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**SEVEN NEW TRUCKING FIRM DEFENDANTS AND EXPANDED CHARGES ADDED
TO HIRED TRUCK INDICTMENT AGAINST FORMER CITY WATER
DEPARTMENT OFFICIALS AND OTHERS**

CHICAGO – Seven new defendants associated with various trucking companies were added to a pending federal indictment against seven others alleging corruption in the Hired Truck Program (HTP) in the City of Chicago’s former Water Department, federal officials announced today. A federal grand jury today returned a superseding 27-count indictment adding new defendants and charges in the pending case against four former city officials and three trucking firm operators for allegedly engaging in racketeering, fraud and bribery. One of the officials, **Donald S. Tomczak**, and three onetime subordinates acting as his bagmen allegedly netted at least \$500,000 in cash, campaign contributions and gifts in return for providing preferential treatment to at least a dozen trucking companies that participated in the HTP over more than a decade. Today’s indictment contains expanded fraud allegations involving illegal payments by additional trucking firms and Tomczak’s use of those proceeds. In addition, the new counts allege fraudulent certification of a truck firm as a women-owned minority business, false statements by trucking firm principals to investigators and federal income tax charges against Tomczak.

The new indictment was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, together with Kenneth T. Laag, Acting Inspector-in-Charge of the U.S.

Postal Inspection Service in Chicago; J.D. Nichols, Special Agent-in-Charge of the U.S. Department of Labor, Office of Inspector General in Chicago; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; and Byram Tichenor, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago. The investigation is continuing, they said.

The new defendants bring to 23 the number charged in the federal corruption investigation of the city program since January 2004. This indictment supersedes a 12-count indictment that was returned on Dec. 16, 2004, against Tomczak, the retired First Deputy Water Commissioner, and six others. One of the new defendants, **John E. Cannatello**, was charged last month in a criminal complaint, while the remaining six were charged for the first time today. All 14 defendants are scheduled to be arraigned on the new charges at 11 a.m. on March 7 before U.S. District Judge Samuel Der-Yeghiayan in U.S. District Court.

The new defendants indicted today and the charges against them are:

John E. Cannatello, 59, of Palos Park, a principal operating agent of GNA, which was registered as a Women's Business Enterprise (WBE) and from 1997 through 2003 averaged more than \$325,000 in revenue from the Water Department's HTP. He was charged with two counts of mail fraud;

Nicola A. Cannatello, John Cannatello's wife, 57, also of Palos Park, who claimed to be the owner and sole day-to-day operators of GNA along with another individual. She was charged with one count each of mail fraud and making false statements;

Richard A. Coveliers, 44, of Chicago, until recently a city employee who from 1998 through early 2004 was an operating agent for Cayla Trucking. He was charged with one count each of mail fraud and making false statements;

Debra J. Coveliers, Richard Coveliers' wife, 42, also of Chicago, who was an employee of Cayla from at least 1999 to early 2004. She was charged with one count of obstruction of justice;

Richard P. Rylewicz, 71, of Cicero, an accountant who from the 1990s through early 2004 performed accounting and other financial tasks for Cayla and Garfield Trucking. His wife, Joan Policky, is the owner of record of Garfield. He was charged with one count each of mail fraud and bribery and two counts of making false statements;

Joan Policky, Rylewicz's wife, 66, also of Cicero, who between at least 2002 and early 2004 claimed to be the sole owner and day-to-day operator of Garfield. She was charged with one count each of mail fraud, bribery and making false statements; and

Charles M. Romano, 44, of Chicago, who between at least 2002 and early 2004 was a city employee, as well as a financial partner and operating agent for Garfield. He was charged with one count each of mail fraud and making false statements.

These seven defendants were added to the pending case against Tomczak and his onetime subordinates, **Gerald J. Wesolowski**, **Roger E. McMahon** and **Flenory S. Barnes, Sr.**, who were indicted in December together with trucking company operators **Joseph S. Ignoffo**, **Leroy S. Peters** and his daughter, **Commelie R. Peters**. Tomczak and Wesolowski alone remain charged with racketeering conspiracy. Both the first and second indictments also contain counts of mail fraud, bribery, obstruction of justice and perjury against various defendants.

As before, the new indictment seeks forfeiture of \$500,000 from Tomczak and Wesolowski as proceeds of the alleged racketeering conspiracy. Tomczak, Wesolowski, both Peters, both Cannatellos, Rylewicz and Policky are also allegedly subject to forfeiture of at least \$500,000 if convicted of mail fraud, and the indictment also seeks forfeiture from Ignoffo, both Peters, both Cannatellos, Rylewicz and Policky relating to their respective financial interests in their trucking companies.

The new indictment also names as an unindicted co-schemer Michael Harjung, who has been cooperating in the federal investigation since last fall. Between at least 1998 and early 2004,

Harjung, a former Water Department employee, was an operating agent of Cayla, and between at least 2002 and early 2004, he was also an operating agent of Garfield.

Both indictments allege Hired Truck Program (HTP) corruption in the city's Water Department, now the Department of Water Management, from 1993 to September 2004. Citywide, Chicago spent close to \$38 million in 2003 on hired trucks involving approximately 172 different vendors citywide. From 1997 through 2003, the Water Department spent approximately \$8 million to \$11.7 million annually for hired truck services. From 1989 to late 2003, Tomczak exercised ultimate authority as to selecting, assigning, hiring and laying off participating HTP trucking companies.

The only change to the racketeering conspiracy count against Tomczak and Wesolowski was the addition of allegations that their duties as city employees included abiding by what are known as the *Shakman* decrees – federal court orders restricting certain municipal employment practices and political activities by city workers. (Those allegations were also added to the fraud scheme.) The RICO conspiracy count alleges that Tomczak and Wesolowski made official decisions relating to the HTP, provided cash payments and campaign contributions, and diverted and used city resources – all for the personal and financial benefit of themselves and others, including certain city employees, certain trucking company operators, and other parties affiliated with Tomczak, including political campaigns.

According to the expanded fraud scheme allegations, Tomczak took official Water Department actions to benefit the financial interests of the Cannatellos, the Coveliers, Rylewicz, Policky and Romano – in addition to Ignoffo, both Peters and the representatives of other trucking companies – including awarding HTP projects and providing ongoing business opportunities in selecting, hiring, assigning and laying off firms for HTP projects. At the same time, the trucking firm defendants and other participating HTP representatives provided cash, campaign contributions,

and other benefits to Tomczak and other parties associated with him, Wesolowski and McMahon – both directly through Tomczak and indirectly through Wesolowski, McMahon and Barnes, acting essentially as his bagmen – to influence and reward Tomczak in performing official acts relating to HTP services.

The expanded fraud scheme alleges that Tomczak, with assistance from Wesolowski, used cash proceeds from the trucking firm representatives for his own personal use and benefit, as well as for the personal use and benefit of two unnamed Water Department employees with whom he had personal relationships. The cash allegedly was used to purchase and facilitate the purchase of vehicles, real estate, clothing, jewelry, meals, vacations, medical bills, entertainment and gambling activities.

The new indictment also alleges that in approximately 1993, Tomczak encouraged one of these unnamed Water Department employees to establish a trucking company – and that a relative of Tomczak’s would assist in the formation and operation of the company – so that he could steer HTP work to the new business.

As before, the indictment alleges that Tomczak and others allegedly obtained cash, campaign contributions and other things of value totaling more than \$500,000, including cash and gifts for the benefit of Tomczak, Wesolowski and McMahon, and political contributions and other financial benefits provided by trucking company representatives at Tomczak’s direction for the benefit of political campaigns with which he and other high-ranking government officials were associated, including Candidate A, Official B, Judicial Candidate C, Ward Organization D and Aldermanic Candidate E, among others. The fraud scheme also alleges that Tomczak, through certain department employees including Wesolowski, Barnes and others, diverted and used city and department resources for the benefit of himself and certain political campaigns.

The indictment also charges Tomczak with four counts of filing false federal income tax returns, alleging that he reported total income of \$163,609, \$144,486, \$163,939 and \$225,503, respectively, for the years 2000 through 2003, knowing that in each year he failed to report as additional gross income the payments that he received from various trucking companies.

Regarding the Cannatellos, and as alleged in the complaint last month against John Cannatello, the indictment charges both John and Nicola Cannatello with engaging in a fraud scheme against the city to obtain sham certification for GNA as a Women Owned Business Enterprise (WBE). During the certification process, Nicola Cannatello allegedly claimed that GNA was 100 percent women-owned and operated, when, in fact, John Cannatello was allegedly a principal agent of GNA who was active in the day-to-day operations. After obtaining WBE certification by the city through 2004, GNA, principally through the efforts of John Cannatello, obtained more than \$4 million in city business, including at least \$2 million in Water Department HTP business, according to the indictment.

The government is being represented by Assistant U.S. Attorneys Patrick Collins, Patrick McGovern, Manish Shah, Barry Miller and Julie Ruder.

If convicted, the charges in the indictment carry the following maximum penalties on each count: racketeering conspiracy – 20 years in prison and a \$250,000 fine; mail fraud – 20 years in prison and a \$250,000 fine; bribery and obstruction of justice – 10 years in prison and a \$250,000 fine; perjury and making false statements – 5 years in prison and a \$250,000 fine. The Court, however, would determine the appropriate sentence to be imposed.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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