robert Pintar testified pursuant to a grant of immunity.

political events as follows, “[w]e believed that making political donations enhanced our ability to get another contract or a larger contract.” For Wilbur Smith there was a direct correlation between their political involvement and ability to get larger projects with the Turnpike.

There were some events, Pintar knew they had to attend or support because of the candidate. Pintar testified as follows:

A: Usually the [Senator #6] stuff we always just kind of assumed turnpike involvement or he liked to have turnpike involvement.

Q: Why was that? For the layperson, what’s the association there?

A: I just understood that the Senate makes all the - - I don’t know. They approve all the Commissioners and things like that and [Senator #6] was really involved. At the time I was really involved there. I knew that the Chairman was a good friend of [Senator #6].

Q: The Chairman you’re referencing is Mitchell Rubin.

A: Mitchell Rubin.

By way of corroboration, the Grand Jury reviewed form letters sent to Pintar and others affiliated with the Turnpike on Senator #6 letterhead requesting \$5,000.00 for an event in former Senator #6’s home. The Grand Jury also reviewed Pintar’s reported campaign contributions. Pintar’s most significant contributions, by far, were to Senator #6. Specifically, Pintar contributed \$26,500 to the former Senator between 2005 and 2008.

Gifts to George Hatalowich from Pintar became a regular occurrence and part of their relationship. These gifts and expenses, reviewed by the Grand Jury, were reimbursed to Pintar by Wilbur Smith. For Pintar and on behalf of Wilbur Smith there was a direct correlation between being friendly and generous with Hatalowich and their continued relationship with the Turnpike. The table below summarizes some of the meals, gifts, and lodging provided to Hatalowich, none of which was disclosed by Hatalowich.

<b>Date</b>	<b>Gift/Event</b>	<b>Description</b>	<b>Amount (\$)</b>
2/2/06	ACEC overnight accommodations	Guest folio for G. Hatalowich	\$151.51
6/06	Pirates Tickets	Hatalowich and/or others	\$40.00 each
9/19/06	IBTTA dinner in Dallas	Brimmeier, Hatalowich, and others attended	Portion of the event cost Wilbur Smith \$13,062.02
2/2/07	Spa treatment for Hatalowich	50 minute traditional massage	\$114.00
6/14/07	4 tickets to the US Open	Hatalowich	\$380.00
9/19/07	Meal at Pesce	Hatalowich and others	\$17.68 per person
10/9/07	IBTTA dinner in Vienna	Brimmeier, Hatalowich, Miller, Suzenski, and others attended	Catered event totaled \$23,122.26
12/13/07	Dinner at Circular Dining Room	Hatalowich and others attended	\$116.39 per person
9/23/08	IBTTA Baltimore	Brimmeier, Hatalowich, Suzenski, and others attended	\$176.23 per person
2/5/09	ACEC overnight accommodations	Hatalowich guest folio reviewed. Unable to determine cost per person for associated dinner.	\$175.38
7/14/09	Meal at Devon	Hatalowich	\$106.00 per person
9/22/09	Meal at Devon	Hatalowich	\$42.00 per person
2/5/10	ACEC overnight accommodations	Guest folio reviewed. Unable to determine cost per person for associated dinner.	\$451.32

In addition to pressure exerted by the Turnpike to contribute politically, Pintar recalled an instance in which Hatalowich influenced Wilbur Smith to partner with a particular entity for architectural work because Joseph Brimmeier's sister, Jan Brimmeier, worked there. Pintar explained to the Grand Jury:

A: Architectural Innovations was an architect and they designed some toll plazas for us out west in the Pittsburgh area on the extensions.

Q: They would have been a sub to you on that particular project?

A: Yes.

Q: How is it that got added or you knew to include them?

A: Well, first, his sister - - originally on the contract we had a sub-consultant named EADS<sup>10</sup> and after we won the project, we found out that EADS fired their architects in the Pittsburgh office. One of them was Jan Brimmeier, Joe's sister. We hired EADS specifically to do the architectural work. In talking to EADS and all that, we said we can't use you on the team anymore. So then I was talking to George about it because I was in a predicament here. Then I guess he told me she was starting up her own company and that company was Architectural Innovations. So we went through the paperwork and added them to our team.

Pintar provided further detail regarding Hatalowich's influence over the process:

A: I found out that EADS dismissed their architects. It was more than just Jan [Brimmeier]. There were probably three or four people that were dismissed in that Pittsburgh office. I think EADS may have architects in their Altoona office and all that. But I heard the news from George that they were dismissed or whatever and that she was starting up her own firm and George said it would be a good idea if you could add them or whatever. I think that's how we processed it. I told EADS that you didn't really have any architects in the Pittsburgh area to work on it.

Q: Is that part true, that they didn't have architects in the Pittsburgh area?

A: Correct. I believe they got rid of everybody in their Pittsburgh office, the architects.

Q: Would it have been a firm that you could have continued to work with, meaning using their Altoona or Harrisburg architects?

A: We could have, yes. I guess.

Q: I guess I'm wondering because you had initially said I didn't like having to let them go. I'm wondering now in my mind, if George never told you that, that you're going to need to work with this new firm she's starting up, would you have endeavored to work with EADS through one of their other offices?

A: Yes. I mean, I always try to make things work out.

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<sup>10</sup> Subsequent to his testimony before the Grand Jury, Pintar recalled that the original architectural group was Quad Three Group, Inc. The Grand Jury reviewed reports from the Department of Labor and Industry confirming Jan Brimmeier's employment with Quad Three Group, Inc. and then Architectural Innovations. The Grand Jury also reviewed the project proposals listing the name of Jan Brimmeier as being associated with Quad Three Group, Inc. and then the subsequent substitution of Architectural Innovations.

The Grand Jury finds a *prima facie* case that George Hatalowich committed a conflict of interest crime in the acceptance of gifts from Wilbur Smith. The Grand Jury further finds a *prima facie* case that Joseph Brimmeier and George Hatalowich committed a conflict of interest crime with regard to their efforts to secure architectural work for Turnpike CEO Brimmeier's sister. Additionally, the Grand Jury finds a *prima facie* case that Hatalowich's practice and instructions to Pintar regarding campaign contributions to be part of a larger pattern of activity resulting in bid-rigging and commercial bribery.

### **B. Non-Engineering Contracts**

The award of non-engineering contracts is accomplished, in part, through the Procurement Technical Review Committee ("PTRC"). The process is initiated by the particular department in need of service preparing a validation memorandum. The Commission then approves the issuance of a RFP. A scope of work is developed and the RFP is advertised. The RFP includes an evaluation committee, which includes a project manager and relevant personnel from the Turnpike. Responses are submitted to the contracts administration department. The project manager and evaluation committee evaluate the strengths and weaknesses of each vendor. There are neither recommendations nor rankings prepared and costs are withheld as part of the evaluation. Once the evaluations are completed, the costs are opened and the evaluations are prepared for a full meeting of the Procurement Technical Review Committee. The members of that Committee included the Contracts Administrator, Chief Executive Officer, Chief Operating Officer, evaluation committee, and the Director of the Western Regional Office. During his tenure as Contracts Administrator, Hatalowich would determine the make-up of the evaluation committee. During his tenure as Chief Operating Officer, Hatalowich led and

facilitated the meetings of the full Committee. Most often, just one vendor was sent to the Turnpike Commission for approval.

The evaluations prepared by the committee before the formal meeting of the Procurement Technical Review Committee went to the Commissioners in advance of the meeting. It was clear to those involved in the process that there were also discussions in advance of the formal meeting as to which vendor should be selected to do the work. This conclusion is based in part upon the apparent consensus established prior to the meeting. A Contract Supervisor, explained in greater detail before the Grand Jury:

Q: Are you suggesting then there is conversations going on, whether it be at the Commission level or the Executive staff level, about the selection, who's going to get selected, who is most qualified?

A: Yes.

Q: Do you know that those conversations took place?

A: No.

Q: Why do you believe those conversations took place?

A: Because they were very adamant about them - - them going out two weeks priors. And I know that there was discussion with the Commission because if the Commissioners didn't have - - if by chance I didn't get the information out in the - - before the two-week time period or in that two-week time period, George would get very upset with me because the Commission didn't have enough time to review the evaluations.

Q: So when you just said they would get very upset with me if they didn't have it in two weeks in advance, the "they" - - who is the "they" that you're referring to?

A: George.

Q: So George is getting mad at you?

A: Right. And I assume the Commission was complaining to him that they did not get the narrative evaluations in enough time to review them.

Q: Did George ever indicate to you that it was the Commissioners themselves?

A: Yes.

A former Turnpike Director of Government Affairs explained that Turnpike employees, specifically those referenced above, were placed on the PTRC to do the work of the Commissioners who appointed them. He explained further that he represented the interests of the Republican appointed Commissioners on the Personnel Committee, and the former Director of the Western Regional Office represented their interests on the PTRC.

Despite the procedures and policies in place, the Grand Jury finds that many of the selections were pre-determined. A former Turnpike Director and member of the Procurement Technical Review Committee described George Hatalowich, in his capacity as Contracts Administrator, as calling the shots and making the selections on behalf of then Turnpike Chairman Mitchell Rubin. The Turnpike's former director testified as follows: "I would say it was more Rubin and stuff like that and I'm - - you know, Rubin would meet with different contractors or something like that and, you know, a lot of it was based on campaign contributions." When asked for specifics, the Turnpike's Director recalled that the contract awarded to Ciber for computer services was influenced by Chairman Rubin and Hatalowich.

The Director went on to estimate that "90 percent of the contracts at the Turnpike was based on - - under these guys, based on campaign contributions." During Brimmeier's tenure as Chief Executive Officer, the campaign contributions were largely split between then Senator #6 and the then Governor. According to the Director, "[Senator #6] had his Harry S. Truman dinner a lot of times and that's where a lot of the campaign contributions went to. . . They were the key guys. I mean, you know, Rubin was a representative for [Senator #6] and Brimmeier was a representative of [the Governor]." Eventually, the Director stopped attending the meeting of the

Procurement Technical Review Committee because he believed the selections to be pre-determined that he “wasn’t going to be able to do anything to block it or anything like that.”

By way of example, HMS Host was awarded a large contract/lease agreement concerning the maintenance and renovation of the service plazas along the Turnpike. During the Governor’s re-election campaign, Brimmeier’s secretary approached the Turnpike’s former Concession Services Manager who dealt exclusively with HMS Host. Brimmeier’s secretary asked the Manager if he believed that HMS Host would be contributing to the Governor’s campaign and if he would contact HMS Host. The Turnpike’s Manager was uncomfortable with the request and complained to several Turnpike employees. In particular, the Manager called the Turnpike’s former Director of Concession Services and reported that Brimmeier’s secretary asked him to contact HMS Host regarding a contribution to the Governor’s campaign.

Eventually, the Manager contacted HMS Host and sometime thereafter a representative provided him with an envelope containing the campaign contribution. The Turnpike’s Manager took the contribution to Brimmeier and handed it to him in his office.

While testimony conflicted as to the circumstances of the solicitation and actual delivery of the contribution, Brimmeier’s secretary testified that the Turnpike’s Manager and another individual appeared in her office and handed her an envelope containing contribution(s) to the Governor’s event. She testified further she “would have told” Brimmeier about the check.

The Grand Jury reviewed the invitation provided to HMS Host. The event was a dinner to support the Governor’s re-election efforts. The invitation listed a host committee consisting largely of engineering firms who regularly secure significant work with the Turnpike. The cost to attend the event was \$5,000.00 per person. The invitation also contained a small card, which read “Hope to see you there . . . Mitch Rubin and Bill Lincoln.”

## **Ciber's \$82 million contracts for ERP systems (Enterprise Resource Planning)**

### **RFP Number 03-133-2865**

On January 7, 2004, the Turnpike issued the first RFP (Number 03-133-2865), requesting a Strategic Enterprise Technology Plan and Enterprise Technical Architecture & Standards Planning Services. In essence, the Turnpike was looking for a technology planning contractor to provide potential solutions and a plan to address a variety of IT related problems facing the Turnpike. This work would require the contractor to review existing systems, interview IT personnel, research other state agencies and their IT solutions, conduct an assessment of the Turnpike's administration, create testing plans, and provide a final report. The solution or plan recommended by Ciber was to replace the Turnpike's financial and administrative systems with "an off-the-shelf Enterprise Resource Planning (ERP) system software package." This would take all of the pre-existing and separate systems in operation at the Turnpike and integrate it into one over-reaching system.<sup>11</sup>

Ultimately, Ciber was awarded the contract on April 14, 2004. The base contract price was \$499,987.00. That contract was later increased to \$645,987.00.

### **RFP Number 05-101-3119**

The Turnpike issued its second RFP (Number 05-101-3119) seeking "An Integrator to Act as the Project Manager for the Implementation of an Enterprise Resource Planning (ERP) System" on January 19, 2005. The RFP contained a provision restricting contact with Turnpike personnel. That restriction read:

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<sup>11</sup> While the Grand Jury is commenting on the manner in which Ciber obtained work at the Turnpike and their actions throughout the project, the Grand Jury is not addressing whether the Turnpike actually needed the system proposed. However, witness after witness testified that the Turnpike did not need the system proposed and implemented by Ciber. One witness described the Turnpike as purchasing a Cadillac Escalade when a Ford Focus would do. Another witness thought that the Turnpike was "trying to kill an ant with a sledge hammer."

From the date of release of this RFP until a contract is awarded as a result of this RFP, all contacts with personnel employed by or under contract to the Commission are restricted. During the same time period, no prospective vendor shall approach personnel employed by or under contract to the Commission or any other entity participating in the evaluation of the proposals, or any other related matters. An exception to the foregoing will be made for contractors who, in the normal course of work under a valid contract with the Commission, need to discuss legitimate business matters concerning the relationship of their work. Violation of these conditions may be considered sufficient cause by the Commission to reject a contractor's proposal, irrespective of any Consideration.

The RFP also precluded a vendor from offering gratuities of any kind. Any responding vendor warranted pursuant to the RFP that "no appointed official or employee of the Commission has or will benefit financially or materially from this procurement." As described in greater detail below, the Grand Jury finds these restrictions were violated by both Ciber and Turnpike staff.

Accenture LLP, BearingPoint, Ciber, Inc., Deloitte Consulting LLP, IBM Corporation, and Smart and Associates all responded to the RFP. During the response phase, prior to the formal submissions being presented to the Turnpike, all vendors were permitted to participate in a pre-proposal conference and submit questions to the Turnpike. Competitors to Ciber raised concerns about Ciber's ability to compete for the 2005 RFP given the contract awarded to Ciber in 2003. As noted above, the 2003 RFP and associated work allowed Ciber access to the Turnpike's inner workings and specific IT needs.<sup>12</sup>

A Ciber competitor, BearingPoint (now KPMG LLP) believed that they were strong contenders for the project as they implemented ERP for over 300 agencies of the

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<sup>12</sup> Question No. 18 read: "In March 2004, Ciber was awarded a contract to provide the Turnpike Commission a Strategic Enterprise Technology Plan. Will the Turnpike Commission make a copy of that study and associated documentation available to all potential bidders?" The Turnpike responded that a copy of the study would be in the Contractor's Library. Potential vendors were given windows of time and limited access to the Contractor's Library.

Question No. 22 read: "Ciber recently completed a Strategic Technology Plan for the Turnpike Commission. Will Ciber, or any of their sub-contractors that participated in that engagement, be precluded from participating either as a prime or subcontractor on this project?" The Turnpike responded, "No."

Several witnesses explained not only the inherent unfairness of the Turnpike's position, but also that it directly contradicted what many others experienced in contracting with State entities. One witness explained, "I've never seen it where the firm that does the analysis or does the requirements part of it actually gets the bid. Usually, it's a separate thing. They're usually excluded."

Commonwealth. BearingPoint raised their concerns about Ciber's ability to compete with the Turnpike. A principal with the firm explained that it is industry standard and the adverse interest act that prohibits vendors who conduct studies recommending certain projects from bidding on the same project. To do otherwise allows an unfair competitive advantage for the vendor conducting the study.

The Turnpike's former Chief of Staff and Executive Sponsor for the project explained that the 2005 RFP "reeked." According to the Turnpike's Sponsor, "[Ciber] had a leg up on every other firm that responded because they knew - - they knew before it even hit the streets what was in it." The Sponsor also recalled that all of the firms called asked if Ciber would be permitted to respond. Once the responses came in, she recalled that Ciber's cost was "at least double" that of the other competitors.<sup>13</sup>

Dennis Miller, currently employed by Ciber as their Vice President of State and Local Government and Education for the United States, was the lead for Ciber on the Turnpike projects at issue here. During the relevant time frame, Miller worked in the sales and marketing department for Ciber. Prior to working for Ciber, Miller was the founder of Dataquest, a technical services consulting company. Dataquest historically had contracts with the Turnpike and at least two consultants assigned to the Turnpike ended up working for Ciber. One of those employees was Computer Consultant #1, whose testimony is discussed in greater detail below.

Miller recruited a team of computer consultants to assist Ciber with their proposal. Consultant #1 had a long history of working on the Turnpike's computer systems. Starting in 1990, Consultant #1 worked for American Software and was assigned to implement its software system at the Turnpike. Consultant #1 worked sporadically between 1995 and 1999 on projects

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<sup>13</sup> As indicated in the table below, it was worse than that. Ciber's cost was three times higher than the second highest bidder and its costs ended up far in excess of that.

at the Turnpike. His point of contact was the former Chief Information Officer (“CIO”) of the Turnpike. Consultant #1 described his exposure to the Turnpike’s system as follows: “As I said, I like to call it osmosis. I have had so much exposure to the Turnpike. I have been there so many times. I pretty much know the ins and outs of how they use the system and do their work from the AP worker to the Comptroller of the company. I worked with the whole gamut of people there.”

During the end of his contract in 1999, the Turnpike CIO approached Consultant #1 about potentially working for Dataquest. Consultant #1 met with Dennis Miller and the President of Dataquest and was offered an increase in pay at a reduced rate for the Turnpike. Consultant #1 accepted the offer and began working for Dataquest on their Turnpike contracts. During this time period, Consultant #1 came to understand that the Turnpike CIO and Miller enjoyed a friendship. By way of example, Consultant #1 described a trip Miller and the Turnpike CIO took to Las Vegas at Dataquest’s expense.

Sometime nearing the end of Consultant #1’s contract with Dataquest, Miller contacted him about assisting him with Ciber’s response to the 2005 RFP issued by the Turnpike. Miller requested that he work for free on the proposal and in exchange Miller would hire Consultant #1 if Ciber was awarded the contract. Consultant #1 explained to the Grand Jury that he was willing to take the risk because, “I was aware of a relationship with [the Turnpike CIO] and Dennis Miller and [the Turnpike CIO] was - - he is one of the key decision-makers of who gets selected.”

During the preparation of Ciber’s proposal, Consultant #1 worked out of Miller’s office and learned of information from the Turnpike passing to Miller. In particular, Miller reported that the Turnpike CIO told him that “data conversion from Legacy to the new system would be

very important to winning the proposal.” Consultant #1 understood that other communications, hints, and tidbits were communicated from the Turnpike CIO to Miller. According to Consultant #1, “Dennis alluded to the fact that, you know, he is in contact with [the Turnpike CIO] and [the Turnpike CIO] is giving him some advice.” Consultant #1 was of particular value to Miller because he implemented the Turnpike’s Legacy system.

Consultant #2 was also recruited to work on Ciber’s proposal and ultimately on the project once it was awarded. From the outset, Miller “made it very clear that it was going to be his project.” Later Miller elaborated on the circumstances and his confidence in a conversation with Consultant #2. Miller stated that “he had the project and was looking for a home for it” and that Ciber gave him the best offer. Miller also bragged to Consultant #2 about his friendship with the Turnpike CIO, and relationships with Senator #6 and several of the Turnpike’s Commissioners.

As outlined above, each firm was evaluated by the Turnpike’s Procurement Technical Review Committee. The RFP criteria for selection included: A) understanding the problem; B) contractor qualifications; C) personnel qualifications; D) soundness of approach; and E) cost. The Grand Jury offers the following table to illustrate the findings of the PTRC.

<b>Vendor</b>	<b>A. Understanding the problem</b>	<b>B. Contractor Qualifications</b>	<b>C. Personnel Qualifications</b>	<b>D. Soundness of Approach</b>	<b>E. Cost</b>
Accenture	Yes, but “missed” the boat in some areas	Excellent, lots of experience	Strong for Phase 1, uncertain for Phase 2	Overall yes, but some concerns	\$649,720
Bearing Point	Yes, but they do not understand the Turnpike as a business	Very good experience but some question marks	Strong resource pool, question on PM ERP experience and several weak team members	Excellent methodologies	\$1,374,589

<b>Vendor</b>	<b>A. Understanding the problem</b>	<b>B. Contractor Qualifications</b>	<b>C. Personnel Qualifications</b>	<b>D. Soundness of Approach</b>	<b>E. Cost</b>
Ciber, Inc.	Excellent	Excellent	Very strong project team	Strong approach	\$3,200,560
Deloitte Consulting	No, underestimated the scope	Excellent, lots of experience	Good but appear to be mostly SAP experienced and a concern with the PM	Very good approach overall, but some questions	\$536,011
IBM	No	Yes, strong global prior experience	No, very small staff proposed. Weak in relative experience.	Yes, but very weak in key areas	\$496,236
Smart and Associates	No	Yes, a shaky one. Extremely limited ERP experience.	Yes, but limited, small team with no additional resources to draw from	No, approach was not completely responsive	\$632,148

Despite being the highest bidder by far, Ciber was awarded the 2005 RFP and entered into a contract with the Turnpike on June 6, 2005. Ciber was paid \$3,530,829.00 for the initial Phase 1 contract. Thereafter, the Turnpike approved two contract increases. On February 21, 2006, the Turnpike increased the contract amount and authorized the additional payment of \$437,656.50. The second increase on May 16, 2006, authorized the additional payment of \$58,333,902.00, bringing to the total contract price to \$62,302,387.50.

The Grand Jury finds this second amendment to be dramatic and unprecedented. While it was approved by the Turnpike Commissioners, Phase 2 was not part of a separate competitive bid. The Grand Jury can find no other instance that the Turnpike approved a contract increase in excess of \$58 million. The approval memorandum, dated February 22, 2006 and signed by the Turnpike CIO and CEO Joseph Brimmeier, indicates that the funding was to be provided from

the Information Technology area of the Commission's Capital Program. Also in conjunction with this project and as a wholly separate cost, SAP Public Services, Inc. was paid \$6,000,000.00 for the ERP software.

**RFP Number 08-10340-3609**

On March 25, 2008, the Turnpike issued its third RFP (Number 08-10340-3609), seeking "A Services Agreement for SAP Post Implementation Support." Essentially, Ciber completed the implementation, but the Turnpike lacked knowledgeable staff to support the system. According to the CIO, the Turnpike employed a core group of individuals who possessed the knowledge to support the new system. Instead of relying upon those able employees, the Turnpike returned them to their respective departments and sought proposals from outside vendors.

Ciber, Inc., IBM Corporation, LAZAR, Sage Group, Thinking Minds, Inc. and Wyvil Systems, Inc. responded to the 2008 RFP. On June 18, 2008, the Turnpike awarded Ciber the contract at a contract price of \$19,282,840.85. When asked about the expenditure of an additional \$19 million of public dollars, the CIO explained that there was internal chaos at the Turnpike resulting from a strike and the potential leasing of the Turnpike. Thus, pursuant to the contracts and contract amendments awarded to Ciber, Inc., the Turnpike paid Ciber in excess of \$82 million dollars for the selection and implementation of an ERP system.

Consultant #1 described Ciber's billing practices to the Grand Jury. Miller directed that the Ciber consultants working on the Turnpike project bill 40 hours a week. This directive was given irrespective of what work the project actually necessitated. During a tour of the Turnpike facilities, one Ciber employee instructed its sub-contractors that they must bill out at least 40 hours per week at a minimum. To the Turnpike employee observing the tour, "That just really

struck me as, these are people that come in, usually take a Monday morning flight so they might get there by midday Monday and leave Thursday night . . . I just thought that was very hard to - - hard to take as, you know, the person, I'm thinking we're paying this bill.”

To compound matters, Ciber consultants were given repetitive and useless assignments in an effort to “make work” and bill out the full contract amount. Consultant #1 explained the fabricated and redundant work in great detail before the Grand Jury:

A: They had us - - when I say they, Ciber had pulled in a couple of different consulting companies to do some, what I refer to as, make work stuff just to bill and use the money in the contract. It was thinking like they invested a voice for customer responses where we interviewed all of the maintenance locations and tell us what is really needed. It was always the same answer. It was the reason they were looking for a new system. We need easier access to information, period. . . There were so many things they had us doing that were redundant that were more in tune to a manufacturing process than just a simple maintenance process. . . . It was rework.

Q: Okay. And I believe you had described at least one incident or one person you're aware of . . . making a comments about the make work? Can you describe that to the Grand Jury.

A: Yes. We were in a conference room. . . We had all of these things on the board and we're going through the process of our requisition to get materials, let's say for batteries. How do you go about doing that? [A Turnpike employee] said, wait a minute. We have done this so many times before, this whole requisition process and purchasing cycle and bidding cycle. Why don't we use the work that we have already done. . . . that kind of went by the wayside and was kind of ignored.

The bringing on of additional sub-consultants and high turnover of Ciber consultants was part of the make work process. Each time a new consultant was brought on they had to learn the project from scratch, the progress made to date, and their specific assignment. Often consultants left before they could get up to speed, necessitating a new consultant and new training. All of that effort was billed at Turnpike expense, and witnesses appearing before the Grand Jury dubbed it “rework.” Consultant #1 recalled Smart and Associates being brought into the project. He understood that they were working on a documentation project and was instructed to meet

with them and answer their questions. The Ciber project manager suggested that “it might be throw-away work but just work with them.” When asked if it was throw-away work, Consultant #1 responded “Yes. Every single volume of paper was thrown away. It wasn’t used, as far as I know.”

He also understood that Smart’s selection had more to do with their political connections.<sup>14</sup> Consultant #1 recalled, “I understand that there was some political ramifications with Smart and Associates being subcontracted, that there was one of the Commissioners [Mitchell Rubin] had a strong relationship with that company.” Emails received and reviewed by the Grand Jury support this notion. In an email dated June 13, 2008 from Dennis Miller to George Hatalowich, Miller writes “For my own selfish reasons I want [the Turnpike’s Director of Accounting and Financial Reporting] to know that I am speaking for you and Joe when it comes to this project. You and the Chairman specifically told [the CIO] and I that we are responsible and that we are to ‘do whatever we have to do’ to push the PTC to a successful project end and become self-sufficient.”

The Turnpike’s Executive Sponsor of the Ciber project testified to Ciber’s high turnover rate, the special relationship Miller enjoyed with Turnpike executive staff, and the appearance of impropriety rampant throughout the project.

So if I would say Dennis, you need to get a financial advisor on here and you need to retain that financial advisor because Ciber was turning over staff on the project to such a degree that it was impairing our ability to stay on task.

Every time they would roll off the financial analysts, we had to bring that replacement up to speed. Personally, I didn’t think it was our responsibility to pay again for the knowledge transfer or ramping that person up because we already paid to educate the consultant.

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<sup>14</sup> During the relevant time period, Dennis Miller’s single largest contributions were to Senator #6. On April 25, 2005, May 15, 2006, May 6, 2007, April 14, 2008 Miller gave \$2500.00, \$5500.00, \$5500.00 and \$5500.00 respectively to Senator #6.

So when Dennis and I would have a rub, Dennis would go to George and George would tell him you need to back off, it is fine. It will be fine. . . . at one point, I did say to George, if the Commissioners, if we had to do a change order and ask for more money on this contract, I'm not doing it.

I'm not going to the Commission and saying, because I didn't think it was - - I just didn't think it was the right thing to do. But because of George's - - I mean, there were poker nights, poker parties, all kinds of parties but to which I would never receive and invitation, so I never went. Kind of the guys only thing. Let's just go out and have a couple of beers and play cards. . . .

I did not believe that the Chief Operating Officer should be socializing and fraternizing with the Account Executive on a consulting project because the perception, whether or not it was the reality, the perception of all of the team employees was we're just going to have this shoved down our throats because George wouldn't challenge anything that Ciber did.

Other expenses, dinners, and amenities provided to Turnpike staff will be discussed in greater detail below. The Turnpike's Executive Sponsor brought her concerns to the Turnpike's Chief Counsel. Counsel indicated that she would not address her concerns directly with Hatalowich, and the Executive Sponsor declined to do so out of fear for her job.<sup>15</sup>

In light of Ciber's billing practices, the Grand Jury finds a *prima facie* case that Miller committed theft. While working for Ciber, Inc. and assigned to the Turnpike project, Miller received a salary from Ciber, a commission based upon 1.75% to 3% of Ciber's profit from the project, and bonuses. Between 2003 and the end of 2006, Ciber paid Miller the following:

<b>Date</b>	<b>Regular Salary</b>	<b>Commission</b>	<b>Bonus</b>
7/11/03 to 12/12/03	\$30,967.20	\$11,250.00	None
12/16/03 to 12/24/04	\$72,705.60	\$26,480.54	\$333.00
1/7/05 to 12/23/05	\$70,012.80	\$62,937.71	\$20,000.00
1/6/06 to 12/22/06	\$135,773.69	\$152,788.48	\$8,308.29
<b>TOTAL</b>	<b>\$309,459.29</b>	<b>\$253,456.73</b>	<b>\$28,641.29</b>

<sup>15</sup> Ultimately, the Turnpike terminated the Executive Sponsor for "budgetary" reasons. Other employees who testified before the grand jury felt retaliated against and were subsequently demoted as a direct result of concerns they raised with Ciber's performance. For example, the Manager of Financial Planning for the Turnpike was vocal about his concerns with Ciber's ability. He was also terminated for "budgetary" reasons and has filed suit against the Turnpike.

Dennis Miller also secured work for his daughter on the Turnpike project through Ciber, Inc. During Phase 1 of the project, Miller's daughter was billed out at \$17.00 per hour and paid a total of \$1,343.00. Based upon the invoices submitted to the Grand Jury from both Ciber and the Turnpike, it is unclear how much Ciber paid Miller's daughter for Phase 2 of the project. During Phase 3 of the project, she was billed out between \$100.00 and \$105.00 per hour for a total of \$496,082.50. A witness appearing before the Grand Jury describes her work as follows, "She spent a lot of time on the phone. Her cubicle was right across from me. We know why she was hired, because she was Dennis's daughter. But then subsequent to my leaving, I understood that she was hired as a full-time consultant for Ciber working at the Turnpike with - - at a fairly high rate over \$100 an hour, I believe or 125 or something like that. And she basically had no experience whatsoever." A Turnpike project manager instructed others that they were going to have to find something for her to do.

During the time frame that Ciber was actively working with the Turnpike under the first two RFPs, Miller was also talking to the President of Dataquest, about sub-contracting and assisting with the project. During that same time frame, Dataquest received an invitation to a fundraiser for Gubernatorial Candidate #1. The invitation came from the then CIO for the Turnpike. The CIO requested his telephone number from Consultant #1 and said that he was trying to get people to attend a political fundraiser. The invitation requested \$5,000 for a dinner. The President of Dataquest did not attend or contribute. Following the fundraiser, he questioned Miller about assisting Ciber with their work at the Turnpike and the potential for obtaining work with the Turnpike in the future. Miller explained that "they were disappointed" that he hadn't participated in the event for the Governor. The CIO also directly expressed his displeasure with him to Consultant #1, stating that he wasn't happy that the President did not attend the dinner.

Consultant #1 also confirmed that the fundraiser coincided with the timeframe that the Turnpike chose to cancel further contracts with Dataquest. Since that time, Dataquest has been unable to secure work with the Turnpike.

By contrast Miller and Smart and Associates did participate. Miller gave \$5000.00 to the Governor on September 9, 2006. An email to Miller's Turnpike email address on September 14, 2006 also confirms his participation. The email reads, "It was great to see you at the [Governor's] event. I saw Mitchell yesterday and he told me that it raised over \$800,000. That's amazing. Before I left, I did get a chance to speak with the Governor and he was pretty happy with the event." On September 8, 2006, the former Managing Director of Smart and Associates, confirmed their participation in the event for the Governor. In an email sent to Miller's Turnpike email address, he wrote, "Thanks for the invitation for next week's event to support the Governor. You can count on our support and I will be attending."

Consultant #2 was twice approached by Miller and requested that he donate to Senator #6's campaign. Miller specifically asked that he contribute \$1000.00 to his 2005 re-election efforts. Miller told Consultant #2 that he was asking all of the sub-consultants to contribute and that it would be presented to the Senator on behalf of Ciber. Consultant #2 is not a resident of Pennsylvania, had no knowledge of Senator #6, and would not have contributed but for Miller's request. The Grand Jury reviewed campaign contribution records for Consultant #2 and confirmed that he contributed \$1000.00 on April 25, 2005 and \$500.00 on May 15, 2006.

In addition to campaign contributions to Turnpike led events, Miller on behalf of Ciber was extremely generous with Turnpike personnel. Miller took Hatalowich and his family out to dinner in a limousine to celebrate his promotion to Chief Operating Officer. Miller provided gift baskets and wine to Brimmeier, the CIO, and Hatalowich. Ciber was also a member of the

International Bridge, Tunnel and Turnpike Association (IBTTA) and sponsored dinners at the Annual Meeting and Exhibition. Miller selected the Turnpike invitees and always included the Commissioners, Brimmeier, and Hatalowich. During one of the IBTTA Annual Meetings in Vienna, Austria, Miller, Hatalowich, and Jeff Suzenski (discussed in greater detail below) traveled to Budapest, Hungary. Miller paid for dinner the first night and the return train trip for the Hatalowichs. Miller provided dinners and train travel during an IBTTA trip to Vienna.

In January of 2007, the Millers, the CIO, and Hatalowichs took a trip to Cozumel, Mexico together. Miller fronted the expenses for airfare and a tour and was reimbursed by the CIO and Hatalowich. Despite the reimbursement, Miller shouldered more of the expenses. Consultant #2 also recalled an effort by Miller to fund a trip to Mexico for Turnpike staff through his company. Specifically, he “was approached by Dennis saying that - - asking me about a trip, I think he wanted to do, maybe to Mexico or someplace with the PTC but he said he will just bump your contract value up and you just run it through your company and we’ll run it that way and I refused to do that.”

The Grand Jury endeavored to determine the amount spent on individual Turnpike employees for individual dinners, trips, and gifts. The expense reports provided by Miller to Ciber, and Ciber to the Grand Jury, do not identify the recipients. The Grand Jury was able to determine that for March and April 2006, Miller’s expenses totaled \$774.95. For the time period, March 31, 2008 through September 16, 2009, Miller’s expenses totaled \$4,118.99.

The Grand Jury finds a *prima facie* case that George Hatalowich, Dennis Miller, and Mitchell Rubin engaged in bid-rigging and commercial bribery with regard to the 2005 and 2008 Turnpike agreements and contract increases awarded to Ciber.

### **Community Networks, LLC**

The Director of Toll Revenue Audit for the Turnpike requested and drafted a RFP for a digital video auditing system. The activities in each lane would be recorded by the system thereby deterring theft by toll collectors and assisting in the investigation of shortages or overages. Several firms responded, including Community Networks, LLC, e-Transit, SYS, T.A.C., and TransCore.

Community Networks was first introduced to Hatalowich by a former employee of Wilbur Smith, discussed above. On December 7, 2006, that employee sent an email with a subject line, "I need a favor if possible" to Hatalowich. He wrote,

George, [w]hile checking your RFP website yesterday I saw that you have an advertisement posted for digital video audit systems. I have a cousin . . . who is in this business (company is Community Networks) so I forwarded the rip to him along with your email address. I told him to shoot you an email to introduce his company and informed him that I would give you a 'heads up' that he would be contacting you. He is a very bright guy and is a wizard with technology. Any direction or advice you can give him would be greatly appreciated. See you next week.

Later on that same date, the owner of Community Networks emailed Hatalowich introducing himself and the company. In particular, Community Networks sought a meeting with Hatalowich, "Not specifically about the RFP, but about how to do business effectively with the PTC."

Evaluations were prepared by a team of seven Turnpike employees and provided to the Turnpike's Toll Auditor in March of 2007. The Toll Auditor forwarded the evaluations to the Contracts Administration Department. Across the board, Community Networks, LLC was ranked the lowest by the evaluation committee. At the time of the RFP, some of the lanes at certain interchanges were being enhanced and TransCore was including a digital video audit system with those enhancements.

Shortly thereafter, Brimmeier called the Turnpike's Chief of Staff, into his office and asked if Community Networks could do the work. She explained that the Turnpike would end up paying them to develop the system whereas the other firms already had the capability to implement the system. Next Brimmeier brought the evaluations back to the Chief of Staff and requested that she amend the strengths and weaknesses.

On March 30, 2007, the Chief of Staff contacted the Turnpike's Toll Auditor and indicated that she would need to make some changes to the evaluations. Because they were already submitted to the Contracts Department, the Toll Auditor sought more information from the Chief of Staff. When she arrived in her office, the Chief of Staff appeared very upset and told her that she had been instructed to "take the RFP responses home that weekend, review them, and make changes to the evaluation for Community Networks to make them look better. She said - - she said I don't know what I'm going to do. She was quite upset about that."

In an email dated March 30, 2007, the Turnpike's Chief of Staff forwarded an email from the Contract Administrator to Hatalowich which indicated that the evaluations had already been submitted to the Committee members. She wrote, "I am sorry. I neglected to note the way this would be handled. Is there anything I can do now?" Hatalowich responded in an email dated that same day, "Have her pull them back. I don't know that they have been sent. I didn't get my PTRC packet yet. Hopefully, that packet didn't go to the Commissioners with their agendas. If they say its going to not meet the required two week advanced mailing to the Comm., tell them to delay the PTRC meeting. This is BS. Thanks, G." This instruction allowed the Turnpike's Chief of Staff to make the changes to the evaluations requested by Brimmeier.

The following Monday, the Chief of Staff provided her changes to the Turnpike's Toll Auditor and instructed her to include the changes in the final evaluation summary. She added

four strengths and reduced three weaknesses noted for Community Networks. The Toll Auditor did as she was instructed and presented the project to the full Committee in July of 2007. During the meeting of the Committee, there was minimal discussion about the project itself and no discussion of the respective vendors. Thereafter, the Turnpike's Toll Auditor received a memorandum that the Contracts Administration Department was issuing to the Commission recommending to engage Community Networks to provide a digital auditing system for the Turnpike. At the end of the memo, there was a line for her signature. The Toll Auditor did not want to sign the document as she did not agree to the recommendation. She brought her concerns to the Contracts Supervisor and was told that her signature was required and if she refused it would be viewed as insubordination. The Toll Auditor then signed the document out of fear of losing her job. She remained concerned about the recommendation and brought the matter to the attention of a Commissioner. The Toll Auditor explained her choice in Commissioners as follows:

Well, I didn't go to see the Chairman because I believed there was a very close relationship between our current Chairman at the time, which was Mitchell Rubin and George Hatalowich, who was our Chief Operating Officer; and I wanted to find someone that I believed would be independent of the process and be able to relay that information for consideration, so I chose him.

During the meeting with the Commissioner, the Turnpike's Toll Auditor explained the project, her concerns about Community Networks, and the associated costs. The Commissioner appeared surprised and advised her that he would look closely at the evaluation material. Immediately prior to the Commission's public meeting, the Community Networks recommendation was pulled from the agenda. Then in October of 2007, the Toll Auditor learned that the Commission decided to reject all of the proposals and re-issue the RFP.

As Director of Toll Revenue Audit, she reported directly to Hatalowich. Once she learned that the RFP was to be re-issued, she inquired of Hatalowich why the other RFP had been rejected. Hatalowich did not provide a reason and informed her that she would no longer be the project manager on the re-issuance of the RFP.

After the RFP was pulled from Commission vote, Brimmeier approached the Turnpike's Chief of Staff again. This time, Brimmeier explained that they were going to re-issue the RFP and that she was to sponsor the RFP. On November 1, 2007, the Turnpike issued RFP No. 07-118-3590 and listed the Chief of Staff as the sole point of contact for the project. She explained the second round of responses to the Grand Jury. "Community Networks came back looking essentially the same. You need to keep in mind that TransCore already had the software. They already have their software in every lane that you drive through on the Turnpike." Based on Brimmeier's instruction, she understood what was expected of her. The Chief of Staff testified,

I knew what I was supposed to do. I mean, I just knew. There was no - - I don't know anything about toll revenue audit. That is [the Toll Auditor's] specialty. Why would he put me in charge of this RFP? . . . So [she] came into my office and she is like, do you really understand? I said no, but I'll tell you what I understand . . . I know what I'm supposed to do here. I was extremely upset. She was upset. I'm not sure where it even went from there, but thank you God, no contract was awarded.

While the Turnpike's Toll Auditor was no longer the project manager, she remained part of the evaluation team. Once she received the Chief of Staff's final summary, she compared her evaluation of Community Networks to her own. The Toll Auditor listed ten weaknesses for Community Networks and the final evaluation only contained two. In early 2008, the Toll Auditor learned from the Chief of Staff that the project was not going forward. The Chief of Staff explained to her that "through conversations she had with Joe Brimmeier, who was our Chief Executive Officer, and George Hatalowich, who was the Chief Operating Officer, that the project was going to die. She was instructed to let it die, and I asked why. She said it was her

understanding that [a] Commissioner . . . would not support the moving forward of Community Networks as the successful vendor.”

After the project died, Hatalowich completed a performance evaluation for the Turnpike’s Toll Auditor. Hatalowich ranked her as satisfactory in most areas and needs improvement in the category of initiative. Prior to that evaluation, the Toll Auditor received outstanding, excellent, or more than commendable evaluations. As a result, she was disappointed and discussed the matter directly with Hatalowich. The Toll Auditor testified regarding Hatalowich’s response.

He told me that it was his opinion and the opinion of those above him that I was not a trustworthy person. I asked him, well, why is that and he said it is because if a contractor that I would like to be awarded a contract did not receive it, I would cause trouble at the Commission level. He then went on to say it is also - - it also had to do with my political party affiliation that I don’t - - I am not a team player; and if it is not something that I want to see done, I will cause trouble at the Commission.

Sometime between September and November 2007, she appealed her evaluation to Brimmeier. Brimmeier affirmed the evaluation conducted by Hatalowich as well as his rationale. The Toll Auditor explained to the Grand Jury,

I went in to see Joe Brimmeier and I raised a question about my performance evaluation and explained why my ratings were the way they were and he, once again, told me that I was not a team player and did not appear to be a team player. What do you mean by that? Your management about the DVAS project. Tell me a little more about it. I said I had no idea that you felt so strongly that Community Networks should be awarded the contract and he told me that at the time, the Turnpike was going through what I would say is an internal crisis where we were looking to be leased. We had groups of people promoting to lease the Turnpike and he told me that Community Networks did us a couple of favors and helped us be successful in overcoming being leased; and for that reason, he wanted to throw them a bone.

She refused to sign her evaluation.

The Grand Jury heard testimony from a principal of Community Networks. He was once employed by Wilbur Smith in the field of government relations. He also had a long-standing

relationship with Turnpike CEO Brimmeier largely centered around politics. Both were very active on Gubernatorial Candidate #1's initial campaign for Governor. He described Brimmeier as being in charge of the campaign efforts in the Western part of the state. During the Turnpike's effort to toll Interstate 80, the principal of Community Networks and former employee of WSA was particularly active in discussing the issue with many politicians and advocating in favor of the Turnpike's position. Community Networks' Principal also recalled that he received calls from Hatalowich informing him of various political events. If Hatalowich informed him of an event, he knew it was important that he attend.

Brimmeier found a way to steer work to Community Networks, nevertheless. The Turnpike's Toll Auditor recalled that she was unable to reconcile deposits made from one of the interchanges out West. She requested that cameras be placed at the interchange and Hatalowich instructed her to use Community Networks. This contract was not competitively bid. The Turnpike, instead, relied upon a sole source justification for the agreement. On November 25, 2008, the Commission approved an agreement with Community Networks for "certain proprietary, equipment, wireless connections and professional services to assist in analysis at various interchanges." The agenda item was signed by the Toll Auditor and Brimmeier.

The Grand Jury has reviewed invoices provided by Community Networks. Between October 29, 2008 and February 10, 2009, the Turnpike paid Community Networks \$18,815.00. Additionally, Community Networks has acted as a sub-consultant to approximately eleven companies who were prime contractors with the Turnpike, including McTish, Kunkel & Associates. Between January 1, 2007 and January 1, 2013, Community Networks has been paid \$1,955,000.00 for sub-consultant work associated with the Turnpike.

The Grand Jury finds a *prima facie* case that George Hatalowich and Joseph Brimmeier engaged in attempted bid-rigging and commercial bribery with regard to the two RFPs issued for Digital Video Auditing Systems.

### **TransCore**

TransCore has enjoyed a lengthy relationship with the Turnpike. TransCore was initially a company known as Syntonic. In 1941, TransCore signed its first contract with the Turnpike and has been supporting its tolling systems since that date.

Jeffrey Suzenski is an advocate employed by the law firm of Stevens & Lee, and also owns and operates Commonwealth Consulting Services, LLC. Since 2002, Suzenski has represented TransCore. Suzenski also represents Twin County Construction Company, Inc. Twin County Construction serves as a sub-contractor to TransCore and is responsible for all of the construction and maintenance associated with TransCore's toll services. Suzenski explained the services he provides to TransCore and Twin County as follows, "They have a long existing contract with the turnpike and I act as a liaison or troubleshooter between TransCore in this case and Twin County and the Turnpike." A current Senior Vice President of TransCore explained to the Grand Jury that he was not involved in Suzenski's selection and that it is difficult to document or substantiate either work product or benefit to TransCore for Suzenski's services.

Suzenski explained to the Grand Jury that his services are needed, in part, because of the political nature of the Turnpike. When the political party shifted within the Turnpike often new bosses and new employees were assigned to work with TransCore. During the transition, Suzenski acted as a troubleshooter to effectively correct any problems that arose. Once Brimmeier and Hatalowich took over at the Turnpike, Suzenski developed a personal friendship with Hatalowich and maintained regular contact with Commissioners Rubin, Lincoln, and others.

Lepore knew Suzenski and was also aware of the relationships Suzenski developed with Turnpike officials. Lepore described Suzenski as follows,

He was one of [Senator #6]’s boys. When I talked about [Senator #6] having a lot of people around him, hanger-oners, Jeff was one of the bigger ones. He went out and about. Then next thing I know, he shows up at a lot of these turnpike things that we’re having. I didn’t realize it at first how tied in Jeff was, but any time we would have an event or a fundraiser that the turnpike was at or sponsoring, Jeff would be there. Then sometimes Jeff came in with Mitchell to talk to us or I’d see him and he would talk about the turnpike a lot.

The Chairman of Twin County Construction also confirmed that Suzenski assisted with Harrisburg politics and was specifically helpful when it came to Senator #6.

Suzenski’s relationship with Commissioners and Turnpike officials alike was supported in large part by the extravagant gifts, trips, golf outings and other amenities Suzenski doled out at the expense of TransCore and Twin County. The Grand Jury provides the following table to summarize many of those instances. Where possible, the Grand Jury endeavored to determine those employees of the Turnpike in attendance and the dollar figures associated with the occurrence. This task was not always possible due to the record-keeping of TransCore, Stevens & Lee, Commonwealth Consulting Services, LLC, and Suzenski.

<b>Date</b>	<b>Gift/Expense</b>	<b>Description</b>	<b>Amount (\$)</b>
Fall 2003	IBTTA Paris, France	Brimmeier, Rubin, and others attended for the Turnpike.	4,102.45 reimbursed by TransCore for meals. Roughly 273.50 person. 1,672.27 reimbursed by Twin County.
2/2004	Trip to Florida	Rubin, Hatalowich, and others attended dinner.	4,058.17 reimbursed by TransCore. 3,446.90 for catered dinner.
Fall 2004	IBTTA Philadelphia	Brimmeier, Hatalowich, Rubin, and others attended for	169.92 per person

<b>Date</b>	<b>Gift/Expense</b>	<b>Description</b>	<b>Amount (\$)</b>
		the Turnpike. Dinner and golf included.	
9/10/05	Stonewall overnight stay	Suzenski provided overnight stay, golf, merchandise in proshop to Hatalowich.	\$661.64 per person Reimbursed by both TransCore and Twin County
10/27/05	Stonewall golf outing	Hatalowich and two others	\$151.91 per person
9/2006	IBTTA Dallas, Texas	Brimmeier, Hatalowich, and others attended for the Turnpike. Suzenski billed TransCore and Twin County for dinners, golf, spa services, golf apparel, football tickets, and other amenities.	\$284.13 per person for golf \$5,155.24 for four meals reimbursed by TransCore. Roughly 343.68 per person. \$2,208.59 billed to Twin County for golf, football tickets, spa services, and other items
4/5/2007	Florida trip	Suzenski took Rubin and his wife to Florida.	\$253.68 per person
10/2007	IBTTA Vienna, Austria	Brimmeier, Hatalowich, and others attended and were treated to several meals, and portions of a side trip to Budapest.	\$5,536.33 reimbursed by TransCore. Roughly \$369.08 per person. \$1,934.58 reimbursed by Twin County.
Fall 2008	IBTTA Baltimore, Maryland	Dinner cruise, meals, and golf for Hatalowich, and others.	\$6117.20 reimbursed by TransCore. Roughly \$407.81 per person. 255.31 per person for golf.
2/14/2009	Overnight trip to Florida	Golf, fishing, meals, and transportation for Hatalowich,	\$187.65 per person for

<b>Date</b>	<b>Gift/Expense</b>	<b>Description</b>	<b>Amount (\$)</b>
		Rubin, and others.	fishing \$28.95 per person for golf
3/16/2009	Dinner	Hatalowich and others	\$89.29 per person
4/6/2009	Lunch or dinner	Hatalowich	\$17.88 per person
5/4/2009	Lunch or dinner	Hatalowich	\$74.81 per person
9/21/2010	Dinner	Hatalowich and others	\$77.00 per person
6/17/2011	Meal	Commissioner and others	\$16.68 per person

In addition to those expenses described above, the Grand Jury received and reviewed expense records provided by TransCore. These records essentially fell into two categories: first, those expenses reimbursed by TransCore to TransCore employees for meals with Turnpike employees, and second, those expenses, monthly invoices, and bonuses paid by TransCore to Suzenski.

For the time period of 2003 to 2011, the Grand Jury provides the following table to summarize the individual meals and expenses associated with TransCore employees and Turnpike staff.

<b>Year</b>	<b>Total Dollar Amount</b>	<b>Number of Meals/Expenses</b>
2003	\$1,329.39	29
2004	\$6,654.54	76
2005	\$7,053.36	88
2006	\$6,720.16	122
2007	\$10,349.85	165
2008	\$13,833.90	180
2009	\$10,961.86	173
2010	\$5,409.72	125
2011	\$795.06	9
<b>Total</b>	<b>\$63,107.84</b>	<b>967</b>

A Senior Vice President with TransCore explained that they rely on the customer to advise them if they are permitted to accept meals, gifts, or entertainment.

Suzenski and Commonwealth Consulting Services, LLC were paid monthly by TransCore and in addition received reimbursement for expenses and bonuses. The table below summarizes those payments for the years 2003 through July 2012.

<b>Year</b>	<b>Consulting Fees</b>	<b>Expenses</b>
2003	\$101,000.00	\$10,105.35
2004	\$180,000.00	\$13,457.34
2005	\$184,000.00	\$8,402.94
2006	\$327,000.00	\$12,208.60
2007	\$292,000.00	\$21,808.21
2008	\$308,000.00	\$12,682.33
2009	\$252,000.00	\$9,790.30
2010	\$292,000.00	\$2,692.40
2011 (7 months)	\$192,000.00	\$823.53
<b>Total</b>	<b>\$2,420,000.00</b>	<b>\$93,236.99</b>

To further complicate matters, Suzenski owns 40% of Twin County Construction Company, LLC. Based upon records received from the Florida Department of State and reviewed by the Grand Jury, on December 8, 2009 Suzenski's interest was registered accordingly. In annual reports filed with the Florida Department of State, Suzenski maintains a 1/3 interest in the company. The public records available from the Pennsylvania Department of State do not reflect Suzenski's affiliation with Twin County Construction. This ownership interest was neither disclosed to TransCore nor the Grand Jury by Suzenski. The Chairman of Twin County Construction testified that Suzenski's interest was kept quiet because of their relationship with TransCore and so as not to upset current employees of the company. Between 2009 to present, Suzenski has made in excess of \$3 million from his share of Twin County Construction.

The Grand Jury finds a *prima facie* case that, Hatalowich engaged in a conflict of interest for the acceptance of trips, meals, and entertainment from Suzenski on behalf of TransCore. The Grand Jury further finds a *prima facie* case that Jeff Suzenski engaged in a conflict of interest with regard to entertainment, travel, gifts, and meals provided to key Turnpike officials to influence decisions relating to the ongoing contractual relationship between the Turnpike and TransCore and Twin County Construction.

### **B. Professional Services**

The Turnpike contracts with a wide variety of firms and individuals for professional services, some of which fall outside of the traditional competitive bidding process. This includes the retention of legal counsel, financial advisors, bond underwriters, bond counsel, and other categories of professional services. The practice at the Turnpike was often referred to before the Grand Jury as “pinstripe patronage.”

The Turnpike’s former Director of Safety and Risk Management worked directly with several law firms with expertise in workers’ compensation law. When he initially took over the department, there were a number of firms he had access to and they provided good services to the Commission. Once Brimmeier took office as Chief Executive Officer, the Director was instructed by then Chairman Rubin and Brimmeier to consult with them directly and they would tell him which law firm to use. Rubin would then select the firms out East and Brimmeier would select the firms out West to provide legal services to the Turnpike. Commissioner Lincoln confirmed before the Grand Jury that Rubin, Hatalowich, and Brimmeier made decisions concerning professional services in advance of the meetings. Commissioner Lincoln further testified that specific requests from the Senate concerning these services went directly to Rubin or Brimmeier.

## PNC

The Grand Jury reviewed a list of bond underwriters who were engaged by the Turnpike between 2003 and 2010. PNC Bank did not have work with the Turnpike until 2005. Senator Mellow and Tony Lepore intervened directly on their behalf to secure bond work for PNC. As Lepore reviewed the list of bond underwriters provided to the Grand Jury by the Turnpike, he explained how PNC obtained work at the Turnpike.

Then in 2005, you start seeing PNC Capital Markets, Inc. PNC Bank, I think as most people know is headquartered in Pittsburgh, very large bank. In fact, it's the biggest bank in Pennsylvania. They had gone to Bob Mellow about this time and said, hey, Bob Mellow, we've never got any work from the turnpike ever. We're the largest bank in Pennsylvania.

Bob Mellow was exceptionally tight with one of the PNC regional presidents. . . . go to the turnpike and get PNC some work. He used a little different language. Sure enough, you start seeing in 2005, PNC Bank for the first time pops up on this and then reoccurring. It starts getting bigger and bigger bumps from the turnpike. . . .

Lepore spoke directly with Rubin about the Turnpike giving bond work to PNC. The Regional Vice President recalled introducing an employee of the Capital Markets division of PNC to Mellow. The first meeting occurred on November 30, 2005 and there were subsequent meetings on March 20, 2009 and February 20, 2010. The Regional Vice President assisted in setting up the meetings. The Regional Vice President also recalled that PNC Capital Markets was at one point attempting to reach Lepore. He assisted in getting the phone calls returned.

A former representative of PNC Capital Markets testified before the Grand Jury and explained that the current and former Chief Financial Officers of the Turnpike recommended that he reach out to Turnpike Commissioner's and legislators to obtain work with the Turnpike. PNC's Capital Markets employee met directly with four Senator's, or their staff, to include then Senator Mellow. During these meeting, the PNC representative pitched their services and identified Turnpike work that PNC would be interested in. The PNC representative also recalled

contacting Lepore directly. When explaining that process, the PNC representative testified that it was common knowledge that Senate Caucus staff had influence over the Commissioners and decisions made at the Turnpike. He also recalled that Lepore knew when decisions would be made.

The Turnpike provided the Grand Jury with the following analysis of underwriter fees paid to PNC.

<b>Closing Date</b>	<b>Issue</b>	<b>Amount (\$)</b>
6/22/2006	ML 2006	\$444,812.50
10/15/2007	ML 2007	\$70,469.69
5/23/2008	ML 2008A	\$455,078.62
7/25/2008	ML 2008B	\$339,410.22
10/21/2008	MLS 2008C14	\$47,308.44
1/22/2009	MLS 2009A	\$75,395.11
7/22/2009	MLS 2009BC	\$408,671.21
11/23/2009	ML 2009C	\$97,646.36
12/9/2009	ML 2009B	\$151,860.00
7/28/2010	MLS 10B MLF 10A	\$173,914.33
4/27/2011	MLS MLF 11A	\$61,320.00
4/24/2012	MLS MLF 2012A	\$38,422.13
7/31/2012	ML 2012A	\$76,960.05
11/30/2012	ML 2012B	\$39,408.75
<b>TOTAL</b>		<b>\$2,480,677.41</b>

The Regional Vice President for PNC testified that sometime in 2003 he developed a personal friendship with Senator Mellow. During their friendship, the PNC Vice President confirmed that he took Senator Mellow to Yankees games in a limo and often bought food at the game. All of those expenses were submitted to and reimbursed by PNC Bank. Lepore also testified regarding their personal friendship.

They were basically best friends. Again, they have a very fast friendship. . . . Then [the Regional Vice President] got to know Bob Mellow. Bob Mellow was the biggest Yankee fan you ever met in your entire life. He lived and breathed it.

[PNC] bought like a partial season pass to the Yankees, fifth row behind the dugout. I know this because I went up once, in full disclosure. He would take Mellow ten times a year, maybe more. He would put him in a limo, take some of Mellow's boys with him. They would go up to a game, eat and drink at the game. . . . He was a huge supporter of his and was rewarded in a big way.

The Grand Jury reviewed expense reports and forms generated by PNC's Corporate Ethics Office. The Grand Jury also received expense reports for the PNC's Capital Markets representative, who also recalled attending a Yankee game and other events with Senator Mellow. The table below illustrates the event, attendees, and cost expensed to PNC.

<b>Date</b>	<b>Description of Event</b>	<b>Attendees</b>	<b>Amount Per Person</b>
4/11/2006	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$90.00 Food \$33.18 Clothing \$46.25 Limousine \$148.75 TOTAL \$318.18
8/19/2006	Boston Red Sox game	Regional Vice President, Mellow, and others	Ticket \$50.00 Food \$22.96 Limousine \$211.25 TOTAL \$284.21
4/2/2007	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$125.00 Food \$8.31 Souvenirs \$55.07 Limousine \$154.75 TOTAL \$343.13
4/27/2007	NY Yankee game	Regional Vice President, Representative from PNC Capital Markets, Lepore, and Mellow	Ticket \$125.00 Food \$56.54 Limousine \$156.50 TOTAL \$338.04
10/10/2007	Limousine to NYC for dinner honoring Casino Owner/Scranton Area Businessman	Regional Vice President, Mellow, and others	\$153.25
12/7/2007	Sparks Steak House Event	Regional Vice President, Representative from PNC Capital Markets, Lepore, Mellow, and others	Reception Unknown Dinner \$202.74
3/31/2008	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$250.00 Food \$39.01 Limousine \$155.25 TOTAL \$444.26
9/14/2008	NY Yankee game	Regional Vice President,	Ticket \$250.00

<b>Date</b>	<b>Description of Event</b>	<b>Attendees</b>	<b>Amount Per Person</b>
		Mellow, and others	Food \$20.00 Limousine \$153.75 TOTAL \$423.75
11/14/2008	Thanksgiving Holiday Order	Mellow and others	\$39.00
4/16/2009	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$90.00 Food \$28.13 TOTAL \$118.13
4/27/2009	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$110.00 Limousine \$152.50 TOTAL \$262.50
5/27/2009	Dinner at Mariano's Cucina	Regional Vice President, Mellow, and others	\$22.45
7/22/2009	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$110.00 Limousine \$153.75 TOTAL \$263.75
4/13/2010	NY Yankee game	Regional Vice President, Mellow, and others	Ticket \$110.00 Food \$25.15 Limousine \$153.75 TOTAL \$288.90

In addition to those events outlined in the table above, PNC also provided Mellow with tickets to a Rod Stewart concert, Dancing with the Stars at Wachovia Arena, and a Bryan Adams concert. Further, PNC Capital Markets also elected to honor Senator Mellow at an event held at Sparks Steak House in New York. Both Lepore and PNC representatives recalled the event and that its purpose was to generate support for Mellow's contemplated run for Governor. Lepore, other members of Senator Mellow's staff, and PNC officials generated the guest list. The event included an opening reception followed by a dinner attended by a select few. Chairman Rubin and Senator #6 were in attendance, along with Lepore and representatives of PNC Bank. The Grand Jury reviewed the relevant expense reports and guest list. The total cost to PNC Capital Markets for the event was \$7,082.34. The Grand Jury reviewed campaign finance reports filed on behalf of Robert Mellow and learned that he failed to report the contribution made by PNC Capital Markets.

The Grand Jury also reviewed the Statement of Financial Interests filed on behalf of then Senator Robert Mellow for the years 2006 through 2010. In all years except 2009, Senator Mellow indicated that he did not receive any gifts. In 2009, Mellow reported two gifts. One pertained to PNC and was listed as “Scranton/Wilkes-Barre Yankees” at PNC field. The Regional Vice President testified that the cost for that event was approximately \$25.00 per person, well under the reporting requirements of the Ethics Act.

The Grand Jury finds a *prima facie* case that Senator Robert Mellow committed a conflict of interest with respect to the receipt of entertainment at the expense of PNC Bank. The Grand Jury also finds a *prima facie* case that Senator Mellow violated the Election Code in his failure to report the significant in kind contribution provided by PNC Capital Markets. The Grand Jury further finds a *prima facie* case that Senator Mellow participated in the larger pattern of bid-rigging, improper influence, and commercial bribery in his efforts to steer Turnpike bond work to PNC Capital Markets.

#### **City Line Abstract Company**

City Line Abstract Company specializes in title services and is located in Bala Cynwyd, Pennsylvania. In 2006, the Turnpike began giving a significant amount of title work to City Line Abstract Company. A search of the meeting minutes of the regular meetings of the Turnpike Commission revealed that between September 5, 2006 and January 6, 2009, the Turnpike awarded City Line Abstract Company the title work on approximately 35 parcels.

A former Deputy Chief Counsel with the Turnpike recalled the selection of City Line Abstract Company. Commonwealth Title and City Line Abstract Company provided estimates to the Turnpike. The Turnpike historically used Commonwealth Title, among others, and Commonwealth Title provided the lower estimate. The Turnpike’s Deputy Chief Counsel was

instructed by his Chief Counsel to use City Line for all title work. Traditionally, the Turnpike used different companies for the Western and Eastern part of the state for geographic reasons. The Turnpike's Chief Counsel also engaged directly in negotiations with City Line, which was unusual.

The owner of City Line Abstract Company testified that he has been friends with Rubin for many years. Rubin approached the Owner and asked if he would benefit from work with the Turnpike. The Owner indicated he was interested in work and Rubin made the necessary introductions. The Owner recalled that until recently, there was no competitive bid for the work. The Owner testified that their current fees are \$450.00 per title search and an additional \$500.00 once the property was obtained by the Turnpike.

The Grand Jury reviewed the Statements of Financial Interest Turnpike Commissioner Mitchell Rubin filed with the State Ethics Commission between 2006 and 2008. Commissioner Mitchell Rubin claimed City Line Abstract Company as a direct or indirect source of income. At times, Commissioner Rubin reported that he served as a consultant and others that he received commissions. Notably, Rubin was present at all of the Turnpike Commission meetings reviewed by the Grand Jury and failed to disclose his interest in the company in all but the last two meetings during which work was awarded to City Line Abstract Company. Rubin served as Chairman of the Commission during this time period. During the meeting held on January 6, 2009, just three months before the Governor removed him from the Commission, Rubin stated, "I abstain on this vote because I am a consultant with the firm listed in this item."

The Grand Jury reviewed financial records provided by City Line Abstract Company. In 2006, City Line Abstract Company paid Mitchell Rubin \$78,927.58. In 2007, City Line Abstract Company paid Mitchell Rubin \$76,208.41. Lastly, in 2008, City Line Abstract Company paid

Mitchell Rubin \$65,098.95. The Owner testified that Rubin's commissions or consulting fees were the result of work Rubin steered to City Line Abstract Company with the Philadelphia Sherriff's Office. The Grand Jury also reviewed invoice records available on the Turnpike's website and account ledger information provided by City Line Abstract Company. Between August 2006 and December 2012, City Line Abstract made approximately \$107,000.00 from their relationship with the Turnpike.

The Grand Jury finds a *prima facie* case that Mitchell Rubin engaged in a conflict of interest with regard to his financial stake in City Line Abstract Company and his failure to abstain from voting on decisions concerning payment to City Line Abstract Company.

### **CONCLUSION**

This Grand Jury investigation has uncovered the Pennsylvania Turnpike Commission to have been corrupted by improper political influence from its very own officials, as well as from powerful political officials in state government. In short, secret gifts of cash, travel, and entertainment, and the payment of substantial political contributions to designated public officials and political organizations, by private vendors and their consultants who have sought and been rewarded with multi-million dollar Turnpike contracts, have tainted and thoroughly corrupted the system. As a result, the public has lost untold millions of dollars and continues to do so to the current day.

One witness explained the cause for this:

The Turnpike is what it is because the General Assembly wants it to be that way. I can't be any more blunt about it. Over the years, despite all of these disclosures, despite all of these audits and newspaper articles, despite all of the desires to make it better. It continues. It persists. I think you have gotten a little bit of an understanding why because the other analogy I use is the Turnpike is the Mesopotamia River. All of the animals come and drink there. If you were an engineering firm or a law firm or a consulting firm or whatever, you go to the Turnpike because that is where the money is. .

. . [F]ollow the money and you will find, you know, humans behave the way they do in search of the pay.

In the most strident and clearest of terms, the Grand Jury finds a *prima facie* case that those elected officials, Turnpike commissioners, Turnpike officials, and Turnpike vendors and consultants identified in this Presentment, both individually and in concert with one another, engaged and attempted to engage in systemic illegal bid-rigging, commercial bribery, conflict of interest crimes, theft by unlawful taking, theft by deception, criminal conspiracy and corrupt organization crimes. These serious criminal acts, carefully carried out and orchestrated by those in power, resulted in the manipulation, misdirection, and theft of millions of dollars of public monies meant to support, repair and maintain an important and major roadway system in the Commonwealth of Pennsylvania. These individuals, employed by and associated with the Pennsylvania Turnpike Commission, and wielding extraordinary power, used the Turnpike for their own illegal purposes as an enterprise through which they engaged in commerce and, in the conduct of Turnpike affairs, a pattern of racketeering activity. That organization and scheme were used systematically to commit the pervasive and corrupt criminal acts listed below in the Recommendation of Charges.