

Miscellaneous News Articles Regarding DRPA Practices

DRPA commissioner John J. "Doc" Dougherty questions board's practices

Paul Nussbaum

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Philadelphia labor leader John J. "Doc" Dougherty has intensified his attack on business practices at the Delaware River Port Authority.

Dougherty, who is one of eight Pennsylvania commissioners on the DRPA board, said he would challenge several agency practices at its meeting on Wednesday, including closed-door meetings and no-bid contracts.

Dougherty's challenge comes at a critical moment for the politically connected DRPA, a \$300 million-a-year agency that operates four toll bridges over the Delaware River and runs the PATCO commuter rail service between Philadelphia and South Jersey. The contract of the agency's chief executive, John Matheussen, expired Saturday, and Gov. Christie said he would not permit Matheussen to be rehired for a third term until problems at the authority were addressed.

In the meantime, Matheussen, a former Republican New Jersey state senator, will retain his \$219,474-a-year post as a holdover executive, based on a letter of authorization signed last week by board chairman John Estey and vice chairman Jeffrey Nash. The post traditionally has been filled with a nominee from New Jersey's governor. "The governor is aware of the abuses that have been reported on at DRPA, and our authorities division is currently taking a closer look at the situation before Gov. Christie takes any action," Christie's deputy press secretary, Kevin Roberts, said Monday. "Obviously, any movement by the DRPA commissioners to begin addressing the issues is a welcome sign, but we will still wait for a fuller assessment of the situation at DRPA."

Christie specifically is concerned about reports that the DRPA failed to follow its own bylaws and permitted "questionable expenditures like including car allowances in salaries (possibly to pad pensions)," Roberts said in an e-mail.

The agency also is embroiled in a legal fight with its former corporate secretary, John Lawless, who was summarily removed from office in April. Lawless, a former Republican-turned-Democratic Pennsylvania state legislator from Montgomery County and unsuccessful Democratic candidate for lieutenant governor in 2002, was escorted from his DRPA office by security officials, but he continues to draw his \$123,806 annual salary. DRPA officials have declined to discuss the reasons for Lawless' removal, and Lawless referred questions to his attorney, who could not be reached immediately for comment. Lawless has filed two complaints against the DRPA with the federal Equal Employment Opportunity Commission, claiming discriminatory treatment based on an unspecified disability.

Dougherty, who last week said he would seek the resignation of DRPA general counsel Richard Brown, stepped up his offensive in an e-mail Friday to his fellow commissioners. Dougherty, who is the business manager for IBEW Local 98 in Philadelphia and was an unsuccessful candidate in 2008 for the Pennsylvania Senate, said he would introduce resolutions Wednesday to increase transparency and accountability at the DRPA, long a patronage haven for Pennsylvania and New Jersey politicians.

One resolution would abolish the Port Authority's practice of closed-door "caucus" meetings before each monthly public board meeting. In those private sessions, the New Jersey members and the Pennsylvania members meet separately to discuss issues and question staffers before emerging to cast their votes in public. The public voting is usually unanimous. "If we abolish the caucus system and reduce the amount of time we spend meeting privately, we can increase the amount of time in public session, which will give the public more opportunities to provide input on our important decisions," Dougherty said in his e-mail. "I

don't feel like spending an hour prepping for a meeting to validate the decisions made by two or three people," Dougherty said Monday.

Another resolution would reduce, from \$100,000 to \$25,000, the amount of money that can be paid for products or services without a public bidding process. "I also will push for a disclosure clause on all DRPA [requests for proposal] and contracts to avoid nepotism and the appearance of inside sweetheart deals," Dougherty wrote. "I also will ask that the last two years of no-bid contracts that were awarded by the DRPA are made public." "I'm a commissioner and I don't know what contracts have been awarded . . . that should concern the public," Dougherty said Monday.

Dougherty said he would also introduce a resolution "seeking to provide individual commissioners with more input." "As it stands, the chair and vice chair are able to make a wide variety of decisions between meetings. This idea may require biweekly meetings," Dougherty wrote. "These issues are not going away," he wrote. "Neither am I."

Nash, the DRPA vice chairman who is also a Camden County freeholder, said the board would respond to Dougherty's issues, though he did not say there was support for Dougherty's resolutions. "Clearly Commissioner Dougherty has been frustrated, and we need to address that," Nash said Monday. "Everyone wants transparency, and everyone wants to do what is in the best interest of the Port Authority." Regarding specific complaints, Nash said the board would deal with the issue of lavish car allowances for DRPA executives. "I can't speak for the board, but I don't believe any of the managers should have car allowances."

Regarding Matheussen's tenure, Nash said he supported a new term for the incumbent but expected no formal action until after Pennsylvania's gubernatorial election in November. He said Christie had agreed to keeping Matheussen on as a holdover "until the governor can sort through some of the issues." "There will be a new governor in Pennsylvania, and I think the two governors will work together" to fill the post, Nash said. He said he believed Matheussen "has done a great job and is deserving of an additional term at the Port Authority."

Gov. Jim McGreevey tapped Matheussen for the DRPA's top post in 2003. By giving up his \$49,000-a-year Fourth District (Gloucester and Camden Counties) Senate seat, Matheussen enabled the Democrats to take control of an evenly divided state Senate after an expensive campaign for his seat was won by Democrat Fred H. Madden.

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Dougherty: DRPA's code of ethics never implemented

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The Philadelphia Inquirer

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Aug. 09--An expanded code of ethics written in 2003 for the Delaware River Port Authority, but never implemented, could have saved the DRPA from much of the trouble it's in now, DRPA board member John "Doc" Dougherty said in a letter to the agency's chief.

And criticism of the beleaguered agency continued to mount Monday, as Pennsylvania auditor general Jack Wagner said he "will be asking for a change in leadership at the DRPA" if significant improvements aren't made quickly.

Wagner is a Pennsylvania member of the bistate agency's 16-member board who, along with Dougherty and Pennsylvania state treasurer Robert McCord, has been among the chief DRPA critics. Gov. Christie and Gov. Rendell have also called for reforms, which DRPA chairman John Estey said last week will be voted on at an Aug. 18 board meeting.

The DRPA is a politically connected \$300-million-a-year agency that operates four Delaware River toll bridges and the PATCO commuter rail line between Philadelphia and South Jersey.

An 18-page "code of ethics and business conduct" was prepared seven years ago by the DRPA's internal auditor at the time, James Lemley. It amended and expanded the agency's two-and-a-half-page code of ethics that was issued in 1997.

The 2003 version included a conflict-of-interest section that said, among other things, "We must be free of actual, apparent or potential conflicts of interest when dealing with persons or business entities on behalf of the [DRPA]."

"A conflict of interest occurs whenever a commissioner or an employee permits the prospect of direct or indirect personal gain or political advantage to improperly influence his or her judgment or actions in the conduct of Authority business."

The revised ethics code was shelved, without action by the DRPA management. It was not distributed to the board for review.

Dougherty, a Philadelphia labor leader who has been attacking the DRPA for weeks for conflicts of interest, insider dealing, and lack of transparency, said the expanded ethics policy could have prevented many of the agency's current woes.

"No one informed me or the other DRPA commissioners of the existence of such documents, the implementation of which may have helped the Authority avoid some of its recent public embarrassments," Dougherty wrote to DRPA chief executive John Matheussen in a letter dated Friday.

"The DRPA's egregious failure to even inform ... commissioners of the existence of these ethics policies, let alone share them with us, crystallizes why the current management team at the Authority must be replaced."

Matheussen said Monday that the revised code of ethics was still alive and could be presented to the board for adoption at some point.

He said that the ethics revision had been a victim of the DRPA's political standoff in 2006 and 2007, when the board did not meet for 17 months because of a dispute between New Jersey and Pennsylvania over dredging of the Delaware River.

Before the impasse, "the document prepared by Mr. Lemley underwent significant revision and updating by Mr. Lemley and others in anticipation for presentation to the Board," Matheussen said in an e-mail Monday. "The Board impasse occurred from December 2005 through April 2007."

"During that period Mr. Lemley retired. The draft policy did not appear on the agenda when the Board returned.

"Recently, staff began reviewing these documents again and were discussing possible revisions for Board adoption."

Also Monday, Wagner sent a three-page letter to Estey, challenging Estey's suggestion last week that Wagner was a recent arrival to the reform effort.

"The suggestion that I have just jumped on some kind of reform bandwagon is laughable," Wagner wrote. "You are very well aware that, since I assumed my position on the board three years ago, my representative and I have actively questioned DRPA actions inside and outside of formal board and caucus meetings and have been diligent in our promotion of transparency, accountability and good government at the authority."

Wagner said he repeatedly voted against spending toll revenue on "economic development" projects around the region. He said he initially opposed the appointment of Michael Joyce as chief public safety officer last year "on the grounds that he was not qualified to hold the position."

Joyce resigned last month after it was revealed he had borrowed another DRPA executive's free E-ZPass transponder for his daughter to use to attend school in Montgomery County.

Wagner said he agreed not to oppose Joyce's appointment to the \$180,081-a-year post "only after receiving personal assurances from you, as board chairman, and others that he was not only qualified, but was, in fact, the best person for the job. Clearly, in light of the recent revelations, our concerns were well founded."

Wagner repeated his suggestion that the board meet before Aug. 18 to consider 16 reform proposals that Estey sent last week to Christie and Rendell. And he warned that "if progress is not made at the August board meeting or shortly thereafter, I will be asking for a change in leadership at the DRPA."

Estey was vacationing yesterday and could not be reached immediately for comment on Wagner's letter.

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Beleaguered DRPA board votes several reform measures

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The Philadelphia Inquirer

August 19, 2010

Aug. 19--The board of the beleaguered Delaware River Port Authority adopted a series of reforms Wednesday designed to reduce political influence and increase accountability.

The measures were the first steps toward sweeping change at the DRPA, long permeated by insider-dealing, nepotism, and a pay-to-play culture. The changes will include a new board chairman. After the meeting, John Estey said he would resign from that post after Pennsylvania's new governor takes office in January.

The board voted to end its controversial practice of spending toll revenues on economic-development projects not directly related to its core mission of operating four toll bridges and the PATCO commuter rail line between Philadelphia and South Jersey.

In the last 12 years, the agency has spent nearly \$500 million on such projects, contributing to a debt of \$1.4 billion that now consumes about 40 percent of the agency's revenue.

During a five-hour session that featured uncharacteristically open debate and political squabbling, the board voted to require financial, performance, and forensic audits by independent auditors and to eliminate closed-door "caucus" meetings.

"It's time we stopped pointing fingers of blame and roll up our sleeves and start fixing these problems," said DRPA board Vice Chairman Jeffrey Nash, a Camden County freeholder. Nash said the board "must change the culture of how the DRPA does business" and "follow the path of truth."

However, the board postponed action on several of the most contentious measures until next week, and it balked at a proposal to prohibit political contributions by firms that do business with the DRPA.

"If we shut them out, I don't know who we'd do business with," Estey said.

The board also postponed action on toll discounts that are slated to expire or change on Sept. 1, after warnings from the chief financial officer that saving the discounts could hurt the agency's credit ratings. The board will revisit the discounts next week.

Responding to revelations of high executive salaries and perquisites, the board also voted to eliminate car allowances and free bridge passes. And it created a panel to review the compensation of top managers.

Other changes adopted Wednesday included measures to:

Require companies doing business with the authority to disclose their political contributions.

Require that all meetings be open to the public, and require the authority to follow state open-records laws.

Prohibit the hiring of employees' family members.

Require all contracts to be approved by the board.

Limit the ability of former employees to go to work for companies that do business with the DRPA.

Prohibit managers, employees, and board members from taking or soliciting gifts.

Require board members to file financial disclosure forms.

Prohibit outside employment for DRPA managers.

Investigate the financial arrangements for insurance brokers doing business with the DRPA.

The board also eliminated two positions, including its chief of public safety. The former chief, Pennsauken lawyer Michael Joyce, resigned last month after it was learned that he had borrowed an E-ZPass transponder from another DRPA manager to give his daughter free bridge trips to school in Lower Merion.

The board decided it would not replace Joyce in the \$180,081-a-year post, and voted to eliminate the now-vacant \$140,000-a-year position of assistant to the vice chairman, which Joyce had held earlier.

The \$140,000-a-year position of assistant to the chairman will be considered for elimination at next week's meeting. That position is held by Mary-Rita D'Alessandro, an ally of DRPA board member and Philadelphia labor leader John "Johnny Doc" Dougherty. Dougherty has been an outspoken critic of DRPA leadership and on Wednesday repeated his call for chief executive John Matheussen's resignation.

Another position that faces elimination at the next session is the corporate secretary post, held by former Pennsylvania legislator John Lawless. Lawless was escorted from the building in April for still-unexplained reasons, but still collects his \$123,806 salary.

Lawless, who gave Joyce the E-ZPass transponder that led to the security chief's departure, attended Wednesday's crowded board meeting, shaking hands with former colleagues and watching the proceedings from a doorway.

The DRPA has been engulfed by criticism recently for a lack of transparency and accountability and its economic-development spending.

The vote Wednesday to eliminate economic development spending was one of the few of the day that was not unanimous.

Pennsylvania board members Philadelphia City Councilman Frank DiCicco and Philadelphia Tribune publisher Robert Bogle opposed the proposal by Pennsylvania Auditor General Jack Wagner to stop the economic development spending.

"An awful lot of good has been done by these economic development programs," said Bogle, wagging his finger at his fellow board members. "Don't think it's been all bad."

Wagner said that many of the projects may have been worthwhile, but "this board should not be the economic development agency of South Jersey and Southeast Pennsylvania."

Pennsylvania Treasurer Robert McCord, another Pennsylvania board member, said he believed that if the commuters who pay the tolls were surveyed, "many, if not most, of the projects would not get support."

Before Wednesday's meeting, Pennsylvania State Rep. Mike Vereb (R., Montgomery) and New Jersey Assemblyman Domenick DiCicco (R., Gloucester) unveiled a proposal to change the DRPA's federal charter to eliminate most of its economic-development authority and to strip the Pennsylvania governor of four appointees to the board, giving them to the legislature instead.

After Wednesday's board meeting, Estey revealed he would resign in January. Estey, a former chief of staff to Gov. Rendell, was appointed chairman by Rendell last year, after filling in for Rendell for years when the governor was chairman.

Estey also said he thought the other five appointed Pennsylvania board members should submit their resignations, too, so the new governor can pick his own team. As a practical matter, it may not matter, since the Pennsylvania governor can remove any of the six appointed members at will.

Two Pennsylvania board members, the state treasurer and state auditor general, are on the DRPA by virtue of their elected offices.

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N.J. probes DRPA perks

It issued subpoenas over E-ZPass use, and told two to return equipment owned by the agency.

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The Philadelphia Inquirer

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New Jersey authorities are investigating the use of free E-ZPass transponders by executives of the Delaware River Port Authority.

The state attorney general and comptroller have issued subpoenas for documents related to use of a free E-ZPass by former chief public safety officer Michael Joyce, DRPA chief executive John Matheussen said Friday. The pass had been issued to corporate secretary John Lawless. The Comptroller's Office also requested documents related to former DRPA Police Chief Vincent Borelli, who retired under pressure in 2008 and was replaced by Joyce.

DRPA sent letters this week to Lawless and Joyce, seeking the return of laptops, cell phones, and other DRPA-owned equipment. The request was made to preserve information about E-ZPass use in response to the attorney general's subpoena, the letters said. Matheussen denied television news reports that the FBI or other federal agencies also had sought information from DRPA. "I'm not aware of any inquiries from any federal authority," Matheussen said Friday.

A knowledgeable federal source said the FBI was not currently investigating DRPA. The Attorney General's Office issued its subpoenas about three weeks ago, and the state comptroller issued more this

week, Matheussen said. Spokesmen for the two offices declined to comment on the nature or scope of the investigations.

Joyce resigned from DRPA after revelations that he had borrowed an E-ZPass from Lawless in 2008 to provide free river crossings for his daughter to attend school in Lower Merion. At the time, DRPA provided free bridge crossings or PATCO rides to all employees and retirees.

In the face of public criticism of that and other perks for DRPA managers, the agency's board on Wednesday voted to eliminate the free crossings, as well as car allowances for 11 DRPA executives. Two DRPA employee unions - the Fraternal Order of Police and the Operating Engineers - have formally objected to elimination of the free crossings because the benefit was included in their negotiated contracts.

The E-ZPass issue is one of many that have engulfed the politically connected bistate agency in the last month, prompting Gov. Christie and Gov. Rendell to demand broad changes to make DRPA more open and less susceptible to political influence. On Wednesday, the DRPA board responded by approving 17 measures that would end closed-door meetings, limit no-bid contracts, end economic-development spending, and ban hiring of employees' relatives, among other reforms. Seven additional measures will be taken up at a special board meeting Wednesday.

Also Friday, board member and Philadelphia labor leader John J. Dougherty renewed his call for the dismissal of Matheussen and DRPA general counsel Richard Brown. In a letter to DRPA chairman John Estey and vice chairman Jeff Nash, Dougherty said Matheussen "has lost credibility through his mismanagement of the authority and must be replaced." At Wednesday's board meeting, he said, Brown made "rambling responses to important questions" and misstated the number of lawyers employed by the agency.

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DRPA's unwritten policy on insurance fees takes hits from two sides

Paul Nussbaum

The Philadelphia Inquirer

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A long-standing, unwritten practice at the Delaware River Port Authority requiring insurance brokers to share their commissions with each other has come under fire from some DRPA board members.

Meanwhile, a prominent Philadelphia broker has refused to pay more than \$40,000 that a New Jersey firm says it is owed under the DRPA policy.

The dispute highlights a lucrative source of revenue from the bistate authority for politically connected companies: insurance contracts, fees, and commissions.

The Graham Co. in Center City and Willis of New Jersey Inc. in Morristown, N.J., work as insurance brokers for the DRPA, finding companies to insure for construction, workers' compensation, property damage, and other risks. The two firms collect commissions from the insurance companies that are hired.

In recent years, Graham has received more in commissions than Willis has. Willis says it is entitled to half the money under an unwritten DRPA policy to share the wealth equally between Pennsylvania and New Jersey.

Last year, Graham paid \$64,166 to Willis to "true up" the difference between the \$620,625 collected by Graham and the \$492,294 collected by Willis. Since 2004, Graham has paid Willis \$514,530, according to Graham.

This year, Graham has contested the arrangement and has refused to pay \$44,703 to Willis. "I don't think it's legal," chief executive William A. Graham IV said. He said a DRPA official, former deputy general counsel Michael Joyce, had told him in 2006 to "do it, or you lose the business." Joyce did not return phone calls seeking comment.

William Graham was among a group of local investors who bought The Inquirer, the Philadelphia Daily News, and Philly.com four years ago. The group lost its investment when the company, Philadelphia Newspapers L.L.C., declared bankruptcy in February 2009.

In addition to commissions collected from insurance companies for DRPA business, the Graham Co. last year received \$3.8 million from the DRPA in annual premiums for the authority's "bridge property and loss-of-toll-revenue and claims-made liability" insurance programs and for its "owner-controlled insurance program," according to the DRPA.

The DRPA paid Willis \$1.4 million in annual premiums for the authority's traditional property and casualty insurance policies. And it paid Willis \$295,987 in insurance premiums for health and welfare benefit plans, the DRPA said.

The commission-sharing issue reached the DRPA board this month after Pennsylvania members John "Johnny Doc" Dougherty and Robert McCord asked for investigations into the legality of the true-up policy. "I hope it is not legal, but if it is, it darn sure has to be unethical," Pennsylvania board member Robert Bogle said at Wednesday's board meeting, where members asked for an investigation.

DRPA chairman John Matheussen said the unwritten policy may have been created at a meeting at the law offices of Ballard Spahr in late 2003 or early 2004. At that gathering, Manny Stamatakis, who was chairman of the DRPA board, "indicated the overall goal was to have the board consider awarding insurance contracts to qualified brokers/consultants from both New Jersey and Pennsylvania and not predominantly from one state or the other," Matheussen wrote in a recent letter to Pennsylvania Treasurer Rob McCord. "To the best of my recollection," Matheussen wrote, in attendance were Stamatakis, "myself, Ballard Spahr attorneys, and I believe Steve Curtis, former Director, Risk Management & Safety, and perhaps a representative from Archer & Greiner, New Jersey Counsel, but I do not recall specifically."

Jeffrey Nash, vice chairman of the DRPA board and head of the eight-member New Jersey delegation, said he understood that commission-sharing had been a practice since the early 1970s. "It doesn't cost the toll payer any more, since the total in commissions is the same," Nash said. "They're just split for fairness." "I've never heard a complaint about it before," he said. "No one is forcing these companies to participate at DRPA." Nash suggested that "we should cut all commissions and become self-insured, as much as possible."

No other DRPA professional-services contracts have similar wealth-sharing provisions, Matheussen wrote in the letter. "It is my understanding that sometime [after the Ballard Spahr meeting], our two brokers, Willis and Graham, had entered into some discussions regarding their respective commissions and fees."

The last true-up check, for \$64,166, was sent by Graham to Willis senior vice president Eric Munroe on Sept. 29, with a cover letter from William Graham. The letter was copied to Matheussen, Joyce, assistant to the chairman Mary-Rita D'Alessandro, and Graham vice president Scott Kegler.

This summer, in a series of e-mails, Munroe requested another payment. The first request, sent July 8 to William Graham and three other Graham Co. executives, was cheerful: "I hope you all are doing well. It is that time of year to do the Commission True Up for the Delaware River Port Authority. I am attaching a spreadsheet that shows by line of coverages what our commission was on the DRPA account for the 2009-2010 year. If you can fill out your section and get it to us as soon as possible it would be greatly appreciated." Attached was a "commission/fee reconciliation" that showed Willis had received \$412,113 in commissions in the last year.

The tone of Munroe's third request, on Aug. 10, was less happy: "It has been a month since I sent my first e-mail about the True Up Calculation between Willis and Graham. I have not heard anything from anyone at Graham about this. We would like to get this taken care of as soon as possible. A response by someone would be greatly appreciated." Graham received \$501,519 in commissions for this year, according to company records. That would mean a \$44,703 payment to Willis under the unwritten policy.

Munroe on Thursday referred all questions about the issue to Will Thoretz, spokesman for Willis Group Holdings Ltd. in New York. "We followed the instructions of the DRPA to share commissions with Graham," Thoretz said. "Willis has been a broker for the DRPA since 2003, and we're proud of the risk-management work we've done on its behalf. Of course, we will cooperate fully if we are asked to supply further information."

"It's really bad if it's been going on for years," said McCord, the Pennsylvania treasurer and DRPA board member. "You've got this culture where they think everything has to be divided up between New Jersey and Pennsylvania regardless of the work that was done."

Another insurance-related storm may be brewing. Graham Co. and Willis are among four brokers seeking DRPA business under "requests for proposals" issued by the DRPA in May and July. Previously, the authority awarded insurance broker services without such formal procedures, according to an audit released last month. The others vying for the work are Marsh Inc., the world's largest insurance broker, and Conner Strong, the Marlton firm chaired by George Norcross III, a major Democratic political power broker in South Jersey. The requests for proposals include specifications that brokers may not charge fees. In past years, Graham Co. charged service fees for its work, which it says has resulted in fewer claims and lower costs for the DRPA.

In 2009, the DRPA paid \$230,000 to the Graham Co. in fees for services such as on-site safety monitoring of construction, according to the authority. Willis did not provide such services.

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Agency gave \$775K to charities with ties to leaders Many groups had ties to authority's leaders

Newark Star-Ledger

September 7, 2010

Since 2004, the Delaware River Port Authority has contributed more than \$775,000 to civic and social agencies -- many with close ties to authority board members and executives, according to an analysis by the Philadelphia Inquirer.

Last month, the DRPA board banned charitable donations and required contractors to start disclosing political donations.

The changes come as the bistate agency, which operates four Philadelphia-area bridges connecting New Jersey and Pennsylvania, is trying to change its reputation for patronage and excessive spending.

The DRPA's charitable donations began in 2004 when the board created sponsorship funds of \$250,000 each for Pennsylvania and New Jersey organizations.

The grants are paid for with money from tolls and fares paid by the bridge users and PATCO train riders.

Among the more well-known charities awarded grants were the American Red Cross, the United Way and the March of Dimes. Most obscure groups include the Jazz Journeys Educational Institute, which received \$15,000, and the Friends of Laurel Hill Cemetery, which saw \$7,500 in all.

Others that received money were the Philadelphia Eagles and the University of Pennsylvania, which received \$1,500 and \$5,000, respectively.

DRPA records showed the Philadelphia Tribune, which received 13 payments totaling \$59,180 since 2004, was the largest beneficiary. Its publisher, Robert W. Bogle, has been a member of the DRPA board since 1996. Bogle said he abstained from voting on any measures that affected the Tribune and that the money paid for newspaper advertisements, not charitable contributions.

Several groups that DRPA chief executive, John Matheussen, belongs to received donations. Among them:

The Seamen's Church Institute board received 27 payments totaling \$19,300.

The Battleship New Jersey received 10 payments totaling \$12,800.

The World Trade Center of Greater Philadelphia received 17 payments totaling \$11,925.

The Boy Scouts of America South Jersey received two payments totaling \$1,800.

The Philadelphia Sports Congress received one payment for \$5,000.

The Philadelphia Convention and Visitors Bureau received 11 payments totaling \$31,200.

The Southern New Jersey Development Council received five payments totaling \$2,665.

The Delaware Valley Regional Planning Commission, which directs federal money to transportation projects in the area, received 14 payments totaling \$19,000.

DRPA spokesman Ed Kasuba said Matheussen does not sit on the DRPA committee that approves grants.

Board member John J. "Johnny Doc" Dougherty, who is also a Philadelphia labor leader, said that the DRPA needs to concentrate on paying down its debts before supporting charities.

"When 41 percent of our money goes for debt service, we should concentrate on getting solvent again," Dougherty said.

Pa. lawmakers say they will seek to change DRPA's federal charter

Paul Nussbaum

The Philadelphia Inquirer

September 23, 2010

HARRISBURG - After a day of hearings about the beleaguered Delaware River Port Authority, legislators said Wednesday they would try to rein in the bistate agency by changing its federal charter.

Sen. John Rafferty (R., Montgomery) said he would work with lawmakers in Pennsylvania, New Jersey, and Washington to limit the DRPA's powers and give state legislators more control over it. He said he hoped to introduce such a bill in January.

Rep. Mike Vereb (R., Montgomery) has drafted a similar measure to be introduced in the House on Thursday. Vereb worked closely with New Jersey Assemblyman Dominick DiCicco (R., Gloucester), who introduced a bill in Trenton last week.

"Somebody has to eventually stand up to say, 'I'm in charge of this organization,' " said Rafferty, who chairs the Senate Transportation Committee. Any change in the DRPA's federal compact requires approval by both states' legislatures and governors, as well as Congress and the president.

Several lawmakers at the hearing suggested consolidating the DRPA with other regional agencies that oversee port and airport operations in Southeastern Pennsylvania and South Jersey.

The DRPA has been under fire for its spending and hiring practices, conflicts of interest, political dealing, and lack of accountability and transparency. It also has been forced to end its long-standing practice of giving free passage to employees on its bridges and trains.

The agency's chairman, John H. Estey, and its chief executive, John Matheussen, told the Transportation Committee on Wednesday that significant changes had been made at the agency and more were in the works.

Sen. Jane Earll (R., Erie) was not impressed. "It's almost akin, in my mind, to locking the barn door after all the animals have left," Earll said.

Several Pennsylvania board members - including Auditor General Jack Wagner, Treasurer Rob McCord, and Philadelphia labor leader John J. "Johnny Doc" Dougherty - said more housecleaning was needed. Philadelphia City Councilman Frank DiCicco, another Pennsylvania board member, said he might quit the DRPA board before its next meeting, scheduled for Oct. 6. Now that economic-development spending has been largely ended at the DRPA, he said, his main reason for being there was gone. "Those projects benefit the region," DiCicco said. "My reason for wanting to be on the DRPA was to be in on that process." He said the projects had brought hundreds of jobs and millions of dollars to his waterfront Council district.

The ability to make changes at the DRPA is limited under current law by the wishes of the governors of the two states, Wagner said. "As all of you know, the governors control these boards," said Wagner, one of two DRPA board members not appointed by a governor. The other is McCord. They serve on the 16-member board by virtue of their elected offices.

"The only way you will see change is if the governors desire a change," Wagner said. "If Gov. Christie wanted to change the CEO, that would have happened already." Christie has been especially critical of the DRPA, forcing changes in governing policies and vetoing reforms that he said did not go far enough. Wagner said Pennsylvania should give its governor the same veto power over DRPA decisions.

McCord and Dougherty renewed their call to replace Matheussen as chief executive. They were the only two board members to vote to oust him at the board's most recent meeting this month. "It feels like the right time for a rotation of leadership there," McCord said. He also addressed a controversial practice that required insurance brokers working for the DRPA to split their fees with each other. "I flat-out do not believe senior management" about its being unaware of such sharing, he said.

That so-called true-up practice came in for extensive criticism at Wednesday's hearing. The issue centers on two insurance brokers, Graham Co. in Center City and Willis of New Jersey Inc. in Morristown. The firms collect commissions from the insurance companies that are hired to insure the DRPA.

In recent years, Graham has received more in commissions than Willis has. Willis says it is entitled to half the money under an unwritten DRPA policy to share the wealth equally between Pennsylvania and New Jersey.

Since 2004, Graham has paid Willis \$514,530, according to Graham. "To me, that might be the worst" of the DRPA's offenses, Dougherty said. "To me, that sounds illegal. It looks basically like a kickback system."

Sen. Lawrence M. Farnese Jr. (D., Phila.) said he was "very, very concerned" about the true-up practice and suggested the committee use its subpoena powers to obtain e-mails about it and who knew about it. Sen. Anthony Hardy Williams (D., Phila.) said, "I'm to the point of disgust," over recent revelations about DRPA practices. He said the battle over free bridge passage for DRPA workers reinforced public skepticism about the agency and officials who defended the benefit. "The private citizen doesn't get why we don't get it," he said. "They think we've lost our minds and this only underscores it."

But Estey said that many DRPA employees had the right to free trips under their union contracts and that the DRPA was now caught between that contractual obligation and Christie's insistence that all free rides be banned. "It will almost certainly cost us a lot of money to fight what is almost certainly a losing battle," said Estey, a Philadelphia lawyer who formerly served as Gov. Rendell's chief of staff.

Rafferty said he hoped to introduce a bill to rewrite the DRPA's federal charter early next year because the current legislative session is almost over. He said he would talk to U.S. Sen. Bob Casey Jr. (D., Pa.) next week about congressional support. In the House, Vereb said he was gathering additional sponsors for his bill and would work with Rafferty to coordinate the effort to change the federal compact.

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N.J., Pa. reps offer bill to revamp DRPA

*Jason Nark
Philadelphia Daily News
September 29, 2010*

With all this talk about reforming the Delaware River Port Authority bandied about in recent months, two members of Congress stepped in yesterday to take their turn.

Democratic U.S. Reps. Rob Andrews, of Haddon Heights, and Bob Brady, of Philadelphia, stood before winged statues in the DRPA lobby in Camden yesterday afternoon to discuss a bill that they've introduced to change the bistate agency's federal charter and introduce more transparency amid the recent cloud of questionable spending, political patronage and employee perks.

The key to the legislation, Andrews said, is establishing a DRPA Office of the Inspector General, a position that would be filled with a nonpartisan, nonpolitical person who would conduct annual audits and report to the governors of Pennsylvania and New Jersey.

"The public needs to know the dollars they're spending on the DRPA are being spent in the right place," Andrews said.

The bill would also create a citizens' advisory board, made up of 12 nonpolitical members of the public appointed by members of Congress in New Jersey and Pennsylvania, as well as both governors, and a member of the Department of Defense as a non-voting member. Andrews said the DRPA's four bridges were critical to national security.

The bill also would extend veto power on all DRPA resolutions to the governor of Pennsylvania. Currently, only New Jersey's governor has veto power.

Over the past several months, New Jersey Gov. Chris Christie has vetoed several reform-minded resolutions passed by the DRPA's Board of Commissioners, claiming that they didn't go far enough or were in opposition to his demands.

"I thought it was unfair that the governor of New Jersey has the lone veto power and the governor of Pennsylvania, whoever it may be, doesn't," Brady said.

A spokesman for Christie did not return a request for comment from the Daily News.

Brady said Congress was intending to meddle with the DRPA, but since many of the reform efforts would ultimately require changes to the federal charter, he felt that it was time that he and Andrews spoke up.

"The last time I checked, Congress has a very big stick," Brady said.

DRPA's chief executive, John Matheussen, said the role of an independent inspector general, regardless of whether he or she was paid with DRPA funds, would add another level of scrutiny.

Pennsylvania Commissioner John Dougherty, who attended the afternoon news conference, said he was pleased that Congress was getting involved but also wanted to inform Brady and Andrews of past practices that he feels warrant a closer look.

"I'm going to make sure they both get packets," Dougherty said.

DRPA panel asks for study of pay levels

Paul Nussbaum

The Philadelphia Inquirer

November 3, 2010

Beginning a process that could change salaries for Delaware River Port Authority employees, a DRPA committee asked Tuesday for a study of current pay levels.

The newly formed compensation committee, made up of four board members, asked DRPA staff to seek proposals for a study to compare current salaries and benefits at the agency with similar bodies in the region. Such a study probably would take from 10 to 12 weeks and cost about \$125,000, chief administrative officer Toni Brown said.

Salaries for the agency's top officials have come under fire from some DRPA board members and state legislators. Last month, a proposal to reduce the salaries of Chief Executive Officer John Matheussen and other top managers was sent to the new committee. That proposal, by board member and Philadelphia labor leader John "Johnny Doc" Dougherty, would reduce Matheussen's annual salary from the current \$219,474 to \$175,000, the same as Gov. Christie's, and reduce department heads' salaries to \$125,000 from the current \$180,000.

Brown said that the last full analysis of DRPA salaries and benefits had been done in the mid-1990s and that a new analysis was "long overdue."

The DRPA and its subsidiary, the PATCO commuter rail line, employ about 950 workers, primarily to operate four toll bridges over the Delaware River and run the railroad. Salaries range from \$23,781 for entry-level workers to Matheussen's \$219,474. "For all we know, our employees may be underpaid," said committee member Albert F. Frattali, an officer in the ironworkers union. "To do anything with their salaries now wouldn't be fair."

Committee chairman John Lisko, sitting in for his boss, board member and Pennsylvania State Treasurer Robert McCord, said the DRPA would not seek changes in salaries of union-represented workers until current labor contracts expire. About 55 percent of the agency's workers are represented by labor unions.

DRPA chief attorney Richard Brown told the committee that heavier workloads for some staff could necessitate hiring new employees or moving existing workers into new positions. He said more frequent and longer board meetings, requests for public information, and the addition of the corporate secretary's duties to his own were overwhelming existing employees.

Matheussen said reassigning existing staff would be at least part of the solution: "We're not looking to add more people as the only way to accomplish this."

Committee member Robert W. Bogle, publisher of the Philadelphia Tribune, said: "The last thing we want to do is go out and hire a bunch of people."

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DRPA finds 'free money' comes at a high price

Paul Nussbaum

The Philadelphia Inquirer

November 13, 2011

In 2001, the Delaware River Port Authority traded much of its staid, old-fashioned debt for an arcane financial arrangement that paid \$42.5 million up front.

When the DRPA got the payoff, its chief financial officer at the time, Marc Krassan, told an international financial magazine: "It's almost like free money."

The DRPA spent the cash on economic development projects - expansion of the Camden aquarium (\$5.3 million), a study for expansion of the Convention Center (\$2.5 million), the Army-Navy football game (\$250,000), and scores of others.

That "free money" has turned out to be very expensive for the DRPA and motorists, who fund the agency through their bridge tolls.

The 10-year-old "interest-rate swap options" have required the DRPA to pay, in addition to interest and principal payments on the borrowed money, \$70.6 million to lenders and insurers since 2006.

And the DRPA is on the hook for 14 more years of underwriting payments that currently cost about \$11 million a year.

An interest-rate swap is an agreement between an agency and an investment bank to exchange one stream of interest payments for another over a set period. They usually involve the exchange of a fixed-rate payment for a variable-rate payment.

"They've been nothing but trouble," said the DRPA's current chief financial officer, John Hanson, who was not with the agency when the deals were made. "This was indicative of decisions being made with some sense of urgency to get the money."

Krassan, who made the deals, is now principal auditor for Burlington County, where he works with county administrator Paul Drayton Jr., the former DRPA chief executive.

Krassan did not return calls this week seeking comment.

The DRPA has sworn off making swap deals, but the agency is still paying the price for the old ones.

Since 2003, when the agency's current chief executive, John Matheussen, was appointed, Hanson said "the approach has been to stick to the fundamentals" and avoid risky financial plays. The DRPA board in 2009 ordered the agency not to enter into any more swaps and to try to get out of the existing ones.

The DRPA is \$1.4 billion in debt, and the costs coming due because of the 10-year-old deals take money that could go for bridge repairs or other capital costs.

The agency pays about \$3.3 million monthly in "swap interest payments" to UBS, the Swiss bank that made the 2001 deals. And it pays about \$900,000 a month to banks for letters of credit to insure the swap payments.

The costs are among the biggest the DRPA faces. By comparison, it pays about \$2.8 million a month for replacing the deck of the Walt Whitman Bridge. The DRPA's entire monthly payroll is about \$2.5 million.

Like many public agencies, the DRPA was drawn to the swap deals as a way to cash in on lower interest rates and generate instant cash.

In May 2001, it entered into two agreements with UBS involving \$761 million of the DRPA's debt. The arrangement involved refinancing bonds the DRPA had issued in 1995 and 1999 and giving the bank the option to exchange interest-rate payments with the DRPA, starting in 2007.

In return, the DRPA immediately collected \$42.5 million from UBS.

In some ways, it was like a homeowner refinancing his mortgage at a lower rate and collecting the projected savings in a lump-sum payment.

But instead of saving the money or using it to pay off bills, the DRPA put the money in its "economic-development" fund for use on both sides of the Delaware River.

The money went to 119 projects, including the aquarium, the Convention Center, the USS New Jersey battleship, public relations, PATCO's 40th anniversary celebration in 2009, and ads in local media, including The Inquirer. Some of it was still being spent as recently as two years ago.

After the national financial collapse of 2008 exposed the DRPA and others to millions of dollars of unexpected losses, the agency began to get out of its existing swap deals.

It paid \$47 million to terminate \$174 million of the swap agreements and an additional \$7.5 million to refinance some of the debt.

And since 2008, it has paid \$24 million for letters of credit from banks to guarantee its continuing swap payments. Because the swap agreements don't expire until 2025, the DRPA faces 14 more years of the letter-of-credit payments.

Two years ago, one DRPA board member, Pennsylvania Auditor General Jack Wagner, prodded the board to forbid further use of swap agreements.

"Swaps are nothing more than a form of gambling with public funds," Wagner said in a letter to Matheussen, urging the ban. "I am very concerned about the impact of this toxic product on the taxpayers and toll- and fare-paying travelers of both Pennsylvania and New Jersey."

On Dec. 28, 2009, the board approved Wagner's resolution. It directed the agency not to enter into any more debt-related swap agreements and to "take all steps necessary to immediately begin the process" of trying to terminate existing swaps.

The DRPA has spent about \$21 million since then in costs related to existing swaps.

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DRPA's money battle gets heated

Courier-Post

December 8, 2011

After four hours of heated discussion and a tense face-off between two commissioners, the finance committee of the Delaware River Port Authority on Wednesday approved spending \$19.6 million on economic projects, promising once again that these projects will be the last.

The committee chaired by Camden County Freeholder Jeffrey Nash, who also is deputy chairman of the DRPA, voted 6-1 to fund projects ranging from \$6 million to Cooper University Hospital to build a cancer center to \$400,000 to stabilize a pier in Gloucester City. Christopher Craig representing Pennsylvania Treasurer Robert McCord was the sole dissenter.

As an elected Camden County official, Nash abstained from voting on projects directly related to county business, including \$2 million to the Camden County Improvement Authority for construction of a 350-bed dormitory for Rutgers students in Camden, and \$1 million to Camden County to improve roadways between PATCO's Ferry Avenue station and Our Lady of Lourdes Hospital for the potential creation of a transit village.

Despite close personal ties to George Norcross, chairman of Cooper, Nash voted to give the hospital \$6 million.

The resolution passed by the finance committee also approved shifting \$10 million in unspent economic development funds to the authority's capital budget.

Nearly lost in the debate over the propriety of giving away bridge tolls and train fares to Camden County government and select organizations was the introduction of the authority's 2012 budget, a three part-spending plan that includes \$126.8 million for DRPA and PATCO operations combined and \$125.2 million for capital projects, excluding \$32.5 million in federal funds.

In addition, the authority budgeted about \$130 million next year to pay down \$1.4 billion in debt. The annual debt service payment is 45 percent of revenues anticipated from tolls collected on the Benjamin Franklin, Walt Whitman, Betsy Ross and Commodore Barry bridges next year.

"The budgets are fiscally conservative with no increases in operating expenses and a decrease in the PATCO subsidy — all without any reduction in service," said David Simon, vice chairman of the finance committee.

The finance committee unanimously approved the budgets and like the economic development resolution, it will come before the full board next Wednesday at 9 a.m.

The DRPA's operating budget for next year is nearly flat, and PATCO's operating budget represents a 0.8 percent decrease. Both include no raises for about 500 non-represented employees. It's been five years since managers have received raises and four for administrative staff, said CEO John J. Matheussen.

The only non-union employee slated to get a raise next year appears to be Tim Ireland, who was hired last week at \$107,000 to handle DRPA communications. He will replace outgoing spokesman Ed Kasuba, who will retire in March. Ireland's job will be upgraded to the director level in a few months which comes with a 7 percent raise, said Matheussen.

Commissioner Jack Wagner, who sits on the board in his capacity as Pennsylvania's auditor general, objected to Ireland's hiring because the matter did not come before board. He included his gripe about Ireland and his strong opposition to spending DRPA money on economic development projects in a letter this week to Gov. Tom Corbett who also chairs DRPA.

Corbett did not attend Wednesday's meeting, but he is scheduled to chair the full board meeting next week.

His alternative, Robert Teplitz who represented Wagner's views forcefully at the finance committee, though he is not a member, said he is hopeful the governor will take a strong stand on some the issues raised by Wagner.

Both governors, who control the authority, have indicated their desire to spend future tolls and fares exclusively on transportation projects, but to fund those projects approved Wednesday to close the books between the two states.

The debate turns on \$40 million that DRPA has set aside as the local share of the cost to deepen the channel of the Delaware River from 40 to 45 feet. When DRPA pulled out, commissioners from both states agreed to divide the money and spend it on economic projects in their respective states.

Pennsylvania spent its share in a hurry. New Jersey did not.

As a compromise, Teplitz suggested the money be spent on PATCO or to pay down debt. He also challenged Nash about the origin of the list, which he said he saw for the first time Sunday night, since neither Matheussen, nor other members of the finance committee seemed to have input.

After repeated inquiries, Nash said he devised the list with the Governor's Authorities Unit.

Andrea Armstrong of the South Jersey Food Bank said DRPA's promise of \$2 million could keep her pantry stocked for nine months.

"It is important for the food bank to be stable. We need you to support the children, the seniors, the unemployed and the underemployed," she said.

Reach Eileen Stilwell at estilwell@gannett.com

PROPOSED PROJECTS

\$6 million for construction of a cancer center on Haddon Avenue in Camden to be owned by Cooper University Hospital.

\$4.3 million to the state Economic Development Authority to prepare the site of the former Riverfront State Prison in Camden for development.

\$2 million to the Food Bank of South Jersey.

\$2 million to the Camden County Improvement Authority for construction of a 350-bed dormitory at 4th and Cooper streets in Camden for Rutgers graduate students. The dorm, which is nearly complete, will be owned by the Improvement Authority because Rutgers, the sole user, does not want to own it.

\$1 million for roadway improvements leading into a proposed transit village next to PATCO's Ferry Avenue station.

\$4 million to Camden County to dredge the Cooper River surrounding the Camden County Boathouse to improve the waterway for rowers.

\$4,000 to Gloucester City for repairs to a pier.

N.J. report: DRPA wasted millions in toll dollars

Paul Nussbaum

The Philadelphia Inquirer

March 29, 2012

March 29--The Delaware River Port Authority has wasted millions of dollars of toll payers' money through mismanagement and political cronyism, the New Jersey state comptroller said in a damning report issued Thursday.

Comptroller Matthew Boxer chastised the DRPA for practices such as its much-criticized "economic development" spending and its now-halted free E-ZPass benefits for DRPA executives and their families and friends.

Boxer also exposed an insurance payback deal allegedly orchestrated by George E. Norcross III, the South Jersey insurance executive and Democratic Party power broker who is chairman of the board of Cooper University Hospital in Camden.

"In nearly every area we looked at, we found people who treated the DRPA like a personal ATM, from DRPA commissioners to private vendors to community organizations," Boxer said in a statement. "People with connections at the DRPA were quick to put their hand out when dealing with the agency, and they generally were not disappointed when they did."

The DRPA operates four toll bridges and the PATCO commuter rail line linking Philadelphia and South Jersey. Gov. Corbett has chaired the DRPA since early last year. Camden County Freeholder Jeffrey Nash is the vice chairman.

The Norcross insurance arrangement provided \$455,000 over seven years to Norcross' insurance company and an insurance broker designated by Norcross.

The money was paid by Willis Insurance of New Jersey as a "referral fee" for securing DRPA insurance business for Willis, executives of that company told Boxer's investigators.

The Willis executives said they had not sought the DRPA business but were notified in a 2002 e-mail from Norcross that they had been selected. That, despite the fact that "neither Norcross nor [his company] Conner Strong formally work for the DRPA, have the authority to appoint DRPA's insurance broker, or have any official role in DRPA's decision-making process," the report said.

Norcross told the comptroller's investigators that the money had nothing to do with the DRPA but was for other marketing and referral efforts on behalf of Willis.

Norcross said he had been offered in 2002 the opportunity to be the DRPA's New Jersey insurance broker "by someone from Gov. McGreevey's office," the report says.

He turned the work down because "he did not want to risk bad publicity . . . Norcross stated that working for DRPA would be too much of a 'reputational risk,'" the report said.

Norcross currently is part of an investment group seeking to buy the company that owns The Inquirer, the Philadelphia Daily News and Philly.com.

He could not be reached for comment today. His secretary said he was out of town.

The comptroller's DRPA investigation began in 2010 amid disclosures about insurance-related payments at the DRPA, misuse of E-ZPass privileges, and a pervasive culture of political favoritism and pay-to-play practices.

U.S. Sen. Frank Lautenberg (D., N.J.) said Thursday that "this is yet another example of how a corrupt political machine operates to enrich itself and local politicians at the expense of everyday people."

Norcross fired back at Lautenberg with a statement that the senator "has been picking the pockets of no-bid, pay-to-play vendors at the DRPA and other public agencies throughout New Jersey for decades."

"It's appalling that the only time Sen. Lautenberg shows any interest at all in South Jersey is when he needs campaign money and votes. He has been missing in action on the critical issues affecting the citizens of this region."

Norcross and Lautenberg also have been feuding this week over the proposed merger of Rutgers-Camden and Rowan University.

Since the investigation began, at the request of the New Jersey and Pennsylvania governors, the DRPA has tightened many of its spending, hiring and management rules.

The DRPA responded Thursday that it had already addressed many of the problems cited by the comptroller and "will be taking steps to evaluate and address recommendations in the report as promptly as possible."

The DRPA also has spent the last of the \$500 million in economic-development money that drew much of Boxer's criticism. Its final disposition of that borrowed money, in December, included \$6 million for a cancer center being built at Norcross' Cooper University Hospital.

The 15-year-long spending spree on economic-development projects such as concert halls, sports stadiums, museums, and monuments, contributed to the DRPA's \$1.4 billion debt. More than 40 percent of commuters' tolls now goes to pay principal and interest on that debt.

The comptroller's report said the DRPA used "money it did not have and funded this campaign through a pattern of borrowing that was imprudent and detrimental to its financial standing."

The borrowing for economic-development projects also violated the DRPA's federal charter, which allows such spending only with funds that are surplus to the needs of the agency's bridges and other facilities, the report said.

The DRPA flouted its own rules and spent the money on favored projects selected by the governors, DRPA commissioners, or other state officials, the report said.

This process, the report said, "created an environment in which the board could direct funding to politically favored entities without appropriate . . . or independent objective consideration."

"In fact, [chief executive John] Matheussen did not even know how a project could get evaluated and approved if it came from the general public."

In a review of 23 economic-development projects, the comptroller's investigators could not find a single one that met the DRPA's own rules for supporting paperwork.

The report singled out the \$3.5 million the DRPA gave in 2009 for the President's House memorial near Independence Hall and the \$3 million it gave that same year for levees and floodgates on the Repaupo Creek in Gloucester County.

Both projects lacked required documentation and "it is unclear how informed decisions to provide over \$6.5 million in grant funding . . . were made."

Finally ending economic-development spending, when the money ran out last year, "is a significant step towards DRPA refocusing on its core business," the report said, noting that investigators found the DRPA "violated its charter and its own internal policies, weakened its financial position, delayed infrastructure spending and was forced to raise tolls before taking this step."

The report also was critical of a \$700,000 "social and civic sponsorship fund" set up by the DRPA board, because "the vast majority of this funding . . . went to organizations linked to DRPA officials or to organizations that provided a personal benefit to DRPA officials in exchange for the contribution."

"A significant number of the funded projects had connections to CEO Matheussen," the report said, including the Seaman's Church Institute, the Battleship New Jersey, the World Trade Center of Greater

Philadelphia, the Philadelphia Sports Congress, the Philadelphia Convention and Visitors Bureau, and the Southern New Jersey Development Council.

The investigators criticized a payment-sharing deal by New Jersey and Pennsylvania insurance brokers for the DRPA.

The New Jersey broker was Willis and the Pennsylvania broker was the Graham Company, of Philadelphia.

The DRPA required the two companies to split insurance commissions equally, regardless of work performed, the report said. The arrangement was not illegal, but state regulators and lawmakers should act to outlaw it, the report said.

This "true-up" arrangement, which The Inquirer reported in 2010, required Graham to pay Willis more than \$500,000 over six years, the report said.

The report found that DRPA executives were actively engaged in the redistribution of the commission payments.

"The DRPA's focus should have been on saving public funds rather than shifting them among its vendors," said John Hoffman, director of the comptroller's investigations division.

The report also examined the now-ended practice of giving free E-ZPass trips to DRPA executives, board members and former board members and their families and friends.

The free-pass program "resulted in the loss of more than \$1 million in toll revenue over the past 10 years," the report said.

That program ended in 2008.

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Report: DRPA 'a personal ATM'

Courier-Post

March 30, 2012

A state watchdog agency on Thursday announced results of a yearlong probe into waste and mismanagement at the Delaware River Port Authority, showing how motorists' toll dollars paid for perks, lavish dinners, questionable economic-development projects and back-room insurance deals.

"In nearly every area we looked at, we found people who treated the DRPA like a personal ATM, from DRPA commissioners to private vendors to community organizations," said state Comptroller Matthew Boxer. "People with connections at the DRPA were quick to put their hand out when dealing with the agency and they generally were not disappointed they did."

But the 77-page report found no illegal conduct, and it noted the DRPA has ended many of the objectionable practices.

"We cooperated with the Comptroller since 2010 and welcomed their review," said John J. Matheussen, the DRPA's chief executive officer for nearly a decade.

Almost half of the report is devoted to fee-splitting among the DRPA's insurance brokers — a practice the DRPA says it has ended.

The report gives a detailed description of a deal between two insurance brokers hired by DRPA between 2003 and 2009. The report criticized The Graham Co. of Philadelphia and Willis, the third-largest insurance company in the world, for splitting commissions down the middle — a practice known as true-up — because they performed different levels of work.

The picture got muddier when the state found that a sizable portion of the Willis money made its way to an insurance firm led by George E. Norcross III, the South Jersey Democratic power broker.

But the report also was sharply critical of the DRPA's role in economic development projects. It noted a charitable fund largely aided organizations that were affiliated with authority officials or that offered them rewards. And it said the DRPA lost about \$1.2 million over 10 years by giving free bridge crossings to its commissioners, workers and retirees.

According to the investigation, the DRPA's spending on nontransit projects weakened its finances, delayed infrastructure improvements and led to toll hikes.

Although the DRPA's bylaws bar the authority from funding economic development projects with borrowed money, the authority issued \$440 million in debt for projects unrelated to its bridges, the PATCO Hi-Speedline and other capital assets.

In addition, the report said, DRPA personnel typically did not review the merits of economic development projects, which were typically brought to the authority by insiders. And the DRPA replaced a successful loan program with a more costly approach that awarded grants.

"Not a single economic development project reviewed by (the Comptroller's Office) satisfied all or even most of the stated DRPA monitoring requirements," the report stated. It singled out two projects to show the secrecy that surrounded project approvals: A \$3 million grant to repair levees and floodgates along the Repaupo Creek in Gloucester County, and \$3.5 million to complete the President's House commemorative site in Philadelphia.

The DRPA ended its economic development program in 2010, but continued to fund "many questionable projects," the report said.

The report said a "social responsibility" fund at the DRPA typically helped organizations with connections to DRPA officials. "While these DRPA commissioners and executive employees did not formally vote on these projects, they often presented the request for funding and advocated for its approval," the report said. Rarely, did any recipients of the fund apply through proper channels.

In one example, the report noted former DRPA Commissioner Robert Bogle secured advertising worth almost \$60,000 for his newspaper, the Philadelphia Tribune. It said Matheussen had ties to "a significant number of the funded projects," including the Battleship New Jersey and the Southern New Jersey Development Council.

In 2009, the report found that 79 percent of about \$130,000 spent by the fund went to "organizations linked to DRPA commissioners or executive employees, or to organizations that provided a benefit to DRPA in exchange for the contribution," such as free tickets to sporting or social events.

DRPA discontinued the fund under orders from Gov. Chris Christie in 2010.

About the same time, abuses of employee bridge and toll passes came under fire after Public Safety Director Michael Joyce of Pennsauken allowed his daughter to use an employee pass. Further investigation revealed that abuses were rampant, with some commissioners apparently extending the benefit to friends and relatives.

The report also found that 53 people, who called the DRPA about a rebate program, inadvertently received free bridge trips worth more than \$4,000 due to a clerical error.

DRPA has since eliminated the perk, along with credit cards for employees to use for travel-related expenses.

Under fire from Christie to clean up its act, DRPA in January hired a retired FBI agent, Thomas Raftery of Ocean City, as its first inspector general to ferret out waste and fraud.

"One of the inspector's general first tasks will be to review this report and assist the board in taking appropriate follow-up actions," said DRPA spokesman Tim Ireland.

Staff writer Jim Walsh contributed to this report. Reach Eileen Stilwell at estilwell@gannett.com or 856-486-2464

Spending free-for-all at DRPA detailed

Asbury Park Press

March 30, 2012

TRENTON — An audit released Thursday by New Jersey's comptroller documented ways the Delaware River Port Authority repeatedly wasted tollpayers' dollars, a litany of familiar sins that added another dimension to an exploding political feud through new details on commissions paid to undisclosed insurance brokers that included Democratic political boss George Norcross III.

The Office of the State Comptroller's 77-page report said oversight at the bi-state agency that operates four Delaware River bridges and the PATCO rail line was so lax that nearly any expenditure was acceptable.

"In nearly every area we looked at, we found people who treated the DRPA like a personal ATM, from DRPA commissioners to private vendors to community organizations," state Comptroller Matthew Boxer said. "People with connections at the DRPA were quick to put their hand out when dealing with the agency, and they generally were not disappointed when they did."

The report criticized spending on social and civic causes, saying a majority went to organizations linked to DRPA officials, abuse of E-ZPass accounts and the spending of \$443 million on economic development projects funded through new debt at a time bridge repairs went ignored. But its details about insurance contracts are already proving to be the most politically explosive.

Sharing of insurance commissions under licensed brokers is legal in New Jersey, though the State Commission of Investigation said in a report more than 30 years ago that it should be banned because such practices can be politically motivated and financially wasteful.

Auditors documented \$410,000 in commissions that quietly wound their way to Norcross' insurance brokerage company, currently Conner Strong & Buckelew but then called Commerce Insurance Services. Company spokesman Hugh Braithwaite said auditors uncovered no wrongdoing.

"We fully support the (Office of the State Comptroller's) efforts to advance transparency and trust at DRPA, and are pleased that its findings ultimately show that Commerce Insurance Services and its successor companies acted in an entirely proper, legal and ethical manner in full compliance with all statutory, regulatory, industry and professional standards," Braithwaite said.

U.S. Sen. Frank Lautenberg, D-N.J., who has become embroiled in a political dispute with South Jersey political officials over Gov. Chris Christie's proposed merger of the Camden campus of Rutgers University into Rowan University, had a much more scathing interpretation.

"The residents of South Jersey deserve better," Lautenberg said. "This is yet another example of how a corrupt political machine operates to enrich itself and local politicians at the expense of everyday

people. As I always have, I will continue to stand up for the residents of this region against endemic corruption, and I encourage other public officials to finally do the same."

Norcross didn't directly address the content of the audit but did respond to Lautenberg, saying he only shows interest in South Jersey when he needs campaign money and votes.

"Sen. Lautenberg has been picking the pockets of no-bid, pay-to-play vendors at the DRPA and other public agencies throughout New Jersey for decades," Norcross said. "Aside from the absurdity of his comments, it's interesting to note that he never expressed these sentiments when he literally begged for South Jersey's support in all of his campaigns for re-election. It's the height of hypocrisy."

Auditors found that beginning in 2003, at the direction of then-Gov. James McGreevey's office, the DRPA directed its insurance brokers in New Jersey and Pennsylvania to evenly split commissions, which had been tilted toward Pennsylvania. The so-called "true-up" meant The Graham Co. paid Willis of New Jersey more than \$500,000 over six years, though Willis did not perform any additional services.

Willis' selection as DRPA's broker in New Jersey was apparently steered by Norcross. His company has no official connection to the DRPA and doesn't have the authority to appoint its broker, but a Dec. 30, 2002, email from Norcross to Willis' chief executive officer, Joseph Plumeri, informed Willis it had been selected — at a time Willis didn't even know it was being considered for the position.

Norcross told auditors McGreevey's office contacted him to offer his company the opportunity to be DRPA's insurance broker. He declined, in part because the DRPA was too "high profile," the audit said. He was then asked by McGreevey's office to recommend other brokers.

DRPA Vice Chairman Jeffrey Nash told auditors the DRPA had no input over selecting the broker and didn't even meet with Willis representatives before hiring the company.

Willis then paid \$410,000 over six years to Conner Strong and \$45,000 over two years to a related insurance broker, Michael Martucci. Company officials said the payments, which were not formally disclosed to the DRPA, were a referral fee and recorded them as such in company records.

Conner Strong, however, told auditors the payments were for general marketing and referral efforts unrelated to the DRPA. Norcross said he reached an unwritten referral agreement with Plumeri in 2004 and that he would have returned the money to Willis if he thought it was connected with the DRPA.

The Citizens Campaign, a good-government group, says such referral fees drive up the cost of government and are particularly egregious if no services are being performed.

"Today's comptroller's report reinforces the importance of government at all levels putting in place a transparent and competitive process for the selection of brokers and insurance companies — one that ensures that brokers work for the interests of the government entity and the taxpayers — not the insurance companies," said Heather Taylor of the Citizens Campaign.

William Graham, owner of The Graham Co., which had to pay Willis under terms of the true-up agreement, complained to the DRPA in 2006 when he began to suspect those payments were being forwarded to Conner Strong. Matheussen told auditors he didn't believe the assertions.

When a DRPA employee, Mary Rita D'Alessandro, raised questions about the true-up payments in 2009, she was advised to stay out of the issue because it went "further above your head than you know." In a 2010 email, D'Alessandro told a DRPA commissioner it was "like I was dealing with the (expletive) mob or somethin'."

The true-up payments ended in 2010, as did many of the other wasteful and long-standing spending practices explored in the audit.

The Graham Co. also shared nearly \$685,000 in DRPA-related commissions between 2000 and 2010 with a second insurance broker, West Insurance Agency, under ambiguous circumstances. Graham and West couldn't provide auditors documentation of what services West performed. DRPA knew about the payments at least as early as 2006 but didn't determine if the payments were wasteful.

Federal government probing toll increases on Delaware River bridges

Paul Nussbaum

The Philadelphia Inquirer

July 19, 2012

The federal Government Accountability Office is investigating toll increases on area Delaware River bridges as part of a broader look at toll increases and tolling authorities.

The GAO, the investigative arm of Congress, wants to know how toll increases are determined and why.

The agency has asked the Delaware River Port Authority and other toll agencies for information about recent hikes.

Tolls last went up on DRPA's four bridges on July 1, 2011, to \$5 for cars, from \$4. Tolls had been raised to \$4 in September 2008, from \$3.

Motorists have criticized toll hikes at the DRPA, complaining that much of the revenue went to pay for the agency's debt and economic-development projects unrelated to the bridges.

The Delaware River Joint Toll Bridge Commission, the bistate agency in New Hope that operates seven toll bridges, including the I-80 span between Pennsylvania and New Jersey, received a similar request from the GAO, spokesman Joe Donnelly said.

The toll inquiry was triggered by U.S. Sen. Frank Lautenberg (D., N.J.), who has criticized recent toll increases on bridges and tunnels operated by the Port Authority of New York and New Jersey.

Lautenberg wrote the GAO in March, asking it to examine toll hikes, use of toll revenue, and "the transparency and accountability of the funding and management decisions" at interstate tolling authorities.

GAO spokesman Ned Griffith said recent toll increases "have raised questions about whether transportation authorities are remaining accountable to their congressionally approved compacts."

GAO is looking at three areas, Griffith wrote in an e-mail:

"(1) To what extent do interstate compacts and related legislation establish priorities and oversight processes for transportation authorities?

"(2) How have transportation authorities set tolls, spent toll revenue, and made these decisions transparent?

"(3) To what extent have the actions of transportation authorities been consistent with interstate compact priorities and leading practices for toll-setting decisions?"

Griffith said GAO investigators had just begun their work and could not predict when they would report their findings.

DRPA board members, including Gov. Corbett, debated Wednesday how to respond to the GAO's request for toll information.

Rob Teplitz, representing Pennsylvania Auditor General Jack Wagner on the board, urged that the DRPA's new inspector general be the main liaison with federal investigators.

Corbett, who chairs the DRPA board, said chief executive John Matheussen and DRPA lawyer Danielle McNichol should meet with GAO investigators. At Teplitz's urging, he agreed Inspector General Thomas Raftery should be included.

"I think we have a very good story to tell . . . about how we increase tolls," Matheussen said. "We didn't just do this on a whim."

The DRPA is \$1.2 billion in debt, and more than 40 percent of toll revenue goes to debt payment and debt-related costs.

Much of that debt accumulated during the last 15 years, as DRPA spent about \$500 million on economic-development projects, such as sports stadiums, museums, and concert halls, after the 1992 approval by Congress and President George H.W. Bush of economic-development powers for the agency.

All of the money borrowed for economic development has been spent, and the DRPA board has promised to end the practice of spending on non-transportation-related economic development.

On Wednesday, DRPA officials reiterated that financial and governance reforms approved two years ago would be made by the end of 2012.

In 2010, the DRPA board responded to demands of Pennsylvania and New Jersey governors with a well-publicized flurry of new rules designed to make the agency more accountable, transparent, and fair.

But "most of the reforms have not been incorporated into the authority's bylaws and standard operating procedures," Raftery wrote in a report in May.

DRPA spokesman Tim Ireland said Wednesday that working groups were meeting four times a month to implement the reforms, which will require changes in DRPA bylaws and resolutions.

A motorists' organization said Wednesday "the changes can't come soon enough."

"We've already been waiting two years for the change to happen," said Jenny M. Robinson, spokeswoman for AAA Mid-Atlantic. And she said the GAO investigation of toll increases also "serves to underline our longstanding concerns. We hope the feds can shine a light on last year's toll hikes."

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DRPA continues to rearrange its insurance business

Paul Nussbaum

The Philadelphia Inquirer

September 6, 2012

The Delaware River Port Authority on Wednesday continued to shift its insurance business away from two firms involved in a controversial commission-splitting deal.

The move will save the DRPA about \$500,000 a year, officials said.

The agency's board on Wednesday hired Gallagher Benefit Services Inc. of Itasca, Ill., for \$125,000 a year to administer the DRPA's health-benefits program. Gallagher will replace the Willis Group of Morristown, N.J., which last year was paid \$298,000.

A DRPA committee on Wednesday recommended hiring Aon Risk Solutions of Chicago for \$129,000 a year to provide property and casualty insurance, \$45,600 less than the agency had been paying Willis and the Graham Co. of Philadelphia.

Early last month, the DRPA moved its owner-controlled insurance program to Turner Surety Insurance Brokerage of Woodcliff Lake, N.J., which it will pay \$100,000 a year, about \$269,000 less than Graham received.

Willis and Graham had divided much of the DRPA's insurance business under an arrangement created by the agency in 2002 to split its insurance business between brokers in New Jersey (Willis) and Pennsylvania (Graham).

The deal required the brokers to share their payments regardless of work performed. That required Graham to give Willis more than \$500,000 over six years.

That "true-up" arrangement was sharply criticized this year in a report by New Jersey Comptroller Matthew Boxer. The DRPA, as part of a series of management changes, has ended the practice and has begun to hire insurance brokers through an open-bidding, fee-based process.

The new brokers will save the agency \$487,435 a year, DRPA chief executive John Matheussen said Wednesday.

In other business, agency officials said operating expenses were about \$8 million, or 10 percent under budget this year, largely because 43 staff positions have been kept vacant. That's about 5 percent of the jobs at the DRPA.

Traffic on the DRPA's four toll bridges continues to decline, said chief financial officer John Hanson. It is down about 2 percent this year, though toll revenue is up 23 percent due to a toll increase in July 2011.

Traffic in 2012 is on pace to be the lightest in 17 years. On the Ben Franklin, Walt Whitman, Commodore Barry, and Betsy Ross Bridges, it is down about 13 percent from its peak in 2007.

Steep toll increases have apparently played a role. Tolls have risen 67 percent on the spans since September 2008, from \$3 to the current \$5 for autos. Traffic has declined every year since.

DRPA officials also blame a sluggish economy, high gasoline prices, and continuing bridge construction.

Federal investigators said in July that they were examining toll increases on those bridges and on bridges and tunnels that link North Jersey and New York City, following a request from U.S. Sen. Frank Lautenberg (D., N.J.).

The Government Accountability Office, Congress' investigative arm, said it wanted to know how toll increases were determined and why.

Lautenberg wrote the GAO in March, asking it to examine the hikes, use of toll revenue, and "the transparency and accountability of the funding and management decisions" at interstate tolling authorities.

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Dispute at DRPA hinders changes

A proposed raise for the agency's inspector general led to a meeting boycott that has slowed progress.

Paul Nussbaum

The Philadelphia Inquirer

October 6, 2012

Long-simmering disputes over reform efforts and the role of an internal watchdog at the Delaware River Port Authority boiled over this week at a DRPA committee meeting.

One Pennsylvania board member, Rob Teplitz, called DRPA chief executive John Matheussen the biggest obstacle to reform, and New Jersey board members balked at establishing operating standards for the agency's new inspector general.

The role and salary of the inspector general, Thomas Raftery 3d, have been debated almost since the former FBI agent was hired in January to root out fraud, waste, and abuse.

That fight has divided the DRPA board between its Pennsylvania and New Jersey factions and prevented Gov. Corbett from stepping down as chairman.

Raftery was hired for \$130,000 a year to be DRPA's first inspector general. The position was created as part of efforts in 2010 to try to make DRPA more transparent and accountable.

Raftery issued his first report in June, chastising DRPA for not putting into practice many of the reforms adopted nearly two years earlier. Rules about ethics, political contributions, contracts, and purchasing have not been incorporated into DRPA's bylaws and standard operating procedures, Raftery found.

He reportedly clashed with Matheussen about reporting to the chief executive as well as to the board. Last month, the board moved to have Raftery report primarily to board officials and its audit committee.

His salary became an issue in August. Several New Jersey board members objected to a proposed \$35,000 raise for Raftery, arguing that DRPA's nonunion employees have not had a pay raise in four years, so it was no time for an executive to get a 27 percent raise.

Those New Jersey board members boycotted the August board meeting over the issue, preventing a vote on a new board chairman to replace Corbett.

Corbett had announced on Aug. 1 that he was resigning as DRPA chairman. He appointed Delaware County lawyer and Republican leader Andrew J. Reilly to take his seat on the board and proposed that DRPA board member David Simon, executive vice president of the Jefferson Health System, be named chairman.

Two months later, Corbett is still chairman. Reilly, after a trip to DRPA's Camden headquarters for a swearing-in that never happened, hasn't been back. And Simon remains a board member but has not been elected chairman.

At Wednesday's meeting of the DRPA audit committee, the inspector general issue again caused fireworks.

Proposals to create operating standards for the inspector general prompted objections from Jeff Nash, leader of the New Jersey delegation, and Matheussen.

Teplitz, who represents Pennsylvania Auditor General Jack Wagner on the board and as chair of the audit committee, then accused Matheussen of being the biggest obstacle to reform. And Teplitz and Nash sparred over Nash's claim that he had not previously seen the proposed operating standards for Raftery.

In the end, no action was taken on the inspector general issues, and the rift between New Jersey and Pennsylvania board members remained unresolved.

Matheussen on Thursday downplayed the fractious session.

"There was a vigorous discussion about changes that were proposed, but sometimes good things come out of vigorous discussions," he said. "It's all good. Significant headway is being made."

Though the inspector general is the flash point at DRPA, other issues are at play as well.

As always with the bistate DRPA, politics and geography are major factors.

Six of the eight Pennsylvania board members are Republicans, appointed by Corbett. (The other two, Democrats, are the state treasurer and auditor general, who are on the board because of their elected positions.)

The eight New Jersey board members are Democrats, holdovers from the Corzine administration. Three of the eight are union leaders, including ironworkers official Richard Sweeney, brother of State Senate President Stephen Sweeney (D., Gloucester).

The union leaders have been unhappy with DRPA's failure to settle a long-running contract dispute with DRPA police officers, who have been working under terms of a contract that expired Dec. 31, 2009. And they've been involved in a long-running dispute over who can get lucrative jobs on DRPA construction projects, because of "project labor agreements" that require contractors to employ workers from the Building and Construction Trades Council.

Several major Pennsylvania contractors have complained they have been barred from DRPA projects because they employ members of the United Steelworkers union, which is a rival of the ironworkers and is not a member of the trades council.

Amid those undercurrents, Raftery arrived in January as DRPA's first inspector general.

In August, the DRPA finance committee recommended Raftery get a salary increase to \$165,000. Committee vice chairman Simon said Raftery would take on expanded duties, and cited his "fierce independence."

Nash, the finance committee chairman, voted for the increase, saying it would put Raftery's pay on par with the salaries of chiefs of departments at the agency, who make between \$160,000 and \$180,000.

Nash has since joined the other New Jersey board members in opposing the raise, citing the lack of raises for rank-and-file workers.

The increase would give Raftery a higher salary than most inspectors general or similar administrators in Pennsylvania or New Jersey government posts.

For instance, the inspector general of Pennsylvania, Kenya Mann Faulkner, receives \$138,015, and New Jersey Comptroller Matthew Boxer gets \$141,000.

Because of his 22 years at the FBI, Raftery, 53, receives a federal pension. He declined to say how much that is, but FBI sources estimated it at \$45,000 a year.

The ongoing dispute could end with Raftery leaving DRPA, some of his supporters said this week, and that could prompt a renewed debate over the agency's desire for internal reform.

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DRPA proposal: Slash watchdog's clout, but give him a raise

Paul Nussbaum

The Philadelphia Inquirer

November 29, 2012

Several board members of the Delaware River Port Authority are pushing to reduce the powers of the agency's internal watchdog even as they aim to increase his pay.

The proposed changes would, among other things, prevent DRPA Inspector General Thomas Raftery 3d from immediately reporting suspected crimes to federal, state, or local law-enforcement officials. He would be required instead to report the allegations to top DRPA officials.

The rethinking of the power of the inspector general, a position created this year, has prompted fireworks among board members, with a scathing memo from one and the abrupt cancellation of a meeting scheduled to consider the matter.

A memo outlining the changes, initiated by DRPA Vice Chairman Jeffrey Nash and fellow New Jersey board member Denise Mason, was circulated privately last week among agency board members and top staff. The Inquirer obtained copies of it.

According to the lawyer who drafted it, the memo "reflects the changes requested by Commissioner Mason and Vice Chair Nash."

Mason, a bank officer who is vice chair of the audit committee, and Nash distanced themselves from the proposal Wednesday.

"It was proposed by Denise through counsel. . . . It's Denise's responsibility," said Nash, a Camden County freeholder. He said he would not support an increase in Raftery's salary, as proposed in the draft changes.

Reached at a Texas hospital where her mother is a patient, Mason said, "I've been away for a week. I don't know what's going on at the DRPA."

The proposal would require the inspector general to report virtually all matters to chief executive John Matheussen and other top agency officials. That would reverse a decision by the board in September that made the inspector general more independent of Matheussen.

Under the changes, Matheussen and the other officials also would gain authority to amend reports by the inspector general before their release.

Raftery said Wednesday that he was taken by surprise by the proposed changes and that he doubted any would be enacted.

He was particularly taken aback by the suggestion that he report only to DRPA officials - not to law-enforcement agencies - suspected crimes.

After making the DRPA officials aware of alleged crimes, the proposal would have Raftery wait for them to act before he could contact law-enforcement agencies.

"I was shocked that an attorney would suggest that an inspector general, or anybody, would not report illegal activity to law enforcement," said Raftery, a former career FBI agent. "That's completely unenforceable, and I found it offensive, especially given my background."

Lack of support To take effect, the changes would have to be approved by a majority of both the New Jersey and Pennsylvania board members, and there has been no indication of support for them among Pennsylvania's eight board members.

Rafferty's role and salary have been debated since he was hired in January to root out fraud, waste, and abuse at the DRPA.

The \$130,000-a-year position was created as part of efforts in 2010 to make the DRPA more transparent and accountable.

The agency, which operates four toll bridges and the PATCO commuter rail line, has long been a haven of patronage and lucrative contracts.

As inspector general, Rafferty issued his first report in June, chastising the DRPA for not putting into practice many of the changes adopted in 2010. Rules about ethics, political contributions, contracts, and purchasing had not been incorporated into the DRPA's bylaws and standard operating procedures, Rafferty found.

Proposed raise Rafferty's salary became an issue shortly after that. Several New Jersey board members objected to a proposed \$35,000 raise. The DRPA's nonunion employees have not had a pay increase in four years, so it was no time for an executive to get a 27 percent raise, they argued.

Those board members boycotted the August board meeting over the issue, preventing any votes from being taken at the session, including one on a new board chairman to replace Gov. Corbett.

The proposed changes would raise Rafferty's pay to \$165,000, but the independence and clout of his position would be significantly reduced.

The proposal, circulated to board members and top staff the evening before Thanksgiving, was to be considered at a meeting Monday of DRPA's audit committee. It was e-mailed by the attorney who drafted it, David A. Weinstein of Archer & Greiner, the Haddonfield firm that represents the New Jersey delegation of the bistate DRPA board.

Weinstein wrote that the e-mail was sent at the request of Mason and that the "revisions . . . address the concerns of Commissioners Mason and Nash. . . ." Contacted by The Inquirer, Weinstein declined to comment on the proposals.

The chairman of the audit committee, Robert Teplitz of the Pennsylvania Auditor General's Office, abruptly canceled the Monday committee meeting and told board members in an e-mail that a revision of the inspector general's role would "represent more of the same nonsense that we've been dealing with for months."

Teplitz called the proposed changes a "last-minute stunt" and wrote, "As long as I chair the Audit Committee, which will be at least through mid-January, I'm not going to allow this nonsense and the abuse of the IG to continue."

Teplitz will be leaving the board because a new Pennsylvania auditor general was elected this month and Teplitz was elected to the Pennsylvania Senate.

The changes would also reduce the power of the audit committee and increase its membership. The committee was created in August 2010 as part of the series of DRPA changes by Gov. Christie and then-Gov. Ed Rendell.

Nash and Teplitz have clashed repeatedly over economic-development spending as well as the audit committee's duties.

An audit committee meeting last month dissolved into rancorous exchanges, with Teplitz accusing Nash of blocking committee action and inspector-general issues, and Nash accusing Teplitz of not talking to Mason although she is vice chair of the committee.

Matheussen and Raftery also weighed in, with Matheussen contending that he was being cut out of information from the inspector general and Raftery complaining that he had become "a punching bag."

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U.S. probing DRPA spending, sources say

Paul Nussbaum

The Philadelphia Inquirer

April 4, 2013

A federal grand jury in Philadelphia is investigating millions of dollars of politically connected "economic-development" spending by the Delaware River Port Authority, The Inquirer has learned.

The DRPA's chief attorney and inspector general sent a memo to DRPA employees last Thursday warning them to preserve all documents related to the agency's economic-development projects.

DRPA chief executive John Matheussen said Wednesday, "I can confirm that we have been served with a subpoena by the U.S. Attorney's Office."

He declined to discuss the timing or scope of the subpoena issued last week by the office of U.S. Attorney Zane David Memeger of the Eastern District of Pennsylvania.

DRPA spokesman Tim Ireland said that the DRPA "will cooperate fully" and that "we will make certain our compliance with this subpoena demonstrates a renewed commitment to transparency" by the agency.

DRPA, which operates four toll bridges and the PATCO commuter rail line between Philadelphia and South Jersey, spent nearly \$500 million over 15 years to underwrite museums, sports stadiums, a concert hall, a cancer center, the Army-Navy football game, and other nontransportation projects.

Much of the money went to politically influential recipients, as the Pennsylvania and New Jersey delegations on the DRPA board got equal amounts to spend. Fourteen of the 16 board members are appointed by the governors of New Jersey and Pennsylvania (two Pennsylvania members - the state treasurer and state auditor general - are on the board by virtue of their elected offices).

Last year, New Jersey state Comptroller Matthew Boxer issued a report critical of political cronyism and mismanagement at DRPA, saying that "in nearly every area we looked at, we found people who treated the DRPA like a personal ATM, from DRPA commissioners to private vendors to community organizations. People with connections at the DRPA were quick to put their hand out when dealing with the agency, and they generally were not disappointed when they did."

A spokeswoman for Memeger declined to comment on the grand jury investigation.

Sources close to the probe, however, said it appeared to focus on economic-development spending in Pennsylvania.

The federal investigators were said to be particularly interested in spending that was funneled through the Philadelphia Industrial Development Corp., a development lender created by the city and the Greater Philadelphia Chamber of Commerce.

The PIDC, which is governed by a board appointed by the mayor and the president of the chamber, received more than \$13 million from DRPA in 2010, ostensibly to help "small, emerging, and new businesses."

In fact, most of the money was directed by DRPA officials to well-established tourism groups or nonprofits, some with close ties to DRPA board members. In one case, \$500,000 was given to a multibillion-dollar commercial real estate developer.

The Philadelphia Orchestra, the National Constitution Center, public broadcaster WHYY, the Pro Cycling Tour, the Variety Club, the Independence Visitor Center, and other organizations collected \$13.3 million in DRPA funds in 2010.

John Grady, president of the PIDC, said Wednesday he could not comment other than to say that the PIDC "cooperates with all investigations" by law enforcement agencies.

He said the PIDC's role as agent for DRPA's economic-development funding ended at the end of 2011, when the money ran out.

Economic-development spending by DRPA has long been controversial, as it contributed to a \$1 billion debt that now consumes more than 40 percent of the agency's revenue. Motorists and some board members have complained that DRPA should not spend money on nontransportation projects while borrowing hundreds of millions to maintain its bridges and rail line.

DRPA allocated the last of its economic-development money in December 2011. Its then-chairman, Gov. Corbett, said it would no longer be involved in economic-development spending.

The scope and duration of the federal investigation was not clear Wednesday.

However, sources close to the investigation said DRPA general counsel Danielle McNichol and inspector general Thomas Raftery issued a memo late last Thursday, just before the three-day weekend, telling employees not to destroy documents related to DRPA economic-development spending.

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DRPA audits flag favoritism, funding

Paul Nussbaum

The Philadelphia Inquirer

June 20, 2013

Selective pay raises for some Delaware River Port Authority workers, improper use of outside law firms, misuse of economic-development funds, and overcharges for employee health insurance are among issues raised by internal audits, DRPA Chairman David Simon said Wednesday.

Although the audits have not been made public, Simon took the unusual step of describing some of their findings at a DRPA board meeting Wednesday. That immediately drew fire from the chief executive and the vice chairman of the agency, who said the reports were not completed and should not be publicly discussed until staff responses were prepared.

Simon said the conclusions of inspector general Thomas Raftery were "disturbing" and "cannot be ignored." He said the audits would be released after they are reviewed by the board's audit committee, chaired by Pennsylvania Auditor General Eugene DePasquale. DePasquale's chief counsel, Kathryn Boockvar, who represents him at DRPA board meetings, said "all of the affected people will get an opportunity to comment" before the audits are made public.

Simon's revelations surprised his fellow board members from both Pennsylvania and New Jersey, and several reportedly expressed their dismay in a closed-door executive session after the public meeting.

"I'm stunned to hear about reports that haven't been shared with the board," said board member William Sasso, a Philadelphia lawyer and confidant of Gov. Corbett, during the public session.

Board Vice Chairman Jeffrey Nash, a Camden County freeholder and leader of the New Jersey delegation, asked "the public to hold judgment on these issues" because the reports are incomplete and "everyone involved needs to be talked to."

Simon said that "in the interest of transparency, I feel it important, with the inspector general's agreement, to provide information on some key reports which will be issued publicly later this year."

He said one audit dealt with salary decisions since 2007 and concluded that Chief Executive John Matheussen "has taken personnel action, including authorizing staff raises, that violate the terms of the employment agreement of the CEO."

That audit also concluded that a lack of a defined compensation policy "has resulted in the appearance of favoritism in personnel actions," Simon said.

Simon said that because of that, he will not approve any new high-level hires, promotions, or salary increases until the issues are addressed.

Matheussen objected that he and top staff had not yet had a chance to respond to the audit and the public was only hearing part of the story.

A second audit reported that newly hired insurance companies last year "were instructed to use specific law firms, some of which were not on the list of qualified law firms" maintained by the DRPA. The law firms were directed to settle claims without the knowledge of the board or the agency's general counsel, Simon said.

That audit also concluded the DRPA overcharges employees for their contributions for health-insurance benefits, Simon said.

A third audit looked at the use of economic-development funds, which were widely used for non-transportation projects such as museums, sports stadiums, and concert halls. The audit found most of the grants "did not include justification documents" for board approval and were approved without due diligence by staff, Simon said.

A fourth audit "discovered significant internal control problems, which resulted in overpayments in excess of \$100,000" on a contract for "transit ambassadors" at PATCO commuter rail stations, Simon said.

Raftery, a former FBI agent who was hired in January 2012 as the DRPA's first inspector general, has been a lightning rod for controversy since his arrival. He chafed at the slow pace of reforms and clashed with Matheussen. New Jersey board members boycotted a meeting in August to object, they said, to a proposed raise for Raftery to \$165,000 from his current \$130,000.

The raise proposal was withdrawn, but the dispute caused a two-month delay in replacing Corbett as chairman of the DRPA board. Simon, appointed by Corbett, took the post last October.

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DRPA raises improper, official says

Paul Nussbaum

The Philadelphia Inquirer

August 6, 2013

Pay raises and promotions were improperly given to some employees of the Delaware River Port Authority in recent years, according to an audit by the DRPA's inspector general.

Thomas W. Raftery III faulted the agency's chief executive officer, John Matheussen, for giving selective raises without following agency rules or getting proper approval from DRPA board leaders.

Matheussen disputed Raftery's findings, along with the DRPA's chief administrative officer and director of human resources, in a lengthy rebuttal, challenging the audit as "flawed," "not based on fact," and "misleading."

The audit said Matheussen gave large raises last year to two electrical foremen for PATCO, the commuter rail line operated by DRPA. That prompted "me-too" raises to the same salary of \$79,500 for 26 other DRPA and PATCO foremen.

The audit said Matheussen did not get advance approval from the board chairman or vice chairman for the raises. A 2003 DRPA provision requires such approval for all raises greater than 8 percent, Raftery said.

Raftery cited 337 raises exceeding the 8 percent threshold since 2007.

Raftery also chastised the DRPA for a lack of consistency and procedures for raises and promotions, which he said created low morale among employees, most of whom have not received raises for five years.

The pay-raise audit, which was completed in May and released last week, comes amid tensions between Raftery and Matheussen as well as some board members.

Raftery, a former FBI agent, was hired as the DRPA's first inspector general in January 2012, to serve as its financial and ethical watchdog.

He has been at odds with Matheussen over several issues, including his insistence that he report to the board and not Matheussen on his investigations. New Jersey board members on the bistate agency have balked at efforts to establish operating standards for Raftery's office and blocked an effort last year to raise his salary from \$130,000 a year to \$165,000.

In June, DRPA Board Chairman David Simon publicly announced some of the findings of several unreleased Raftery audits, prompting complaints from Matheussen and Vice Chairman Jeff Nash, who said the reports should not be publicly discussed until staff responses were prepared.

The pay-raise audit was one of those.

Last month, William Sasso, one of the Pennsylvania board members, criticized Raftery in a board committee meeting, accusing him of manipulating facts to suit his conclusions.

Raftery responded that "this process is getting pretty old . . . the bickering and the questioning of my integrity."

"If you do not want me to ask employees questions, then you should get rid of my position. You have to decide whether or not you want an inspector general here."

The latest audit can be viewed at www.drpa.org/drpa/inspector_reports.asp.

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Report stirs rifts on DRPA board

Paul Nussbaum

The Philadelphia Inquirer

August 19, 2013

A recent report by the inspector general of the Delaware River Port Authority critical of pay raises and promotions at the agency has stirred divisions within DRPA's bistate board.

Several board members have come to the defense of chief executive John Matheussen, saying he was unfairly criticized by inspector general Thomas W. Raftery for authorizing raises and promotions without approval from top board officials.

Separately, some board members have accused board chairman David Simon, a staunch supporter of Raftery and internal reforms, of a conflict of interest because his wife's law firm works for DRPA.

Raftery has been a source of contention almost since he was hired in 2012 as DRPA's first inspector general, charged with rooting out fraud, waste, and abuse. The position was created as part of reforms instituted in 2010 to try to make DRPA more transparent and accountable.

Raftery, a former FBI agent, has clashed with Matheussen over his insistence on reporting to the board, not the chief executive, about his investigations. And he has angered some board members with what they describe as selective targeting of subjects for his investigations.

Last year, a proposed \$35,000 raise for Raftery prompted a board meeting boycott by five New Jersey board members, blocking the raise and delaying Gov. Corbett's departure as board chairman. The New Jersey board members said they objected to a raise for Raftery while many rank-and-file DRPA workers had gone without pay raises since 2008.

The most recent flap involves an audit by Raftery that said Matheussen gave large raises last year to two electrical foremen for PATCO, which DRPA operates. That prompted "me-too" raises to the same salary of \$79,500 for 26 other DRPA and PATCO foremen.

The audit said Matheussen did not get advance approval from the board chairman or vice chairman for the raises. A 2003 DRPA provision requires such approval for all raises greater than 8 percent, Raftery said.

But Matheussen disputed that, saying he had informed top board officials of his plans to give raises to the foremen, and he cited memos in which he explained the raises were necessary because of "salary compression" that had narrowed the pay gap between the foremen and their workers.

Several board members supported Matheussen's account, including DRPA vice chairman Jeff Nash and fellow New Jersey board members Richard Sweeney and Al Frattali.

"The records reflect there had been an open discussion on the raises . . . and the board was aware of the compression issues," Nash said. "I was familiar with the problem and what John had intended. John acted properly."

Frattali said, "I don't know if lie is the right word, but what he [Raftery] said is just not accurate. The raises were addressed with the board. . . . I don't know where he comes off that they were not properly vetted. It seems to me like he's got a vendetta."

William Sasso, a Pennsylvania board member, criticized Raftery last month in a committee meeting, saying he had "drawn factually inaccurate conclusions" and accused him of manipulating facts to suit his conclusions.

Pennsylvania Auditor General Eugene DePasquale, a DRPA board member who oversees Raftery's work as chair of the board's audit committee, said Raftery's recent report demonstrated why the inspector general was important but also showed that he needs specific guidance on doing his job.

"The report clearly shows the need for reform efforts to continue, but, having said that, we need to make sure we follow government auditing standards," DePasquale said. "We need to allow everyone to have their voice heard."

The board's audit committee has been drafting operating procedures for the inspector general for more than a year, and DePasquale said he expected a vote on those procedures soon, perhaps as early as next month.

DePasquale, whose office audits many public agencies in Pennsylvania, said audits were not criminal investigations and should be conducted differently.

"This is not the FBI sending in SWAT teams to seize computers. The goal is not to get headlines, but to improve the entity."

He said that "if it turns into 'he said, she said,' then egos and personalities can get involved. We need to get past that . . . we need to have aggressive internal audits, but it's not about playing the game of 'gotcha,' it's about improving the organization."

Some board critics of Raftery have also criticized Simon, the DRPA board chairman, who is married to Deborah Simon, a lawyer with Elliott Greenleaf, a Pennsylvania firm. Elliott Greenleaf was one of nine law firms added to DRPA's list of approved firms in February as the agency expanded its roster of outside lawyers.

Simon abstained from the vote to approve the law firms but did not mention that his wife was a shareholder in the firm.

Frattali and Sweeney said Simon had a conflict of interest because his wife's firm stood to make money on DRPA work.

"I do think it's a conflict," said Sweeney, a labor leader who is the brother of state Senate President Stephen Sweeney. "We should have been told. I think that's part of the inspector general's job. We should have been informed by him."

Frattali, like Sweeney an official with the ironworkers' union, said, "It's definitely a conflict . . . we passed a resolution in 2010 about nepotism and undue influence." He said he would have objected in February if he had known of the relationship, and said Simon "should step down as chairman."

Simon, who is the executive vice president and chief legal officer for Jefferson Health System Inc., said Sunday that the relationship did not present a conflict because he would have no role in assigning Elliott Greenleaf to any legal work and that his wife "has not worked on and will not work on any DRPA matters."

He said the inspector general and DRPA's outside counsel had reviewed the relationship, "and both confirmed that no conflict existed."

"I believe one of my strengths is that I have no affiliation with a law firm . . . and all of its many client, referral, and other relationships," Simon said, "and that allows me the independence to address tough issues impartially, objectively, and on the merits, as I have done and will continue to do."

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DRPA probe widens with subpoenas

Paul Nussbaum

The Philadelphia Inquirer

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Dec. 19--Federal prosecutors served subpoenas this week on several officials and employees of the Delaware River Port Authority, including at least three board members -- Camden County Freeholder Jeffrey L. Nash, South Jersey labor leader Richard Sweeney, and Philadelphia lawyer William Sasso, The Inquirer has learned.

Since April, the U.S. Attorney's Office has been investigating millions of dollars of politically connected "economic-development" spending by the DRPA.

Subpoenas issued Monday to several board members and other DRPA employees demanded materials and testimony related to that spending.

Sasso, who was appointed to the DRPA board by Gov. Corbett in 2011, said he apparently received the subpoena because he is chairman of a DRPA board committee that has been critical of several sweetheart loans granted by the agency.

He said he has been asked to provide information about those loans to investigators and would cooperate.

One of the loans was for the redevelopment of a former Radio Corp. of America building in Camden into the Victor Lofts.

In 2003, the DRPA lent the developer Carl Dranoff \$3 million interest-free until 2009 to help convert the historic "Nipper Building" into 341 apartments overlooking the Delaware River and the Philadelphia skyline.

Dranoff was to start repaying the loan in 2009, with monthly installments of \$23,259 until the end of 2014, at which time the \$2.5 million loan balance would be paid in a lump sum, according to the loan agreement. But the agreement also states that Dranoff's obligation to make payments is limited to Victor's "available cash flow." So far, no payments have been made.

The other loan, in 2001, was for \$1 million to redevelop the landmark boxing venue the Blue Horizon on North Broad Street. The Blue Horizon is now closed, the loan is in default, and the DRPA has written off collecting any of the accrued interest in the hope of recovering its \$1 million principal.

Nash, the vice chairman of the DRPA board, declined to comment.

Sweeney, an official with the ironworkers' union and brother of New Jersey Senate President Stephen Sweeney (D., Gloucester), could not be reached for comment.

A spokeswoman for U.S. Attorney Zane David Memeger declined to comment, as did DRPA spokesman Tim Ireland.

The DRPA, which operates four toll bridges and the PATCO commuter rail line between Philadelphia and South Jersey, spent nearly \$500 million over 15 years to underwrite museums, stadiums, a concert hall, a cancer center, the Army-Navy football game, and other non-transportation projects.

Much of the money went to politically influential recipients, as the Pennsylvania and New Jersey delegations on the DRPA board got equal amounts to spend. Fourteen of the 16 board members are appointed by the governors of New Jersey and Pennsylvania. Two Pennsylvania members -- the state treasurer and auditor general -- are on the board by virtue of their elected offices.

Last year, New Jersey state Comptroller Matthew Boxer issued a report critical of cronyism and mismanagement at the DRPA, saying that "in nearly every area we looked at, we found people who treated the DRPA like a personal ATM, from DRPA commissioners to private vendors to community organizations."

One of the subpoenas issued Monday demanded records going back at least five years, casting a broad net related to economic-development spending.

Economic-development spending by the DRPA has long been controversial, as it contributed to a \$1.6 billion debt that now consumes about half of the agency's spending. Motorists and some board members complained that the DRPA should not spend money on non-transportation projects, while borrowing hundreds of millions to maintain its bridges and rail line.

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