

## **INTRODUCTION**

We, the members of the Thirty-Sixth Statewide Investigating Grand Jury, having received evidence pertaining to violations of the Pennsylvania Crimes Code, specifically Theft, Tampering with Public Records, Bribery, and Criminal Conspiracy, all of which occurred in Montgomery County, Pennsylvania, and elsewhere, pursuant to Notice of Submission No. 14, do hereby make the following findings of fact and recommendation of charges:

## **FINDINGS OF FACT**

The Grand Jury has heard evidence presented to it over the past several months concerning an investigation being conducted by the Pennsylvania Office of Attorney General (OAG) and the US Department of Transportation's Inspector General's Office into widespread and massive theft, fraud, and corruption within District Six of the Pennsylvania Department of Transportation (PennDOT). PennDOT, for its organizational structure, divides the Commonwealth into eleven districts, with each district having responsibility for state highways within its respective region. This investigation has focused on PennDOT District Six, which is headquartered in King of Prussia, Montgomery County.

PennDOT District Six covers five counties in Southeastern Pennsylvania: Bucks, Chester, Delaware, Montgomery, and Philadelphia. Those involved in the criminal acts include PennDOT officials and employees as well as PennDOT contractors and personnel working for PennDOT contractors. This investigation is continuing and we note that the Chief Counsel's Office for PennDOT and other PennDOT personnel have provided and continue to provide cooperation throughout the course of this investigation.

## **BACKGROUND**

### **PennDOT**

PennDOT, created in 1970, manages the Commonwealth's highway programs and systems. The Commonwealth agency oversees 40,000 roadway miles and 25,000 bridges, and has an annual budget of more than \$6 billion in combined state and federal funds. PennDOT employs approximately 12,000 individuals, and the vast majority of these employees (approximately 10,500) are engaged in the maintenance, restoration and expansion of the state highway system. For construction and maintenance projects, and for other services, PennDOT contracts with private industry.

PennDOT divides the Commonwealth into eleven engineering districts to restore and expand the state's highway systems. Each district has responsibility for the state highways, bridges, and tunnels in its respective area, and is managed by a District Executive (DE) and Assistant District Executives (ADEs). The DE reports directly to the Deputy Secretary for Highway Administration at PennDOT and ADEs report directly to the DE. DEs and ADEs wield enormous influence and power.

### **PennDOT's Highway Occupancy Permit Program**

The Grand Jury learned that agents from the OAG's Bureau of Criminal Investigation (BCI) commenced this investigation in March of 2013 when a confidential source (CS) came forward and provided evidence of widespread abuse within District 6's Highway Occupancy Permit Program (HOP). PennDOT requires that a HOP permit be issued for any encroachment upon Interstate Highways, US Routes, or State Highways. In other words, a HOP permit must be applied for and obtained from PennDOT for any occupancy of these roads, and this includes occupancy of any right-of-way, any opening of the highway surface, any placement of a facility

or structure on a highway, and any opening of an access on a state highway. Typically, HOP permits are issued to utility companies, municipal authorities, developers, and builders (HOP Permit Holders). In an effort to protect both the public and Pennsylvania's highway infrastructure, PennDOT requires in the HOP program that an independent inspection of the permit work be performed to verify that the HOP Permit Holder complies with applicable laws, regulations, and highway occupancy permit conditions. These inspections can be performed by either PennDOT inspectors or consultant inspectors who work for a company that has a contract with PennDOT to perform HOP inspections.

### **CRIMINAL ACTIVITIES**

The Grand Jury has learned that both PennDOT inspectors, specifically Frank DiMichele and Geno Palmieri, and consultant inspectors, specifically John Cavanaugh, Joseph DeSimone, John LaSpada, Chris Lauch, Gregg Hamell, David Betzner, and Brandon Grosso, working in District Six were systematically overbilling and being paid for time they were allegedly performing on HOP inspections. This overbilling took the form of both regular hours as well as overtime hours that were submitted by the inspectors for work never performed. Additionally, inspectors were routinely overbilling for reimbursement mileage costs for their personal vehicles for mileage that had never occurred. Additionally, the Grand Jury heard evidence from numerous sources that many of the inspectors were providing illegal financial remunerations (kickbacks) to two PennDOT District Six supervisors, Alex Morrone, the Assistant District Six Permit Manager, and William Rosetti, the Philadelphia County Permits Manager, who permitted the overbilling abuse to occur.

The Grand Jury learned that this conspiracy was allowed to flourish and continue through the close-knit relationships between the various perpetrators. The Assistant District Executive

(ADE) of Maintenance in District Six, NM, wielded great power and had the ability to both hire friends and family members who would be loyal to him as well as the power to reassign or even fire individuals who NM considered threats to his power. The crimes committed by the individuals named throughout this Presentment were allowed to flourish due to the fact that many of them had been hired and promoted through a pattern of nepotism and cronyism that flourished throughout District Six. An example of this is the fact that Alex Morrone, whose criminal activities are detailed below, is NM's brother-in-law. NM, as ADE for Maintenance, controlled the budget for all phases of the HOP Permit Inspection program including overtime authorizations. William Rosetti, whose criminal activities are detailed below, had an extremely close relationship with the District Permits Manager, RA (Alex Morrone's supervisor). RA was able to obtain employment for Rosetti as an inspector for a consultant company and then ultimately secured him employment with PennDOT. Additionally, many of the inspectors involved in the criminal activity were hired through either kinship or friendship with individuals in supervisory positions within PennDOT's District Six.

#### **PennDOT Supervisors**

##### **Alex Morrone, Former Assistant District Six Permits Manager**

The Grand Jury heard that Alex Morrone, between the dates of this conspiracy, was the Assistant Permits Manager for District Six. Morrone was the immediate supervisor of William Rosetti, who worked as the Philadelphia County Permits Manager. The Grand Jury heard testimony from multiple sources that, during the course of this conspiracy, Morrone directly and/or indirectly received kickbacks from various inspectors employed by the Commonwealth of Pennsylvania, CZOP Specter, Inc. and/or CMC. These inspectors, in turn were allowed by Morrone and their immediate supervisor, Rosetti, to massively overbill for inspections that had

never been performed and to submit for mileage reimbursement that had never been incurred.

The Grand Jury also heard testimony that Alex Morrone paid inspectors to work on his home while they were billing PennDOT for inspection hours and mileage and had inspectors complete work on his mother's home while they were billing PennDOT for inspection hours and mileage. Additionally, the Grand Jury heard testimony from multiple sources that Morrone directed inspectors to provide monetary Christmas gifts to Rosetti "out of respect" for everything that Rosetti was doing for them. Rosetti received approximately \$800.00 from these inspectors as a result of Morrone's directive.

**William Rosetti, Former Philadelphia County Permit Manager**

The Grand Jury heard testimony that, between the dates of this conspiracy, William Rosetti worked as the Philadelphia County Permit Manager and, prior to that, was a consultant inspector for CMC. During all times relevant to this criminal conspiracy, Rosetti directly supervised both PennDOT inspectors and consultant inspectors, including David Betzner, Brandon Grosso, Chris Lauch, Gregg Hamell, Mike McGettigan, and George Long (who are all employed as a consultant inspectors for CZOP Specter) as well as John Cavanaugh, Joseph DeSimone, and John LaSpada (who are employed as consultant inspectors for CMC) along with Frank DiMichele and Geno Palmieri (who were employed by PennDOT).

The Grand Jury heard testimony from numerous sources that, during the course of this conspiracy, Rosetti knowingly allowed John Cavanaugh, Joseph DeSimone, and John LaSpada, employed by CMC; Chris Lauch, Gregg Hamell, David Betzner, and Brandon Grosso, employed by CZOP Specter; and Frank DiMichele and Geno Palmieri, PennDOT employees, to grossly inflate both their work hours and their travel reimbursement figures in return for financial remuneration in the form of kickbacks from some of those individuals. Rosetti was instructed by

his supervisor, Alex Morrone, that certain inspectors working under Rosetti were paying Morrone kickbacks and that Rosetti should not question the hours that these inspectors were billing. Evidence also showed that he, too, received payment from PennDOT for hours that he failed to work.

### **PennDOT Employees**

#### **Frank DiMichele**

The Grand Jury heard testimony from various sources that DiMichele was completely unqualified for employment as an inspector with PennDOT but obtained his position through an ADE in District Six. As stated above, the Grand Jury heard testimony throughout the course of the past several months that NM, the ADE in District Six, wielded phenomenal power within the District and could routinely obtain employment for friends and family. The Grand Jury came to learn that DiMichele was a childhood friend of NM and that DiMichele sold life insurance and worked in the mortgage industry prior to seeking employment through NM. Testimony was received that DiMichele lied on his resume for employment with CZOP Specter/PennDOT after being instructed to do so by NM. DiMichele routinely recorded extra hours on time sheets as directed by Rosetti and also inflated reimbursable mileage on his time sheets and, as a result, received remuneration to which he was not entitled.

#### **Geno Palmieri**

The Grand Jury heard evidence that Geno Palmieri, during the course of this conspiracy, was employed as an inspector by PennDOT. The Grand Jury learned that Palmieri recorded the extra hours on time sheets as directed by Rosetti and that, in return for being allowed to receive overpayment, supplied weekly kickbacks to his supervisor, Rosetti. Palmieri also inflated reimbursable mileage on his time sheets and, as a result, received remuneration to which he was

not entitled.

### **Construction Methods and Coordination, Inc. (CMC)**

#### **John Cavanaugh**

This Grand Jury heard testimony that John Cavanaugh was employed as a consultant inspector for PennDOT by CMC during the course of this conspiracy. Testimony revealed that, when Cavanaugh applied for employment as a consultant inspector with PennDOT, he had no prior construction experience but rather had worked in the printing industry. The Grand Jury heard testimony that RA, the former District Permit Manager in District Six and Alex Morrone's immediate supervisor, had been a childhood friend of Cavanaugh and had instructed Cavanaugh what to write on his resume, including a false statement that Cavanaugh had prior construction experience. The Grand Jury learned that Cavanaugh was instructed by his supervisor, William Rosetti, to add two hours of overtime to every day on his time sheet even though he had not worked them. Rosetti informed Cavanaugh that Rosetti gave all of his inspectors two hours of overtime per day. The Grand Jury also heard testimony that Cavanaugh was instructed by Rosetti to give him between 140 to 150 dollars per pay period as a "street tax" for his allowing Cavanaugh to be paid for unworked hours.

#### **Joseph DeSimone**

This Grand Jury learned that Joseph DeSimone was employed as a consultant inspector for PennDOT by CMC during the course of this conspiracy. Additional testimony received by the Grand Jury revealed that DeSimone provided kickbacks directly to Alex Morrone to be allowed to be paid for hours not worked. Investigators from the OAG conducted interviews with onsite foremen and supervisors at locations where DeSimone indicated he was regularly performing inspections during his employment at PennDOT. Those contractors/site supervisors

indicated that DeSimone was rarely, if ever, present on those job sites. One glaring example of DeSimone's audacious overbilling occurred on a date when DeSimone billed for eight hours of onsite inspection work on a day when the region received over twelve inches of snow and was in a regional state of emergency and no work was being performed on the construction site. DeSimone also inflated reimbursable mileage on his time sheets and, as a result, received remuneration to which he was not entitled.

### **John LaSpada**

The Grand Jury heard testimony that John LaSpada was employed as a consultant inspector for PennDOT by CMC during the course of this conspiracy. Additional testimony received by the Grand Jury revealed that LaSpada provided kickbacks directly to Alex Morrone to be allowed to be paid for hours not worked. Investigators from the OAG conducted interviews with onsite foremen and supervisors at locations where LaSpada indicated he was regularly performing inspections during his employment at PennDOT. Those foremen and supervisors indicated that LaSpada was rarely, if ever, present on those job sites. LaSpada also inflated reimbursable mileage on his time sheets and, as a result, received remuneration to which he was not entitled.

### **CZOP Specter, Inc.**

#### **Chris Lauch**

The Grand Jury heard testimony that Chris Lauch was employed as a consultant inspector for PennDOT by CZOP Specter, Inc. during the course of this conspiracy. The Grand Jury heard testimony that Lauch was told by Rosetti to inflate his hours worked. Testimony was also received by the Grand Jury that, in return for being allowed to bill for hours which were not worked, Lauch paid approximately \$100 per week in kickbacks to Rosetti. Lauch was laid off by

CZOP Spector after he fell behind on his kickback payments to Rosetti. Lauch also inflated reimbursable mileage on his time sheets and, as a result, received remuneration to which he was not entitled.

**Gregg Hamell**

The Grand Jury heard testimony that Gregg Hamell was employed during the course of this conspiracy as a consultant inspector for PennDOT by CZOP Spector, Inc. The Grand Jury learned that Hamell admitted to paying Rosetti approximately ninety dollars per week along with an additional \$6,000 one-time payment in return for being allowed to grossly inflate both his claimed hours worked and his reimbursable mileage costs.

**David Betzner**

The Grand Jury heard testimony that David Betzner was employed during the course of this conspiracy as a consultant inspector for PennDOT by CZOP Spector, Inc. The Grand Jury learned that William Rosetti was directed by Alex Morrone not to question any of Betzner's hours and to provide Betzner with blank time sheets that Rosetti would pre-sign. Investigators from the OAG contacted the supervisors on one of the projects that Betzner was alleged to have inspected. The Grand Jury heard testimony that neither the project manager nor the superintendent on that project remembers ever seeing Betzner. Betzner submitted and was paid for approximately \$53,000 worth of reimbursable hours and mileage for work that he claimed he performed for inspection time on that job. Betzner also inflated reimbursable mileage on his time sheets and as a result, received remuneration to which he was not entitled.

**Brandon Grosso**

The Grand Jury heard testimony that Brandon Grosso was employed during the course of this conspiracy as a consultant inspector for PennDOT by CZOP Spector, Inc. Grosso is Bill

Rosetti's brother-in-law and Rosetti got the job for Grosso, who had no prior construction experience and had worked as an auto mechanic prior to working for CZOP Spector. The resume submitted by Grosso to PennDOT regarding his qualifications was completely false and had been fabricated by Rosetti. Grosso frequently performed work for Rosetti at Rosetti's automotive repair shop while he was still "on the clock" for PennDOT. Rosetti told Grosso that approximately three hours of overtime per week would be added to his time sheet and that the money from that overtime would be given back to Alex Morrone for "protection." Grosso paid between \$120 and \$140 per week to Rosetti, which Rosetti then gave to Morrone pursuant to the agreement. After the OAG's investigation began, the inspectors' overtime ended. However, Morrone still required Grosso and other inspectors to pay Morrone the "protection tax." Morrone later approached Grosso and informed him that he was no longer responsible for making "protection tax" payments to him (Morrone). Grosso also inflated reimbursable mileage on his time sheets and as a result, received remuneration to which he was not entitled.

The following chart details the overtime wages paid to the consultant and PennDOT inspectors along with the profit made by both CMC and CZOP Spector for their profit made on each of the consultant inspectors.

<b>PENN DOT Employees</b>	<b>OT Wages on E01975-E01980</b>	<b>Consultant Firm</b>	<b>Consultant OH + Profit</b>
Rosetti	73,639.91	PennDOT	-----
DiMichele	43,668.59	CZOP	64,708.12
Palmieri	41,223.46	PennDOT	-----
Cavanaugh	21,868.88	CMC	28,866.92
DeSimone	54,277.09	CMC	72,965.76
LaSpada	94,280.99	CMC	124,450.91
Lauch	51,670.11	CZOP	76,564.77
Betzner	100,882.23	CZOP	155,173.01
Grosso	13,414.67	CZOP	19,877.86
<b>TOTAL</b>	<b>494,429.99</b>		<b>717,033.97</b>