



<div>COMMONWEALTH OF PENNSYLVANIA COUNTY OF: DAUPHIN</div> <div>Magisterial District Number: 12-2-04 MDJ: Hon. J. MATTHEW PIANKA Address: 451 MALL RD HARRISBURG, PA, 17111</div> <div>Telephone: (717)238-3388</div>			<div style="text-align: center;"> <b>DEFENDANT:</b> <u>WILLIAM</u> <u>EZRA</u> <u>NICHOLS</u> <small>First Name Middle Name Last Name</small>  30 BRANDON PLACE, WILLIAMSPORT, PA, 17701</div>		<b>POLICE CRIMINAL COMPLAINT COMMONWEALTH OF PENNSYLVANIA VS.</b>		
					<small>(NAME and ADDRESS):</small>		
					JR <small>Gen</small>		
<b>NCIC Extradition Code Type</b>							
<div><input checked="" type="checkbox"/> 1-Felony Full      <input type="checkbox"/> 5-Felony Pending Extradition      <input type="checkbox"/> C-Misdemeanor Surrounding States      <input type="checkbox"/> Distance: _____ <input type="checkbox"/> 2-Felony Limited      <input type="checkbox"/> 6-Felony Pending Extradition Determ.      <input type="checkbox"/> D-Misdemeanor No Extradition <input type="checkbox"/> 3-Felony Surrounding States      <input type="checkbox"/> A-Misdemeanor Full      <input type="checkbox"/> E-Misdemeanor Pending Extradition <input type="checkbox"/> 4-Felony No Extradition      <input type="checkbox"/> B-Misdemeanor Limited      <input type="checkbox"/> F-Misdemeanor Pending Extradition</div>							
<b>DEFENDANT IDENTIFICATION INFORMATION</b>							
Docket Number		Date Filed 9/10/2024		OTN/LiveScan Number		Complaint/Incident Number PCS-20-001	
Request Lab Services? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO							
GENDER		DOB 12/1/1952		POB		Add'l DOB / /	
<input checked="" type="checkbox"/> Male <input type="checkbox"/> Female		First Name		Middle Name		Last Name	
AKA		Gen.					
RACE		<input checked="" type="checkbox"/> White <input type="checkbox"/> Asian		<input type="checkbox"/> Black <input type="checkbox"/> Native American		<input type="checkbox"/> Unknown	
ETHNICITY		<input type="checkbox"/> Hispanic <input checked="" type="checkbox"/> Non-Hispanic		<input type="checkbox"/> Unknown			
Hair Color		<input type="checkbox"/> GRY (Gray) <input checked="" type="checkbox"/> RED (Red/Aubn.) <input type="checkbox"/> SDY (Sandy)		<input type="checkbox"/> BLU (Blue) <input type="checkbox"/> PLE (Purple)		<input checked="" type="checkbox"/> BRO (Brown)	
		<input type="checkbox"/> BLK (Black) <input type="checkbox"/> ONG (Orange) <input type="checkbox"/> WHI (White)		<input type="checkbox"/> XXX (Unk./Bald) <input type="checkbox"/> GRN (Green)		<input type="checkbox"/> PNK (Pink)	
		<input type="checkbox"/> BLN (Blonde / Strawberry)					
Eye Color		<input type="checkbox"/> BLK (Black) <input type="checkbox"/> BLU (Blue) <input checked="" type="checkbox"/> BRO (Brown)		<input type="checkbox"/> GRN (Green) <input type="checkbox"/> GRY (Gray)			
		<input type="checkbox"/> HAZ (Hazel) <input type="checkbox"/> MAR (Maroon) <input type="checkbox"/> PNK (Pink)		<input type="checkbox"/> MUL (Multicolored) <input type="checkbox"/> XXX (Unknown)			
DNA		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		DNA Location		WEIGHT (lbs.)	
FBI Number				MNU Number		200	
Defendant Fingerprinted		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO				Ft. HEIGHT In.	
Fingerprint Classification:						6 3	
<b>DEFENDANT VEHICLE INFORMATION</b>							
Plate #		State	Haz mat <input type="checkbox"/>	Registration Sticker (MM/YY) /	Comm'l Veh. Ind. <input type="checkbox"/>	School Veh. <input type="checkbox"/>	Oth. NCIC Veh. Code
VIN		Year	Make	Model	Style	Color	Reg. same as Def. <input type="checkbox"/>
Office of the attorney for the Commonwealth <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Disapproved because: _____							
<small>(The attorney for the Commonwealth may require that the complaint, arrest warrant affidavit, or both be approved by the attorney for the Commonwealth prior to filing. See Pa.R.Crim.P. 507).</small>							
CDAG BRIAN ZARALLO <small>(Name of the attorney for the Commonwealth)</small>				 <small>(Signature of the attorney for the Commonwealth)</small>		9/10/2024 <small>(Date)</small>	
<b>I, SA KEVIN M. SCHOFIELD</b> <span style="float: right;">548</span> <small>(Name of the Affiant) (PSP/MPOETC -Assigned Affiant ID Number &amp; Badge #)</small>							
of <b>Pennsylvania Office of Attorney General</b> <small>(Identify Department or Agency Represented and Political Subdivision)</small>				<b>PA0222400</b> <small>(Police Agency ORI Number)</small>			
do hereby state: (check appropriate box)							
1. <input checked="" type="checkbox"/> I accuse the above named defendant who lives at the address set forth above							
<input type="checkbox"/> I accuse the defendant whose name is unknown to me but who is described as _____							
<input type="checkbox"/> I accuse the defendant whose name and popular designation or nickname are unknown to me and whom I have therefore designated as John Doe or Jane Doe with violating the penal laws of the Commonwealth of Pennsylvania at [ ] <div style="text-align: right;"><small>(Subdivision Code) (Place-Political Subdivision)</small></div>							
in DAUPHIN County <span style="margin-left: 50px;">[22]</span> on or about 2024 <div style="text-align: center;"><small>(County Code)</small></div>							



# POLICE CRIMINAL COMPLAINT

Docket Number:	Date Filed: / /	OTN/LiveScan Number	Complaint/Incident Number PCS-20-001
Defendant Name:	First: WILLIAM	Middle: EZRA	Last: NICHOLS JR

The acts committed by the accused are described below with each Act of Assembly or statute allegedly violated, if appropriate. When there is more than one offense, each offense should be numbered chronologically.

(Set forth a *brief* summary of the facts sufficient to advise the defendant of the nature of the offense(s) charged. A citation to the statute(s) allegedly violated, without more, is not sufficient. In a summary case, you must cite the specific section(s) and subsection(s) of the statute(s) or ordinance(s) allegedly violated. The age of the victim at the time of the offense may be included if known. In addition, social security numbers and financial information (e.g. PINs) should not be listed. If the identity of an account must be established, list only the last four digits. 204 PA.Code §§ 213.1 – 213.7.)

Inchoate Offense	<input type="checkbox"/> Attempt 18 901 A	<input type="checkbox"/> Solicitation 18 902 A	<input type="checkbox"/> Conspiracy 18 903	Number of Victims Age 60 or Older <b>0</b>					
<input checked="" type="checkbox"/>	1	3927	(a)	of be	TITLE 18	1	F2		
Lead?	Offense #	Section	Subsection		PA Statute (Title)	Counts	Grade	NCIC Offense Code	UCR/NIBRS Code
PennDOT Data (if applicable)		Accident Number				<input type="checkbox"/> Interstate	<input type="checkbox"/> Safety Zone	<input type="checkbox"/> Work Zone	

Statute Description (include the name of statute or ordinance): **THEFT BY FAILURE TO MAKE REQUIRED DISPOSITION OF FUNDS**

Acts of the accused associated with this Offense: The Defendant did obtain property upon agreement, or subject to a known obligation and intentionally dealt with the property obtained as his own and failed to make the required payment or disposition. To Wit: for the fiscal years 2012-2020, Defendant Nichols, in his dual capacity as General Manager of River Valley Transit (RVT) and City of Williamsport Finance Director, utilized restricted grant funds which he knew were required to be used for transit purposes, and other city funds subject to spending restrictions, and instead intentionally used the funds on unauthorized, non-transit, expenses, projects and payments.

Inchoate Offense	<input type="checkbox"/> Attempt 18 901 A	<input type="checkbox"/> Solicitation 18 902 A	<input type="checkbox"/> Conspiracy 18 903	Number of Victims Age 60 or Older <b>0</b>					
<input type="checkbox"/>	2	4911	(a)(2)	of the	TITLE 18	1	F3		
Lead?	Offense #	Section	Subsection		PA Statute (Title)	Counts	Grade	NCIC Offense Code	UCR/NIBRS Code
PennDOT Data (if applicable)		Accident Number				<input type="checkbox"/> Interstate	<input type="checkbox"/> Safety Zone	<input type="checkbox"/> Work Zone	

Statute Description (include the name of statute or ordinance): **TAMPERING WITH PUBLIC RECORDS OR INFORMATION**

Acts of the accused associated with this Offense: The Defendant did make, present or use any record, document or thing knowing it to be false, and with intent that it be taken as a genuine part of information or records belonging to, or received or kept by, the government for information or record, or required by law to be kept by others for information of the government. The defendant did so with the intent to defraud. To Wit: for the fiscal years 2012-2020, Defendant Nichols, in his dual capacity as General Manager of River Valley Transit (RVT) and City of Williamsport Finance Director, knowingly provided false information on required grant expense reporting records to hide the unlawful use of transit grant funds and provided false records to the City of Williamsport, when the Defendant knew the records would be given to and reviewed by government officials in the course their official duties.

Inchoate Offense	<input type="checkbox"/> Attempt 18 901 A	<input type="checkbox"/> Solicitation 18 902 A	<input type="checkbox"/> Conspiracy 18 903	Number of Victims Age 60 or Older					
<input type="checkbox"/>				of the					
Lead?	Offense #	Section	Subsection		PA Statute (Title)	Counts	Grade	NCIC Offense Code	UCR/NIBRS Code
PennDOT Data (if applicable)		Accident Number				<input type="checkbox"/> Interstate	<input type="checkbox"/> Safety Zone	<input type="checkbox"/> Work Zone	

Statute Description (include the name of statute or ordinance):

Acts of the accused associated with this Offense:



# POLICE CRIMINAL COMPLAINT

Docket Number:	Date Filed: / /	OTN/LiveScan Number	Complaint/Incident Number PCS-20-001
Defendant Name:	First: WILLIAM	Middle: EZRA	Last: NICHOLS JR

2. I ask that a warrant of arrest or a summons be issued and that the defendant be required to answer the charges I have made.
3. I verify that the facts set forth in this complaint are true and correct to the best of my knowledge or information and belief. This verification is made subject to the penalties of Section 4904 of the Crimes Code (18 Pa.C.S. § 4904) relating to unsworn falsification to authorities.
4. This complaint consists of the preceding page(s) numbered 1 through 3.
5. I certify that this filing complies with the provisions of the *Case Records Public Access Policy of the Unified Judicial System of Pennsylvania* that require filing confidential information and documents differently than non-confidential information and documents.

The acts committed by the accused, as listed and hereafter, were against the peace and dignity of the Commonwealth of Pennsylvania and were contrary to the Act(s) of the Assembly, or in violation of the statutes cited.

**(Before a warrant of arrest can be issued, an affidavit of probable cause must be completed, sworn to before the issuing authority, and attached.)**

9/10/2024

(Date)

  
(Signature of Affiant)

AND NOW, on this date \_\_\_\_\_ I certify that the complaint has been properly completed and verified.

An affidavit of probable cause must be completed before a warrant can be issued.

\_\_\_\_\_  
(Magisterial District Court Number)

\_\_\_\_\_  
(Issuing Authority)

SEAL



# POLICE CRIMINAL COMPLAINT

Docket Number:	Date Filed: / /	OTN/LiveScan Number	Complaint/Incident Number PCS-20-001
Defendant Name:	First: WILLIAM	Middle: EZRA	Last: NICHOLS JR

## AFFIDAVIT of PROBABLE CAUSE

Your Affiant, Agent Kevin M. Schofield #548, is a Special Agent with the Pennsylvania Office of Attorney General, Bureau of Criminal Investigations (OAG) and has been employed as such since 2016. In this position your Affiant is empowered by law to conduct investigations and make arrests for violations of Pennsylvania's criminal code and related statutes. During the course of such investigations your Affiant is empowered to apply for, obtain and serve search warrants and make seizures and arrests. Your Affiant has led or assisted in investigations involving organized crime, money laundering, public corruption and fraud. In conducting such investigations your Affiant has utilized numerous investigative techniques including but not limited to: interviewing victims, witnesses and suspects, execution of search warrants, use of confidential sources of information and cooperating informants, physical and electronic surveillance as well as Grand Jury proceedings. He is currently assigned to the Financial Crimes Section, Wilkes-Barre Regional Office and was detailed to the Public Corruption Section to conduct this investigation.

Your Affiant is a graduate of the OAG New Agent Academy as well as the Commonwealth Investigators Training Program (CITP) Advanced Course. He has also completed the Detective and New Criminal Investigator course taught by the Public Agency Training Council (PATC). Your Affiant has completed wiretapping and electronic surveillance training as mandated in 18 PA. C.S.A. 5724 and as a result, has received Class "A" certification (A-5797). This certification allows your Affiant to monitor and participate in court authorized electronic surveillance.

Your Affiant is a Certified Fraud Examiner (CFE), a credential issued by the Association of Certified Fraud Examiners which "denotes proven expertise in fraud prevention, detection and deterrence." As a requirement of being a CFE, your Affiant must continually keep up to date on changing topics and trends on the issues of fraud and other financial crimes which includes completing 20 hours of Continuing Professional Education (CPE) each year. Of these annual 20 hours, 10 must be directly related to the detection and deterrence of fraud and 2 of the hours must relate directly to the field of ethics. To meet the annual CPE standard, your Affiant has taken classes on topics including but not limited to: forensic accounting, grant fraud, government corruption, analyzing bank records and financial statement fraud. Additionally, your Affiant has received training from the Federal Law Enforcement Training Center (FLETC) in Glynco, GA on the topic of Money Laundering and Asset Forfeiture.

Your Affiant has been assigned as the case agent in an investigation into violations of the criminal laws of the Commonwealth of Pennsylvania since February 2020 and has been involved in all investigative aspects of this case. The OAG has utilized the Statewide Investigating Grand Jury and as a result, the Forty-Ninth Statewide Investigating Grand Jury issued Presentment No. 33 on July 21, 2023. The Presentment was accepted by order of the Honorable Richard A. Lewis, Supervising Judge. The Presentment, attached to this Affidavit and incorporated herein by reference, supports charges filed by the Attorney General or her designee against the defendant as follows:

Charge 1- Theft by Failure to Make Required Disposition of Funds Received 18 Pa.C.S. §3927(a)  
Charge 2- Tampering with Public Records, 18 Pa.C.S. §4911(a)(2)

Your Affiant has reviewed the Presentment and finds that the factual findings described therein correspond to the OAG investigative findings. Your Affiant has reviewed or been present for the sworn testimony given by witnesses before the Grand Jury and finds that it is consistent with the information contained within the Presentment. Additionally, your Affiant has reviewed the evidence presented to the Grand Jury and finds that it comports with the result of the OAG investigative efforts and findings as to the allegations contained in this complaint.

  
Special Agent Kevin M. Schofield  
Pennsylvania Office of Attorney General  
Bureau of Criminal Investigations, Financial Crimes Section



## POLICE CRIMINAL COMPLAINT

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Defendant Name:	First: WILLIAM	Middle: EZRA	Last: NICHOLS JR

I, SA KEVIN M. SCHOFIELD, BEING DULY SWORN ACCORDING TO THE LAW, DEPOSE AND SAY THAT THE FACTS SET FORTH IN THE FOREGOING AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

I CERTIFY THAT THIS FILING COMPLIES WITH THE PROVISIONS OF THE CASE RECORDS PUBLIC ACCESS POLICY OF THE UNIFIED JUDICIAL SYSTEM OF PENNSYLVANIA THAT REQUIRE FILING CONFIDENTIAL INFORMATION AND DOCUMENTS DIFFERENTLY THAN NON-CONFIDENTIAL INFORMATION AND DOCUMENTS.

(Signature of Affiant)

Sworn to me and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_  
\_\_\_\_\_, Date \_\_\_\_\_, Magisterial District Judge

My commission expires first Monday of January,





## **INTRODUCTION**

We, the members of the Forty-Ninth Statewide Investigating Grand Jury, having received and reviewed evidence pertaining to suspected violations of the Pennsylvania Crimes Code in and around Dauphin County and Lycoming County, Pennsylvania pursuant to Notice of Submission of Investigation Number 6, do hereby make the following findings of fact and recommendation of charges.

## **FINDINGS OF FACT**

The Williamsport Bureau of Transportation (d/b/a River Valley Transit, “RVT”) in Lycoming County provides fixed-route bus services to the citizens of the greater Williamsport area. RVT also manages the Endless Mountains Transportation Authority<sup>1</sup> (EMTA), the Williamsport Parking Authority (WPA), and the Hiawatha, Inc. (the Hiawatha). RVT owns several properties in Williamsport, including the Trade and Transit Centre I, the Trade and Transit Centre II<sup>2</sup>, the Church Street Transportation Center, a public compressed natural gas (CNG) fueling facility, and the Peter Herdic Transportation Museum (PHTM).<sup>3</sup>

The Grand Jury conducted an investigation into the criminal activities of former RVT General Manager William “Bill” Nichols, Jr. Nichols began his employment with the City of Williamsport in 1978. He served as the General Manager of RVT for over 40 years until his termination in January 2020. As General Manager of RVT, Nichols also managed the WPA, EMTA and the Hiawatha. While serving in these roles, Nichols simultaneously served as the City

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<sup>1</sup> EMTA has since changed its name to, and is alternatively known as, “BeST”. This presentment, as well as all testimony before the Grand Jury, refers to this entity only as EMTA in order to avoid confusion.

<sup>2</sup> These are both commercial buildings owned by RVT that lease office and storefront space.

<sup>3</sup> A small museum in downtown Williamsport owned by RVT at all times relevant to this presentment.

of Williamsport's Finance Director. As Finance Director, Nichols prepared the City's annual budget and oversaw daily department operations. The Finance Department was responsible for approving all payment requests from the various city agencies. Nichols was also on the Board of Directors of the Hiawatha, a 501 (c)(3) non-profit entity. The Hiawatha is a paddlewheel boat on the Susquehanna River that provides pleasure cruises. This is a well-known tourist attraction in Williamsport.

The Grand Jury has concluded that Nichols improperly utilized public funds to provide financial support for the Hiawatha, a non-government entity. He also engaged in a course of conduct designed to prevent the Pennsylvania Department of Transportation (PennDOT) from discovering that he, through RVT, was diverting public funds for improper uses. PennDOT required financial data to be provided to them in order to provide oversight of restricted state transit funds. This data was regularly manipulated in order to prevent PennDOT from discovering RVT's unauthorized expenses. Nichols, as manager of EMTA, also put at least two people on the payroll of EMTA who did no work whatsoever for EMTA.

### **Decades of Entanglements**

After reviewing voluminous internal documents, bank records, PennDOT records, audit records, and hearing from several witnesses, the Grand Jury has concluded that the budgets, finances, accounting and bookkeeping amongst the above entities became increasingly commingled and confusing over the course of several decades, with little consistent oversight. Further adding to the overall confusing nature of how RVT's finances and bookkeeping were managed, was the fact that RVT was a city agency,<sup>4</sup> as opposed to a separate authority, which is the norm for most transportation entities in the Commonwealth.

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<sup>4</sup> Since Nichols' termination, RVT has officially separated itself from the City of Williamsport and is now d/b/a "River Valley Transit Authority."

This was exacerbated by allowing Nichols to serve as the City Finance Director and the General Manager of RVT, which managed EMTA, the WPA and The Hiawatha, as well as serving on the Board of the Hiawatha. Nichols' tenure as RVT's General Manager spanned eight mayors. The Grand Jury learned that at one point during his tenure with the City, former Mayor Mary Wolfe, who served between 2004 and 2008, also made Nichols the "Director of Administration." In this capacity, all City department heads were required to go through Nichols before speaking to the Mayor. Gabriel Campana, who served as Williamsport's Mayor from 2008 to 2020, eliminated this role after his first few years in office.

The City of Williamsport failed to adequately segregate these duties and allowed Nichols to serve in these roles over such a long period of time that, in essence, he served as his own boss with very little effective oversight. Mayors came and went, and City Council members came and went, but Nichols was the constant in Williamsport for four decades. The Grand Jury heard testimony that, given his vast institutional knowledge and power within the City dating back to the 1980s, mayors and City Council often deferred to him and rarely questioned his budget proposals or financial management decisions.

### **RVT's Funding**

The Grand Jury heard extensive testimony on transit agency grant funding. Public transportation agencies like RVT are extraordinarily expensive to maintain and operate, and as a result, never generate enough money to make a profit. Thus, in order to sustain operations, these agencies must rely on federal, state, and local grant funding. Agencies use these grant funds to subsidize the operating and capital costs of providing transportation to the public. RVT received a great deal of its funding through state grants, provided and monitored by PennDOT, and federal grants, provided by the Federal Transit Administration (FTA). Pennsylvania's Act 44 Public



Transportation Law, specifically 74 Pa. C.S.A. §1513 and §1514, provides the legal requirements for state grant public transportation funding. There are two general categories of these state grants: (1) Operating grants (known as Consolidated Operating Agreements, or “COAs”) that provide funds for use in the actual operation of the transportation entity, including salaries, maintenance, administration expenses, and insurance; and (2) Capital grants, which fund specific projects such as the purchase of a new vehicle or a transit-related construction project. The funds (including the required “local match” amounts) from each COA and Capital grant are restricted—meaning they must be used solely for transportation-related expenses.

Transit agencies receiving state funds from PennDOT are required to submit quarterly reports directly to PennDOT containing accurate budget and financial information (as well as ridership numbers and other relevant data) so that PennDOT can monitor the usage of the grant money. The transit entities electronically file these reports with PennDOT through a program called “Dotgrants.”

In addition to the numerous grants that RVT received, it also generated its own revenue through other means such as rider fees, advertising revenue, and rental income from leasing office space in the Trade and Transit Centres.<sup>5</sup>

### **Inadequate Accounting Oversight**

The law requires all Pennsylvania transit authorities receiving state funds to obtain a third party audit and submit it to PennDOT for review every year. RVT utilized the same accounting firm that was also responsible for performing independent audits for the City of Williamsport, the Williamsport Parking Authority, and the Hiawatha. This firm’s involvement with RVT and other related entities dated back to the 1980s.

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<sup>5</sup> The Trade and Transit Centres I and II are commercial buildings owned by RVT, and partially funded by PennDOT grants.

The Grand Jury learned that each transit agency is responsible for acquiring and providing its auditor with PennDOT's audit requirements titled *Pennsylvania Public Transportation Audit Requirements for Fixed Route, Specialized and Intercity Bus Transportation Providers*. These guidelines detail the financial reporting requirements that the auditor must follow when conducting the audit. Each transit agency is also responsible for providing its auditor with PennDOT's financial reporting manual titled *Financial Reporting Manual for Urban and Rural Fixed Route Transportation Providers* ("Financial Reporting Manual"). The Financial Reporting Manual addresses the reporting requirements agencies must follow when applying for and utilizing transit grant funds. Each year, the transit agency must certify that it provided its auditor with both the audit requirements and Financial Reporting Manual. The audits are necessary to ensure that the funds have been spent properly on legitimate transit costs.

The Grand Jury received evidence that these audit guideline manuals were in fact received by RVT and provided to the auditors each year. However, while the audit was performed and submitted every year without any negative findings,<sup>6</sup> the scope of the audit was quite limited<sup>7</sup> and did not adequately address every area required by PennDOT and detailed in these manuals. Specifically, the area of grant compliance - - ensuring that restricted grant funding was being used solely for its intended transit-related purpose---was not part of the engagement between RVT and this accounting firm.

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<sup>6</sup> The Grand Jury heard testimony and viewed evidence that in 2019, a draft of the audit was provided to Nichols with a relatively minor negative finding that the audit was being filed late. Nichols was unhappy about this, and after internal discussion, the accounting firm agreed to remove the finding.

<sup>7</sup> The Grand Jury heard testimony from managing partners of the accounting firm responsible for overseeing this audit from the 2015 to 2019 fiscal years. Areas specifically required by PennDOT, such as grant compliance, were not included in the engagement between RVT and this firm. The Grand Jury notes that since Nichols departure, RVT's current engagement with a different third party accounting firm is more detailed and in compliance with PennDOT's audit requirements.

### *Transfers Between Accounts and Inaccurate Reporting to PennDOT*

The Grand Jury also learned that RVT utilized a bookkeeping methodology involving the entry of transfers between various accounts in RVT's general ledger. RVT's general ledger contained multiple budgets, each of which required separate budget approval that Nichols prepared every year and presented to City Council for approval. These separate budgets within RVT were: (1) The operating budget, (2) The planning budget, (3) The Trade and Transit/Peter Herdic Transit Museum Budget (TTC), and (4) The capital budget. Making matters still more difficult to untangle, all of these budgets utilized the same bank account---the "Utility Account," - - further detailed below.

The RVT general ledger showed regular transfers from the "operating" budget into both the "planning," and "TTC" accounts several times throughout a given fiscal year. Each amount transferred had a corresponding debit entry in the operating budget and a credit entry in either the planning or TTC budget. Prior to the year 2013, these transfers were viewed by the third party accounting firm as being consistent with acceptable accounting principles involving the recording of "intra-fund" transfers between three "cost-centers." However, the Grand Jury notes that the failure to engage the accounting firm to conduct a more thorough grant compliance review as required by Act 44 allowed RVT to further obscure its true expenditures from PennDOT and potentially utilize restricted state (or federal) grant funds from the operating account of RVT for other non-transit expenses (such as the payment of long-term debt and other expenses related to the non-transit aspects of the TTC buildings, the PHTM, as well as the diversion of funds to pay for Hiawatha expenses).

When reporting expense and revenue information to PennDOT through the Dotgrants system, these transfer amounts were totaled up along with the actual expense and revenue amounts

recorded in RVT's ledger. The ultimate effect of this was to create the inaccurate appearance that these transfers were actual real-world transactions instead of mere ledger entries used to allocate funds from one internal cost center to another. In other words, this created the outward appearance of additional revenue being generated in the planning and TTC accounts where there was no actual corresponding revenue generated, and additional expenses existing where there were no actual additional expenses incurred in the operating account. These artificially inflated expense and revenue amounts further obscured the true cost of running RVT from PennDOT. These amounts were reported to PennDOT dating back to at least 2010.

In 2019, this improper adding of these transfers<sup>8</sup> into the expense and revenue totals was identified by one of the managing partners of the third party accounting firm, and the practice was discontinued.

It was determined that these inflated expense and revenue figures had no ultimate effect on the amount of operating grant money that RVT would receive from PennDOT. However, this made grant compliance more difficult to track as the true costs associated with operating RVT were artificially inflated (as was the revenue).

The RVT Chief Financial Officer (CFO) testified that Nichols manipulated the numbers in order to hide expenditures from PennDOT that were not sufficiently transit-related. She confirmed that these "transfers" ultimately created a false impression of RVT's actual operating expenses and revenue reported through Dotgrants. Dotgrants also has a line item entry for "miscellaneous expense." A Division Chief for the Operating Management Section for PennDOT's Bureau of Public Transportation, testified that the miscellaneous expenses reported by RVT through Dotgrants from the 2014-2015 fiscal year to the 2018-2019 fiscal year averaged 10% of RVT's

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<sup>8</sup> Government Accounting Standards Board No. 34 discourages the grossing up of transfers on the income statement because they do not meet the definition of either revenue or an expense.

total budget. PennDOT compared those figures to several other transit agencies of similar size to RVT and determined that the miscellaneous expenses reported by the other agencies averaged only 2% to 4% of the total budget. The CFO testified that the amount reported to PennDOT as “miscellaneous” included multiple internal, separate, RVT account codes that PennDOT did not see. Some of the internal RVT accounts that were added into the amount reported as “miscellaneous” to PennDOT included non-transit expenses such the payment of the Hiawatha employee salaries and insurance invoices, both of which are addressed in more detail below.

### **The Utility Fund**

Another long-standing practice that was identified by the Grand Jury that further obscured RVT’s finances was RVT’s use of a single bank account known as the “Utility Fund.” This single account commingled revenue streams from multiple sources, including state and federal grant funds, bonds, revenue generated by RVT rider fees, advertising, rental income from the Trade and Transit buildings, and other sources. Both transit and non-transit related expenses were paid from this account. The Grand Jury obtained and reviewed the COAs awarded by PennDOT to RVT for the 2011-2012 fiscal year through 2019-2020 fiscal year and notes that each one contained a standard term requiring the grantee to maintain a separate special project account. RVT consistently failed to keep separate accounts for individual projects or separate the revenue streams.

The CFO testified that on more than one occasion, she asked Nichols to open multiple bank accounts in addition to the Utility Fund. Nichols denied her request, and told her it would be too difficult “on the state level.” Nichols’ explanation directly contradicted the explicit terms of RVT’s COA grant agreements. The CFO further noted that since Nichols’ departure, RVT has opened multiple accounts in accordance with the terms of the COAs and Act 44.

### *PennDOT's Efforts to Clarify RVT Expenditures*

In addition to the requirements for a third party audit, the Grand Jury also learned that Act 44 requires PennDOT to conduct periodic evaluations of all transit agencies that receive state grant funding. PennDOT conducts five-year performance reviews in order to assess the financial stability and general practices of each agency. During these reviews, an evaluation of the agency's data is conducted in order to identify "best practices," as well as any opportunities for improvement.

The Grand Jury heard from several PennDOT employees and officials who routinely dealt with Nichols and RVT. Nichols often appeared in person at PennDOT and made presentations requesting funding for various projects. The Grand Jury heard testimony that some PennDOT officials felt that information provided by Nichols during these presentations was often false or misleading. For example, one PennDOT official testified that there were times when Nichols would indicate that he had secured grants from other sources to partially pay for something when he had not, in fact, secured such grants. At one point around 2015, Nichols was required to do a presentation regarding the operating budget, capital budget, and planning budget. It was around this time that Nichols revealed to PennDOT that RVT was having a very difficult time paying down its debt<sup>9</sup> and asked for additional assistance. The Grand Jury heard testimony from a PennDOT Division Chief who was present for Nichols' RVT presentation and felt that the numbers provided by Nichols in this presentation "did not make sense."

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<sup>9</sup> Per Act 44, transit authorities are not permitted to carry long term debt without explicit permission from PennDOT. RVT in fact carried extensive debt, for which it never received permission from PennDOT (though this debt was accurately and consistently reported on the yearly audits submitted to PennDOT). RVT, through Nichols, agreed to repay millions of dollars in loans taken out by WPA. During a public meeting on December 6, 2018, Nichols admitted that RVT's budget contained non-transit expenses, and also assured City Council that RVT would be able repay debt on behalf of the City.

Ultimately, an experienced transportation consultant, who has performed a great deal of work for PennDOT, was hired to assess RVT's finances in 2015. The consultant testified in detail to the difficulties that he experienced trying to obtain enough information to make sense of RVT's budgets and finances. He testified that he identified several red flags upon his review of the audits, and that the extensive entanglements between RVT, the City of Williamsport, and the Hiawatha presented numerous additional challenges.

Nichols was very uncooperative with this consultant. He testified that Nichols was charming at first, but then became "pushy" and "blustery," and, ultimately, threatening. Nichols' staff was never permitted to provide him with any information without first going through Nichols. This culminated with the consultant traveling to RVT in person and, in a conference room with Nichols and RVT's staff present, having a contentious confrontation with Nichols. During this 2015 review, one of the consultant's objectives was to better understand the nature of the financial relationship between RVT and the Hiawatha. With minimal cooperation and minimal access to data, the explanation that he was given was that RVT only provided management services for which they were compensated by the Hiawatha.

The consultant advised PennDOT officials, in essence, that due to Nichols reaction and response to his inquiries, they were unlikely to be able to gain a clear picture of the entanglement between the City, Transit, and the Hiawatha's expenses and finances as long as Nichols was in charge.

Conversely, in 2020, after Nichols was terminated, this same consultant was again asked by PennDOT to return to RVT to assist with reorganization and to help set up the proper reporting of transit expenses and revenue to PennDOT. This time he had no issues with access to whatever information he needed and the staff were quite helpful. He was able to determine, in contrast to



what he was told in 2015, that the Hiawatha was, in fact, being at least partially funded with public funds (and which potentially may have included state transit grant funds) through RVT and that these improper expenses were being hidden within the various “budgets” prepared by Nichols.

### **The Culture at RVT**

The Grand Jury heard testimony that RVT employees worked in a tense environment where manipulation, intimidation, and yelling by Nichols were intrinsic to the culture.

The CFO of RVT has held that position since 2008. She also served as the CFO for EMTA, the WPA, and the Hiawatha. As CFO of RVT, she was responsible for general bookkeeping, as well as for state grant reporting and auditing.

Although she kept the books, she testified that everyone, regardless of his or her position, answered to Nichols. She referred to herself and the other RVT personnel as “glorified clerks” with meaningless job titles, because nothing left the building without Nichols’ stamp of approval. This was particularly true when it came to preparing financial records such as the annual budget and preparing state and federal transit grant applications. The Grand Jury heard testimony that Nichols would commonly instruct her to manipulate numbers as he saw fit.

The figures were altered with such regularity that the CFO and the RVT Planning Manager used the term “fudge-it” to describe RVT’s budget and finances. The Planning Manager worked for RVT for 32 years until his resignation in January 2020. The Planning Manager was primarily responsible for submitting federal, state, and local transit grant applications. The Planning Manager also testified that Nichols was a difficult and demanding boss, particularly when he did not get his way.

It was incredibly difficult for PennDOT, the accountant assigned to the RVT audit, and even his own employees, to obtain any meaningful answers from Nichols when he was questioned

about the budget, finances, or bookkeeping. He was described as affable and likeable until he was being questioned or given an answer he did not like. Consistent with the consultant's experience dealing with Nichols in 2015, multiple other witnesses, including witnesses from PennDOT, as well as RVT, testified that Nichols commonly avoided or ignored anyone seeking information from him until they gave up. If that failed, he would "filibuster," or give long-winded, confusing, and almost nonsensical answers. Ultimately, if neither of those methods were successful, he would become angry and intimidating. Nichols rarely used e-mail, and never responded to e-mails received. Communication with him was mainly over the telephone or in-person.

The CFO recalled a time in which Nichols berated her for reaching out directly to a PennDOT employee with a question. She testified that he chastised her for raising "red flags" with the agency, and forbade her from direct communications with anyone at PennDOT.

The Grand Jury also heard evidence that the accountant assigned to the audit of RVT from the early 2000s until 2020 found it difficult to work with Nichols. He often failed to show up, or, was late, for meetings. He would also take telephone calls during meetings and leave meetings shortly after they began. The Grand Jury reviewed an e-mail between this accountant and the CFO from 2018 wherein the accountant stated, "I am not going to allow anymore receivables/payables without actual supporting documentation from now on...no more Bill says so...(this is off the record)".

A former Deputy Secretary for Multimodal Transportation at PennDOT, testified to the struggles that PennDOT employees encountered when attempting to obtain answers from Nichols. She explained that Nichols would take one of two approaches when responding to questions. She referred to the first approach as a "delay tactic" whereby Nichols would fail to return telephone calls or respond to emails. She noted that if, in fact, Nichols did respond, it was always with a

roundabout answer that did not make sense. She referred to his next approach as the “bully technique,” whereby Nichols would become aggressive when confronted with questions. Another witness, the former Director of the Bureau of Public Transportation at PennDOT, also testified to the difficulties that she experienced when attempting to obtain answers from RVT. She recalled speaking directly to Nichols several times a year, and explained that Nichols reacted poorly, even yelled at her at times, if he felt his actions were being questioned or scrutinized.

### **Hiawatha, Inc.**

The Grand Jury learned that the Hiawatha, Inc. is a 501(c)(3) non-profit organization established in 1994 to operate the Hiawatha Paddlewheel Riverboat tourist attraction in Williamsport. Personal donations, corporate sponsorships, community fundraisers, and user fees primarily fund the Hiawatha. Nichols became a board member<sup>10</sup> of the Hiawatha in 1994, when it was incorporated. In March 1994, Nichols requested City Council to authorize RVT<sup>11</sup> to manage the Hiawatha. Specifically, RVT would be responsible for the maintenance, finance and administrative support of the organization. However, the Hiawatha is not a department of the City, and the City is not, and never was, responsible for paying its expenses. Moreover, no agreement for the City to assume any direct financial responsibility for the Hiawatha has ever been approved by City Council.

Nichols himself drafted the Memorandum of Understanding and proposal addressed to the City Council on March 25, 1994, where he stated that “[s]upporting the Hiawatha is something positive the City can do without committing additional taxpayer dollars by utilizing existing

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<sup>10</sup> The Bylaws and first Board Meeting minutes revealed that Nichols was a Director and Secretary of the Board. These documents indicated that Nichols was appointed for a three year term. Additional Board Meeting minutes from 2018 and 2019 were obtained by the Grand Jury and revealed that Nichols was still a Director.

<sup>11</sup> RVT was previously known as the Williamsport Transportation Authority, but is referred to in this document as “City Bus.”

resources...in the form of in-kind services.” The proposal further stated that “Funding is an obvious concern of the City of Williamsport. Given the City’s own budget constraints and overall financial condition, subsidy for the Hiawatha should not be considered.” As such, the City agreed only to provide “in-kind” contributions from some city departments such as the Streets and Parks Department and the Recreation Department. City Council approved this proposal.

Thus, all of the Hiawatha expenses should have been paid directly by the Hiawatha. The initial 1994 proposal called for annual donations from the Williamsport/Lycoming Foundation and the Chamber of Commerce. Over the years, Nichols would notoriously solicit donations to the Hiawatha from nearly every vendor and business with whom he dealt. The Hiawatha also generated revenue through corporate sponsorships and an annual charitable event called “Raise the Region.”

Nichols, through RVT, was in control of the Hiawatha’s finances and access to its payroll, and issued checks on the organization’s behalf. The Grand Jury heard testimony that Nichols utilized public funds in order to pay for significant expenses incurred solely on behalf of the Hiawatha.

Further, in order to disguise the true use of the City funds that were being used to pay for the Hiawatha’s expenses, Nichols instructed RVT finance personnel to alter invoices submitted to the Hiawatha for payment, and instead submit them to the City’s Finance Department for payment.

**The Check Requisition Process:**

The Grand Jury heard testimony that the City used a standardized process in order to ensure that public funds were being properly utilized to pay appropriate invoices related to approved City expenses. The process that was employed consisted of the following steps: (1) A City department receives an invoice from a vendor. (2) The department’s finance personnel creates a check

requisition form requesting a city check to pay the vendor. The department head then approves the check requisition form. (3) The check requisition form, along with the supporting documentation (the invoice), is sent to the City of Williamsport Finance Department where it is reviewed, approved for payment, and a physical check is issued. (4) The check and supporting paperwork are then sent to the City of Williamsport Controller's Office, where the controller reviews the documentation and signs the check. (5) The check is then sent to the City of Williamsport Treasurer's Office where the Treasurer also signs the check. (6) The signed and approved check is then sent to the original requesting agency where it is mailed to the vendor to satisfy the invoice.

**Public Funds used for The Hiawatha Hull Insurance Payments and Altered Invoices:**

One of the most significant regular expenses incurred by the Hiawatha is hull insurance for the paddlewheel boat. This is required in order for the Hiawatha to remain in operation. The Hiawatha acquired its hull insurance through the Hartman Agency. Instead of being paid directly by the Hiawatha from the sponsorship, donations and revenue that the Hiawatha properly generated, Nichols directed RVT finance personnel to instead submit these insurance invoices to the City of Williamsport for payment. In order to avoid personnel from the Finance Department, Controller, or Treasurer's Office either rejecting or questioning these payments, Nichols ordered RVT employees to alter Hartman Agency hull insurance invoices prior to their submission to remove references to the Hiawatha or the boat. The Grand Jury reviewed an original invoice and its corresponding altered invoice, both of which are pictured on the following page:

<b>INVOICE NO. 99757</b>		<b>Page 1</b>
<b>ACCOUNT NO.</b> HIWA-A-1	<b>CSR</b> DT	<b>DATE</b> 09/01/2015
<b>Commercial Package</b>		
<b>POLICY #</b> OM117971892	<b>LOAN #</b>	
<b>COMPANY</b> Am Risk Services Northeast		
<b>PRODUCER</b> Todd Matheno		
<b>EFFECTIVE</b> 08/01/2015	<b>EXPIRATION</b> 08/01/2016	<b>BALANCE DUE ON</b> 10/01/2015
<b>AMOUNT PAID</b>		<b>AMOUNT DUE</b> \$7,341.00

<b>Item #</b>	<b>Eff Date</b>	<b>Trn Type</b>	<b>Description</b>	<b>Amount</b>
639137	10/01/15	MEM PRMG	Full Insurance Install No. 3	\$7,341.00
<b>Invoice Balance:</b>				<b>\$7,341.00</b>

<b>Hiawatha Inc</b> Wmpt Bureau Of Trans 1500 West Third Street Williamsport, PA 17701-7803				
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Original

<b>THE</b> <b>THURMAN</b> <b>AGENCY, INC.</b> <small>800-800-8000          1500 West Third Street          Williamsport, PA 17701-7803</small>		<b>INVOICE NO. 99757</b>		<b>Page 1</b>
<b>ACCOUNT NO.</b> HIWA-A-1		<b>CSR</b> DT	<b>DATE</b> 09/01/2015	
<b>Commercial Package</b>				
<b>POLICY #</b> OM117971892		<b>LOAN #</b>		
<b>COMPANY</b> Am Risk Services Northeast				
<b>PRODUCER</b> Todd Matheno				
<b>EFFECTIVE</b> 08/01/2015		<b>EXPIRATION</b> 08/01/2016	<b>BALANCE DUE ON</b> 10/01/2015	
<b>AMOUNT PAID</b>			<b>AMOUNT DUE</b> \$7,341.00	

<b>Item #</b>	<b>Eff Date</b>	<b>Trn Type</b>	<b>Description</b>	<b>Amount</b>
639137	10/01/15	MEM PRMG	Insurance Install No. 3	\$7,341.00
<b>Invoice Balance:</b>				<b>\$7,341.00</b>

<b>Wmpt Bureau Of Trans</b> 1500 W 3rd St Williamsport, PA 17701				
--	--	--	--	--

Altered

The altered invoice removed the words “Hiawatha” and “hull” from the bill, as well as the account number which began “H-I-A-W-A”.<sup>12</sup> These alterations were made to deceive the Finance Department into believing that the insurance was for RVT, and not for the Hiawatha. RVT, a department of the City, would have its insurance payments processed through the Finance Department.

The Grand Jury learned that RVT finance personnel, at the direction of Nichols, altered Hiawatha invoices in one of two ways. If the Hiawatha received a paper invoice, employees would use white-out to manually remove the words “Hiawatha” and “hull.” Employees would then make copies of the invoice in order to disguise the white-out marks. If the Hiawatha received a digital invoice, employees would place a white text box over the words “Hiawatha” and “hull” and submit this altered version of the invoice in the check requisition process.

The CFO testified that she personally altered approximately three invoices, and identified various other RVT finance personnel that altered the rest. She also testified that Nichols would reprimand RVT employees if they mistakenly sent the hull insurance invoice to the City’s Finance Department without the alterations. The Grand Jury heard evidence that two other RVT employees admitted to Special Agent Kevin Schofield (SA Schofield) of the Pennsylvania Office of Attorney General that they altered the Hiawatha invoices, and that they did so at the direction of both Nichols and the CFO.

These altered invoices and accompanying check requisition forms were sent to the Budget and Fiscal Officer (BFO) at the Finance Department for approval. While Nichols was the actual

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<sup>12</sup> The discrepancies between the “effective dates” on these two invoices were explained to the Grand Jury. The effective date was not altered by RVT personnel. In response to the Grand Jury subpoena, the Hartmann Agency provided digital copies of the requested invoices and its computer system auto-populated the “effective date” with the most recent policy date. This digital copy also explains why it does not bear the logo that is seen on the altered version. The other information on the invoice is identical to the original provided to RVT for payment.



Director of the Finance Department, the BFO worked directly under him. His responsibilities included review and approval of the check requisitions<sup>13</sup>. The BFO testified that he recalled at least one instance where he noticed an altered Hiawatha invoice. He described the alteration, noting that it appeared to him as if a section of the invoice had been “taped out” and removed. When the BFO confronted Nichols about the alteration, Nichols became upset and admitted that the invoice was actually liability insurance for the Hiawatha.

Ultimately, it was determined that from 2014 through 2019, RVT finance personnel altered a total of 19 Hiawatha insurance invoices and submitted them to the City for payment, as summarized in the table below:

#### Hiawatha Hull Insurance Documents Altered

<u>Incident</u>	<u>Vendor</u>	<u>Vendor Account</u>	<u>Invoice</u>	<u>Invoice Date</u>	<u>Amount</u>		<u>Check #</u>
1	The Hartman Agency	20-5052-79560	95363	7/24/2014	\$ 7,223.00	Liab Install No. 1	30625
2	The Hartman Agency	20-5052-79560	95452	8/4/2014	\$ 7,223.00	Liab Install No. 2	30625
3	The Hartman Agency	20-5052-79560	95870	9/4/2014	\$ 7,223.00	Liab Install No. 3	30833
4	The Hartman Agency	20-5052-79560	99397	7/24/2015	\$ 1,123.00	Pollution Renewal Policy Fee	32477
5	The Hartman Agency	20-5052-79560	99398	7/24/2015	\$ 4,256.00	Excess Liab Policy Fee	32477
6	The Hartman Agency	20-5052-79560	99400	7/24/2015	\$ 7,343.00	Hull Insurance Install No. 1	32199
7	The Hartman Agency	20-5052-79560	99522	8/5/2015	\$ 80.00	Amend Bldg & Confs Limits	32199
8	The Hartman Agency	20-5052-79560	99576	8/11/2015	\$ 7,341.00	Hull Insurance Instal No. 2	32199
9	The Hartman Agency	20-5052-79560	99757	9/1/2015	\$ 7,341.00	Hull Insurance Instal No. 3	32327
10	The Hartman Agency	20-5052-79560	103131	7/26/2016	\$ 11,030.33	Hull Liability Renewal	34329
11	The Hartman Agency	20-5052-79560	103948	10/7/2016	\$ 2,450.00	Worker's Comp 2015-16 Audit	34329
12	The Hartman Agency	20-5052-79560	106398	7/31/2017	\$ 7,269.34	Hull Insurance Inst No 1	36990
13	The Hartman Agency	20-5052-79560	106416	8/1/2017	\$ 7,269.34	Hull Insurance Inst No 2	n/a
14	The Hartman Agency	20-5052-79560	106684	9/3/2017	\$ 7,269.32	Hull Insurance Inst No 3	35878
15	The Hartman Agency	20-5052-79560	109156	8/7/2018	\$ 15,518.00	Hull Liability Renewal	37335
16	The Hartman Agency	20-5052-79560	111608	7/30/2019	\$ 1,123.00	Hull Pollution Liability Ren'l	39261
17	The Hartman Agency	20-5052-79560	111609	7/30/2019	\$ 5,438.00	Excess Liability Ren'l	39261
18	The Hartman Agency	20-5052-79560	111610	8/1/2019	\$ 15,518.00	Hull Liability Renewal	39261
19	The Hartman Agency	20-5052-79560	111661	8/7/2019	\$ 871.00	Hiawata Pkg Inst #1	n/a
TOTAL					<u>\$ 122,909.33</u>		

<sup>13</sup> Another employee in the City's Finance Department who worked alongside the BFO and Nichols for over a decade testified to her familiarity with the payment approval process. She explained that it was fairly common for the BFO to refuse to sign a check requisition when the requesting department failed to provide proper supporting documentation. The BFO would occasionally refuse to sign the check requisition altogether if he disapproved of the underlying expense. She recalled times where Nichols, who was the BFO's direct boss, would sometimes sign a check requisition himself when the BFO refused.

The Grand Jury concluded that from 2014 through 2019 the City of Williamsport, through RVT, paid a total of \$122,909.33 in liability insurance for the Hiawatha using public funds.

**The Hiawatha Employees Paid with City Funds:**

During his time as General Manager of both RVT and the Hiawatha, Nichols also authorized the payment of Hiawatha employees through the City of Williamsport, instead of directly from the Hiawatha's account. The Grand Jury learned that RVT utilized DePasquale Staffing Services, LLC (DPSS),<sup>14</sup> a temporary staffing agency, to staff both RVT and the Hiawatha with employees. DPSS entered into a general agreement with RVT to provide the transit agency with employees. The agreement did not specify how or in what capacity these employees would work. Testimony revealed that Nichols utilized the majority of DPSS employees to staff the Hiawatha's Paddlewheel Riverboat and for operation, sales, and maintenance responsibilities.

DPSS would periodically send invoices to RVT with the names of various temporary staff employees, along with the amount of money RVT owed to each employee for his or her services. The RVT finance personnel would then "highlight" employee names with various colors in order to keep track of which budget was supposed to account for the individual employees cost. One such budget was the Trade and Transit (TTC) budget. The Grand Jury learned that the vast majority of the employees that were assigned to the TTC budget were in fact dedicated Hiawatha employees who did not perform work for any City agency. The Grand Jury reviewed a highlighted DPSS invoice, which is pictured below:

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<sup>14</sup> DPSS has since changed its name to NESCO.

**DePasquale Staffing Services \*\*\***

A Division of NESCO Resource

454 Pine Street  
Williamsport, PA 17701-0000

CUSTOMER NUMBER	CUSTOMER P.O.#	#	ORIGINATING OFFICE
085/0036-000		085	DPSS, LLC

JUN 28 2017

DATE	INVOICE NUMBER
6/20/17	209971

Page 1

For Week Ending: 6/17/17

<b>BILL TO</b>	RIVER VALLEY TRANSIT ATTN: BILL NICHOLS 1500 WEST THIRD STREET WILLIAMSPORT PA 17701-0000
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<b>JOB SITE</b>	RIVER VALLEY TRANSIT 1500 WEST THIRD STREET WILLIAMSPORT PA 17701-0000
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DATE	TIMECARD	EMPLOYEE	DESCRIPTION	HOURS	RATE	AMOUNT
6/17/17	31330		HOUSEKEEPING	REG 30.00	16.17	485.10
6/17/17	31330		ACA Compliance			1.50
6/17/17	31330	River Valley Transit				
6/17/17	31278		CLERK-MISC.	REG 7.25	18.44	133.69
6/17/17	31278		ACA Compliance			.36
6/17/17	31278	River Valley Transit				
6/17/17	31279		ADMINISTRATIVE ASSIS	REG 16.00	14.63	234.08
6/17/17	31279		ACA Compliance			.80
6/17/17	31279	River Valley Transit				
6/17/17	31280		CUSTOMER SERVICE REP	REG 10.00	13.09	130.90
6/17/17	31280		ACA Compliance			.50
6/17/17	31280	River Valley Transit				
6/17/17	31329		HOUSEKEEPING	REG 15.00	18.48	277.20
6/17/17	31329		ACA Compliance			.75
6/17/17	31329	River Valley Transit				
6/17/17	31288		CUSTOMER SERVICE REP	REG 39.50	14.63	577.89
6/17/17	31288		ACA Compliance			1.98
6/17/17	31288	River Valley Transit				
6/17/17	31289		CUSTOMER SERVICE REP	REG 12.17	12.71	154.68
6/17/17	31289		ACA Compliance			.61
6/17/17	31289	River Valley Transit				
6/17/17	31297		CUSTOMER SERVICE REP	REG 40.00	13.09	523.60
6/17/17	31297		ACA Compliance			2.00
6/17/17	31297	River Valley Transit				
6/17/17	31306		CUSTOMER SERVICE REP	REG 40.00	13.09	523.60
6/17/17	31306		CUSTOMER SERVICE REP	OVR .75	19.64	14.73
6/17/17	31306		ACA Compliance			2.00
6/17/17	31306	River Valley Transit				
6/17/17	31312		CUSTOMER SERVICE REP	REG 40.00	19.25	770.00
6/17/17	31312		CUSTOMER SERVICE REP	OVR 11.50	28.88	332.12
6/17/17	31312		ACA Compliance			2.00

RECEIVED

TTC 3,992.74

JUN 27 2017

MAINT 764.55

RIT 356.79

AMOUNT DUE CONTINUED

BY: [Signature]

BY: [Signature]

PLEASE RETURN THIS PORTION FOR PROPER CREDIT

CUSTOMER NUMBER	DATE	INVOICE NUMBER	AMOUNT DUE

#	ORIGINATING OFFICE	AMOUNT PAID

PLEASE REMIT TO

FOR QUESTIONS ABOUT THIS INVOICE  
PLEASE CALL

(570) 326-1736

TERMS: Total amount due upon receipt. Accounts 30 days past due subject to interest of 1 1/2% per month (18% annual rate). If referred to attorney for collection customer shall pay reasonable attorney fees and court costs.

**DePasquale Staffing Services** \*\*\*  
A Division of NESCO Resources

454 Pine Street  
Williamsport, PA 17701-0000

CUSTOMER NUMBER	CUSTOMER P.O.#	#	ORIGINATING OFFICE
085/0036-000		085	DPSS, LLC

DATE	INVOICE NUMBER
6/20/17	209971

Page 2

For Week Ending: 6/17/17

<b>BILL TO</b>	RIVER VALLEY TRANSIT ATTN: BILL NICHOLS 1500 WEST THIRD STREET WILLIAMSPORT PA 17701-0000
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<b>JOB SITE</b>	RIVER VALLEY TRANSIT 1500 WEST THIRD STREET WILLIAMSPORT PA 17701-0000
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DATE	TIMECARD	EMPLOYEE	DESCRIPTION	HOURS	RATE	AMOUNT
6/17/17	31312	River Valley Transit				
6/17/17	31315		CLERK-MISC.	REG 40.00	14.63	585.20
6/17/17	31315		ACA Compliance			2.00
6/17/17	31315	River Valley Transit				
6/17/17	31324		CLERK-ACCOUNTING, JR	REG 21.00	16.94	355.74
6/17/17	31324		ACA Compliance			9.24
6/17/17	31324	River Valley Transit				
6/17/17	31324	River Valley Transit				
DEPARTMENT TOTAL				323.17		5,114.08
SUB TOTAL				323.17		5,114.08
NON-TAXABLE COST						4,244.69
TAXABLE SERVICE FEE						869.39
REG HOURS: 310.92 OVR HOURS: 12.25 DBL HOURS:						AMOUNT DUE \$5114.08



**PLEASE RETURN THIS PORTION FOR PROPER CREDIT**

CUSTOMER NUMBER	DATE	INVOICE NUMBER	AMOUNT DUE
085/0036-000	6/20/17	209971	5,114.08

#	ORIGINATING OFFICE	AMOUNT PAID
085	DPSS, LLC	

PLEASE REMIT TO
DPSS, LLC PO [REDACTED] Cleveland, OH 44194-4135

FOR QUESTIONS ABOUT THIS INVOICE  
PLEASE CALL (570) 326-1736

TERMS: Total amount due upon receipt. Accounts 30 days past due subject to interest of 1 1/2% per month (18% annual rate). If referred to attorney for collection customer shall pay reasonable attorney fees and court costs.

In addition to highlighting invoices, RVT also maintained an internal record of DPSS employee timesheets. Supervisors signed these timesheets, which also helped RVT determine where each employee was working and in what capacity. The Grand Jury heard testimony that Nichols would order RVT finance personnel to submit all DPSS invoices to the City's Finance Department for payment, even if the invoice was for Hiawatha employees. Since RVT did legitimately utilize some of the DPSS employees for work at the transportation department, these check requisitions were not questioned by the other city departments involved in the payment process. Thus, when the City's Finance Department received a DPSS invoice from RVT, that in

and of itself did not raise any red flags. It is worth noting that RVT finance personnel could have easily paid employees directly from the Hiawatha's account, since they had complete access to its general ledger, financial software, payroll, and checkbook. Nichols, however, instructed them to do otherwise.

Once the City's Finance Department issued the check to pay DPSS, DPSS then issued individual checks to the temporary employees. These cancelled checks were acquired during the course of this investigation. The cancelled checks were then cross-referenced with RVT's internal records in order to determine whether the employee performed work for RVT or for the Hiawatha. The Grand Jury learned that from 2015 through 2019, RVT, using public funds, paid \$39,141.57 to DPSS in order pay for both maintenance staff and crew for the Hiawatha. These improper expenditures are as follows:

FY 2015/2016	\$13,348.57
FY 2016/2017	\$7,023.01
FY 2017/2018	\$13,542.99
<u>FY 2018/2019</u>	<u>\$5,227.00</u>
Total:	\$39,141.57

The Grand Jury also heard testimony regarding Hiawatha's checking account and savings account balances during the years in which RVT funded its hull insurance and DPSS bills. SA Schofield reviewed bank statements from December 2014 through September 2020 in order to understand the organization's revenue and expenses. From those records, it was determined that the Hiawatha did, in fact, have a number of legitimate funding sources. As noted above, corporate sponsorships, donations, and fundraising events all generated revenue for the organization. Additionally, the Hiawatha Paddlewheel Boat itself generated revenue from the user fees patrons paid in order to ride on the boat.

As noted previously, these improper payments for the Hiawatha expenses were “hidden” from PennDOT by including them within the “miscellaneous” expense category.

**Other Evidence of Public Funds Improperly Diverted to the Hiawatha**

In addition to the above described improper use of public funds diverted to the Hiawatha, the Grand Jury learned that other public funds were regularly diverted to the Hiawatha in the form of cash contributions or the payment of “management fees.” The Grand Jury reviewed the Hiawatha audits - - performed by the same third party accounting firm that was responsible for the RVT audits until 2020 - - from the 2014/2015 fiscal year until the 2017/2018 fiscal year. These audits each contained a section titled “Related Party Transactions” and detailed the below transactions:

- In FY 2014/2015, a \$32,500.00 contribution from the WPA in the form of management fees paid to RVT.
- In FY 2015/2016 a contribution of \$50,000 from WPA paid on behalf of RVT.
- In FY 2015/2016, \$32,500 management fees paid from WPA to RVT on behalf of Hiawatha.
- In FY 2015/2016, \$43,694 in 2015 and \$57,174.00 in 2016 were paid by RVT to cover the Hiawatha’s liability insurance. The audit noted that these sums are recorded as accounts payable---in other words, they are recorded as if they are amounts owed to RVT with the intention of being repaid to RVT.
- In 2016, the audit reflects that the WPA again paid \$50,000.00 in management fees to RVT on behalf of the Hiawatha.
- In 2017, the Hiawatha received a \$37,500 contribution from RVT for working capital.
- In FY 2016/2017, RVT again paid for the Hiawatha’s liability insurance in the sums of \$78,982 in 2017 and \$57,174 in 2016. These amounts are recorded as accounts payables, indicating that the Hiawatha owed RVT these amounts.
- In FY 2017/2018, a \$37,500 contribution was made by WPA on behalf of RVT for working capital.
- In FY 2017/2018, RVT again paid for the Hiawatha’s liability insurance in the sums of \$94,500 in 2018 and \$78,982.00 in 2017. These amounts are recorded as accounts payables, indicating that the Hiawatha owed RVT these amounts.

After a review and analysis of the financial records for Hiawatha and RVT, there were never any repayments of any of the above sums, or portions thereof, made from the Hiawatha to

either RVT or WPA. While proper accounting does recognize that “bad debt” can be removed from the books of a given organization, this Grand Jury has reviewed additional evidence that suggests that there was historical precedent for RVT providing public funds to the Hiawatha without City Council’s knowledge or authorization and then simply “forgiving” any associated debt after it accrued. Specifically, the Grand Jury learned that RVT utilized a ledger account called “Deposits Held in Trust” to record amounts that were theoretically owed to RVT from the Hiawatha. The Grand Jury viewed an e-mail exchange between the CFO and the accountant working on the RVT audit. The e-mail was dated Feb. 27, 2009. The CFO stated

sorry for opening a can of worms about the deposit held in trust....I didn't realize one side didn't know about the other....but after talking to Bill, the monies that we have as “deposits held in trust” should be “wiped” out as contributions. The only thing we should have in there is the \$9,000 for the air conditioner which I am reimbursing RVT for this week....

The Grand Jury notes that while these transactions are recorded on the Hiawatha audits, there are no corresponding entries on RVT’s audits explicitly showing any financial transactions with the Hiawatha, paying their insurance, or paying for their employees. The Grand Jury also viewed a clip from a City Council budget session meeting on November 27, 2017. During the meeting, City Councilwoman Bonnie Katz asked Nichols to clarify the Hiawatha’s relationship to the RVT budget. In response, Nichols stated that the Hiawatha is “...a separate operation, but they pay RVT some money for indirect costs but they have their own separate budget of employees and expenses and all that kind of stuff.....[Hiawatha] is totally separate because it’s a 501(c)(3), separate budget, separate audit, so its accounted for, totally separate.” The Grand Jury has received significant evidence and testimony that indicates otherwise.



### **EMTA Ghost Employees**

In 2011, RVT was asked to also assume management of EMTA, a neighboring transportation authority that serves Bradford, Sullivan, and Tioga counties. EMTA paid RVT an annual \$250,000 management fee. This fee was to be used to pay salary-related expenses for 34 unnamed RVT employees who were also performing EMTA duties. In addition to this fee, EMTA also maintained a separate line-item in the budget for the payment of “management salaries.” Nichols, along with eight other RVT and City employees, including RVT’s CFO and Planning Manager, were listed by EMTA as the “Lead Management Team.” As such, these nine named individuals received separate salaries from EMTA in addition to their paycheck from the City.

However, in addition to the nine employees listed as EMTA’s Lead management Team (most of whom did in fact perform a great deal of additional work related solely to EMTA management), the Grand Jury identified two other individuals who were placed on the EMTA payroll who played no role whatsoever in managing EMTA, and performed no tasks whatsoever related to EMTA.

A witness who works for the Williamsport Department of Finance testified that she received a \$300.00 biweekly paycheck from EMTA despite having no job responsibilities whatsoever related to its management. She stated that she questioned her immediate supervisor about the checks but never received an answer. She received this monthly check for a couple of years, until a former Mayor became aware of it and told her to stop accepting these additional payments.

Another Department of Finance employee testified that he, too, received an EMTA paycheck, as well as a Hiawatha paycheck, in addition to his paycheck from the City relating to his position in the Finance Department. He admitted that he performed no work whatsoever on

behalf of either Hiawatha or EMTA. Hiawatha payroll records indicate that this witness was paid \$165 every two weeks from 2012 to 2019, and was paid a total amount of \$34,320 from Hiawatha during that time period. He stated that he received the money via direct deposit into the same bank account as his City paycheck. He recalled having a conversation with Nichols about the extra paychecks he was receiving. Nichols told him he did not believe he received adequate compensation from the City, and that he (Nichols) had the ability to pay him additional money through the Hiawatha. This witness stated that a former Mayor became aware of the additional paychecks that he was receiving and told him to stop accepting them around November 2019.

The Grand Jury learned that the proper protocol for obtaining a pay increase for a city employee requires a formal request for City Council to approve the pay raise. Nichols made no such requests for legitimate pay raises for either of these two witnesses.

The Grand Jury also heard testimony from a former Williamsport Mayor. He recalled a conversation that he had with Nichols in 2016 wherein Nichols suggested that the Mayor could make some extra money doing extra work for EMTA. The Mayor declined, and said that he did not feel that would be appropriate. Just prior to his term as Mayor ending in late 2019, it was brought to his attention that the two above referenced Finance Department employees were receiving additional paychecks. He, along with the former HR Director, confronted both of them about this and told them to terminate these additional payments.

The Grand Jury heard testimony that an analysis of the payroll records provided by EMTA indicated that the following payments in the form of either salary or bonus checks were distributed directly from EMTA to these two employees from 2013 to 2019:

<b>NAME</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>TOTAL</b>
Witness 1	\$9,500.00	\$7,750.00	\$9,100.00	\$9,800.00	\$10,500.00	\$9,800.00	\$7,100.00	\$-	\$63,550.00
Witness 2	\$9,500.00	\$7,750.00	\$9,100.00	\$10,800.00	\$13,500.00	\$11,800.00	\$7,600.00	\$ -	\$70,050.00

### **Improper Use of Compressed Natural Gas Grant**

The Grand Jury received evidence that RVT was awarded a capital grant from the FTA in 2014 expressly for the acquisition of buses that operate on compressed natural gas and for the construction of a compressed natural gas fueling station (CNG Grant). The federal award identification number associated with this grant was Pa-04-0110-00. According to the ledger kept by the CFO, that particular number was used to track all expenses attributed to this grant. All checks issued by RVT to pay for these expenses bore this grant number as well, so that the funding source could be traced. Invoices that were paid by RVT checks drawn from this funding source were also acquired and reviewed. The Grand Jury learned, however, that a vendor was paid a total of \$584,519.81 for work that was wholly unrelated to the CNG project. The itemized invoices that were paid from this funding source included charges for shingles and roofing. The CNG project did not involve shingles, but an unrelated project that was occurring at approximately the same time did. These invoices also included funding for the construction of a new salt building. The CNG project did not involve a salt building, but a new salt building was in fact constructed on property belonging to the Williamsport Streets and Parks Department. The invoice also included a charge for siding for the police building.

As such, restricted capital grant funds that were required to be utilized by RVT for a specific, enumerated purpose were used for non-transit expenses wholly unrelated to the stated purpose of the funds.

The Grand Jury notes that hundreds of additional invoices from multiple vendors were acquired and reviewed, but the vast majority of them lacked the itemized detail that would be necessary to parse out non-transit work verses transit related work performed by the vendor.

### **Wiretap Violation**

The Grand Jury determined that Nichols surreptitiously recorded an in-person conversation with former Mayor Gabriel Campana without his consent. The Grand Jury heard testimony from an employee of the City's Information Technology Department. This witness testified that at some point during this Mayor's administration, Nichols came to him with an Olympus recording device and asked him to copy the contents of the device onto a thumb drive "right away." He recognized the recording device as being the same type of recording device used by the City's clerk to record council meetings. This request seemed unusual to him because he had never known Nichols to utilize a recording device. He complied with his request and copied the recording onto a thumb drive for Nichols. However, because of the odd nature of Nichols' request, the IT employee saved an additional copy of the recording to his own computer. He provided this recording to OAG agents.

The Grand Jury listened to a portion of the 40-minute recording during this former Mayor's testimony. The topics discussed included general personnel and finance matters, and some specific project ideas. The conversation appears to have occurred in a Williamsport government office at some point in late August 2018 based upon the context and background. Significantly, at one point early in the conversation, the Mayor could be heard saying to Nichols, "...you have heard this for years, you control the finances," to which Nichols immediately responded, "I don't control them, I just report them." The Grand Jury finds this exchange of particular interest given the amount of evidence and testimony that suggested that Nichols in fact had a tremendous amount of control in how public funds were directed, and he was in fact responsible for drafting annual budgets for City Council's approval, as well as directing the

finances of multiple entities. The Mayor identified his voice and Nichols' voice, and testified that he did not consent to this recording and was unaware of its existence until the time of his testimony.