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**FORMER NORTHRIDGE WATER BOARD ASSISTANT GENERAL MANAGER
PLEADS GUILTY TO TAX EVASION AND MAIL FRAUD**

SACRAMENTO--United States Attorney McGregor W. Scott announced today that JERRY ALLEN NESS, 62, of Sacramento, pleaded guilty this morning before U.S. District Court Judge Garland E. Burrell, Jr. to tax evasion and mail fraud. NESS entered his plea mid-trial, after three days of testimony which concluded with his taking the stand in his own defense. Judgment and sentencing has been set before Judge Burrell for January 28, 2005 at 9:00 a.m., where NESS faces a maximum sentence of ten years in prison and up to a \$350,000 fine.

The case is the product of an joint investigation undertaken by the Sacramento County District Attorney's Office, the Internal Revenue Service - Criminal Investigation, and the Federal Bureau of Investigation.

According to Assistant U.S. Attorney James P. Arguelles, who is prosecuting the case, during the period of January of 1999 through December of 2002, defendant JERRY ALLAN NESS was the Assistant General Manager for Northridge Water District ("NWD"). As part of his plea, NESS admitted that while he was the Assistant General Manager and in charge of payroll, NWD issued compensation for unused sick leave and vacation pay to its employees through accounts payable rather than payroll. As a result, no taxes were being taken out of this compensation, and no Form 1099s or other notifications were issued to the IRS.

During the period January of 1999 through December of 2002, NESS received approximately \$119,627 in vacation "buy-back" payments and bonuses from NWD, all of which were run through the accounts payable system. NESS admitted that even though he knew that no taxes had been taken out of this compensation, he willfully caused these payments to be omitted from his federal income tax returns, and as a result knew that more federal income tax was owed than was declared on the income tax returns he filed with the IRS. In total, during this three-year period NESS successfully evaded paying approximately \$36,143 in federal income taxes which he knew were lawfully due and owing.

In addition, NESS also admitted to participating in a scheme to defraud NWD by having NWD pay for personal purchases which he charged to a water district credit card. In total, during the period January of 2000 through December of 2002, NESS charged approximately \$1933.46 to his NWD credit card for personal purchases, none of which was reimbursed.

As part of his plea, NESS also specifically agreed and stipulated that, based on the nature

of his testimony at trial, his sentence would be enhanced for his obstruction of justice. In addition, and again based on the nature of his testimony and the timing of his plea, NESS further agreed that he is not eligible for any reduction in his sentence for acceptance of responsibility, a benefit which is typically afforded to those defendants who plead guilty. Finally, as part of the plea agreement, NESS agreed not to seek a sentence of less than twenty-one months incarceration.

Co-defendant DEWIGHT KRAMER pleaded guilty to conspiring to defraud the IRS on February 20, 2004, and is currently set to be sentenced before Judge Burrell on November 12, 2004.

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