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Public Affairs
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Marana Man Faces 17-Count Indictment on Tax and Fraud Charges

Defendant is accused of defrauding his employer of more than \$600k

TUCSON, Ariz. - A federal grand jury in Tucson has returned a 17-count indictment against Phillip Ernest Narum, 46, of Marana, Arizona. The indictment, returned December 8, 2010, charges Narum with an elaborate scheme to defraud his employer, Young & Sons Contracting, Inc. of Tucson.

The indictment alleges that from February 2005 to June 2008, Narum knowingly and intentionally devised a scheme and used deception to defraud \$623,277 from Young & Sons. Narum worked for the company as its operations manager.

Narum is charged with diverting funds from Young & Sons to his personal use by negotiating approximately \$218,873 in Young & Sons checks payable to him at banks for cash or cashier's checks. He then used the proceeds to pay personal debt and purchase personal assets. Narum also deposited Young & Sons checks totaling approximately \$671,499 into three personal and business accounts to pay personal debt and purchase personal assets.

Narum further used Young & Sons business checks and money transfers from the company's bank account for personal expenses unrelated to Young & Sons business, converting approximately \$78,417 of Young & Sons money to his personal benefit. He also charged approximately \$93,000 of his personal expenses to a Young & Sons business credit card.

Before he was terminated by Young & Sons, Narum attempted to conceal the amount of money in the fraud by depositing approximately \$140,310 into a Young & Sons account. He noted in the business' cash journal that the payments were from him when in reality; approximately \$83,855 of those deposits came from Young & Sons owned assets.

In total, Narum received \$1,061,789 when he was only entitled to approximately \$381,057 in compensation from Young & Sons for his employment. Narum paid back \$56,455 to Young & Sons before he was terminated, thus defrauding Young & Sons of approximately \$623,277.

Narum is also charged with tax fraud because on his 2005 Individual Income Tax Return, he failed to report \$171,351 of gross receipts. On his 2006 Individual Income Tax Return, he

failed to report \$59,100 of gross receipts. Narum also willfully failed to file a timely 2007 Individual Income Tax Return despite receiving gross receipts of \$531,659.

Narum will appear before a United States Magistrate Judge in Tucson for his initial appearance and setting of bail conditions in January 2011.

The federal indictment charges Narum with violating Title 18 of the United States Code, Section 1343; Title 26 of the United States Code, Sections 7206(1) and 7203, Filing False Income Tax Returns and Willful Failure to File an Income Tax Return.

A conviction for wire fraud carries a maximum penalty of 20 years, a \$1,000,000 fine or both; a conviction for filing a false income tax return carries a maximum penalty of 3 years, a \$250,000 fine or both; and a conviction for willful failure to file an income tax return carries a maximum penalty of one years, a \$100,000 fine or both.

An indictment is simply the method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The investigation preceding the indictment was conducted by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation.

The prosecution is being handled by Danny N. Roetzel and Sonia M. Owens, Trial Attorneys with the Department of Justice's Tax Division, Criminal Enforcement Section, and Munish Sharda, Assistant U.S. Attorney, District of Arizona, Tucson.

CASE NUMBER: CR-10-3578-TUC-DCB(JCG)

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