

Dixon Comptroller Rita Crundwell Sentenced To Nearly 20 Years In Federal Prison For \$53.7 Million Theft From City

Thursday, February 14, 2013

For Immediate Release

U.S. Attorney's Office, Northern District of Illinois

ROCKFORD — The former comptroller of the City of Dixon, Ill., RITA A. CRUNDWELL, was sentenced today to 19 years and 7 months, nearly the 20-year maximum, in federal prison for stealing \$53.7 million from the city over two decades. Crundwell was taken into custody to immediately begin her sentence, which was imposed by U.S. District Judge Philip G. Reinhard in Federal Court in Rockford.

Crundwell, 60, formerly of Dixon, pleaded guilty on Nov. 14, 2012, to wire fraud, and agreed she also engaged in money laundering, in connection with stealing more than \$53 million from the city since 1990 and using the proceeds to finance her quarter horse farming business and life of luxury. It is believed to be the largest theft of public funds in state history.

“This has been a massive stealing of public money – monies entrusted to you as a public guardian of Dixon, Ill.,” Judge Reinhard said in imposing sentence. Crundwell showed “greater passion for the welfare of her horses than the people of Dixon who she represented,” he added.

“While the city was suffering, the defendant was living her dreams,” Assistant U.S. Attorney Joseph Pedersen told the judge during a sentencing hearing that lasted more than two hours today. Crundwell’s “conduct in continuing to take millions of dollars from the City of Dixon to support her lavish lifestyle while she knew that Dixon was in dire financial straits was especially egregious,” the government argued.

Crundwell must serve at least 85 percent of her 235-month sentence and there is no parole in the federal prison system.

Judge Reinhard granted the government’s request for an upward variance in the federal sentencing guidelines. In addition to the financial loss, he found that Crundwell caused a significant non-monetary loss, which involved a loss of public confidence in local government and a significant disruption of government function that struck “at the very heart of Dixon’s abilities to provide essentials for its citizenry.”

The judge ordered agreed restitution to the city of Dixon totaling \$53,740,394, and he imposed an agreed forfeiture judgment in the same amount. Following her arrest on April 17, 2012, Crundwell agreed to the liquidation of assets that she had acquired with proceeds from her decades-long fraud scheme. To date, the United States Marshals Service has recovered more than \$12.38 million from sales, including online and live auctions, of approximately 400 quarter horses, vehicles, trailers, tack, a luxury motor home, jewelry and personal belongings, while sales of real property in Illinois and Florida remain pending. The net proceeds from the forfeited property – nearly \$9.5 million so far – are being held in escrow pending further proceedings on restitution to the City of Dixon. Under federal law, the government may continue to seek additional assets of a defendant and obtain restitution for up to 20 years after a defendant is released from prison.

Gary S. Shapiro, United States Attorney for the Northern District of Illinois, praised the FBI agents who conducted the investigation and the U.S. Marshals Service for its efficient management of the seized assets. "We have used criminal and civil forfeiture proceedings to ensure the recovery of as much money as possible for the City of Dixon and its taxpayers," he said. "Unfortunately, this case serves as a painful lesson that trust, without verification, can lead to betrayal."

Cory B. Nelson, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, said: "The law is clear. Those who hold positions of trust must not abuse that trust. We remain committed to holding anyone using an official position for personal gain, as Rita Crundwell did for years, fully accountable for their corrupt actions."

Dixon, with a population of approximately 15,733, is located about 100 miles southwest of Chicago.

According to her guilty plea and sentencing documents, Crundwell began working for Dixon's finance department in 1970 while still in high school, and she was appointed comptroller/treasurer in 1983. She began the fraud scheme on Dec. 18, 1990, when she opened a secret bank account, which she alone controlled, in the name of the City of Dixon. The name of the account was "RSCDA – Reserve Fund," known as the RSCDA account. The initials stood for "Reserve Sewer Capital Development Account," although no such account actually existed for the city, and Crundwell did not disclose the existence of the secret account. At today's hearing, the government also presented evidence that Crundwell stole at least \$25,000 from a separate Dixon bank account for its Sister City program between 1988 and 1990 before the charged fraud scheme began.

Crundwell began transferring money from city accounts to the RSCDA account in January 1991. Subsequently, she used her position as comptroller to transfer funds from Dixon's Money Market account and various other city accounts to its Capital Development Fund account. She then repeatedly transferred city funds from the Capital Development Account into the RSCDA account and used the money to pay for her personal and private business expenses, including horse farming operations, personal credit card payments, real estate and vehicles.

In 1991, Crundwell transferred more than \$181,000 to the RSCDA account. As the fraud scheme continued, the amounts she stole increased to a high of \$5.8 million in 2008, and she took an average of more than \$2.5 million a year over the 20-year course of the scheme.

While she was taking these large sums of money, Crundwell participated in budget meetings with city council members and various city department heads. She repeatedly stated that the city's lack of funds was due to a downturn in the economy and because the State of Illinois was behind in its payments. At the time she made those statements, Crundwell was stealing millions of dollars, causing Dixon to cut its budget, which had a significant impact on city operations.

As part of the fraud scheme, Crundwell created 159 fictitious invoices purported to be from the State of Illinois to show the city's auditors that the funds she was fraudulently depositing into the RSCDA account were being used for a legitimate purpose. In one instance, on Sept. 8, 2009,

Crundwell wrote checks for \$150,000 and \$200,000 drawn on two of the city's multiple bank accounts. She deposited both checks into Dixon's Capital Development Fund account and, later the same day, wrote a check for \$350,000 payable to "Treasurer" and deposited that check into the secret RSCDA account. Crundwell created a fictitious invoice to support the payment of \$350,000 to the State of Illinois that falsely indicated the payment was for a sewer project in Dixon that the state completed. Later on Sept. 8, 2009, Crundwell wrote a check drawn on the RSCDA account for \$225,000, which she deposited into her personal RC Quarter Horses account. She used that money to cover a \$225,000 check, dated Sept. 1, 2009, drawn on the RC Quarter Horses account to purchase a quarter horse named Pizzazzy Lady. The purchase check would not have cleared if Crundwell had not deposited \$225,000, using city funds, into her horse account on Sept. 8.

To conceal the scheme, Crundwell picked up the city's mail, including bank statements for the RSCDA account, to prevent other employees from learning about the secret account. When she was away, she asked a relative or other city employees to pick up the mail and separate any of her mail, including the statements for the RSCDA account, from the rest of the city's mail.

Dixon's mayor reported Crundwell to law enforcement authorities in the fall of 2011 after another city employee assumed her duties during an extended unpaid vacation. Crundwell, whose annual salary was \$80,000 annually at the time, received four weeks of paid vacation and she took an additional 12 weeks of unpaid vacation in 2011. While Crundwell was absent, her replacement requested all of the city's bank statements. After reviewing them, the employee brought the records of the RSCDA account to the attention of the mayor, who was unaware of the account's existence.

While serving as Dixon's comptroller, Crundwell also owned RC Quarter Horses, LLC, and kept her horses at her ranch on Red Brick Road in Dixon and the Meri-J Ranch in Beloit, Wis., as well as with various trainers across the country. In addition to the horses and all of their equipment, among the assets seized or restrained were Crundwell's two residences and horse farm in Dixon, a home in Englewood, Fla., 80 acres of vacant land in Lee County, a 2009 luxury motor home, more than four dozen trucks, trailers and other motorized farm vehicles, a 2005 Ford Thunderbird convertible, a 1967 Chevrolet Corvette roadster, a pontoon boat, jewelry, and approximately \$224,898 in cash from two bank accounts.

The government is represented by Assistant U.S. Attorneys Joseph C. Pedersen and Scott Paccagnini.

Updated July 23, 2015

STATE OF NEW HAMPSHIRE

v.

ROSEMARIE McNAMARA

REPORT OF INTERVIEW WITH McNAMARA
REGARDING HER THEFTS FROM THE TOWN OF ASHLAND

MEMORANDUM OF INTERVIEW

PERSON INTERVIEWED: ROSEMARIE "ROSIE" MCNAMARA
DATE OF INTERVIEW: January 8, 2001 and January 19, 2001
RE: Ashland Investigation
INTERVIEWED BY: Brian F. Tierney, Financial Research Analyst
N. William Delker, SAAG
James Rosenberg, Attorney

MCNAMARA was interviewed at the offices of Sheehan & Gordon on January 8, 2001 and at the Attorney General's office on January 19, 2001. MCNAMARA was represented during the interviews by her attorneys PAUL HODES and WILLIAM CHRISTIE. The interviews were arranged pursuant to a criminal plea agreement related to MCNAMARA'S theft of property from the Town of Ashland. Prior to the first debriefing session, McNamara provided an attorney proffer regarding the nature of her conduct. (Attachment A) Attorney DELKER advised MCNAMARA regarding the nature, scope and purpose of the interviews. MCNAMARA provided the following information:

BACKGROUND INFORMATION

MCNAMARA began by describing the ordinary process in which Ashland tax payers pay their bills at the Town offices. MCNAMARA said Ashland property owners sometimes came to the Town offices to pay their property taxes. The counter at the Ashland Town Hall was attended by PATRICIA TUCKER, BEVERLY BOOSE and sometimes MCNAMARA. The taxpayer's bill was stamped paid and placed into a basket in the office. The taxpayer received a signed receipt and their check was endorsed by a deposit stamp. MCNAMARA said the police department, building inspector and sometimes the selectmen also use the counter at the Town offices to conduct business.

MCNAMARA said at the end of the day, the collections at the Town office are "Z'ed" out meaning the cash register tape is balanced to the money collected. MCNAMARA said the cash register does not indicate if payments were made in check or cash. The cash register most recently maintained a starting balance of \$150.00.

Usually the next day, MCNAMARA would "prove out" the receipts and prepare the deposits. MCNAMARA said she handled this process through 1998.

MCNAMARA explained that this process included taking all the receipts including, property taxes, liens, vehicle registrations, electric, water and sewer, and separating the checks and cash that were collected into the different revenue categories. MCNAMARA said she sometimes relied upon the taxpayer's check to determine the revenue category for which the check was received. The cash MCNAMARA received was first applied to utility payments and if there was extra cash it was applied to other Town revenues.

MCNAMARA developed an Excell spreadsheet that reported all revenue deposited by the Town Clerk and Tax Collector. MCNAMARA would "proof" this report by category and by deposits that were made. This spreadsheet was in use during 1997. (See Attachment B)

MCNAMARA said for a long time the electric, water and sewer activities were operated with separate bank accounts. In about 1997, BOB (LNU) from Mason & Rich advised the Town to combine the account with Tax Collector and Town Clerk collections. MCNAMARA said the electric, water and sewer now have separate accounts per the advice of JOHN LYFORD and KAREN JOHNSON of Mason & Rich.

MCNAMARA said that a majority of the bank deposits that she prepared were brought from the Town office to the bank by the police department. When the utility office was moved to the Town garage in about 1991, they brought their own deposits to the bank. MCNAMARA said she made Town deposits daily, weekly or even sometimes once a month. MCNAMARA said the Town maintained four or five primary accounts, depending if the utilities were using a separate account. MCNAMARA said the general fund account received Tax Clerk, Tax Collector and miscellaneous receipts including photocopies, beach income, dog licenses and residence taxes. MCNAMARA said the Town's other accounts were for payroll, conservation, and the police department. The Town also had a separate savings account for utilities, a police DARE program account and other numerous grant accounts.

MCNAMARA said she received the bank statements for the Town accounts directly from the bank while the statements for electric, water and sewer were usually received by MCNAMARA from LINDA PACKWOOD of the Utilities Department. MCNAMARA would gather all of the bank statements and put them in the Treasurer's box at the Town office, while retaining a copy for her records. MCNAMARA would separate all of the cancelled checks and deposit slips from the bank statement and gave them to BEVERLY BOOSE for filing.

COUNT 1 - SALARY ADVANCE

MCNAMARA said she had previously agreed to give a salary advance to the former Police Chief CAMERON BROWN. MCNAMARA said that there was nothing improper about BROWN'S salary advance because pursuant to RSA 37, as Town Manager, she was responsible for setting pay rates and had the authority to make salary advances. Having already approved a salary advance for BROWN, MCNAMARA decided to grant herself a salary advance as well. In her case, the salary advance was in two checks, the first she took was on January 8, 1998. This check included a calculation for payroll tax withholdings and was given to the Town Treasurer for a signature.

Regarding the Treasurer's decision to sign the payroll advance, MCNAMARA said that KELLY AVERY loved to ask questions about checks she signed. AVERY asked MCNAMARA "are you doing what CAM (BROWN) was doing?" MCNAMARA said she felt AVERY was very uncomfortable with this, but still signed both of the checks.

MCNAMARA said she was able to "zero out" the payroll advances from the computer records by voiding out the check on the system. MCNAMARA confirmed the second payroll advance check was for \$5,338.91 dated January 26, 1998. MCNAMARA voided both of the payroll advance checks she received so that the Town's payroll taxes would reconcile with the Internal Revenue Service information.

MCNAMARA said her next paycheck, after the advance, was generated as normal. MCNAMARA remembers that AVERY questioned her about the check, but signed it anyway. MCNAMARA said it was after the second payroll advance that she told AVERY that she would pay back the entire advance. MCNAMARA said her mistake was she "stupidly" continued to receive payroll checks from the Town following the payroll advance.

MCNAMARA said the Ashland Treasurer's responsibility is to protect the Town's funds. MCNAMARA said AVERY did this and tried very hard to verify that MCNAMARA had repaid the payroll advance. AVERY was always bugging MCNAMARA to see the deposit, which MCNAMARA finally showed her by using a check from LW PACKARD.

MCNAMARA said when she prepared the original cash book it showed the PACKARD check as a sewer payment, which was sent over to the sewer department. The cash book was changed at a later date to show it was a repayment of her payroll advance, which was then shown to AVERY. MCNAMARA said she was not sure if other checks were included with the PACKARD check to equal her payroll repayment.

MCNAMARA said that JOHN LYFORD of Mason & Rich wanted her to prove that the repayment check existed, and she panicked when he asked to see the check. MCNAMARA prepared a fake check by copying one of her personal checks after she wrote in the repayment information. MCNAMARA said she mistakenly wrote it out for more than the PACKARD check. To make up this difference, MCNAMARA later had to include other checks as part of the repayment to make the amounts balance. MCNAMARA said that in order to make the entry with the LW PACKARD check equal the salary advance, she simply wrote two non-existent electric checks in the books to make it appear that the books balanced.

To prepare the check, MCNAMARA used information from the Town's deposit from the same day, and copied down the banking cycle number. MCNAMARA then copied a Town check that cleared on that day and cut and pasted the information from the back onto her repayment check. MCNAMARA said she still has a copy of this check in a folder at her house.

PAYROLL PROCESSING

MCNAMARA said that the hourly employees for the Town submit their timecards on Monday for the previous week ending on Saturday. MCNAMARA was responsible for calculating the payroll using the BMSI System that prepared the pay checks for distribution on Tuesdays. As for the hourly employees, they submit timecards that identify each employee by number. The computer system prints out an edit list to verify the amounts, then produces two payroll registers before the checks are printed. MCNAMARA said that she retained a payroll report and the other one was given to the Treasurer along with the checks to be signed.

MCNAMARA said there are salaried employees in the Town, besides herself, including the police chief, a police sergeant, the road agent, and several water/sewer employees.

MCNAMARA said using the payroll register she allocated employees payroll to different departments. MCNAMARA said she used a spreadsheet for breaking down the payroll to the different departments such as water, sewer, electric and miscellaneous. MCNAMARA was also responsible for calculating the payroll taxes that were "proofed" to the accounts payable entry. MCNAMARA said the funds for payroll were transferred from the general fund to the payroll account.

MCNAMARA said there were problems with the Town's payroll because the BMSI System was reducing employees FICA taxes for contributions to the New Hampshire Retirement System. MCNAMARA said the Town was never approved to participate in the New Hampshire Retirement System therefore that portion of the employee's check should have been subject to FICA taxes. As a result, MCNAMARA claims that the Town underpaid FICA taxes for all employees. MCNAMARA said she advised MRI (Municipal Resources Inc.) of this problem and

she understands that the Town could seek retroactive approval from the Retirement System to approve their participation.

MCNAMARA said there was also a point in time when the Town's general fund was paying the taxes for all employees including the utilities department. The Town's general fund was never reimbursed this money. The Town general fund was also paying the payroll for utilities employees, but not reimbursed until the end of the year.

COUNT II - VACATION PAY

MCNAMARA stated that since she became Town Manager in 1991, she had worked between 40 to 80 hours per week. MCNAMARA said she did not always take vacation time. In 1995, while renegotiating her contract, she had an agreement with the Town to get paid for the previous five years of unused vacation time "to be paid going forward."

In a non-public session, MCNAMARA met with the Selectmen SCOTT WEEDEN, KENDALL HUGHES and ARTHUR CUMMINGS to discuss her contract. (MCNAMARA said that CUMMINGS has since died, and HUGHES' father is the first cousin of MCNAMARA'S father.) At the meeting, it was agreed that WEEDEN would handle the negotiations with MCNAMARA regarding her contract and the issue of her unused vacation time. MCNAMARA said WEEDEN was aware of the number of hours that she worked and agreed to spread out over time her unused vacation time. MCNAMARA said she does not know if WEEDEN went into details with the other Selectmen regarding this agreement.

MCNAMARA said going forward she took a guess on what she was owed for vacation time. MCNAMARA thought BEVERLY BOOSE was keeping track. MCNAMARA also asserted that she considered some of these excess payroll checks to be for "comp" time for the many extra hours she worked.

MCNAMARA agreed that she took too much vacation time in the end, but never as much as claimed by JOHN LYFORD. MCNAMARA agreed that as a salaried employee she was not entitled to take "comp time" as vacation time. She further conceded that she was not authorized to receive compensation for any comp time or vacation time beyond the vacation days she had accrued. She admitted that she knew she was not authorized to receive compensation beyond her vacation time, but claimed she felt entitled to the money because she worked so hard.

In 1997, MCNAMARA recalled taking two days in April and several days in December as vacation. MCNAMARA said in years prior to 1997, she also took vacation time. MCNAMARA said she could never take a full week off of work because of payroll responsibilities. MCNAMARA'S vacations usually ran from a Wednesday through Sunday.

MCNAMARA said that her most recent salary was \$54,000.00 per year as compared to the Mason & Rich audit report, which incorrectly reports her salary as \$49,000.00 per year.

MCNAMARA said that all of the checks she received for unused vacation time were signed by KELLY AVERY. MCNAMARA said she never forged AVERY'S signature. As for the payroll checks that were manually prepared, MCNAMARA said they were done because she "obviously wanted the money."

MCNAMARA reviewed manually prepared paycheck #40415 dated March 26, 1998, and said it was probably typed by her secretary, BEVERLY BOOSE. (See Attachment C) MCNAMARA was uncertain why that check was manually typed. She offered two explanations: first, she said that the BMSI System jammed up occasionally, requiring the Town to manually type checks. MCNAMARA offered that a second reason why the check may have been manually prepared was that occasionally, she would take a vacation check that was out of the normal payroll cycle. MCNAMARA said she usually tried to enter the manually prepared checks into the BMSI System at a later date. MCNAMARA said that JOHN LYFORD had a problem with this check.

MCNAMARA said that KELLY AVERY would question her while she was signing the checks as to when MCNAMARA'S vacation pay was used up. MCNAMARA said that AVERY received no compensation or benefit for signing her checks. MCNAMARA asserted that AVERY was a good Treasurer that did nothing wrong except maybe she did not always balance her accounts.

COUNT III - PROPERTY TAXES

MCNAMARA explained that when property taxes were due on her own properties, she wrote out checks to the Town and along with the tax bill, gave them to TUCKER or BOOSE. MCNAMARA received a stamped receipt from TUCKER or BOOSE, the check was stamped payable to the Town and later given to her (MCNAMARA) with the result of the Town's collections for her to prepare the Town's deposit to the bank. MCNAMARA said when she received her property tax check and receipt for deposit she would remove them both. In this manner, MCNAMARA's tax bill was credited as having been paid but her check was never deposited to the Town's bank account.

MCNAMARA admitted to taking more property tax payments than was charged in the indictment. She stated that the first time this was done was a tax bill for either the second half of 1993 or 1994. Since then, MCNAMARA did this for every property bill for her mother's property on Highland Street, and her husband's property on Short Street. MCNAMARA acknowledged that this practice was also

done with the property she purchased with her mother from ROBERT HICKS on Hicks Hill Road.

MCNAMARA acknowledged that this property had unpaid property taxes for about three years. MCNAMARA took care of these taxes in a similar manner without HICKS' knowledge. MCNAMARA said she and HICKS had agreed that MCNAMARA would pay the taxes for 1994, 1995 and 1996 before MCNAMARA purchased the property. Instead of paying the taxes, MCNAMARA took out her checks before they were deposited by the Town to the bank. MCNAMARA said in the later years this property had a mortgage that required the escrowing of taxes, which were always paid for through their mortgage company. MCNAMARA also took out her property tax payments for an apartment building she owned at 17-19 Highland Street before she swapped the property with ROBERT HICKS for the Hicks Hill Road property.

MCNAMARA also acknowledged that she engaged in the same conduct of making a payment and then removing the check from utility bills on her Short Street and Hicks Hill Road properties during the times she lived there. She also engaged in the same conduct with her own car registration, but that this did not happen with every registration. She could not explain why she would manipulate her car registrations only periodically.

COUNT IV - POLICE CRUISER

MCNAMARA's conduct with respect to the sale of the Town's police cruiser was addressed in her written proffer attached hereto as Attachment A. She provided no additional information with respect to this charge during the interviews.

COUNT V - CASH EMBEZZLEMENT

MCNAMARA explained that when she received the tray of property tax receipts and collections in order to prepare the Town's deposit, she kept the cash on certain transactions and destroyed the receipts. When people paid property taxes with a check, MCNAMARA would deposit the check, obtain an abatement for that property and then take cash collected from other sources in place of that check. MCNAMARA presented the Selectmen with property tax abatements for tax payment checks that were deposited in place of the cash to balance the transaction. The Selectmen would sign the abatements without inquiring why the abatements were being issued.

When a taxpayer sought a legitimate abatement, MCNAMARA explained that taxpayers would fill out a form that contains property details and sometimes uses compatible properties for changing the assessed value. The Town's property assessor comes in with the abatement form for approval from the Selectmen. MCNAMARA

said the Selectmen usually approve the abatements and issue a refund to the property owner.

MCNAMARA said that at the end of the year when she was trying to prove out tax collections, she would have the Selectmen sign abatements. MCNAMARA said these abatements were never questioned by the auditors. MCNAMARA said both the legitimate and non-legitimate abatements were filed in her tax collector book. MCNAMARA said the abatement forms required two Selectmen's signatures. MCNAMARA would sometimes obtain the signature of each Selectman on the abatement at separate times so that the Selectmen were not together when the abatements were signed.

MCNAMARA estimated that this practice of issuing abatements was going on for five or six years. MCNAMARA said the amount of inappropriate abatements was certainly over \$10,000.00 per year and maybe up to \$100,000.00 per year. MCNAMARA could not specify how much money she had taken during her employment, but did not believe it was as much as \$1 million. She repeatedly stated throughout both interviews that she could not be sure of how much money she had taken over the years.

MCNAMARA said that some of the cash she took from Ashland ended up in her personal bank account, but that she did not deposit most of the money in the bank. When asked what happened to the money, MCNAMARA could not explain specifically, but said this money was used for trips, eating out, and for her husband's business. MCNAMARA said her husband was not aware that she was taking money from the Town because he did not handle their personal finances.

MCNAMARA said the BMSI Accounting System allowed her to post abatements and then later delete them from the taxpayer's ledger. This allowed MCNAMARA to change them back if requested from the auditor or the taxpayer. MCNAMARA said if any of the abatement forms are missing, there should be a note on the taxpayer's assessment card regarding any change in the assessment.

MCNAMARA said that she kept a printout of abatements in the tax collector book - a green or black binder. MCNAMARA said she kept the receipts for property taxes she had stolen until the end of the year so that she would know whom to issue abatements to. After the abatements were issued, MCNAMARA destroyed the receipts for the stolen property taxes. At the end of the year, MCNAMARA would printout a list of all abatements to reconcile them with tax collector revenues. This printout was kept in these binders.

MCNAMARA explained that the Town maintained files for legitimate abatements. Separately, she kept a list of all the abatements approved by the Town Selectmen in her binders. MCNAMARA stated that it would be possible to determine how much tax money she took by comparing the files for legitimate abatements to the

list of all abatements in the back of her Tax Collector's binder. If you reduce the list of all abatements by those abatements that were legitimate, you would be left only with abatements that she secured to cover her thefts. MCNAMARA'S abatement records state "abatement list" in the top, left-hand corner of the documents. (See Attachment D for example)

MCNAMARA was asked to review the 1996 Tax Collector's green, three-ring binder. MCNAMARA explained the first two pages as the summary of property tax activity during the year. MCNAMARA said on page two the total amount of abatements for 1996 is listed as \$88,089.74. (See Attachment E) MCNAMARA said this total included legitimate abatements and those she made up to conceal money she took. When MCNAMARA kept a taxpayer's payment by cash or misapplied their check she would submit those tax bills for abatement by the Selectmen.

MCNAMARA pointed out that the overlay predicted for 1996 was \$49,000± (See Attachment F). This amount was a prediction of the amount of abatements for the year. MCNAMARA would make an overlay estimate in order to properly budget for the year. In making this estimate, MCNAMARA would attempt to anticipate legitimate abatements as well as her own thefts. Thus, she would inflate the overlay amount. In 1996, the actual amount of abatements far exceeded the predicted overlay. This is a direct result of MCNAMARA'S scheme whereby she would steal property tax payments and then secure abatements to cover the thefts. No one ever questioned why abatements exceeded the predicted overlay. However, ED HUBBARD did not want to see the overlay amount increase in order to prevent an increase in the Town's portion of the property tax rates. Accordingly, when MCNAMARA prepared the property tax rate she would adjust the overlay prediction to prevent the Town's portion of the property tax from rising.

MCNAMARA, referring to abatement #329, dated July 3, 1996, said this shows the total abatements issued and also a list of each individual that received a tax abatement. (See Attachment G) MCNAMARA believed that CAROL CURRIER was entitled to the tax abatement that was granted.

MCNAMARA said when she took a taxpayer's property taxes the taxpayer's bill for the second half of the tax year would not reflect a balance due or an abatement because MCNAMARA said she was able to adjust the cash collection on the computer to show a tax payment was made. At the end of the year, she would change the computerized entry to reflect that an abatement was issued.

MCNAMARA explained when the property tax rate has been approved by the State, the Selectmen sign a property tax warrant that gives the Tax Collector authority to collect from property owners. MCNAMARA referred to the 1996 tax rate calculation worksheet headed "Department of Revenue Administration." (See Attachment F)

MCNAMARA said the revenue estimates for the budget are calculated in the fall using estimates. MCNAMARA said the Town Report figures that are prepared in January of the following year have better information for estimating the next year's revenues in the budget process.

BUDGET DEFICIT

MCNAMARA said she believes the Ashland budget deficit may be \$1.4 million, but said it is definitely not \$2.1 million. MCNAMARA said the biggest cause for this problem was her operating of the Town as if they had a budget surplus instead of a budget deficit. MCNAMARA felt the financial problems started in 1995. Since the Town did not have an audit since 1994, she did not have any idea if the Town was running a deficit or a surplus since 1995. Without this information MCNAMARA said it was impossible to prepare an accurate budget. In 1996, MCNAMARA spent a lot of money for the Town, but in order to keep the budget deficit low she should have had each department operate under their budgets and control spending.

MCNAMARA said a problem with the Town budget was that it did not include grant income and expenses. According to MCNAMARA, Ashland is a "municipal budget Town" and should have been including these items in the budget. DAVID RULE, a long time Budget Committee member, was aware of this problem and questioned how the Town was handling this issue. MCNAMARA said this caused a problem when several grant-funded construction projects had overruns that were paid for by the Town.

Another example was in 1993, when the Town started a water infrastructure project. MCNAMARA said each of the four phases of this project came in over budget and cost the Town money. In the first phase, the engineers from RIST FROST made a major flaw in the construction budget. MCNAMARA said this resulted in the Town having to settle with the contractor for \$35,000.00.

OUTSIDE AUDITORS

MCNAMARA said when she started with the Town in 1973, they used the accounting firm of Plodzik & Sanderson for conducting audits. In 1986, they changed to the firm of Mason & Rich. MCNAMARA said the audits from 1996 through 1999 were never completed mostly due to MCNAMARA'S request for additional time in order to get the records ready. MCNAMARA said this was a common problem in trying to complete the audits and she was asking the Town for additional help since 1995. MCNAMARA said it was mostly her fault that several important meetings she had with JOHN LYFORD regarding the audits were postponed.

MCNAMARA said without audits completed since 1996, she could not accurately calculate the Town's budget. Without the accurate figures from an audit, MCNAMARA would record a budget surplus when, in fact, the Town was running a deficit. Accordingly, the problem compounded itself each year the audit was not done.

In 1997, the Town Selectmen started to express concerns that the audits were not completed. The Selectmen's concern was initiated through the Budget Committee and ED HUBBARD.

MCNAMARA said as time went by, with the audits incomplete, her pattern of taking money increased because she "needed out" from the Town. MCNAMARA claimed she was not concerned about getting caught by the audit because the auditors did not request back-up material on abatements to determine if they were legitimate. MCNAMARA acknowledged that she knew she would eventually get caught because her conduct had increased steadily during the years in which there were no audits done.

AUTOMOBILE REGISTRATION

MCNAMARA said that prior to 1991, she was taking money from automobile registrations. The Town received preprinted registration forms for automobile registrations from the State. When Plodzik & Sanderson were auditing the Town they would select 100 registrations to audit. MCNAMARA said that one year BOB SANDERSON questioned her about a single missing registration among the 100 that they were auditing. MCNAMARA said he "passed" her on this by selecting another 100 registrations to audit, but the possibility of getting caught scared her.

MCNAMARA said she found that Plodzik & Sanderson mainly audited the preprinted registration forms they received from the State. MCNAMARA said she took money from automobile registrations by using blank registration forms she obtained from Concord. MCNAMARA said she would use the resident's prior year registration to fill out the renewal and then throw out the Town's copy. MCNAMARA also did this for residents that had purchased a new vehicle and were registering it for the first time.

MCNAMARA said the auditors tried to randomly trace valid automobile registrations by using registration information from the Department of Motor Vehicle. The auditors had difficulty with this approach because the Town used a mailing address of RFD #1, which includes many other surrounding Towns that also use the same address.

MCNAMARA was shown the Mason & Rich audit report for Town Clerk activities in 1996. (See attachment H) MCNAMARA reviewed the reported shortage of \$45,882.00 as shown in the report and stated that she does not believe that much

cash comes into the Town Clerk. MCNAMARA said that in 1996, she did not take any money from vehicle registrations or dog licenses. MCNAMARA said because the Town was combining all deposits into the general fund, she was taking cash from other sources and sometimes replacing it with checks received by the Town Clerk.

Thus, any money that the auditors claim as missing from motor vehicles actually relates to MCNAMARA'S theft of tax money. For example, a customer would make a motor vehicle payment in cash. MCNAMARA would credit that customer's account. At roughly the same time, someone would pay their taxes by check. MCNAMARA would take the cash from motor vehicle, replace it with the tax check, and cover the theft of the tax money by later securing an abatement for that taxpayer.

UCC/VITAL RECORDS

MCNAMARA said from about 1980 to 1991, she kept the fees for UCC filings, copying of vital records and dredging and fill permits for herself. MCNAMARA said this was authorized back in 1980, when she negotiated this arrangement with the Selectmen TRAVIS BRADLEY, ROBERT TUCKER and SAM NORMAND. MCNAMARA estimated that she collected about \$2,000.00 to \$4,000.00 per year for these services. MCNAMARA said if an individual paid a fee by check, she converted it into cash, and took the cash.

SEWER, WATER AND ELECTRIC

MCNAMARA said she took money from each of the utilities "somewhat in a similar way" as she did with property taxes and car registrations. MCNAMARA said she took money from sewer and water from about 1997 until the end of her employment while she took money from electric maybe from the mid '80's until the end of her employment. Later during the interview, MCNAMARA said she could have begun taking utility payments beginning in 1994 or 1995. MCNAMARA said in all cases her taking of money was sporadic, but could have happened as much as 5 times per week.

MCNAMARA said that some residents paid their utility bills at the Town offices even after the utility office moved out of the Town office. When the money was received, it is written into the blue books and deposited. MCNAMARA said a copy of a blue book was faxed to the utilities department. The paid receipts, along with other miscellaneous payments collected at the Town Office, were filed by day in sealed envelopes.

MCNAMARA said she kept two copies of the blue books: one that reflected the revenues actually received by the Town and one reflecting only the revenues deposited to the general fund account. The blue book with the actual payments was kept by MCNAMARA on her person at all times. MCNAMARA faxed the list of

payments collected by the Town office to the Utility Department so that they could accurately credit those people who paid their bills. MCNAMARA kept this book until 2000 when she destroyed it.

The second blue book was kept in the Town office and reflected the revenues that MCNAMARA deposited to the Town's accounts. The difference between the blue book MCNAMARA kept in her possession (which is now destroyed) and the blue book kept in the office was money stolen by MCNAMARA from water, electric, sewer, and some other accounts.

MCNAMARA explained that by comparing the sheets that she faxed to the Utility Department from the now-destroyed blue book to the blue book still at the Town, it is possible to recreate the money she took from these sources. (See Attachments I & J)

To cover-up the missing money, MCNAMARA said she entered utility abatements into the BMSI System. At the end of the month, she would destroy the utility payment receipt and have the utility commissioners approve abatements for that account.

RESIDENCE TAX

MCNAMARA said that Ashland has a residence tax for anyone between the ages of 18 and 65. MCNAMARA said she stole residence tax money, primarily from individuals that did not own property in Ashland. MCNAMARA said she began stealing residence tax payments as far back as when she first became Town Manager. The money from Ashland property owners was not stolen because if they did not pay they were notified when a tax lien was put onto their property.

MCNAMARA said when she closed out a year such as 1999 into 2000, she printed out a list of all residence tax abatements. MCNAMARA said many residents received abatements because they are college students, have moved from Town or have deceased. MCNAMARA said if the Selectmen looked closely at the list they may have seen names they recognized as not deserving a tax abatement, but this never happened. MCNAMARA said this list is filed in the Tax Collector books – a green or black binder.

MCNAMARA stated that there were two ways to determine how much money she stole from residence taxes. One way is to compare the receipts for residence taxes actually collected to the tax warrant of the amount that should have been collected. The difference is the amount stolen. Alternatively, you could review the receipts for residents taxes that were actually collected and compare them to the residence taxes that were abated. Where there is both a residence tax receipt (indicating a payment) and an abatement for the same payment, she stole the payment.

YEAR 1999

MCNAMARA said she was asked by JOHN LYFORD to stay on between February and April 1999 to assist with the audit even though the auditors had already discovered the stolen salary advance. MCNAMARA recalled one problem they had was a \$98,000.00 tax lien that they could not explain. MCNAMARA'S job was to find out what it was for and if necessary get rid of it from the system. MCNAMARA stated she did not take any money in the year 1999.

MCNAMARA said the BMSI System had numerous problems when they converted from the old system to the new system in 1998. This included duplicate accounts and changes to property assessments. MCNAMARA said there is a printout of these changes they made onto the system that totaled about \$200,000.00. The changes they made included deleting records and changing assessments. MCNAMARA said the BMSI System has flaws that allows you to change assessments and prior years taxes.

In March 2000, the old BMSI System crashed and they had to recover the information from backups maintained by MCNAMARA. They lost about a week of work in trying to correct this problem.

CREDIT CARDS

MCNAMARA said in 1996 and 1997, she used the Town's credit cards for Staples, Sam's Club and BJ'S for her own personal use. This was stopped in 1998, when she was sick and the credit cards were transferred to the Park and Recreation Department. MCNAMARA said it was easy to use the credit cards because she was responsible for receiving the credit card bills and making the payments.

MCNAMARA said this occurred once or twice a month and she was not sure if there were any large items she purchased. MCNAMARA said the invoices for these purchases would be attached to the vendor files at the Town.

MCNAMARA said she did not purchase a tractor or lawnmower with Town funds. Further, MCNAMARA said she did not use a Town gas card for personal use.

DOG LICENSES

MCNAMARA said she does not remember stealing fees for dog tags, but it may have happened about two or three times a month from 1997 to 1998. MCNAMARA said these fees are \$10.00 to \$20.00 each.

LANDFILL

MCNAMARA said she did "mess" with some of the money she received from MARK OBER from the landfill. This money was from fees collected by the landfill attendants. MCNAMARA said she would leave the checks for deposit and take the cash. MCNAMARA said she believes OBER kept records of the money he gave her, but he never asked to check her deposits. LYFORD and the auditors never asked for backup documents of landfill deposits. MCNAMARA said thefts from this area were relatively minor because it did not generate a lot of cash.

POLICE DEPARTMENT

MCNAMARA said she took money from police department revenues, stating "no area was sacred." MCNAMARA said the police department received money for permits, court fees, fines and mileage reimbursement. The police department would submit daily sheets with itemized information regarding deposits. These sheets would list the checks and have a photocopy of the attached cash. MCNAMARA said she handled the deposits of this money and no one ever compared her deposit information to the police department revenues.

MCNAMARA said she would use white out on the sheet the deposit police department gave her and white out over the cash that she took. MCNAMARA said the Town retained copies of her sheets with the white out and the police department retained their copy. MCNAMARA explained that by comparing the sheet kept at the Town offices with the sheet kept by the police, you could determine how much money she took from the funds deposited by the police department. Simply, subtract the totals on the forms altered by MCNAMARA and kept at the Town offices from the police department's copies. The difference is the amount that MCNAMARA stole.

FIRE DEPARTMENT

MCNAMARA said she did not take any money from this source.

PROPERTY EXEMPTIONS

MCNAMARA said that property owners can receive an exemption on a portion of their property taxes for being elderly, war veterans and having wind power. MCNAMARA said she did not manipulate the elderly exemptions. MCNAMARA said there were many errors made by TUCKER, who handled these exemptions, but she believes they were not deliberate.

MCNAMARA said that she and TUCKER contacted the elderly residents in Town and had them bring in the materials to determine if they qualified for the elderly exemption. MCNAMARA is aware that the Town is currently finding that

fewer of the elderly qualified for the exemption than in the past. MCNAMARA believes the number of qualified elderly residence has not decreased, but they are probably too proud and reluctant to apply for the exemption. MCNAMARA could not explain why there were 76 elderly exemptions given in 1996 when auditors felt only 33 people qualified. MCNAMARA felt that 33 exemptions was too low given the Town's elderly population.

CAMPGROUND

In 1997, MCNAMARA stole cash generated from the Town campground. The Ashland campground was charging fees of about \$7.50 per night from 1994 through 1996. These fee were gradually increased, with most campers paying by check. The campground recently went out of business. She accomplished these thefts by altering receipts she received from the campground relating to campground collections. The amount she stole is the difference between the amount originally reported by the campground and the amount she wrote on the campground receipt.

PLAYGROUND/BEACH

The Town playground also generates revenue through summer programs. The Town beach also generated revenues through passes and admissions. This money was turned over to the Town for deposit but the Playground Department and Beach did not maintain accounting, according to MCNAMARA. MCNAMARA stole money from both of these sources in 1997 in the same manner that she stole police deposits.

GENERAL STATEMENTS REGARDING THEFTS

MCNAMARA stated that she may have taken money from the Town as early as 1989-1990. However, she did not take much money at that time. She was unsure what prompted her to begin taking money from the Town.

MCNAMARA stated that her husband purchased his first bus for his business in September of 1993. Financial difficulties with the business developed when he purchased the second bus in September of 1994. She stated that the business was losing between \$30,000-\$50,000/year beginning in 1994, but her husband was unaware of the extent of the losses because she handled the finances. MCNAMARA said beginning in 1997, there was a lot of stress at work. She stated that if I "needed money, I just took it, I didn't care anymore."

MCNAMARA stated she had no money invested in the US or in any foreign country. She stated that she attempted to borrow money from Canada last year. She wired \$6,000 to Canada through Western Union, but it turned out the offer was a scam which she reported to the Consumer Protection Bureau at the Attorney

General's office. She stated she also borrowed money from her mother for the purchase of property and a bus.

MCNAMARA was asked about an amortization table with her name at the top that reflected a \$340,000 loan. (Attachment K) MCNAMARA stated that she used her own software for budgeting on some occasions. She said the \$340,000 referred to a Town water or sewer aeration projection that she was working on for Town budgeting purposes.

ALLEGATIONS AGAINST OTHER INDIVIDUALS

McNamara provided information regarding potential misconduct by other individuals. Those allegations are contained in a separate report. That report currently is not subject to disclosure under the Right to Know law, RSA 91-A, because those allegations are the subject of an on-going criminal investigation.

ATTACHMENT A

December 28, 2000

This constitutes this Attorney proffer contemplated by the plea agreement in State v. McNamara and constitutes counsel's understanding of what the Defendant would say as part of her proffer:

COUNT 1
Theft by Deception
RSA 637:4

In January 1998, Ms. McNamara wrote a payroll check to herself for the entire year 1998. Pursuant to RSA 37, she was responsible for payroll of all town employees. One of the contracts that she and Cam Brown had negotiated for his benefit included paying him one year's salary in advance. Ms. McNamara felt that she could do the same thing for herself

Ms. McNamara's annual salary was calculated and entered into the payroll program. Deductions were calculated. Withholding taxes were adjusted. The computer generated the check and the backup reports. The town treasurer signed the check.

The 1998 payroll check was deposited in the joint Meredith Village Savings Bank account held with her husband.

During 1998 Ms. McNamara continued to receive monthly payroll checks. The Town Treasurer asked about receiving these checks and was told that the 1998 payroll check had been paid back when in fact it had not been paid back.

At the end of the payroll quarter, Ms McNamara was aware of the necessity of showing that the payment had been paid. A sewer payment check came in from L. W. Packard Co & Inc. This check was used to make it look like the town had been reimbursed.

When John Lyford questioned Ms. McNamara about the check to the town he was told that the check would be produced. Ms. McNamara also told Mr. Lyford at a later time, that the check would be produced when Ms. McNamara's attorneys allowed her to do so.

Ms. McNamara knew that she had to have a check for Mr. Lyford's review. She had a blank check and a color photocopier. She made several copies of the blank check and looked at the town deposit for the date the check was deposited into the town accounts. She looked at the deposit slip and obtained certain information from that deposit slip. There were dates, cycle numbers and some other numbers. Next, Ms. McNamara prepared a check on a photocopied check and taped the other necessary

information on the dummy check. She then photocopied this dummy check front and back and showed it to John Lyford and Carol Cappola of MRI for their review.

Mr. Lyford reported to the Selectmen that he had seen the check and that Ms. McNamara had paid the money back.

Count II

Theft by Deception RSA 637:4

This was done throughout the year. Ms. McNamara would write extra paychecks for vacation time that was due. This money was in excess of annual salary and she knew it.

Count III

Theft by Unauthorized Taking or Transfer

With respect to tax payments, Ms. McNamara would write checks from a joint account shared with her husband indicating payment of property tax payments for both her mother and herself. She turned the checks over to Patsy Tucker or Beverly Boose for processing. They would return a paid receipt.

The next day Ms. McNamara would do the daily deposit and remove her checks from the deposit. She also removed tax receipt documents for other people in order to make the deposit match up with the receipts. At the end of the year Ms. McNamara had the Selectmen sign abatements for the people whose tax receipt documents had been used to cover up the non-payment of the taxes.

Count IV

Theft by Unauthorized Taking or Transfer RSA 637:3

Between September 1998 and April 1999 the town was selling a police cruiser by sealed bid. Beverly Boose had indicated that she wanted to have the cruiser. She was told that if she were the high bidder, Ms. McNamara would help her pay for the car. Ms. Boose did turn out to be the high bidder. Her husband came to the office the next day. Ms. McNamara signed over the title to him. Ms. McNamara also knew that she had to show payment for the cruiser. Ms. McNamara did not have the funds and so, she used three different checks that came into the office that day to create the impression that the car had been paid for.

When Ms. Boose repaid the money, Ms. McNamara kept it and did not put in the town general fund.

Count V

Theft by Unauthorized Taking or Transfer
RSA 637:3

In 1997, Ms. McNamara was responsible for the daily deposits of all receipts for tax payments, payments to town clerk, miscellaneous town, electric, water and sewer.

The procedure was that Patsy Tucker or Beverly Boose would take in the payments and issue receipts. It was Ms. McNamara's job to balance the receipts and the money and make the deposit. There were frequent times when there was more money than receipts. In those instances, Ms. McNamara kept the cash. In addition to cash there were also checks. She kept checks when she could not match the checks with the receipt. She would then cash the checks from the cash receipts the next time there was enough money collected.

OTHER CONDUCT:

Please be advised that Ms. McNamara is under the care of both a therapist and a psychiatrist. He has reported certain lack of recall with respect to some conduct. (See attached from Dr. Cousin) We believe that upon a review of town records, her memory may be refreshed. Her present recollection would be as summarized below, with respect to thefts and/or money taken from the town for which she bears personal responsibility, irrespective of whether it might be criminal or proper. She also believes that a review of town records would enable her to provide assistance about the derivation of the town's deficit.

1. The first thing she recalls doing wrong in the town was endorsing the back of an electric deposit refund check payable to David Comeau in the amount of \$25.00. She does not remember the year this occurred.

2. When she became town clerk, the Board of Selectmen at the time told her that she could keep the UCC filings and vital records money. This agreement was maintained throughout the entire time she was Town Clerk from approximately 1980-1990. While this was money that was taken, Ms. McNamara does not consider the taking to be theft.

3. She does not recall when she started taking money from the town clerk deposits. She does not believe it was in the first year or two. The third year she recalls that Bob Sanderson questioned her about missing registrations. These registrations were blank ones that she went to Concord to obtain. On a monthly basis the state would send the monthly registration renewals. Ms. McNamara would use the prior year's registration and complete the renewals so that when the resident came in the registration process went through smoothly. When a resident came in to register a new car she would sometimes keep the cash from that registration and throw away the town copy.

She learned from the way that Plodzik and Sanderson audited that they mainly used the pre-printed registrations. One year they used the blanks from Concord. The audit consisted of auditing 100 registrations. The registrations were recorded in a binder. The date, audit number, names and amount was recorded. After a certain length of time a deposit would be made. Someone from the auditing team would grab a couple different months and then settle on one month. From there they would list out 100 registrations to audit. They would use the cashbook to find the corresponding information; check the void registration permits then if any were missing they would start looking elsewhere. If Ms. McNamara did not have an explanation for the missing permits, they would simply choose another hundred permits to audit. If this one checked out okay, they would make a note in the audit report about the missing registrations and then also note that everything was fine with the second hundred.

She does not believe this continued after the conversation with Mr. Sanderson

4. Ms. McNamara also recalls misappropriating the electric department deposits. She recalls using money first from the electric department. This occurred while the utility portion stayed in the town office. The utilities moved from the town office in 1990.

She believes this was limited to the number of times that she did the deposit. Kay Mudgett, for the most part, did the daily deposits for the collections for the electric, water, sewer departments and the miscellaneous town receipts.

She recalls taking the cash in the same manner as she did with the registrations. The difference is that she kept the receipts until the end of the month and then had the Utility Commissioners approve an abatement to cover this fact. She stopped having the Commissioners sign the abatements when Plodzick and Sanderson left because Mason and Rich never asked for abatements on any of the utilities.

5. Eventually Ms. McNamara also started taking cash from the water and sewer departments.

Once the utilities moved from the town office to the town garage it became more difficult to take the money. Ms. McNamara realized that she could write two daily receipts. She wrote correct receipts and faxed them to the utility office. She would then use the one that matched the cash receipts for the day and use that information for the town treasurer. Since she was the one who had to do the proving out of accounts and close the books at the end of the year, she would abate what she had taken. She also did abate the actual errors.

6. She does not remember when she started using tax revenues. She professes a need to see the town records. She would then use the cash, keep the receipt and then have the selectmen sign an abatement to take care of any shortages.

7. The town had charge cards from Staples, Sam's and BJ's. She recalls charging personal items on those cards. This occurred during the last couple years of her employment.

8. To the best of her recollection, the property tax payments for her mother and herself actually started in 1994 or 1995.

9. One thing she would emphasize is that the tax program that BMSI developed for the town had bugs in it. The first time it was used for a billing the second bill was incorrect. The second billing rounded. In 1998, a major upgrade was completed on the town's tax billing. Again the second billing in 1998 was incorrect. This time it overcharged every taxpayer. It duplicated some accounts. It changed assessments on properties. Patsy also entered the program with the assistance of Tina at BMSI and changed records. Ms. McNamara entered the program and changed data with Tina's assistance also. She recalls printing a hardcopy of every change made. Those changes were left at the town office and she does not know if they still exist. This would indicate

money taken, however, Ms. McNamara does not believe she improperly appropriated any money for these corrections. She recalls the approximate total of the changes was something over \$200,000.00.