



U.S. Department of Justice

United States Attorney  
Eastern District of California

501 I Street, Suite 10-100  
Sacramento, California 95814

916/554-2700  
Fax 916/554-2900

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**FORMER NORTHRIDGE WATER BOARD OFFICERS  
CHARGED IN TAX FRAUD SCHEME**

SACRAMENTO--Sacramento County District Attorney Jan Scully and United States Attorney McGregor W. Scott announced today that a Federal Grand Jury in Sacramento returned an indictment charging DEWIGHT FRANCES KRAMER, 80, and JERRY ALLAN NESS, 61, both of Sacramento, each with one count of conspiracy to defraud the United States, six counts of tax evasion, and six counts of mail fraud.

According to Assistant United States Attorney James P. Arguelles, who is prosecuting the case, the indictment, which was the result of a joint investigation undertaken by the Sacramento County District Attorney's Office, the Internal Revenue Service - Criminal Investigations, and the Federal Bureau of Investigation, charges that while employed as the General Manager and Assistant General Manager of the Northridge Water District ("NWD"), defendants KRAMER and NESS conspired to conceal from the IRS hundreds of thousands of dollars in taxable income earned by themselves and other NWD employees. Specifically, the indictment alleges that during 1999, 2000 and 2001, KRAMER and NESS caused payments made by NWD for sick leave/ vacation "buy backs," bonuses, and salary advances, to be identified as "accounts payable" of NWD instead of compensation. By diverting these payments from the payroll system, KRAMER and NESS were able to conceal them from the IRS, ensuring that no income taxes were withheld or paid on these funds. In connection with and in furtherance of their conspiracy, the indictment also charges that both KRAMER and NESS destroyed relevant records pertaining to their scheme.

In addition to the conspiracy charge, KRAMER and NESS are also each charged individually with three counts of tax evasion. The indictment alleges that during the years 1999 - 2001, KRAMER failed to report over \$200,000 in income he had received from NWD in the form of vacation and sick leave buy back, bonuses, salary advances, and credit card purchases made on his behalf. Similarly, during the same period of time NESS failed to report over \$120,000 in income he had received from NWD in the form of vacation and sick leave buy back, bonuses, salary advances, and credit card purchases made on his behalf.

KRAMER and NESS are also charged with six counts of participating in a mail fraud

scheme in which they improperly used NWD credit cards to make personal purchases. Among other things, the indictment charges that KRAMER and NESS used NWD credit cards to purchase parts for automobiles belonging to their family members, and that KRAMER used a NWD credit card to purchase house fans for himself and his family.

If convicted of the conspiracy, mail fraud, and tax evasion charges, KRAMER and NESS each face a maximum sentence of five years in prison, and up to a \$250,000 fine for each count of conviction.

The charges in the indictment are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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