



## U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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### **STATE SENATOR VINCENT FUMO INDICTED ALONG WITH THREE AIDES**

PHILADELPHIA – Pat Meehan, United States Attorney for the Eastern District of Pennsylvania, today announced the indictment<sup>1</sup> of Pennsylvania State Senator Vincent J. Fumo and three of his aides on numerous charges of fraud, tax offenses, and obstruction of justice. Joining Meehan in today’s announcement were J.P. Weis, FBI Special Agent-in-Charge, and Leslie DeMarco, Assistant Special Agent-in-Charge of the IRS Criminal Investigation Division.

The indictment, which supersedes an indictment of two Fumo aides returned on June 27, 2006, alleges the following four sets of crimes:

1. Senator Fumo defrauded the Senate of the Commonwealth of Pennsylvania by repeatedly and pervasively using Senate employees and contractors to serve his personal and political needs. The indictment alleges that this scheme caused a loss to the Senate substantially in excess of \$1 million.

2. Senator Fumo defrauded a nonprofit, tax-exempt organization, Citizens Alliance for Better Neighborhoods, which he and his aides established to improve neighborhoods in the City and County of Philadelphia. The indictment charges that Fumo, along with defendant Ruth Arnao, the executive director of Citizens Alliance from 1999 to 2005, persistently used funds and employees of Citizens Alliance for their personal and political benefit. The indictment alleges that this fraud on Citizens Alliance caused a loss substantially in excess of \$1 million.

3. Senator Fumo defrauded the Independence Seaport Museum, on whose board of directors he sat, by using yachts and other property of the museum solely for his personal benefit. The indictment alleges that this fraud caused a loss to the museum of more than \$100,000.

4. Senator Fumo, aided by Arnao and two Senate computer aides, Leonard P. Luchko and Mark C. Eister, engaged in extensive obstruction of justice, by endeavoring to destroy e-mails and

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<sup>1</sup> The indictment represents an allegation, and the defendants are presumed innocent until proven guilty. All of the facts summarized in this press release are accusations only.

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other electronic evidence on Senate and Citizens Alliance computers once they learned of this federal investigation.

"In addition to using senate employees for personal benefit, Senator Fumo is charged with abusing his authority to hire senate contractors," said Meehan. "For example, he allegedly hired with senate funds a private investigator, a former police officer, to follow his ex-wife and girlfriends on dates, and to dig up dirt on political rivals."

The allegations of the indictment may be summarized as follows.

### **Fraud on the Senate**

It is alleged that Fumo repeatedly and continuously used Senate employees on his staff, and other contractors paid by the Senate, to further his political and personal goals. In managing the considerable Senate staff and resources at his disposal, he allegedly observed no distinction between public and private tasks. In short, the indictment alleges that he demanded that his employees serve him in any manner he desired, even during nights and weekends, to further his political goals and attend to his personal wants.

The indictment asserts that Fumo expressed a philosophy that it is best to spend "other people's money," which he referred to by the acronym "OPM." The indictment states that Fumo followed this philosophy in his dealings with the Senate and the other fraud victims described in the indictment.

The indictment states that Fumo's Philadelphia staffers acted as both his legislative and campaign staff. One employee, whose salary steadily increased from \$30,000 per year in 2001 to \$46,481 in 2006, was given virtually no Senate duties at all; instead, she allegedly organized Fumo's fundraisers, handled his political mailings, and paid Fumo's personal bills. She also handled the campaign account of a Philadelphia City Councilman aligned with Fumo during regular Senate business hours. Other staffers as well allegedly performed numerous tasks on behalf of Fumo's campaigns, and the campaigns of other candidates he favored, and were compensated only by the Senate.

The indictment alleges that Fumo similarly used his Senate staff for all of his personal needs. At times relevant to this case he owned four homes -- a 33-room mansion in the Spring Garden area of Philadelphia, which he was continually refurbishing; a shore home in Margate, New Jersey; a 100-acre farm in Halifax, Pennsylvania, near Harrisburg; and a multi-million dollar oceanfront home in Jupiter Island, Florida. He also owned condominiums in Ventnor, New Jersey, and connected docks, at which he kept boats that he owned. The indictment charges that Fumo continually used Senate employees to permit him to live this lifestyle.

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The indictment alleges that one \$31,000 a year Senate aide was used as Fumo's housekeeper at his Philadelphia home, once a week during a two-year period or longer. Another Senate assistant spent much of the first 18 months of his tenure as the "project manager" for the refurbishment of Fumo's 33-room mansion. Fumo had three drivers on his payroll (two in Philadelphia and one in Harrisburg), and when they were not driving Fumo to all of his Senate, political, and personal events and appointments, they ran personal errands for him. When Fumo took an annual vacation in Martha's Vineyard, Massachusetts, Senate aides allegedly drove two vehicles there (including vehicles owned by Citizens Alliance) from the Philadelphia area, loaded with the luggage of Fumo and his guests, while the Fumo party traveled on a private plane. Fumo and his friends then used the vehicles during their vacation. At the end of the vacation, Senate staffers returned to drive the vehicles home.

Further, according to the indictment, Senate secretaries and aides handled all of his personal finances. His principal secretary in Philadelphia acted as the organizer of the execution of the myriad personal tasks Fumo demanded. For instance, when Fumo needed service at any of his homes (such as waiting for and escorting contractors and repairpersons), she arranged for a Senate aide to provide the service.

When Fumo acquired a Harrisburg-area farm in 2003, he allegedly delegated several Harrisburg employees to undertake the numerous tasks involved in establishing the farm as a residential and commercial enterprise.

The indictment states that, to reward particularly loyal employees who performed personal and political tasks at his behest, Fumo classified them in Senate job classifications which they did not fulfill, and which paid substantially more money than warranted by their actual roles.

It is also alleged that Fumo gave Senate equipment, including laptop computers, to non-Senate employees, including a girlfriend, family members, his personal valet, and Senate contractors, and then delegated his computer aides to assist those people as well as perform their Senate duties. The computer aides also regularly assisted Fumo in installing and servicing personal electronics items in all of his homes.

In summing up this aspect of the case, the indictment quotes an e-mail authored by defendant Leonard Luchko, a computer technician assigned to Fumo's Senate office on Tasker Street in Philadelphia. On August 24, 2003, Luchko sent an e-mail to his nominal Senate supervisor, complaining that staffers in Harrisburg were aware of a new DSL line given only to the Tasker office. The e-mail stated in part:

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It saddens me that some of our people don't think of [Person No. 1] and me as members of the [Senate Democratic Computer Services] team. I am sure at times it must seem to them that we are premadonnas down here because we seem to get everything we want and don't have to deal with any of the red tape that goes along with requests for hardware and software. I just wish they could see all of the bull---- [Person No. 1] and I have to go through every single day then they would understand why we get the so called special treatment. This of course is not possible because what happens at Tasker Street stays at Tasker Street!

Yes I would like to see their reaction when they are told to support the Senator his family, girlfriends and business associates along with the staff their friends and their kids 24 hours a day.

I would like to see their reaction when they are told to drive cars back from Martha's Vineyard on a Sunday.

I would like to see their reaction if they had to go to Florida for a week and stay in the middle of nowhere and work 12 hours a day.

I would like to see their reaction when they are told to drive people to get their hair done.

I would like to see their reaction when they are told to take out the trash or unload a tracker trailer.

I would like to see their reaction if they had to wrap 150 VJF bobble head dolls and mail them.

I would like to see their reaction when they go on vacation and have to take a phone, Blackberry and a laptop with them and are required to check email a minimum of 4 times a day.

I would like to see their reaction when they have to inform the Senator that they will not be available between the hours of 7 and 10 on a Saturday night because they want to go to the movies.

Yes I would like to see their reaction when they are told to be available to drive to the shore and wire a yacht for internet access on Labor Day weekend but are not told which day just be available and ready to go.

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And I would REALLY like to see their reaction when they get screamed at for something that they have absolutely no control over like the internet being down. Then maybe just maybe they would understand why we have a DSL line.

PS I love my job and wouldn't trade it for any job in the Senate!

The indictment states that besides systematically exploiting his employees, Fumo abused his authority to use his Senate funds to hire "contractors" for legislative-related tasks. For example, Fumo allegedly gave a state contract, which ultimately reached over \$40,000 a year, to a private investigator. The investigator's duty, supposedly, was to act as an investigator for the Senate Democratic Appropriations Committee, which Fumo chaired, on issues relevant to pending legislation. But while the investigator assisted with a few such tasks, in the main Fumo assigned him personal and political missions, such as conducting surveillance on Fumo's former wife and girlfriends, as well as the new boyfriends whom ex-girlfriends acquired; and endeavoring to dig up derogatory information regarding Fumo's political rivals, including a candidate for governor, a union leader, and Fumo's own election opponents. All of this was compensated with state money, according to the indictment.

Similarly, according to the indictment, Fumo gave a state contract, which reached over \$80,000 a year, to a political consultant who assisted Fumo in numerous political races. And Fumo used state contracts to compensate his close friends, in return for little or no work. One received over \$280,000 for a five-year period to provide alleged transportation expertise, but did virtually nothing other than assist Fumo in managing Fumo's farm. Another was the boyfriend and later husband of Fumo's aide, defendant Ruth Arnao, who was paid \$30,000 per year for five years, in return for little or no work.

### **Fraud on Citizens Alliance**

The indictment charges that Fumo likewise abused his control of a nonprofit charitable organization, Citizens Alliance for Better Neighborhoods, for his personal and political benefit.

Citizens Alliance was started in 1991, under a different name, by Fumo's Philadelphia office. It was financed by state grants which Fumo acquired. The stated purpose was to better the neighborhoods in Philadelphia, particularly in Fumo's district, by providing services which the City was unable or unwilling to provide. Citizens Alliance has indeed undertaken many notable tasks. With a small staff of laborers and a fleet of work vehicles, it has cleaned streets, trimmed trees, cleared snow, and tidied abandoned alleys and lots. In 1997, Fumo obtained an agreement with PECO that ultimately led to the donation by PECO of \$17 million to Citizens Alliance over a seven-year period. Citizens Alliance then sponsored charter schools in Philadelphia; attempted to create an office building for high-technology companies; and did other good works.

Nevertheless, according to the indictment, Fumo and Arnao (the nominal director of Citizens Alliance) persistently and routinely skimmed from Citizens' accounts for their personal and political benefit.

In part, Citizens Alliance allegedly paid for a huge number of power and other tools, costing more than \$75,000, that Fumo (a tool aficionado) placed in his four homes. It allegedly bought 19 Oreck vacuum cleaners and floor machines, for more than \$6,500, which went to Fumo's houses. It allegedly paid for shopping sprees at the Jersey shore, during the summer months, when Fumo and Arnao met at Sam's Club, Home Depot, and Lowe's locations near Atlantic City to stock up on thousands of dollars of goods for their summer residences. The long list of stolen goods includes acquisitions ranging from mosquito magnets costing \$3,929.90, to a meat grinder (used at the farm) for \$449.99.

Citizens Alliance also allegedly supplied Fumo and his Senate office with expensive vehicles (despite the fact that Fumo always had a leased Cadillac properly paid for by the state). According to the indictment, Citizens Alliance bought a new, fully loaded \$38,000 minivan which was given to Fumo to use as his personal vehicle. It bought a fully appointed, \$55,000 SUV, complete with navigation devices and video screens, for use by Fumo's drivers at the Philadelphia Senate office. It bought a \$25,000 Jeep for Arnao's use, and other vehicles for the personal use of Fumo and his associates.

Citizens Alliance also became the owner of the building which housed the Senate office on Tasker Street, and then spent lavishly to furnish and appoint Fumo's office. Although the Senate paid only \$12,000 to 18,000 per year in rent, Citizens Alliance allegedly spent over \$600,000 to refurbish and furnish the office. Further, this office also served as Fumo's campaign office and 39th Ward headquarters, yet for most of the relevant period Fumo's campaign committee allegedly paid no rent at all. Citizens Alliance also allegedly paid for cell phones for many of Fumo's Senate employees in Philadelphia, and for Fumo's adult daughter.

The indictment further charges that, as with his Senate staff, Fumo used Citizens Alliance's employees as his personal servants. It is alleged that the laborers routinely traveled during work hours to the Jersey shore, where they repaired and painted his dock and deck, undertook construction tasks at the Ventnor location, picked up trash, and provided other assistance. They were allegedly dispatched to his Spring Garden home, to pick up trash, clear snow, power-wash his deck, deliver and pick up a vast amount of Christmas decorations, and more. They allegedly traveled to the Harrisburg-area farm, to deliver Citizens Alliance equipment and other personal items obtained by Fumo. For the most part, it is charged, Fumo did not pay for any of this assistance.

Citizens Alliance allegedly purchased equipment which Fumo used at his farm, including a bulldozer, obtained by Citizens Alliance in 2003 at a cost of \$27,000 (plus another \$16,000 for

repairs) because Fumo needed to clear parts of the farm; and provided Fumo with the free use at the farm for extended periods of other equipment Citizens Alliance owned, including a lawn tractor, a dump truck, an ATV, a backhoe, and a Ford F-150 pickup truck.

The indictment states that Fumo used Citizens Alliance money not only to enrich himself, but also to further political goals, in stark violation of the federal limitations on Citizens Alliance's activities as a 501(c)(3) tax-exempt charitable organization. In part, Citizens Alliance allegedly paid over \$250,000 for political polling which Fumo desired to gauge the strength of various candidates. It allegedly paid \$20,000 so that Fumo could surreptitiously sponsor a lawsuit against a Senate rival, Robert Jubelirer. It allegedly paid for expenses of the private investigator Fumo used to assist a 2002 gubernatorial candidate. It allegedly spent approximately \$60,000 to support the efforts of a grassroots group which endeavored to stop the government's construction of dunes at the Jersey shore, which Fumo feared would block his ocean view from his Margate home. And it allegedly paid for other programs outside Philadelphia, such as the construction of a "war dog" memorial in Bucks County, because those endeavors stood to reflect positively on candidates whom Fumo supported in those areas.

To further the fraudulent use of Citizens Alliance, according to the indictment, Fumo and Arnao allegedly filed or caused to be filed false tax returns with the Internal Revenue Service for 2002 which concealed the improper use of the nonprofit's funds.

### **Fraud on the Independence Seaport Museum**

The indictment further alleges that Fumo exploited his position as a member of the board of directors of the Independence Seaport Museum for his personal gain. The museum owned several vessels, including two historic yachts, the *Principia* and the *Enticer*. To raise money, the museum chartered these yachts to paying customers.

Fumo, however, according to the indictment, did not pay. It is alleged that once a year, from 1996 through 2003, the museum provided a yacht for his free use as part of his summer vacation in Martha's Vineyard. Fumo did not disclose to the museum's board of directors that he had no intention of using the yachts to develop contributions for the museum, but rather used the vessels solely for his personal pleasure. Moreover, on one occasion, in 2001, when neither of the ships was available, the ISM chartered another yacht, the *Sweet Distraction*, at a cost of \$13,775, and provided that to Fumo for his summer vacation. According to the indictment, Fumo did not pay this charge until after the investigation began, in April 2004, when Fumo repaid the museum for the cost of this one trip.

### **Obstruction of Justice**

The indictment further alleges that, at Fumo's direction, and with Arnao's support, computer aides Leonard Luchko and Mark Eister, and others, engaged in a systematic effort to destroy e-mail communications and other electronic evidence stored on computer equipment in Fumo's and Citizens Alliance's offices, in order to thwart the federal criminal investigation. Specifically, it is alleged that these efforts involved the following types of activities:

- systematically destroying e-mail communications sent to or received from Fumo and Arnao;
- creating and implementing a formal schedule to run specialized computer programs known as Secure Clean Deep Clean and PGP Free Space Wipe that erased any trace of deleted electronic files on computer hard drives, servers, PC cards, and other electronic storage devices;
- instructing Fumo's employees that under no circumstances, without Fumo's permission, were they permitted to save any e-mail sent to or received from Fumo;
- logging into the e-mail accounts of Fumo's employees to scan their e-mail to determine whether they were, in fact, saving any e-mail relating to Fumo; and
- deleting and wiping other electronic equipment, such as the Blackberry communication devices used by Fumo and Arnao, among other persons.

The indictment alleges that the defendants succeeded in permanently erasing virtually all e-mails predating 2005 which had been stored on all computers used by Citizens Alliance and Arnao; virtually all e-mail predating 2005 in which Fumo was a sender or recipient, which had been held on Fumo's server in Harrisburg, and on the computer equipment used by his staff in Harrisburg and Philadelphia; and virtually all e-mail referencing Citizens Alliance which was held on computer equipment used by Fumo. The indictment states that this conspiracy succeeded in destroying virtually all e-mail evidence regarding Fumo's dealings with PECO and Verizon, thwarting the investigators' ability to determine whether federal crimes were committed in connection with those matters.

This case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division. It has been assigned for prosecution to Assistant United States Attorneys John J. Pease and Robert A. Zauzmer.

**Vincent J. Fumo, 63, of Green Street in Philadelphia**, is charged with 139 counts, that is, two counts of conspiracy to commit mail and wire fraud, in violation of 18 U.S.C. § 371; one count of conspiracy to defraud the United States, in violation of Section 371; one count of



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conspiracy to obstruct justice, in violation of Section 371; 60 counts of mail fraud, in violation of 18 U.S.C. § 1341; 41 counts of wire fraud, in violation of 18 U.S.C. § 1343; 32 counts of obstruction of justice, in violation of 18 U.S.C. §§ 1512(b)(2)(B), 1512(c)(1), and 1519; and two counts of aiding and assisting the filing of a false tax return, in violation of 26 U.S.C. § 7206(2).

**Ruth Arnao, 50, of Rodman Street in Philadelphia**, is charged with 45 counts, that is, one count of conspiracy to commit mail and wire fraud; one count of conspiracy to defraud the United States; one count of conspiracy to obstruct justice; 25 counts of mail fraud; eight counts of wire fraud; seven counts of obstruction of justice; and two counts of filing a false tax return.

**Leonard P. Luchko, 50, of Meadowbrook Lane in Collingdale, Pennsylvania**, is charged with 29 counts, that is, one count of conspiracy to obstruct justice, and 28 counts of obstruction of justice.

**Mark C. Eister, 37, of Clearfield Drive in Camp Hill, Pennsylvania**, is charged with five counts, that is, one count of conspiracy to obstruct justice, and four counts of obstruction of justice.

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