

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**UNITED STATES OF AMERICA** : **CRIMINAL NO.**  
**v.** : **DATE FILED:**  
**S. MICHAEL PALERMO** : **VIOLATION:**  
: **18 U.S.C. § 371 (conspiracy to commit mail fraud**  
: **- 1 count)**

**INFORMATION**

**COUNT ONE**

**THE UNITED STATES ATTORNEY CHARGES THAT:**

**Introduction**

1. At all times relevant to this information:

a. Vincent J. Fumo (charged separately) was a member of the Senate of the Commonwealth of Pennsylvania (“the Senate”). He was elected on or about April 3, 1978, to fill an unexpired term in the First Senatorial District, which included areas of Philadelphia, and then elected to a full term in 1980 and every four years thereafter through the 2004 election. In 1985, he became the chairman of the Senate Democratic Appropriations Committee (“SDAC”), a position which provided him with control of millions of dollars each year which he could dispense at his discretion for legislative purposes. In part, Fumo had the authority to delegate SDAC funds to pay independent contractors for services to the SDAC.

b. As a public official and member of the Senate, Fumo was obligated to avoid the use of Senate funds and resources for his personal benefit, or for the purpose of

assisting his campaigns for public office and the political campaigns of other candidates he supported. Indeed, it was a crime under state law for a member of the Senate to use state funds for personal or political benefit. Specifically, Section 1103(a) of the Public Official and Employee Ethics Act, 65 Pa. C.S.A. § 1103(a), stated: “No public official or public employee shall engage in conduct that constitutes a conflict of interest.” Section 1102 of the Act defined “conflict of interest” as follows:

Use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated. The term does not include an action having a de minimis economic impact or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the public official or public employee, a member of his immediate family or a business with which he or a member of his immediate family is associated.

c. Fumo abused his authority to use Senate funds to hire contractors for legislative-related tasks. Fumo gave numerous contracts, resulting in the collective payment of hundreds of thousands of dollars, to reward personal friends, and to compensate individuals for rendering personal services to Fumo or for assisting him in political races.

d. Defendant S. MICHAEL PALERMO was a friend of Fumo’s for many years, who had worked as an aide to Fumo in the early 1970s when Fumo was a gubernatorially appointed director of a Pennsylvania agency, and then again as Fumo’s chief of staff in Fumo’s legislative district office in Philadelphia from 1978 to 1985. In addition, beginning in the late 1990s, and continuing until in or about 2004, Fumo, when in the Harrisburg area, stayed in the house that PALERMO occupied in that area, and PALERMO provided various personal

assistance to Fumo during that time. PALERMO also was extensively involved, beginning in early 2003, in assisting Fumo in acquiring and developing a farm in the Harrisburg area.

### **The Conspiracy**

2. From in or about July 1999, to on or about July 15, 2004, in the Eastern District of Pennsylvania and elsewhere, defendant

### **S. MICHAEL PALERMO**

conspired and agreed, together with Vincent J. Fumo, and with others known and unknown to the United States Attorney, to commit an offense against the United States, that is, to knowingly devise a scheme to defraud the Senate of the Commonwealth of Pennsylvania, and to obtain money and property of the Senate by means of false and fraudulent pretenses, representations, and promises, and to use the United States mails to further the scheme to defraud, in violation of Title 18, United States Code, Section 1341.

### **Manner and Means**

It was part of the conspiracy that:

3. In order to reward defendant S. MICHAEL PALERMO for his friendship and personal assistance, Vincent J. Fumo arranged for PALERMO to receive a contract from the SDAC, in exchange for which PALERMO did little or no actual Senate work.

4. The contract with S. MICHAEL PALERMO became effective in 1999. It provided that PALERMO's firm, M.P. Consulting, Inc., would provide consulting services to the SDAC regarding the fiscal and operational analysis of intrastate transportation issues. The annual contracts called for payments of \$150 per hour, up to a stated limit. While the limit

increased annually, the hourly rate did not; PALERMO just billed more hours in order to obtain the full contract amounts. The annual payments, beginning on July 1 of each year, were:

1999	\$50,000
2000	\$60,000
2001	\$66,000
2002	\$66,000
2003	\$45,000

5. Beginning in or about July 1999, defendant S. MICHAEL PALERMO submitted an invoice each month to the SDAC which fraudulently represented that he was entitled to full payment under the contract in exchange for legitimate services provided to the SDAC. Through August 2002, PALERMO's monthly invoices simply stated "services rendered" and provided a total number of hours. Beginning in September 2002, PALERMO provided an itemization of where he allegedly worked, simply stating a location (either a Senate office or the supposed office of M.P. Consulting) and a total number of hours. PALERMO never provided any specification of what he purportedly did, and in fact, he provided little or no services to the Senate at all. In particular, there is no written record of any work he ever did under the contract. PALERMO received all funds provided for in the contracts, to reward him for his friendship with and personal services to Fumo.

6. The state contract was not renewed after June 30, 2004, after Fumo became aware of a federal criminal investigation into his conduct.

7. On or about June 28, 2004, Palermo submitted the last monthly invoice, for the month of June 2004, claiming that during the month he worked a total of 15 hours in the Senate office in Philadelphia, and 10 hours in the "MP Consulting Office" in Harrisburg, at \$150 per hour, for a total of \$3,750. A check in this amount from the Commonwealth of Pennsylvania,

written on its account at Wachovia Bank in Philadelphia, was mailed on July 15, 2004, to “M.P. Consulting, P.O. Box 292, Hummelstown, PA 17036.”

**Overt Acts**

In furtherance of the conspiracy, defendant S. MICHAEL PALERMO, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

8. On or about August 25, 1999, Vincent J. Fumo caused the Senate Democratic Appropriations Committee to enter into Service Purchase Contract No. 209692 with S. MICHAEL PALERMO, with a total contract award of \$50,000 for the period from July 1, 1999, through June 30, 2000.

9. On or about June 22, 2000, Vincent J. Fumo caused the Senate Democratic Appropriations Committee to enter into Service Purchase Contract No. 209822 with M.P. Consulting, with a total contract award of \$60,000 for the period from July 1, 2000, through June 30, 2001.

10. On or about July 31, 2001, Vincent J. Fumo caused the Senate Democratic Appropriations Committee to enter into Service Purchase Contract No. 209972 with M.P. Consulting, with a total contract award of \$66,000 for the period from July 1, 2001, through June 30, 2002.

11. On or about June 3, 2002, Vincent J. Fumo caused the Senate Democratic Appropriations Committee to enter into Service Purchase Contract No. 220630 with MP Consulting, with a total contract award of \$66,000 for the period from July 1, 2002, through June 30, 2003.

12. On or about February 23, 2003, Vincent J. Fumo sent an e-mail to an aide informing her that S. MICHAEL PALERMO “is still the only one authorized to handle any and all issues regarding [Fumo’s farm] property,” and will address issues relating to the eviction of the previous tenant of the property.

13. On or about June 27, 2003, Vincent J. Fumo caused the Senate Democratic Appropriations Committee to enter into Service Purchase Contract No. 220745 with MP Consulting, with a total contract award of \$45,000 for the period from July 1, 2003, through June 30, 2004.

14. On or about June 28, 2004, S. MICHAEL PALERMO caused to be sent by United States mail to the office of Senator Vincent J. Fumo in the State Capitol in Harrisburg, Pennsylvania, an invoice of M.P. Consulting for the month of June 2004, claiming that during the month PALERMO worked a total of 15 hours in the Senate office in Philadelphia, and 10 hours in the “MP Consulting Office” in Harrisburg, at \$150 per hour, for a total billed to the SDAC of \$3,750.

15. On or about July 15, 2004, an aide to Fumo caused to be sent by United States mail, from Fumo’s office in the State Capitol in Harrisburg, Pennsylvania, to “M.P. Consulting, P.O. Box 292, Hummelstown, PA 17036,” a check in the amount of \$3,750 from the Commonwealth of Pennsylvania, written on its account at Wachovia Bank in Philadelphia,

payable to M.P. Consulting pursuant to the June 2004 invoice submitted by S. MICHAEL PALERMO.

All in violation of Title 18, United States Code, Section 371.

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**MICHAEL L. LEVY**  
**United States Attorney**