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Department of Justice Press Release

For Immediate Release
January 26, 2008

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Middle District of Pennsylvania
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Federal Officials Announce the Filing of Federal Fraud and Tax Charges Against Two Luzerne County Common Pleas Court Judges in an On-Going Public Corruption Probe

Martin C. Carlson, United States Attorney for the Middle District of Pennsylvania, Janice Fedaryck, Special Agent in Charge, Federal Bureau of Investigation, and Leslie DeMarco, Special Agent in Charge, Internal Revenue Service-Criminal Investigation Division, jointly announced today that two Luzerne County Common Pleas Court Judges have been charged with engaging in a scheme to defraud the public of their honest services, and with conspiring to defraud the Internal Revenue Service, in connection with a multimillion honest services fraud scheme involving the placement of juveniles in juvenile detention facilities.

According to federal officials, President Judge Mark A. Ciavarella, age 58, and former President Judge Michael T. Conahan, age 56, both of the Luzerne County Court of Common Pleas, have been charged in a two count criminal information with conspiring to impede the IRS in the collection of federal income taxes and with having devised a scheme to defraud the citizens of Luzerne County and of Pennsylvania of the right to their honest services by concealing their receipt of more than \$2.5 million between 2001 and 2008.

Federal officials noted that, in conjunction with the filing of the charges, the United States has also filed plea agreements signed by both of these defendants. In these plea agreements Judge Ciavarella and Judge Conahan have indicated their intention to plead guilty to these honest service fraud and income tax conspiracy charges and stipulated to serve 87 months in federal prison. The Judges further agree to resign their positions as judges and consent to automatic disbarment from the practice of law, as well as pay restitution and undergo forfeitures as determined by a federal court.

According to the charges filed today in federal court, the defendants engaged in wide-ranging fraud by taking millions of dollars from two unnamed persons in connection with the operation of juvenile detention centers in Luzerne County. These payments, characterized as "finder's fees," were paid to the judges in return for their assistance in arranging for the construction of the juvenile facilities. Additionally, it is alleged that the defendants received payments totaling hundreds of thousands of dollars as a condition for sending juveniles to those facilities.

The criminal information charges that, between 2004 and 2007, both judges filed materially false annual statements of financial interests with the Administrative Office of the Pennsylvania Courts in which they failed to disclose the income they received from these unnamed persons, and in which they failed to disclose their financial relationship with these businesses. At the same time the Judges were concealing these payments and financial ties, it is alleged that the Judges took a series of actions to benefit these businesses in which they had undisclosed financial interests. These actions are alleged to have included:

- Causing the return of Luzerne County's license to operate a juvenile detention facility to the state, effectively closing a county-run youth detention center;
- Ordering juveniles to be sent to these facilities in which the judges had a financial interest even when Juvenile Probation Officers did not recommend detention; and
- Sending a letter guaranteeing that Luzerne County would pay approximately \$1.3 million annually to house juveniles at these facilities, without disclosing these payments received by the judges.

The charges filed today in federal court allege that the defendants deprived the citizens of Luzerne County of their right to the honest services of these judges by taking these actions without disqualifying themselves from these matters in which they had a conflict of interest, and without disclosing to parties involved in court proceedings, and to the Administrative Office of the

Pennsylvania Courts, their conflict of interest and their financial relationship with these businesses, as they were required to do by law, by the Pennsylvania Constitution and by the Canons of Ethics that govern judges' performance of their duties.

According to the charges filed today, the defendants received the payments into businesses that they owned or controlled, and in some instances falsely identified the payments as rental fees for a Florida condominium. The information further charges that the defendants conspired to impede the IRS by not declaring the income in their tax returns for the years the money was being paid.

Leslie P. DeMarco, Special Agent in Charge of the Internal Revenue Service-Criminal Investigation stated, "Our mission, as it relates to public corruption, is to identify and prosecute public officials who engage in illegal activities that ultimately lead to violations of tax law or money laundering statutes. Because public corruption is a crime that is generally motivated by greed and revolves around money, a thorough financial investigation is often necessary to successfully prosecute the offenders. With both law enforcement and financial investigation expertise, Special Agents of the Internal Revenue Service- Criminal Investigation are uniquely qualified to assist in these types of cases. We are pleased to have had this opportunity to work closely with the United States Attorney's Office, the District Attorney's Office and the Federal Bureau of Investigation, whose dedication and perseverance brought this case to a successful resolution. We will continue to devote our resources to vigorously investigate and prosecute those individuals who violate federal law."

"Public corruption is a betrayal of a sacred trust that erodes public confidence, undermines the strength of our democracy, and threatens the integrity of our government," said Janice K. Fedarczyk, Special Agent in Charge of the Philadelphia Division of the FBI, "and for those reasons it remains our top criminal priority. The citizens of Luzerne County, like all citizens of the United States, have a right to expect honest services from their public officials."

Mr. Carlson noted that the case was investigated by the Federal Bureau of Investigation and by criminal investigators of the Internal Revenue Service. In announcing these charges U.S. Attorney Carlson commended these investigative agencies for their outstanding commitment and tenacity. Mr. Carlson also praised the close working relationship among the investigators and the attorneys, all of whom worked long hours to achieve a successful resolution of the case. Mr. Carlson further noted that Luzerne County District Attorney Jackie Carroll worked closely with federal investigators and with the United States Attorney's Office in assisting with the investigation. Mr. Carlson commended Senior Litigation Counsel Gordon Zubrod, who led the prosecution team in this case, and praised the outstanding work of the entire prosecution team, which included Assistant U.S. Attorneys William Houser, Michael Consiglio, Amy Phillips and Criminal Division Chief Christian Fisanick.

An Indictment or Information is not evidence of guilt but simply a description of the charge made by the Grand Jury and/or United States Attorney against a defendant. A charged Defendant is presumed innocent until a jury returns a unanimous finding that the United States has proven the defendant's guilt beyond a reasonable doubt or until the defendant has pled guilty to the charges.

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