



## Department of Justice Press Release

**For Immediate Release**  
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**United States Attorney's Office**  
**District of Massachusetts**  
**Contact: (617) 748-3100**

### **Former Speaker of the Massachusetts House of Representatives and Three Associates Indicted on Corruption Charges**

Boston, MA —A federal grand jury has returned an Indictment charging SALVATORE F. DiMASI, former Speaker of the Massachusetts House of Representatives and three of his associates with engaging in a wire and mail fraud scheme to deprive the citizens of Massachusetts of his honest services by allegedly improperly using his power and influence to enable a software company to obtain multi-million dollar procurements from agencies of the Commonwealth of Massachusetts.

Acting United States Attorney Michael K. Loucks and Warren T. Bamford, Special Agent in Charge of the Federal Bureau of Investigation - Boston Field Division announced today that DiMASI, age 64, of Boston, MA; JOSEPH P. LALLY, Jr, age 48, of North Reading, MA; RICHARD W. McDONOUGH, age 64, of Foxboro, MA; and RICHARD D. VITALE, age 64, of Boston, MA are all charged with one count of conspiracy, three counts of honest services mail fraud and four counts of honest services wire fraud. LALLY is also charged with one count of money laundering.

According to the Indictment, Cognos ULC ("Cognos") was a Canadian software company that sold business intelligence and performance management software and related services. LALLY was an Area Vice-President of Sales for Cognos' State and Local Government Division, which targeted agencies in the Commonwealth of Massachusetts as potential customers. According to the Indictment, in February, 2006, LALLY left Cognos and formed his own company, Montvale Solutions, LLC which was licensed to resell Cognos software to agencies in Massachusetts. The Indictment alleges that McDONOUGH was a lobbyist hired by LALLY and was a close friend of DiMASI. According to the Indictment, VITALE was DiMASI's accountant and financial advisor, as well as his long-time close friend. In June, 2006, VITALE formed WN Advisors LLC ("WN Advisors") as a purported consulting entity, of which he was the sole owner. The Indictment alleges that VITALE was hired by Montvale because of his close friendship with DiMASI and would be paid hundreds of thousands of dollars if and when deals with Cognos and the Commonwealth were closed.

The Indictment alleges that beginning in around December 2004, the defendants conspired with each other to improperly use the power, authority and influence of DiMASI as Speaker of the House to enable Cognos to obtain multi-million dollar software procurements from agencies of the Commonwealth of Massachusetts. It is alleged that one way in which the scheme worked was that from March 2005 (while LALLY was still employed by Cognos)

LALLY, McDONOUGH and DiMASI arranged to have regular payments made to DiMASI from Cognos for the purpose of influencing DiMASI to use his authority as Speaker of the House to assist the interests of Cognos for the financial benefit of the coconspirators. It is alleged that these improper payments were accomplished by retaining a lawyer, who formerly shared office space with DiMASI, as "local counsel" for Cognos upon DiMASI's referral and having Cognos pay him \$5,000 a month, a percentage of which went to DiMASI as a "referral fee." The Indictment also alleges that the coconspirators further intended to conceal the true nature of these payments to DiMASI by carrying the lawyer on the books at Cognos as a lobbyist, although no legal or lobbying services were ever requested of him, and none were ever performed. The Indictment further alleges that when LALLY left Cognos in 2006, he told a Cognos executive never to cancel the contract of that lawyer who was a friend to "Sal."

The Indictment alleges that in 2005 and 2006, Cognos wanted to sell software licenses and related services worth \$5.2 million to the Department of Education ("DOE") of the Commonwealth of Massachusetts for an Education Data Warehouse and Reporting System. To fund this purchase by DOE, it was necessary for the Massachusetts legislature to appropriate the money in its Fiscal Year 2007 budget. The Indictment also alleges that in 2006 and 2007, Cognos wanted to sell software

licenses and related services worth \$15 million to the Department of Administration and Finance ("A&F") and its Information Technology Division ("ITD") of the Commonwealth of Massachusetts for a statewide performance management system. To fund this purchase by A&F, it was necessary for the Massachusetts legislature to enact legislation authorizing the Commonwealth to issue general obligation bonds.

The Indictment alleges that in 2006, DiMASI caused a budget amendment to be introduced and facilitated its final passage, appropriating \$5.2 million for DOE to purchase an Education Data Warehouse and Reporting System ("EDW") and requiring not less than \$4.5 million be spent on software. DOE's contract with Cognos for the EDW resulted in payment of \$891,000 to LALLY's Montvale Solutions, which in turn paid McDONOUGH \$100,000 and VITALE's WN Advisors \$100,000 as consulting fees. Although DiMASI knew that Cognos was the vendor to benefit from this legislative action, the Indictment alleges that he and his coconspirators deceived the citizens of Massachusetts by DiMASI deliberately failing to disclose his financial ties to Cognos, as well as the personal enrichment of his friends from his official actions.

According to the Indictment, in 2007, DiMASI, using legislative language provided by LALLY, McDONOUGH and VITALE on behalf of Cognos, caused a provision for \$15 million for the purchase of statewide performance management software by A&F to be included in the Immediate Needs Capital Bond Bill of 2007 ("Emergency Bond Bill"). It is alleged that the coconspirators then used the power and influence of DiMASI to help Cognos secure the contract from A&F. A&F's contract with Cognos resulted in a payment of \$2.8 million to LALLY's Montvale Solutions, which in turn paid McDONOUGH \$200,000 and VITALE's WN Advisors \$500,000. The Indictment alleges that DiMASI and his coconspirators again deceived the citizens of Massachusetts by DiMASI deliberately failing to disclose his financial ties to Cognos, as well as the personal enrichment of his friends from his official actions.

The Indictment alleges approximately 80 overt acts committed in furtherance of the conspiracy. For example, the Indictment alleges that in the latter months of 2006, the lawyer hired by Cognos had not received monthly \$5,000 checks from Cognos, and DiMASI instructed him to check with McDONOUGH to find out what was wrong. On or about December 12, 2006, LALLY allegedly then sent an email to a Cognos executive, stating "I just got off the phone with Dickey he says we need to look into the [lawyer] issue fast. Can you escalate this please? We don't want to piss anyone off this late in the game." It is alleged, that the next day, after finding a bookkeeping error, Cognos sent a \$25,000 check to the lawyer for the missed payments. It is further alleged that when informed by the lawyer that a \$25,000 check from Cognos had arrived, DiMASI told the lawyer that he wanted all of it. According to the Indictment, after the lawyer wrote and mailed a \$25,000 check made out to DiMASI, DiMASI instructed the lawyer to replace the \$25,000 check with four backdated checks in the amounts of \$8,000, \$4,000, \$6,000 and \$7,000 to further disguise the payments as typical referral fees.

Each defendant faces a maximum punishment of five years in prison to be followed by three years of supervised release and a \$250,000 fine on the conspiracy count. Each defendant also faces 20 years in prison to be followed by five years of supervised release and \$250,000 fine on each of the eight counts of mail and wire fraud. LALLY faces an additional maximum punishment of 10 years in prison, to be followed by three years of supervised release and a \$250,000 fine for the money laundering count.

The case was investigated the Federal Bureau of Investigation, with the assistance of the Massachusetts Inspector General's Office. It is being prosecuted by Assistant United States Attorneys S. Theodore Merritt and Anthony E. Fuller of Loucks' Public Corruption Unit.

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