

INTRODUCTION

We, the members of the Twenty-Sixth Statewide Investigating Grand Jury, have received and reviewed evidence pertaining to an investigation of the misappropriation of funds of the Beaver Initiative for Growth, a non-profit agency, by its founding board member, former State Representative Mike Veon, and others. This investigation was conducted pursuant to Notice of Submission of Investigation Number 25 and, by this Presentment, this Grand Jury hereby makes the following findings of fact and recommendation of charges:

FINDINGS OF FACT

In June, 2007, the Twenty-Sixth Statewide Investigating Grand Jury began receiving testimony regarding The Beaver Initiative for Growth (BIG), a non-profit entity created by former Pennsylvania State Representative Mike Veon.

According to boilerplate language used in its grant applications, BIG is "a 501 (c)(6) private, non-profit corporation founded in 1991 representing a countywide coalition of leaders from the private and public sector who work collectively to forge a united economic effort in Beaver County."

In 1992, Mike Veon convinced Pennsylvania State Senator Gerald LaValle to "co-chair" the organization. Senator LaValle's role was largely titular, however. He testified to the Grand Jury, "We never took a formal vote on any of the things that were going on because we actually didn't have board meetings. . . . I never had an input on who was hired at BIG, never sat in on interview with anybody or met the individual who has done a lot of consulting work for BIG once in my life, never signed any contracts or approved any contracts, which is something a board would do, because I was never asked to do it."

Instead, BIG was tightly controlled by Mike Veon. Jeff Foreman, who served as Veon's legislative chief of staff, told the Grand Jury that Veon viewed BIG as a means of taking legislative grant money and amalgamating it through a single entity so that Veon could exercise control over disbursement of the

money and take credit for the projects and money spent in his district. Over the term of its existence, every dollar received and spent by BIG was from the taxpayers of Pennsylvania. The usefulness or efficiency of a nonprofit corporation is often measured by the percentage of its budget that goes to actual programs or projects. The Grand Jury's review of BIG's finances between 2004 and 2006 indicates that of the \$4,749,872.00 spent by BIG only \$1,085,748.00 went to actual program expenses, or a mere 23%. 77% of BIG expenditures went to salary, administrative costs, and consultants.

In 1999, Mike Veon hired John Gallo to be the Executive Director of BIG. Gallo testified that when he started he had no office, no staff, no equipment and no budget and that Mike Veon said he "had one year to try and make something of it..."

Veon explained to Gallo that BIG would be funded by legislative grants from the Department of Community and Economic Development (DCED).

Gallo Testified:

Well, I learned, as we went along, that previously, the legislators would get the money directly.

Each House caucus would get their money and then divvy it up.

When Governor Ridge got into office, he changed that and didn't want the legislators to just be able to divvy that money up, so he ordered that all money go through DCED, so you would have to apply to DCED, but the money would be earmarked from the legislator, and so essentially, it would be a kind of a pass-through.

At first, Gallo wrote detailed budgets into his grant applications. This level of detail was supposed to be required, under DCED guidelines, for all grant applicants. However, he was subsequently instructed by members of Mike

Veon's legislative staff, specifically Annamarie Perretta-Rosepink and Colleen Kopp, to make the applications more general in nature. Gallo testified, "And they said, 'Oh, we are different. We won't have to do that, because this is legislative earmarks. It doesn't have to go through the process, so ignore what it says on the grant application.'"

Perretta-Rosepink, who worked full time on Veon's legislative staff in his Beaver Falls district office, was named by Veon as "kind of a fiscal director" of BIG, according to Gallo. She received a separate salary for this, in addition to her legislative pay. Gallo testified that Perretta-Rosepink would sign the paychecks but that he would pay BIG's bills, do BIG's finances and sign all the BIG grant applications. "She said I had to put my name," Gallo said of Perretta-Rosepink, "because she worked for Mike . . ."

Gallo testified that significant tension eventually arose between Veon and him about the relationship between BIG and Veon's legislative office.

As we began to kind of get more and more structure to the organization, there became more of a tension, because I kept wanting to pull the organization and keep it separate, and he kept wanting to pull it back and kind of merge it with the legislative office, so there was constantly this kind of pull and push happening, particularly toward the tail end.

Veon had considered making BIG a charitable organization under the Internal Revenue Code. Legal advice was solicited. Gallo cautioned Veon that BIG would have to have a board of directors and that Veon, the conduit for the DCED grants, would have to distance himself from the money. Gallo testified that Veon rejected that because "he kept wanting to have to make sure that he had control over the money and control over me and the direction in which the organization was going."

BIG payments for Mike Veon's legislative office.

One exercise of control by Veon was to insist that BIG and the legislative district offices move to a shared first-floor of an old bank building in Beaver Falls. Moreover, according to Gallo, Veon and Perretta-Rosepink determined that BIG would pay the rent. Then, the legislative office would reimburse BIG for its sub-leased portion. Perretta-Rosepink justified this to Gallo by telling him that the landlord insisted on a five-year lease and legislators were only permitted to enter into a two-year lease because they served two-year terms.

This arrangement frustrated Gallo. He testified that the legislative staff had about 80 percent of the square footage in the building compared to about 20 percent for BIG. Yet, BIG paid over half the rent.

Thereafter, Veon decided to create a satellite legislative office in Midland. Veon told Gallo that BIG would have to pay the rent for the second legislative office. Gallo protested on the basis that BIG would not be staffing the Midland office and would be creating no additional projects there. Gallo, the executive director, testified that he never knew of any BIG business conducted at the Midland office.

Certainly, the Midland office was never staffed by a BIG employee, not during Gallo's tenure as executive director, nor thereafter, when Thomas Woodske replaced him. Woodske told the Grand Jury that, in his judgment, he saw no reason for BIG to rent the Midland office which was used by Mike Veon as a satellite legislative office.

Senator LaValle testified, "My understanding of the Midland office from day one was that was his (Veon's) satellite office for the House. I didn't know that BIG was paying for that office." LaValle added, rhetorically, "Quite frankly, why would we need a BIG office in Midland?"

Gallo refused to write the checks for the rent at the Midland office.

Instead, Perretta-Rosepink signed those checks and others that Gallo questioned.

The State reimbursements to BIG underscore that BIG was paying for Mike Veon's satellite legislative office in Midland. BIG paid \$2,900 in rent per month to Ernie Piscotti for the Beaver Falls office and was reimbursed \$1,500 by the State for Mike Veon's legislative sub-lease. When Veon opened his satellite office in Midland, BIG paid the rent (\$700 per month) to the landlord, Rudy Persutti. BIG never received any additional reimbursement from the office of State Representative Mike Veon for this second office. The Grand Jury finds that approximately \$84,000 in BIG funds was misappropriated for these rents.

BIG payment to Terry Van Horne.

A BIG check for \$5,000 to Terry Van Horne was written and signed by Perretta-Rosepink on February 7, 2003. Gallo knew of no work that Van Horne did for BIG. He questioned Perretta-Rosepink about it. Gallo quoted Perretta-Rosepink as replying, "He worked on Mike's (Veon's) campaign, and he was owed money, and we needed to fund that." Gallo testified that he protested that the check to Van Horne was an improper use of BIG funds.

Testifying under a grant of immunity, Terry Van Horne admitted that he never worked for BIG and was never given any assignments from BIG.

Van Horne was a Pennsylvania State Representative for 20 years until he ran unsuccessfully for a congressional seat in 2000. Once out of office, Van Horne approached Veon in hopes of getting a consultancy with the House Democratic Caucus. A contract never materialized, however. Veon never requested work from Van Horne and never gave him any assignments, according to Van Horne.

Nevertheless, Van Horne began writing invoices to Veon in hopes of being paid for his campaign work. These invoices were not to BIG. Van Horne

estimated that he sent between 30 and 45 such invoices.

Van Horne testified to the Grand Jury that he received the \$5,000 BIG check, signed by Perretta-Rosepink, in the mail. Knowing that Mike Veon was the founder of BIG, Van Horne assumed that the check was in response to his repeated invoices. Van Horne testified that he cashed the check even though he did no work for BIG, had no contract with BIG and had sent them no invoices.

The Grand Jury received an invoice, in response to a subpoena issued to BIG, that purported to be from Van Horne to BIG. The invoice is dated February, 2003, the same month as the \$5,000 check. Van Horne testified that he did not create the invoice to BIG and did not authorize or direct that the invoice be created for him. He declared the invoice a forgery.

The resignation of John Gallo

John Gallo protested the use of BIG money for such non-BIG purposes to Perretta-Rosepink and Veon. According to Gallo, this led to a climactic meeting with Veon. At that meeting, Gallo testified, Veon told him that since Edward Rendell had just taken office as governor there were going to be millions of dollars coming to BIG. Veon told Gallo that he needed for him to "be on board with this." Veon said that he (Veon) was a hub with many legislative and non-profit spokes emanating from him. Veon told Gallo that he needed the BIG staff to start helping the legislative staff and work on political campaigns.

In June of 2003, Gallo quit his position with BIG shortly after the meeting with Veon.

Veon's words to Gallo would prove prophetic. BIG was awarded approximately \$659,000 in grant money during the approximately four years of Gallo's tenure. After Gallo resigned, BIG received approximately \$9,900,400 in grant money between 2003 and 2006.

Veon continued to direct the payment of BIG funds for his personal, legislative and/or political purposes. The Grand Jury found that these Veon-directed expenditures had little or no connection to the stated mission of BIG.

BIG payments to Albert Mangelli.

As previously stated, BIG shared the first floor office space in an old bank building in Beaver Falls. Mike Veon used a separate office in the basement of that building, which formerly served as the drive-thru office. Cynthia Vannoy, the Director of Finance for BIG, testified to the Grand Jury that Veon's basement office was part of his legislative office and not part of the BIG office.

In 2004, Veon used the services of Albert Mangelli to clean his basement office. Mangelli described this office as "a little cubby hole. Eight by ten, something like that." Veon liked to smoke cigars there, Mangelli said. At first, Mangelli testified, Veon paid him by personal check. In June, 2004, however, Mangelli started being paid by BIG checks.

When asked what he did for BIG, Mangelli testified, "I didn't do anything for them. I just done a little bit of work for Mike Veon. . . . I cleaned his office, restroom, took him to the airport once in a while, went back and forth. I only worked for him an hour or two a day, that is all."

Vannoy testified she was unaware Mangelli was cleaning Veon's personal office space. Vannoy, who wrote the checks to Mangelli, variously filled out the memo line on his checks as "office clean up" "subcontracting" or "consulting". Mangelli testified, "I don't know what you mean by consulting."

From June 1, 2004 to January 2, 2007, Mangelli was paid \$150 per month by BIG checks to clean Mike Veon's personal smoke room. In total, BIG, at the direction of Veon, paid Mangelli \$3,300.

BIG bonus checks to Mike Veon's legislative staff.

Mike Veon also used BIG's bank account to reward his legislative staff

who helped during political campaigns.

Chester Orelli testified that he was hired as a legislative assistant in Mike Veon's district office in March, 2004. It was clear in his interviews for the job, Orelli said, that political campaigning was considered a part of his duties. This proved to be true. At the direction of Annamarie Perretta-Rosepink, Orelli would collect political contributions from P.O. boxes for the Committee to Elect Mike Veon. He would then collect information from the donations and deposit the contributions in the Committee's bank account. Perretta-Rosepink also directed him to work on various political campaigns, including Veon's primary and general election campaigns in 2006. Orelli testified, "I did spend a majority of my time campaigning that year (2006)."

Brian O'Malley was hired as a legislative assistant for Mike Veon on December 5, 2005. He began helping Orelli make the daily runs to collect incoming political contributions for Mike Veon. At the direction of Perretta-Rosepink, O'Malley requested leaves of absence to work on Veon's primary and general election campaigns in 2006. O'Malley requested and was granted 20 days, or 160 hours, of compensatory time starting April 17, 2006. He requested and was granted an additional 27 days, or 216 hours, of compensatory time starting October 2, 2006. O'Malley testified that he did not know how much, if any, compensatory time he had earned since he started in December, 2005.

In 2005, Orelli and O'Malley each received a \$2,500 bonus check from the Beaver Valley Community Support Services. Cynthia Vannoy, who wrote the checks at Mike Veon's direction, explained that Beaver Valley Community Support Services was a payroll holding company she created to simplify writing payroll checks for the many non-profits started by Mike Veon, including BIG. Vannoy testified that she asked Veon why Orelli and O'Malley were being paid by BIG and that Veon said it was because Orelli and O'Malley set up chairs for BIG meetings and helped with refreshments.

Chet Orelli and Brian O'Malley both testified that they did not work for BIG. O'Malley testified that when he received the \$2,500 check, he "might have questioned it then" but "I just accepted it." A few weeks later, however, O'Malley began having "thoughts as to where the money came from. Okay, it was a way to avoid it being on the state payroll. Everyone else took it and said this is how they do it, it's legit."

In fact, Dennis Pietrandrea, Genoria Nesmith, John Milkovich, Chris Stets and Janet Nero, also legislative assistants for Mike Veon, all received \$2,500 Beaver Valley Community Support Services payroll checks in 2005 at the direction of Mike Veon although, like Orelli and O'Malley, they did not work for BIG or Mike Veon's other non-profit entities. In his Grand Jury testimony, Pietrandrea specifically conceded that the \$2,500 check was obviously a reward for legislative and political work. Annamarie Perretta-Rosepink also received the \$2,500 Beaver Valley Community Support Services bonus. In total, \$20,000 in BIG funds was paid as bonuses for campaign work.

BIG rental of the South Side Pittsburgh office

Beginning in March, 2005, BIG began renting a portion of the second floor above a cigar store in the South Side of Pittsburgh. The ostensible reason for the rental of a Pittsburgh office for this Beaver County non-profit was to start a regional effort in economic development. At least that is what Mike Veon told Cynthia Vannoy and others.

Thomas Woodske, BIG's executive director at the time, testified that he was not consulted about the rental of the South Side office, nor about the alleged regionalization program for BIG. Instead, he heard about the South Side office from his son, Daniel Woodske, BIG's marketing director, who helped set up the office furniture in the South Side office.

The South Side cigar store building was owned by Marc Adams, a friend of

Mike Veon's. Adams also operated the Bloom Cigar Company in this building and knew Veon as a customer and ardent cigar smoker. Adams testified that he negotiated the lease personally with Mike Veon, who told him he was "looking for a spot downtown." That the space would be rented by or on behalf of BIG was never discussed in the negotiations. Adams did not learn of BIG's role as lessee until the lease was signed.

By the terms of the lease, BIG would pay \$2,500 per month for the first four months and \$1,500 per month thereafter. Big would rent about one-half of the second-floor above the cigar store. The lease included several improvements: the addition of a door and the installation of a shower.

When Vannoy questioned Veon about the need for a shower in a BIG office, according to her testimony, "Mike said that, you know, he would be having meetings up in Pittsburgh and in that office, and there would be times that he would be coming in on an early flight from Harrisburg or a late flight from Harrisburg, and that would allow him to freshen up before his meetings that he would have there."

The South Side BIG office was furnished with two desks, two computers, a telephone system, television, refrigerator and water cooler - all at the expense of BIG. Considerable effort was expended to obtain these furnishings, as evidenced by e-mails exchanges between Mike Veon, Annamarie Perretta-Rosepink and Cynthia Vannoy. These e-mails, which have been obtained by the Grand Jury, show that there was particular concern about the narrow stairway leading to the second floor.

In another e-mail exchange on September 12, 2005, a member of Veon's Harrisburg legislative staff asked Veon and H. William DeWeese's chief of staff, Michael Manzo, "who set up the Comcast cable into the Pittsburgh office?" Veon replied, "All of this is done by BIG staff...it is a BIG office."

In fact, while BIG paid \$19,000 in rent for the South Side office, no BIG

employee ever staffed the office, no BIG meetings were held there and no reference to the alleged regionalization effort or the South Side office was ever broadcast, let alone trumpeted at any BIG quarterly meeting or in a BIG publication. Indeed, there was no signage at the office or other method through which businesses or the public could be aware of the existence of this BIG office.

Senator Gerald LaValle, one of the two board members of BIG, testified, "I never heard about that office being opened. Mike Veon never consulted me, never mentioned that we were going to open an office in Pittsburgh." LaValle testified that he would not have approved had he been consulted because "Beaver Initiative for Growth is an organization that was to be totally committed to Beaver County."

In any event, the South Side office was staffed not by a BIG employee, but by Angela Bertugli, an employee of the House Democratic Caucus of the Pennsylvania Legislature.

Bertugli testified that she was hired by Michael Manzo and that he assigned her to go to the office above Bloom Cigar Company at 54 South 12th Street in Pittsburgh. Manzo was then chief of staff for DeWeese, the minority leader in the State House.

Bertugli testified that she needed a job in Pittsburgh because she was attending a university in Pittsburgh. Manzo told her that she "would be doing a mix of government and campaign work." "Often," she testified, "I didn't have a lot of work to do in general. He (Manzo) would – my initial job was, he would give me research projects, and if he didn't have any work for me, I didn't have any work to do. Or I would have campaign work."

Bertugli was the only person who staffed this office. She described it as an office adjoining a smoking lounge on the second floor of the building. She only ever saw three people come to this office: Manzo; Kevin Sidella (another

DeWeese staffer); and, Mike Veon. She testified that Veon would come and smoke cigars and use the telephone. Bertugli did not have any indication that the South Side office was rented by BIG until she received a Comcast bill for "The Beaver Initiative for Growth" under the office door.

In a September 12, 2005 State House e-mail, received by the Grand Jury, Mike Veon wrote to Perretta-Rosepink, Manzo, Brett Cott, Dan Woodske and Vannoy and announced that "There is a D Caucus employee stationed there for awhile." He encouraged Cott and Manzo to "talk through any problems or needs" that she had. Seven days later, Veon wrote to Cott, Perretta-Rosepink and Vannoy, directing them to "check on" Bertugli. In November, 2005, Bertugli wrote to Perretta-Rosepink via e-mail, referring to herself as "Manzo's go to in Pittsburgh... working out of Mike's South Side office." This e-mail was forwarded by Perretta-Rosepink to Vannoy.

Vannoy, for her part, claims she became uncomfortable paying the rent at the South Side office with BIG funds since no BIG employee was staffed there. She refused, first, to purchase any more furniture for the office and then, after the end of 2005, she ceased paying the rent.

Thereafter, Bertugli was transferred to another downtown Pittsburgh office.

Marc Adams testified that he was not upset when Mike Veon told him "things weren't working out" and wanted to break the BIG lease. Indeed, thereafter, Adams rented the second floor office to Mike Veon's lobbying firm for a one-year term. The rent for that office, which had been \$1,500 when Mike Veon was paying with State money funneled through BIG, was only \$300 when Veon was paying with his own funds.

BIG solicitors

Jeff Foreman was a partner in his own private law firm. He also served as Mike Veon's legislative chief of staff. Additionally, beginning in January, 2004, at

Mike Veon's direction, Foreman's law firm was paid \$4,000 per month by BIG.

Testifying before the Grand Jury, Foreman termed the monthly retainer "very excessive" and said that it was Veon's way of "saying thank you" for Foreman's legislative and political work. From January 1, 2004 until the end of 2006, Foreman was paid \$145,000 as a BIG consultant.

For that, Foreman testified, he drafted three short consulting contracts (including his own), handled a few conference calls, reviewed some leases and drafted a "Right-to-know" letter in response to a newspaper inquiry.

Foreman never signed the "Right-to-know" letter however, feeling it would look inappropriate for him (Veon's chief of staff) to do so. Instead, Foreman had Ira Weiss, another BIG legal consultant, sign the letter that he drafted.

Weiss began receiving \$2,000 per month from BIG in September, 2006, through the efforts of Jeffrey Thomas, a lobbyist. Thomas testified that he telephoned Veon on Weiss' behalf. Thomas suggested that Weiss, an expert in municipal law, could work for the House Democratic Caucus.

Thomas was surprised when Veon, instead, hired Weiss as a legal consultant for BIG.

After Veon lost his House seat in November, 2006, he quickly resigned from the board of directors of BIG. Shortly, thereafter, Jeff Foreman's consultancy ended.

Delta Development and the employment of Mark Veon

The Grand Jury's investigation disclosed that large amounts of BIG's funding (all from taxpayer funded grants) were directed to "consultants" or "consulting companies". For example, between 2004 and 2006, over 47% of BIG's total funding was paid to consultancies. Without exception, these consultancies were selected and paid without any bid or competitive process. These consultancies were selected solely at the discretion of Mike Veon.

In testimony before the Grand Jury, Senator LaValle commented directly on the usefulness of consultancies and the proper procedure for contracting with consultants:

My opinion, as far as BIG is concerned, I don't think there was any [need for consultants]. I think that if I were dealing with consultants on any issue, I think I would ask for RFP [Request for Proposal], as opposed to anything else, and let them have some competition.

I--that 's the way I would do it, but I had no voice on how it was done, and I would just not do it the way, having a consultant on a retainer that may be doing nothing for a period of time, as opposed to having some competition, whether it be an RFP issue...That's the only way to do business if you are dealing with any, and it is a lot less troublesome.

Certain consultancies were particularly well compensated by BIG. One of the most highly compensated was Delta Development Group Inc. Delta Development received over a million dollars from BIG between 2003 and 2007.

This was not a one way street.

During the same period of time, the President of Delta Development, LeRoy Kline, made significant political contributions to Mike Veon and other Democratic candidates for the Pennsylvania House of Representatives. These contributions did not come solely from Kline. A number of other Delta Development employees and business associates of Kline also participated in contributing to Democratic candidates to the State House.

Delta Development also had a particularly lucrative contract with the House Democratic Caucus during this period of time. Michael Manzo, Chief of Staff for then Democratic Minority Leader, H. William DeWeese, testified that Delta was brought in, ostensibly to provide economic development systems for House members. This was peculiar, Manzo testified, because a three person

team with a support staff was already in place to do economic development work for the House Democratic Caucus.

According to Manzo, "I don't necessarily believe that Delta was ...brought on for any other reason than Delta was a very good Democratic contributor. They are who they are. They are a Democratic firm who gives a lot of money to Democratic candidates."

Jeff Foreman also testified about the Delta Development relationship. He stated that Mike Veon was always looking for ways to steer contracts and funds to Delta Development. Foreman testified that Delta Development was well known for bringing lots of people to meetings but not necessarily providing any useful work. Foreman testified that the reason for Veon's enrichment of Delta Development was twofold. First, "There was an expectation, not a written agreement, but an expectation that if in the future, sometime in the future, that some of these organizations, including Delta, . . . , that if and when the occasion arose that they would be well inclined to contract with or be associated in some way with Representative Veon". "Secondly, certainly LeRoy and his associates at Delta became major contributors, contributors to the Veon campaign, to the DeWeese campaign, to the House Democratic Campaign Committee, and generally available for contributions if they were called upon for any particular candidate or whatever...."

In 2004, prior to a scheduled meeting between Foreman and LeRoy Kline, Mike Veon called Foreman into his office and told him, that his brother, Mark Veon, had been talking to Delta Development about working for them. Mike Veon was upset that his brother was not being offered a sufficient amount of money by LeRoy Kline. Mike Veon directed Foreman to tell Leroy Kline that he needed to employ Mike Veon's brother, Mark Veon, and pay him in excess of \$100,000. Foreman then spoke to Kline in the Capitol and told him of Mike Veon's request. According to Foreman, Kline immediately agreed to pay Mark

Veon over \$100,000 a year.

On May 3, 2004, BIG signed a contract with Delta Development, Inc., agreeing to pay Delta \$20,000 per month for eighteen months. Just one month later, in June of 2004, Mark Veon began working for Delta Development at an annual salary of \$160,000.

Following his employment of Mark Veon, Kline would, on two occasions, complain to Foreman about Mark Veon's employment. He complained that Mark Veon's salary was too high in light of his productivity and that it was causing Kline problems with his other employees. Foreman relayed Kline's concerns to Mike Veon who said, on both occasions, that he would handle it. Mark Veon continued to be employed and paid this significant salary by LeRoy Kline until 2007.