



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

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FOR IMMEDIATE RELEASE

September 23, 2009

**FORMER FUMO ASSOCIATE CHARGED WITH CONSPIRING WITH  
FUMO TO DEFRAUD SENATE OF PENNSYLVANIA**

PHILADELPHIA – United States Attorney Michael L. Levy today announced the filing of an Information<sup>1</sup> against S. Michael Palermo charging that defendant Palermo conspired with former State Senator Vincent Fumo to receive a no-work contract from the Pennsylvania Senate Democratic Appropriations Committee (“SDAC”), under which Palermo received \$287,000 in state funds between 1999 and 2004.

It is alleged that defendant 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, it is alleged that, 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. The indictment alleges that Palermo also was extensively involved, beginning in early 2003, in assisting Fumo in acquiring and developing a farm in the Harrisburg area.

According to the Information, the contract with defendant Palermo became effective in 1999. It allegedly 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, according to the Information, just billed more hours in order to obtain the full contract amounts. The annual payments, beginning on July 1 of each year, are alleged to be as follows:

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<sup>1</sup>An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

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

Beginning in or about July 1999, defendant Palermo allegedly 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, it is alleged that 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 allegedly 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, it is alleged that there is no written record of any work he ever did under the contract. Palermo allegedly received all funds provided for in the contracts, to reward him for his friendship with and personal services to Fumo.

On March 16, 2009, a federal jury found Fumo guilty of 137 counts of fraud, tax offenses, and obstruction of justice, and he was subsequently sentenced to 55 months in prison. In part, the jury found Fumo guilty of fraud in connection with the contract and payments extended to Palermo, based on the same transactions addressed in the Information filed today against Palermo.

#### INFORMATION REGARDING THE DEFENDANT

NAME	ADDRESS	AGE OR YEAR OF BIRTH
S. Michael Palermo	Philadelphia, PA	69

If convicted of the charge of conspiracy to commit mail fraud stated in the Information, the defendant faces a maximum possible sentence of five years imprisonment, 3 years supervised release, a \$250,000 fine, restitution, and a \$100 special assessment.

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The case was investigated by the Federal Bureau of Investigation and is being prosecuted by Assistant United States Attorneys John J. Pease and Robert A. Zauzmer.

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