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DEC 2 2 2010

PA STATE CORRECTIONS OFFICERS ASSOCIATION

FORENSIC INVESTIGATION

FINDINGS

Expert Report of

Bruce J. Brown, CPA/ABV, CFF, CVA

Roy Pinto, President
PA State Corrections Officers Association
2421 N. Front Street
Harrisburg, PA 17110-1110

Dear Mr. Pinto:

I. Introduction

The opinions expressed in this report are based on the information described herein. Amendments or additions to this report and the attached schedules (Exhibits A to Q) may be required as a result of additional information that may come to our attention as a result of, including, but not limited to, the discovery of new evidence, the further review of documents, the testimony of fact witnesses in depositions, expert discovery and the testimony of other witnesses.

II. Assignment

We have been retained by your organization to render an expert opinion with respect to the economic damages incurred by PA State Corrections Officers Association (PSCOA) as a result of certain employees submitting and being paid invalid and unsubstantiated mileage reimbursement requests. Additionally, we were requested to review and provide an opinion on a retroactive pay raise provided to one business agent, Shawn Hood.

III. Summary of Expert Qualifications

Bruce J. Brown, a certified public accountant licensed in the Commonwealth of Pennsylvania managed the investigation. Mr. Brown has the ABV (accredited in business valuations) and CFF (certified in financial forensics) credentials issued by the American Institute of Certified Public Accountants. He is also a Certified Valuation Analyst, licensed by the National Association of Certified Valuation Analysts, and a Principal of the accounting firm of Brown Schultz Sheridan & Fritz. His work in the accounting profession includes experience as an auditor and a consultant. His expert qualifications are described in Exhibit A hereto.

Brown has been performing work as an auditor and consultant to commercial entities and not-for-profit organizations since 1972. He has been performing services in litigation support matters since 1989.

Brown has been compensated for this matter at his standard hourly rate, which is currently $225 per hour.

Assisting Brown in the examination was Richard Bluis, a partner with the CPA firm, Martin M. Sacks & Associates, and several employees of Brown Schultz Sheridan & Fritz. Their billing rates ranged from $80 to $165 per hour.

IV. Summary of Opinions

Based upon our analysis, we have concluded PSCOA provided reimbursements of $370,892 for mileage that cannot be substantiated. See Exhibit C, which summarizes the amount by individual. Additional Exhibits have been provided to demonstrate the calculations of the excess mileage by individual and which indicate the mileage each individual was entitled to based upon the supporting documentation that was examined. These Exhibits are discussed in Section VII. We also have concluded Shawn Hood was provided a retroactive pay raise of $76,356.66 that was inappropriate. This is discussed in Section VIII.

V. Evidence Considered

In undertaking this assignment, we have considered information from various sources, each of which is of a type that is reasonably relied upon by an expert in this field. Those sources are identified in Exhibit B to this report. We have also relied upon Mr. Brown's professional judgment and expertise gathered during his 38 years in public accounting Mr. Brown's opinions rendered in this report are within a reasonable degree of certainty within his field of expertise as an accountant.

VI. Discussion of Opinion

A. Background

1. PSCOA was organized in June 21, 2001 and is recognized as the exclusive representative for collective bargaining purposes for corrections officers employed by the Commonwealth of Pennsylvania.

2. PSCOA employs individuals who serve as its officers, business agents and administrative personnel.

3. PSCOA has an executive board, which oversees the activities of its officers.

4. On January 29, 2004, the executive board of PSCOA issued a policy requiring all officers to work in its Harrisburg office and the policy specifically stated no officers were to be reimbursed mileage for their travel to Harrisburg. (Exhibit N)

5. On September 12, 2005, PSCOA's executive board issued a policy that effective January 1, 2006, all officers were to receive a stipend for as long as they were in office. That stipend is $18,000 per year and its purpose is to cover travel to/from their homes to the Harrisburg office of PSCOA and to cover meals and lodging while in Harrisburg. (Exhibit O)

6. Business agents were provided reimbursement for use of their own vehicles while on PSCOA business. The rate paid was based upon the rate established by the Internal Revenue Service.

7. On July 19, 2010, an agreement was entered into between PSCOA and the Business Agents Representing State Union Employees Association (BARSUEA). This agreement recognized BARSUEA as the sole and exclusive bargaining agent for business agents employed by PSCOA.

8. The new officers of PSCOA, who were installed in 2010, reviewed the financial records of PSCOA and noted that reimbursements for mileage appeared excessive. PSCOA operates on a fiscal year from July 1 to June 30. PSCOA had provided reimbursements of $345,438, $371,071 and $437,542 for the years ended June 30, 2008, 2009 and 2010, respectively. Based upon the Internal Revenue Service rates in effect for those years, PSCOA provided reimbursements for over two million miles.

B. Methodology

We obtained the mileage section of PSCOA's general ledger for the fiscal years that ended June 30, 2008, 2009 and 2010. This information indicated, by individual business agent, the amount of reimbursement provided. Utilizing a scope of $15,000 or greater for a year (reimbursement of mileage totaling $15,000 or greater to an individual business agent), we identified various business agents whose expense reports were to be considered for examination. After reviewing the reports for those meeting our scope, we met with Roy Pinto, PSCOA's president, and John Chernavage, PSCOA's secretary/treasurer, to ascertain the individual business agents with which they had concerns. Based upon these preliminary procedures, we selected Lee Dyches, Michael Friederich, Shawn Hood, Patricia Hurd, John Klett, John Miller and Mark Watson for a more in-depth examination. Upon completion of our analysis of these individuals, we extended our examination to include Edward McConnell, Donald McNany, Samuel Brezler and Percy Poindexter who were officers of PSCOA.

1. Our first step was to obtain the time sheets/expense reports for all individuals noted. These reports denote mileage reimbursements being claimed. From these reports, we prepared a spreadsheet for each individual of the mileage reimbursement claimed during the years ended June 30, 2008, 2009 and 2010.

2. While scheduling out the mileage being claimed, we noted none of the Business Agents' reports, with the exception of Patricia Hurd, indicated where the travel occurred for which the mileage was being claimed. In other words, there was no notation as to the starting point, ending point or the purpose of the trip. The time sheets were equally as vague. There was generally no notation on the time sheet that identified what specifically the business agent did that day, and there was no notation as to where the agent performed his/her work that day. Consequently, no inference could be made as to why the mileage was being claimed. Accordingly, we concluded other documentation was necessary in order to validate the person's travel.

3. We obtained the following information for the individuals noted above:
   a) Credit card statements from Commerce Bank and M&T Bank for each month in the period July 1, 2007 through June 30, 2010.
   b) Supporting data for the credit card charges (invoices, credit card slips, etc.) for the same period.
   c) Personal expense reports including supporting data for expense entries.

d) EZ Pass reports for the transponder assigned to the applicable individuals for 2007, 2008, 2009 and 2010, which denotes trips made by the individuals.
e) A list of Grievance Committee meeting dates that were scheduled in 2007 through 2010. This identified meetings that the business agents were expected to attend. However, these did not provide evidence that the meetings were, in fact, attended.
f) Minutes for labor management meetings and union meetings for 2007-2010. These minutes indicated which business agents attended specific meetings.
g) A listing of hotel rooms reserved and paid for by PSCOA during 2007-2010. Using hotel invoices, PSCOA personnel prepared a listing of hotel rooms that were paid for by PSCOA for the individuals in our examination.
h) Facility check-in and checkout details for the Commonwealth of Pennsylvania's correctional facilities for the individuals in our examination.

4. Using the information noted in #1 and #3 above, we reconstructed where the individuals were on each day, noting the location where meals or other charges were incurred.

5. Based upon locations noted from the data examined, our next step was to calculate the mileage an individual was entitled to claim. Using MapQuest (www.mapquest.com), we calculated the mileage from an individual's home (or another location if one was determined) to the appropriate location. This calculation was inserted onto the worksheet noted in #1. If, based upon all the evidence we reviewed, there was no evidence of travel having occurred on a particular day, this was noted on the worksheet.

6. Our next step was to determine, by fiscal year, the total mileage each individual was entitled to claim. A calculation was then made of the amount of reimbursement an individual was entitled to based upon the rate established by the Internal Revenue Service for each year.

VII. Findings

A. Lee J. Dyches - Exhibits D-1 and D-2

Based upon our analysis, Lee J. Dyches submitted claims for reimbursement of 189,383 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $102,079. We determined Dyches was entitled to reimbursement for 39,589 miles or $20,712. The excess reimbursement he claimed was $79,860.

B. Michael Friederich

Based upon our analysis, Michael Friederich submitted claims for reimbursement of 104,612 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $55,909. For each day that Friederich submitted a reimbursement request, we were able to determine a specific location that he had traveled. The mileage he claimed was comparable to the amount we determined using MapQuest. Accordingly, we have concluded the reimbursements Friederich received were legitimate and no Exhibit is provided.

C. Shawn P. Hood - Exhibits E-1 and E-2

Based upon our analysis, Shawn P. Hood submitted claims for reimbursement of 193,150 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $102,184. We determined Mr. Hood was entitled to reimbursement for 56,611 miles or $30,345. The excess reimbursement he claimed was $71,623.

Attached as Exhibit P is a document that demonstrates the type of abuse we noted by Mr. Hood. This Exhibit represents an invoice and an opinion and award in an arbitration matter. The invoice indicates that on May 17, 2010 an attorney from Jennings Sigmond, P.C. met with Mr. Hood to prepare for an arbitration matter. The opinion and award clearly states Hood testified at the hearing on May 18, 2010. The meeting and hearing were in SCI-Fayette, which MapQuest indicates is 102 miles (round trip) from Hood's home. Hood charged PSCOA 828 miles travel for these two days, indicating he requested an excess reimbursement of 624 miles.

D. Patricia A. Hurd - Exhibits F-1 and F-2

Based upon our analysis, Patricia A. Hurd submitted claims for reimbursement of 102,038 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $53,792. We determined Ms. Hurd was entitled to reimbursement for 83,780 miles or $44,342. The excess reimbursement she claimed was $9,450. Although as noted above, Ms. Hurd was the only agent who indicated on her time sheet the location to which she traveled. We were unable to validate all the locations she claimed she visited, and so, we concluded the claims were invalid.

E. John S. Klett - Exhibits G-1 and G-2

Based upon our analysis, John S. Klett submitted claims for reimbursement of 126,526 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $66,900. We determined Mr. Klett was entitled to reimbursement for 54,537 miles or $28,747. The excess reimbursement he claimed was $38,151.

F. John A. Miller - Exhibits H-1 and H-2

Based upon our analysis, John A. Miller submitted claims for reimbursement of 163,855 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $89,929. We determined Mr. Miller was entitled to reimbursement for 69,759 miles or $36,919. The excess reimbursement he claimed was $49,888.

G. Mark A. Watson - Exhibits I-1 and I-2

Based upon our analysis, Mark A. Watson submitted claims for reimbursement of 110,040 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $57,860. We determined Mr. Watson was entitled to reimbursement for 30,235 miles or $16,023. The excess reimbursement he claimed was $41,837.

H. Edward R. McConnell - Exhibits J-1 and J-2

Edward R. McConnell was an officer of PSCOA. Accordingly, his mileage reimbursement should have been limited to trips he made other than to travel to Harrisburg, which was considered his home office in accordance with the executive board policy of January 29, 2004 (see Exhibit N).

Based upon our analysis, Mr. McConnell submitted claims for reimbursement of 115,518 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $61,755. We determined Mr. McConnell was entitled to reimbursement for 26,960 miles or $14,091. The excess reimbursement he claimed was $47,600.

I. Donald McNany - Exhibits K-1 and K-2

Donald McNany was an officer of PSCOA. Accordingly, his mileage reimbursement should have been limited to trips he made other than to travel to Harrisburg, which was considered his home office in accordance with the executive board policy of January 29, 2004 (see Exhibit N).

Based upon our analysis, Mr. McNany submitted claims for reimbursement of 26,298 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $13,866. We determined Mr. McNany was entitled to reimbursement for 4,488 miles or $2,322. The excess reimbursement he claimed was $11,544.

We noted many of the reimbursements requested by Mr. McNany were on Mondays and Fridays (days he traveled to/from his home and the Harrisburg office). Many of the time sheets indicated he stopped at a location on route, attempting to justify a mileage deduction from his home. This mileage was not deemed legitimate.

J. Samuel Brezler - Exhibits L-1 and L-2

Samuel Brezler was an officer of PSCOA. Accordingly, his mileage reimbursement should have been limited to trips he made other than to travel to Harrisburg, which was considered his home office in accordance with the executive board policy of January 29, 2004 (see Exhibit N).

Based upon our analysis, Mr. Brezler submitted claims for reimbursement of 17,989 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $9,335. We determined Mr. Brezler was entitled to reimbursement for 6,216 miles or $3,214. The excess reimbursement he claimed was $6,069.

K. Percy Poindexter - Exhibits M-1 and M-2

Percy Poindexter was an officer of PSCOA. Accordingly, his mileage reimbursement should have been limited to trips he made other than to travel to Harrisburg, which was considered his home office in accordance with the executive board policy of January 29, 2004 (see Exhibit N).

Based upon our analysis, Mr. Poindexter submitted claims for reimbursement of 50,094 miles during the period July 1, 2007 through June 30, 2010 and was reimbursed $26,401. We determined Mr. Poindexter was entitled to reimbursement for 21,268 miles or $11,213. The excess reimbursement he claimed was $14,870.

VIII. Shawn Hood – retroactive pay increase

During the pay period that ended June 26, 2010, Shawn Hood was given a retroactive pay increase of $76,356.66 that covered the period from his hiring as a business agent in 2003 through June 30, 2010. Our review of PSCOA's payroll records, including Form W-2, indicated that the annual pay scale for business agents was consistent based upon the years of service as a business agent. For example, all business agents hired in 2003 received the same gross annual salary after 2003 (2003 would have differed based upon the agent's start date). Therefore, business agents, Hood, John Miller and Curt Heitzman each received the same gross salary annually. However, for reasons that are not documented in any PSCOA records, Hood was given a retroactive increase that provided him an annual salary higher than any of the business agents who were higher in seniority to him. The worksheet used internally to calculate this pay increase indicated Hood was given a retroactive pay increase of $10,000 in 2003 (see Exhibit Q) and this raise was modified annually for the percentage increases given to all business agents. We found no evidence to support the validity of this increase.

Dated: December xx, 2010

By:

Bruce J. Brown, CPA/ABV, CFF, CVA

Exhibit A

PA STATE CORRECTIONS OFFICERS ASSOCIATION

FORENSIC INVESTIGATION

CURRICULUM VITAE OF

BRUCE J. BROWN, CPA/ABV, CFF, CVA

EDUCATION

Lehigh University, Bachelor of Science Degree

CERTIFICATIONS

Certified Public Accountant (Pennsylvania)
Accredited in Business Valuation (ABV) by the American Institute of CPAs
Certified in Financial Forensics (CFF) by the American Institute of CPAs
Certified Valuation Analyst (CVA) – awarded by the National Association of CVAs

EMPLOYMENT

Brown Schultz Sheridan & Fritz (one of founding Principals, Chief Executive Officer and Shareholder, 1990 to present). General accounting practice, including representing and advising family owned businesses and other clients in business and tax matters; concentration in business valuations, expert witness for divorce, economic damages matters and forensic accounting matters.

EXPERIENCE

- Certified Public Accountant since 1974
- Consulting in business valuation matters since 1989
- Consulting on litigation support services for divorce matters since 1989
- Consulting on tax consequences of divorce agreements
- Income calculations for child and spousal support matters
- Consulting in damages assessments since 2004
- Court-appointed expert witness for shareholder dispute (U.S. District Court for Middle District of Pennsylvania)
- Consultation in business and tax matters, including cash flow, loan negotiations, tax structuring, buy-sell agreements, estate taxation, etc.

Exhibit A

PA STATE CORRECTIONS OFFICERS ASSOCIATION

FORENSIC INVESTIGATION

CURRICULUM VITAE OF

BRUCE J. BROWN, CPA/ABV, CFF, CVA

PROFESSIONAL AND CIVIC ACTIVITIES

American Institute of Certified Public Accountants – Member since 1974
Pennsylvania Institute of Certified Public Accountants (PICPA) – Member since 1974
National Association of Certified Valuation Analysts (NACVA) – Member
Capital Area Chamber of Commerce – Member
Grace United Methodist Church – Finance Committee Member
Grace United Methodist Church – Christian Child Care Board of Directors – Member
Holy Spirit Health System Board of Directors –Vice Chairman
Holy Spirit Hospital – Board of Directors through October 2008; Treasurer and Chair of Finance Committee

PROFESSIONAL COURSES / SPEECHES

Professional Courses:

AICPA / NACVA / PICPA:

Numerous courses dealing with business valuations including:

- Financial Models and Intangible Assets
- Valuation Reporting Writing
- Understanding the Valuation of Tangible Property
- The CPA and Litigation Support Practices
- Valuation Issues in Divorce Settings
- Investigations in Business Valuations
- Rates of Return, Development, Analysis and Application
- Valuation of Businesses and Practices
- NACVA Annual Business Valuation Conference, 1996, 2001 and 2006
- AICPA National Business Valuation Conference, 2004, 2007 and 2008
- AICPA National Conference on Fraud and Litigation Services, September 2005
- Appraisal Family Limited Partnership

Other:

- PICPA Divorce Conference – 1995, 1996, 1997 and 2009

Exhibit A

PA STATE CORRECTIONS OFFICERS ASSOCIATION

FORENSIC INVESTIGATION

CURRICULUM VITAE OF

BRUCE J. BROWN, CPA/ABV, CFF, CVA

Speeches:

- *Dealing with Dirty Tricks in Divorce,* Pennsylvania Bar Institute (December 2008)
- *Tax Consequences in Family Law, Avoiding the Pitfalls,* Pennsylvania Bar Institute (November 2007)
- *Sophisticated Issues for Family Lawyers,* Pennsylvania Bar Institute (May 2007)
- *Making Sense of Business Valuations,* Pennsylvania Bar Institute (December 2006)
- *Making Sense of Business Valuations,* Brown Schultz Sheridan & Fritz (October 2006)
- *Reading Tax Returns*, Dauphin County Domestic Relations (2003 and 2006)
- *Equitable Distribution Update,* Pennsylvania Bar Institute (December 2006)
- *Discovery in Family Law Practice*, Pennsylvania Bar Institute (December 2004)
- *Business Valuation for Equitable Distribution,* Pennsylvania Bar Institute (December 2001)
- *Reading Tax Returns for the Self-Employed Defendant,* Domestic Relations Association of Pennsylvania (September 1998)
- *How to Use the Tax Code to Facilitate Resolutions,* Pennsylvania Bar Institute (June 1998)
- *Business Valuations in the Divorce Setting*, Lancaster Bar Association Family Law Section (January 1998)
- *Impact of 1997 Tax Act on Family Law Practice,* Pennsylvania Bar Institute Family Law Update (November 1997)
- *Analyzing and Quantifying Sweat Equity in Professional Practices; Analyzing Stock Options,* Pennsylvania Bar Institute Equitable Distribution Update (October 1996)
- *Pass-Through Entities in Support and Equitable Distribution Matters,* American Academy of Matrimonial Attorneys, Pennsylvania Chapter (July 1996)

Exhibit B

PA STATE CORRECTIONS OFFICERS ASSOCIATION

FORENSIC INVESTIGATION

Documents Considered

- PSCOA general ledger
- Credit card statements from Commerce Bank and M&T Bank
- Credit card supporting receipts
- Employee time sheets/expense reports and supporting receipts
- Employee expense reports (other than for mileage)
- List of grievance committee meeting dates
- Minutes to labor management and union meetings
- Hotel stay listing compiled by PSCOA
- List of hotel bills paid for various individuals compiled by PSCOA
- EZ Pass reports
- Check-in and check out reports for correctional facilities
- Internally developed spreadsheet to calculate Hood's retroactive pay increase
- Internally developed spreadsheets to calculate annual pay increases for business agents for 2007 through 2010

Exhibit C

PA STATE CORRECTIONS OFFICERS ASSOCIATION
FORENSIC INVESTIGATION

Excess mileage:

Lee Dyches	$	79,860
Michael Friedrich		0
Shawn Hood		71,623
Patricia Hurd		9,450
John Klett		38,151
John Miller		49,888
Mark Watson		41,837
Edward McConnell		47,600
Donald McNany		11,544
Samuel Brezler		6,069
Percy Poindexter		14,870
	$	370,892

Unsubstantiated retroctive pay increase:

Lee Dyches	$ 76,356.66