



The Commonwealth of Massachusetts
Office of the Inspector General

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Mr. Walter B. Cruz
Chairman
Wareham Board of Selectmen
Memorial Town Hall
54 Marion Road
Wareham, MA 02571

Dear Mr. Cruz:

The Office of the Inspector General (OIG) initiated an investigation in December, 2009 pertaining to the Wareham Free Library after receiving information concerning an alleged money laundering, embezzlement and income tax fraud scheme. Discussion of the alleged scheme first surfaced in a newspaper story published in "The Wareham Observer" (Observer) newspaper on November 5, 2009. The story was written by the Publisher of the Observer newspaper (hereinafter, The Publisher).

The Observer story specifically alleged that from 1995 to 2005 more than three million dollars was laundered from the Wareham Free Library under the direction of its former (now deceased) Director. According to the story, at least 123 people were reportedly involved in a highly sophisticated operation in which large portions of private Library donations were returned immediately to the donors in cash, who in turn declared 100% of the donations on their tax returns. The story alleged that the donor kickbacks ranged from 50 to 75 percent of the each donation, depending upon the size of the donation. The story alleged that "[m]any donors preferred making frequent smaller donations so not to alert the attention of the Internal Revenue Service."

The Observer story alleged that the money remaining from the Library donations, after the donor kickbacks, was evenly split between the Library Director, the Wareham Free Library Board of Trustees and the Friends of the of the Wareham Free Library. According to the story, as much as 1.5 million dollars was embezzled from the Library in order to replenish the kickbacks to the donors. The story indicated that the embezzled money came from “used” book sales and coin operated copy machines located in the Library that were used by Library patrons. The story alleged that many of the books sold at the book sales were actually new books taken from the Library shelves that had been purchased with public money. The story further alleged that in order to “cover her tracks,” the Library Director reordered the books taken from the library shelves in the next budget cycle.

The Publisher stated in the story that he knew the names of all 123 people who were involved as donors in this alleged kickback scheme. Moreover, he stated that a former Wareham Free Library (Library) Trustee approached him with a ledger that documented every single donation made to the Library between 1995 and 2005, including the names of the 123 people involved in the scheme. The Publisher suggested in the story that there is a list containing the names of the 123 donors and that the list had been given to an unnamed third party in Florida who would release it in the event that something unfortunate happens to him.

Interviews with Publisher of the Wareham Observer

The Publisher of the Observer was interviewed in December 2009 by OIG investigators. He stated that on July 11, 2008, a former Trustee of the Library displayed to him a ledger which contained about 300 pages of donations that had been received by the Library.¹ The Publisher believed this ledger was created with an excel program on one of the Library computers. The ledger revealed that donations had been made to the Library from about 1995 to 2005. He stated that the majority of these donations were legitimate but there were donations from 123 people that the Trustee said were not legitimate. The former Trustee explained to the Publisher that next to each of the 123 questionable donors’ names were the initials of the former Director of the Library. The former Trustee explained further to the Publisher that with respect to these donors, they would submit checks payable to the Library. The Wareham Free Library Board of Trustees would

¹ The Publisher declined to furnish the identity of this individual.

then deposit these checks into one of their bank accounts. The donors, depending upon the size of the donation, would receive back cash amounting to 50% to 80% of their donations. The donors would then claim the full amount of the donation on their taxes as a charitable contribution. The former Trustee would not allow the Publisher to copy the ledger and shortly after this meeting the Publisher was told that the ledger disappeared from the Library where the ledger had been stored.

The Publisher advised that the Library has three Xerox machines and the money that is generated by these machines is not going back to the Town. There are questions on what is happening to the money. According to the Publisher, the 2007 tax return for the Library lists revenue of \$10,000 from one machine. The Publisher contends that if the Library has 3 machines, each would generate about the same revenue annually. He estimated that over a ten year period the three machines would have generated about \$300,000.00 in revenue for the Library.

The Publisher stated that it is also alleged that the former Library Director took books from the shelves of the Library and gave the books to the Friends of the Wareham Free Library, an entity that was formed to support the library. The Friends of the Wareham Free Library would in turn hold book sales. The Library never declared these books surplus as required. The Publisher stated that about 3 million dollars was laundered through the Trustees' accounts during the 10 year period from 1995 to 2005.

The Publisher provided OIG investigators with the name of a Town Official and advised that the Official's name appeared in the ledger that was shown to him by the former Trustee. He identified this official as one of the 123 illegal donors. The Publisher also furnished to OIG investigators the names of ten other illegal donors that he could recall from the 123 names that he saw in the ledger.

The Publisher was interviewed a second time in August 2010 and once again spoke to OIG investigators about his meeting with the former Trustee of the Library. He advised that during this meeting, he made a hand written list of the names he was familiar with that appeared in the typed ledger. The Publisher stated he wrote about 40 names into a note book that he had in his office.² The Publisher was asked by investigators to provide the OIG with

² Presumably these 40 names were a portion of the 123 donors that received alleged illegal kickbacks.

access to the notebook containing the 40 names. The notebook has never been provided to OIG investigators.

Interview of former Trustees of the Wareham Free Library, Inc.

Based upon the detailed allegations contained in the Observer story, the OIG initiated an investigation. The investigation revealed that the Library was a private non-profit corporation established in 1891 and dissolved pursuant to a United States District Court decision in August, 2009. During the investigation, between January 2010 and June 2011, the OIG conducted interviews with 28 former Trustees of the Wareham Free Library, Inc., a separate private nonprofit Massachusetts corporation (hereinafter referred to as the Trustees' Corporation).³ Included among the 28 former Trustees were a former President and Vice President; a former Vice President and Chairman; four additional former Chairmen and one former Vice Chairman of the Trustees' Corporation. Moreover, interviews were also conducted with four former Treasurers of the Trustees' Corporation. Three of these former Treasurers served in that capacity during the time period of 1995 to 2005.

During the interviews with the former Trustees, each of them was asked whether they had any direct or indirect knowledge of an alleged kickback/embezzlement scheme perpetrated by any of their members, friends or associates; any Library officials and donors. They were informed that the alleged scheme involved donations that were made to the Library or any of its affiliates, including the Trustees' Corporation; the Friends of the Wareham Free Library, Inc. (hereinafter Friends); and the Wareham Library Foundation (hereinafter the Foundation). Specifically, they were asked about their knowledge of an alleged scheme involving private donations that were made to one or more of the above mentioned organizations; and in return the donors were alleged to have received large portions of their donations back in cash; and the donors were alleged to have fraudulently reported the full amount of their donations on their income tax returns.

³ Several former Trustees that were interviewed by the OIG were also members of the Friends of the Wareham Free Library, Inc. (Friends). The Friends is a separate organization that was created to provide support to the Library. Among the members of the Friends interviewed were a person who served as President and Vice President of the Friends for approximately 18 years and a person who served as Treasurer of the Friends for many years beginning in approximately 1995.

None of the former Trustees reported any knowledge of or participation in the alleged scheme. Many of those interviewed stated that the first that any of them heard of the alleged scheme was when it was first mentioned by the Publisher in his Observer newspaper article. None reported any knowledge of criminal wrongdoing on the part of any members or officers of the Trustees' Corporation, Friends, Foundation, Library officials or donors.

Interview of the former President of the Trustees' Corporation

The former President of the Trustees' Corporation was interviewed in January 2010. She stated that she became a member of the Friends in 1993 and was appointed to the Trustees' Corporation in 1994. For the past 10 years, she has served as the Trustees' Corporation Vice President and President. She stepped down as President of the Trustees' Corporation in June 2005. She stated the Trustees' Corporation is a private non-profit Massachusetts corporation located in the Town of Wareham, MA. The Friends is also a private non-profit corporation created for the purpose of supporting the Library. The Library was established in 1891 as a private non-profit corporation. Until the 1970's the Library was a wholly privately owned nonprofit corporation that operated on private funds.

During the late 1970's, the Library, acting through the Trustees' Corporation, collaborated with the Town of Wareham (Town) toward the goal of integrating Library operations into the Wareham Town government system. In the late 1970s the Town began to pay the salaries of the employees of the Library. In 1977, the Trustees' Corporation investigated transferring the Library and its related assets to the Town. During October 1977, the Town voted to appoint a Library Transition Committee to ascertain the feasibility of making the Library public.

As a result of these efforts, in 1981, the Library operations were partially integrated into Town government. The Library employees were reclassified as Town employees and their salaries and bills belonging to the operation of the Library were now partially paid by the Town Accountant. The Trustees' Corporation continued to pay the expenses of the Library building, books and materials etc. The Library funding now became part of the Town's annual budget. She stated the Library building remained privately owned, and in 1991 the physical Library was moved to a new Town owned building located at 59 Marion Road, Wareham, MA. The new Library building was

built with a grant of approximately two million dollars from the Commonwealth of Massachusetts.

The former President advised that ultimately, after the transition, the Library became a hybrid public/ private entity. She stated that the private nonprofit Wareham Free Library Corporation was never dissolved and its property and assets were never transferred to the Town. The Library Corporation continued to exist and held title to its funds and assets. From 1991 forward, the Trustees' Corporation made policies with the Director of Library. The Trustees' Corporation would discuss with the Director what books should be purchased, they would set computer and internet policies and they also established unattended child policies. The Director of the Library was a Town employee but reported to the Trustees' Corporation concerning day to day operations at the Library.

The former President advised that there were several bequests made by private citizens in their wills to the Library. These bequests were invested by the Trustees' Corporation with the principal being preserved. The Trustees' Corporation only spent the income generated from the principal. The Trustees' Corporation had investment accounts with several investment firms which she identified by name. The bequests came from people who had named the Library as beneficiary in their wills. She stated that all the bequeathed monies that were left to the Library occurred before 1991 with the exception of one which came after 1991. The latter bequest was in the amount of approximately \$13,000.00. She stated that some of the benefactors passed away after 1991 but their wills were written and notarized prior to 1991. With the exception of the \$13,000.00 mentioned above, since 1991, the Trustees' Corporation has not received any bequests.

Review of Trustees' Corporation Records for Bequests and Investments

OIG Investigators conducted a review of the records of the Trustees' Corporation and the Friends beginning in February 2010. These records were voluntarily provided to the OIG by the Trustees' Corporation and were reviewed at the law office of their Attorney in New Bedford, Massachusetts and in the OIG office. These records disclose that on 9/7/78 the estate of a private citizen gave the Wareham Free Library \$15,826.82. On 11/11/85 the estate of another citizen gave the Wareham Free Library \$100,000.00.

The Trustees' Corporation records reveal that a citizen of the Town of Wareham bequeathed to the Wareham Free Library \$144,257.44 on 3/12/82. The records further disclose that the money was actually transferred from the donor's estate on 9/28/95 when a check was issued by the decedent's attorney in the amount of \$144,275.80. On 2/20/97 this attorney issued an additional check from the estate in the amount of \$2,885.41.

The Trustees' Corporation records further reflect that another private citizen executed a will on 12/7/89 and bequeathed a share to the Wareham Public Library. On 3/8/93 the decedent's attorney issued a check from the estate in the amount of \$63,000.00 to the Library. Subsequently, the same attorney issued a second check to the Library in the amount of \$34,976.38 on 8/3/1995.

The records reflect that a citizen left the sum of \$2000.00 by will dated 11/25/86 to the Wareham Free Library. This money was transferred by check to the Library on 3/30/93. The records further disclose that another citizen created a trust which directed that upon the death of his/her spouse, \$2000.00 be given to the Tobey Library (another name for the Wareham Free Library). The date that this trust was executed was not disclosed. The spouse subsequently died and a check was issued on or about 1/29/2001.

The records also reveal that another citizen bequeathed by will dated 8/11/99 a share of his/her estate to the Wareham Public Library (Wareham Free Library). The person subsequently died in 2001. An attorney for the estate issued a check to the Library on 7/24/2002 in the amount of \$12,881.96.

Finally, the Trustee's Corporation records disclose that two other citizens bequeathed \$500.00 each to the Wareham Free Library on 12/3/80 and 7/22/82. The records disclose that an attorney for one of these decedents issued a check to the Library on or about 12/20/84. The records reflect that the second citizen died in 1984 but did not disclose whether a \$500.00 check was issued.

The Trustees' Corporation records disclose that they invested money in their possession and control with several investment firms. The records reflect that on 12/31/97 the Trustees' Corporation had invested \$28,869.58 with Firm Number One; on 1/1/98 they had invested \$164,820.60 with Firm Number Two; on 12/31/97 they had invested \$216,021.52 with Firm

Number Three. The total amount of their investments on 1/1/98 was \$409,710.70.

The records further show that approximately four years later, as of 12/31/01, the Trustees' Corporation had the following amounts of money invested; Firm Number One - \$37,293.39; Firm Number Two - \$186,151.01; Firm Number Three - \$176,020.71; Firm Number Four - \$2,977.63. The total amount of the Trustees' Corporation investments on 12/31/01 was \$402,442.74.

The Trustees' Corporation records disclose that on the dates reflected below they had investments with the same firms in the following amounts: Firm Number One - 3/31/03 - \$30,847.99; Firm Number Two - June 2003 - \$175,466.97; Firm Number Three - 6/13/03 - \$162,111.78; ; Firm Number Four - 6/30/03 - \$2,542.31. The Total amount of the Trustees' Corporation investments for the time period of March through June 2003 was \$370,969.05.

The Trustees' Corporation records disclose that on the dates reflected below they had investments with the same firms in the following amounts: Firm Number One - 3/31/04 - \$33,157.92; Firm Number Two - 6/30/04 - \$173,627.32; Firm Number Three - 6/18/04 - \$155,106.63; Firm Number Four - 6/30/04 - \$3,223.88. The total amount of the Trustees' Corporation investments for the time period of March through June 2004 was \$365,115.75.

Review of the Trustees' Corporation and Friends of the Wareham Free Library Certificate of Deposit and Bank Accounts

The Trustees' Corporation records reveal that on 2/13/04 the Trustees' Corporation received a \$25,000.00 redemption from one of their investment accounts. On the same date they also received redemption of \$25,000.00 from another one of their investment accounts. The Trustees' Corporation subsequently opened two Certificates of Deposit accounts (CDs) with the redeemed money for a total of \$50,000.00 on 2/27/04. The Trustees' Corporation records also disclosed that they opened another CD account on 8/8/02 in the amount of \$10,273.38. This CD matured on 8/8/04. At the end of February 2004, the Trustees' Corporation had approximately \$62,000.00 invested in Certificates of Deposit.

Records pertaining to the Friends disclose that on or about 7/1/05 the Friends had approximately \$51,000.00 invested in Certificates of Deposit.

The Trustees' Corporation bank account records were reviewed by OIG investigators. The records disclose that on 7/15/01 the Trustees' Corporation had \$8,821.00 in its checking account. The records reveal that on 8/15/03 the account had a balance of \$12,200.31. On 2/16/04 the account balance was \$15,944.04 and on 5/15/05 the account balance was \$14,741.55.

The Friends of the Wareham Free Library bank account records were likewise reviewed by OIG investigators. The records reveal that on 8/11/02 the Friends had \$13,799.06 in its checking account. On 6/10/03 the account had a balance of \$17,343.86. On 1/11/04 the balance in the account was \$30,190.78.

The Friends also maintained a separate checking account that was used to keep funds that were raised for the construction of the Spinney Memorial Library in Onset, Massachusetts. OIG investigators have reviewed records pertaining to this account for the year 2005. The records disclose that on 6/30/05 this account had a balance of \$9,700.01. On 8/31/05 the balance in the account was \$46,603.87. By the end of December, 2005, the account balance had risen to \$107,364.59. The increase in the account funds is the direct result of contributions made to the Spinney Memorial Library construction project.

Summary Analysis of the Financial Records of the Trustees' Corporation and the Friends of the Wareham Free Library

The Trustees' Corporation records disclose that between 9/7/78 and 7/24/2002, \$379,846.37 was bequeathed to the Library. The vast majority of this money, namely \$343,252.18, came from three estates in a ten year period between 11/11/85 and 9/28/95. The money from two of those estates, namely \$243,252.18 was transferred from the estates between 3/8/93 and 9/28/95.

The Trustees' Corporation records disclose that this money was invested by the Trustees' Corporation with several investment firms. The records reveal that as of 1/1/98 the total amount of the Trustees' Corporation investments was \$409,710.70. The total amount of these investments remained reasonably consistent through the succeeding years. For example, on

12/31/01 the total amount of invested money was \$402,442.74; at the end of June 2003 the amount invested was \$370,969.05; as of June 2004 the amount of money invested was \$365,115.75.

The Trustees' records show that the Trustees' had approximately \$62,000.00 in Certificates of Deposit (CDs) at the end of February 2004 and the Friends had approximately \$51,000.00 invested in CDs in July 2005.

The Trustees' bank account records were reasonably consistent between 7/15/01 (i.e. \$8,821.00) and 5/15/05 (i.e. \$14,741.55). The Friends bank account records disclosed an increase in funds between 2002 and 2004 of approximately \$16,000.00 (i.e. \$13,799.06 to \$30,190.78). As mentioned above, the Friends maintained a separate checking account for the purpose of depositing donations from the public for the construction of the Spinney Memorial Library in Onset, Massachusetts. By the end of December, 2005, the amount of funds in this account had risen to over \$107,000.00.

The Library Copy Machines

The former President of the Trustees' Corporation was interviewed and he advised that A-1 Copy Sales supplied two copy machines for the Library during most of the time period from 1995 to 2005. A-1 Copy Sales owned these machines and all proceeds generated from these machines were kept by this Company. The Company held the keys to the money boxes on these machines and only Company personnel could collect the money. In return for the proceeds generated from these machines, A-1 Copy Sales furnished the Library all paper and toner cartridges for these machines. On 3/23/2005, the Trustees' Corporation leased a third copy machine from RISO-RPB Systems which was used by the Library staff. The Trustees' Corporation paid \$1303.86 for a six month trial rental for this machine which had no money box. At the conclusion of the six months, the Trustees' Corporation leased this machine at a cost of \$217.31 per month for the Library staff.

A Library employee was interviewed by the OIG in March 2011 and stated that she was hired by the Library in 1986. She explained that when she was hired in 1986, the Library was located at 75 High Street, Wareham, MA. During April or May, 1991, the Library relocated to a brand new building located at 59 Marion Road, Wareham, MA.

She advised that when the Library relocated to 59 Marion Road, Wareham, MA, in 1991 it had two copy machines for the public's use. It is her belief that these machines were supplied by A-1 Copy Sales from Rhode Island. Both copy machines at the new Library were coin operated and all the proceeds generated from these machines were taken by the company. An employee from this company would come to the Library once each week and collect the proceeds. The company supplied all the toner and paper for both machines. She stated no one from the Library had keys to either machine. The cost per copy was 15 cents per page. She has no knowledge how many copies were generated by each machine.

The Library also had a third copy machine from a company (name not recalled). This machine was not coin operated and was used exclusively by Library personnel. She advised that the Library had two coin operated copy machines for public use and one non coin operated machine for Library personnel use between 1995 and 2005. She advised that the Library had no records regarding the machines.

The OIG interviewed a former employee of the Wareham Free Library in November, 2010. This former employee worked at the Library for several years. It is her belief that there were three copy machines that were located at the Library. She recalled that one of the copy machines at the Library was used exclusively by the staff and the other two machines were used by the general public and these machines were coin operated. The company that provided the machines would collect the proceeds that were generated from these machines. This company would provide the toner and paper for these machines.

The current Library Director, was interviewed in June 2011 and advised that she has been the Executive Director of the Library since July 12, 2010. Prior to her current position she served as the Director of the Dartmouth Public Library for 6 years.

She stated that currently the Wareham Free Library has 3 copy machines. Two of these machines are coin operated and the third machine is not coin operated. The copy machine that is not coin operated is exclusively for the use of Library personnel. This machine is leased from RPB Services, Norwell, MA. The lease for this machine is \$146.00 per month and the lease payments are made by the Town.

The other two coin operated photocopier machines are leased from IKON Office Solutions, Philadelphia, Pa. Both these machines are for use by the general public. She stated the Library has been tracking the amount of money generated from each machine since October 2010 to ascertain if they are cost effective. Since October 2010, the lobby copier has made \$406.00 and the reference copier has generated \$511.00. Over an 8 month period the total income from both copiers is \$917.00 for an average of \$114.63 a month. She stated that the staff collects the proceeds from both machines and the monies are then deposited into the Town revolving account. She stated the cost of copies is 15 cents per page. The lease for both machines is \$245.00 per month and this expense is paid by the Town. The paper for these machines is supplied by the Library and the toner is furnished by IKON Office Solutions. The Library has leased these machines from IKON for the past three years.

She stated that it is typical that money generated from coin operated copy machines would be collected by the company that supplies the machine. She stated that prior to the current company, the coin operated copy machines were supplied from a company (name unknown) that is located in Rhode Island. She has not been able to locate any files or records for these old machines.

The Vice President, A-1 Copier, Inc., Pawtucket, Rhode Island, was interviewed in June 2011 and advised that he has been with A-1 Copier for the past seven years. He stated that his company does not lease or service any copy machines for the Wareham Free Library, Friends of the Wareham Free Library or the Trustees of the Wareham Free Library, Wareham, MA. The company records go back eight years and there are no records regarding the above mentioned entities.

The Service Manager, RPB Systems and Services, Norwell, Massachusetts was interviewed in June, 2011 and advised that he has been the Service Manager for RPB Systems and Services, for the past 2 and ½ years but has been with this company for the past 21 years.

RPB Systems and Services, currently supplies the Wareham Free Library, Wareham, MA, with 1 copy machine. This copy machine is located in the business section of the library and is exclusively for the use by the Library employees. This machine is not used by the general public and the machine is non coin operated. RPB Systems and Services leases this copy machine to

the Library. The Library's lease runs out in 2014. This machine has been at the Wareham Library since 3/25/2009. This machine does approximately 8,000 copies per month. He stated that the Library has had a copy machine supplied by RPB Systems and Services for at least 9 years but he could not locate any records regarding this machine.

Friends of the Wareham Free Library Book Sales

The former President of the Trustees' Corporation advised that she has also been associated with the Friends of the Wareham Free Library (Friends) since 1993. She stated that when the Friends hold a book sale, most of the proceeds from the sale are received in cash. She also advised that most of the books for the sales are donated to the Friends by citizens of the Town of Wareham. She stated that from about 1993 until 2005, the Friends held one annual book sale. From 2005 to the present the Friends have about one book sale per month (ten sales per year).

The former President advised that she is aware of an allegation that many of the books sold by the Friends at their book sales came from the Library shelves. She further noted that it has been alleged that many of these books were new and were purchased with Town funds. She advised that if the Library ordered books, an invoice would be sent to the Library requesting payment. The invoice would have to be forwarded to the Town Accountant for payment. She stated that if the allegation was correct, the invoices at the Town Accountant's office would show the same books being reordered during the next fiscal year. She stated this never happened and the Town Accountant's office should have copies of all the book invoices ordered by the Library.

The former President stated the Friends never sold new books. All books sold by the Friends were books that had been donated. She stated that when the Friends held their annual book sales (1993-2005), they made about \$2,000 each year. When they held monthly sales (10 per year) they made about \$1,000 per month.

She stated the Library "weeds" their books after they are on the shelves for so many years. She stated the Library has an automated system called SAILS (Southern Automated Library System) which prints out a list of books that need to be removed from the shelves because they are old. On occasion these books (discarded books) would be given to the Friends to be

sold at their book sales. She stated the Friends on average would receive about 50 books when the Library did this “weed.” She stated the Friends did not keep a record of the books they received from these “weeds.” The proceeds from the sales of these books would be deposited into the Friends’ checking account.

The OIG interviewed another former President and Vice President of the Friends concerning book sales operated by the Friends. She advised that the purpose of the Friends was to promote the Library in the community and to provide support through programs and fund raising. The Friends would raise money through, among other things, annual book sales that would be held at the Library. She stated that the books sold during those sales were donated by members of the Wareham community and the majority of the books were in a used condition. It was a common practice that when the Library was going to discard a book, it would be given to the Friends for their book sales.

She stated that the Friends annual book sale, which was held each July, would generate about \$1,000.00 to \$1, 5000.00. Over the years the annual sale became extremely popular and would generate up to \$2,500.00. She stated that the Friends held book sales since the inception of the organization.

When the new Wareham Free Library opened in May 1991, the Friends sponsored a book sale that summer and raised about \$800.00. Beginning sometime around 2004, the Friends began to have book sales each month (with the exception of June and November). She stated when the Friends held their monthly book sales, they would average anywhere from \$300 to \$600 per sale. She stated the proceeds from these sales would be furnished to the Treasurer of the Friends who would deposit the proceeds into the Friends’ checking account. The proceeds from the above book sales were used by the Friends for various Library programs and to purchase equipment that was needed at the Library such as computers.

The OIG interviewed a former Trustee of the Wareham Free Library Corporation who also assisted the Friends at their book sale events. She stated that she was not a member of the Friends but volunteered her time to the Friends during their book sales. The Friends would hold book sales one Saturday each month and she provided her assistance for about five years at the book sale events. She advised that most of the monthly sales would

generate about \$1,000 per month. The money that was received during each event was counted by two members of the Friends at the conclusion of each event. A third member of the Friends oversaw the counting of the money. It is her understanding that the books used for the sales were donated by residents of the Town.

The OIG interviewed another member of the Friends concerning her knowledge of book sales conducted by the Friends. This member has been associated with the Friends for many years. She stated the Friends of the Wareham Free Library, Inc. would raise money through used book sales. The books would be donated from residents of the Town. On occasion the Friends would receive a few books from the Library that were considered surplus books. She stated the Friends never kept a list of the books they received. While she was a member of the Friends they would hold one large book sale each year. From about 1995 to 2005, she assisted the Friends with their book sales and as far as she remembered, they only had one sale each year. The book sales never brought in thousands of dollars. On average they would generate about \$300.00 to \$1,000.00 at most.

The OIG interviewed the Treasurer of the Friends concerning its book sales. She advised that she is a current member of the Friends of the Wareham Free Library, Inc. and joined this organization in 1994. She has been the Treasurer of this organization since 1995. She has never seen any wrongdoing by any members of the Friends.

She stated that when she first joined the Friends of the Wareham Free Library, Inc., that organization would hold book sales once each year. She believed that the annual book sales took place for about five to six years (1995 to 2000 or 2001). The Friends then switched to two book sales each year from about 2001 to 2003 and then the sales became monthly. She stated all the books were donated to the Friends by residents of the Town of Wareham. On occasion the Friends would receive old books from the Wareham Library that were going to be discarded. There were no records kept by the Friends that would list the books received from the Library, but the books received were minimal.

She advised that during the years the book sales were held annually, the Friends would generate about \$2500 to \$3000 per year. During the years the sales were held twice a year, the Friends raised about \$5000 annually. When the book sales were held monthly, the Friends generated between \$11,000

and \$21,000 annually. The sales were basically in cash and all the money was deposited into an account the Friends maintained.

Another member of the Friends was interviewed and advised that he joined this organization about 2002 and remained a member until about 2008. The purpose of the Friends was to raise money for the operation of the Library. The Friends would also fund various programs for the Library. The Friends would also run book sales and the proceeds generated would go to the Library. The book sales were held about once each month or 10 to 11 per year. The book sales would generate about \$700 to \$1300 each month. The proceeds from each book sale would be given to the Treasurer of the Friends to be deposited into their checking account.

The current Director of the Wareham Free Library was interviewed and advised that the Library will “weed” (remove from the shelves) about 1000 books each year. These books are books that are no longer of interest. She stated the discarded books are usually very old and are in such bad condition that they are usually destroyed. She stated that every book that is put on the shelves of the Wareham Free Library is cataloged and tracked by the SAILS Library Network, Middleboro, MA.

She stated that the Friends’ of the Wareham Free Library receive donated books from the people of Wareham. In the past the Friends would hold book sales about once each month but now they have a book sale once every four months.

The OIG interviewed the Executive Director of the SAILS Library Network, in June, 2011. She advised that the Wareham Free Library is a member of the SAILS Library Network and was one of the founding members. The Wareham Free Library has been in this system since 1986 or 1987. She stated the Wareham Free Library has been a very consistent customer and there have been no indications of anything strange or out of place happening at that facility.

She stated a Library will discard books if they are no longer of interest to the public or the condition of the books has significantly deteriorated. She stated the Wareham Free Library will weed [discard] books of this nature during the fiscal year which runs from July 1 to June 30. The SAILS Library Network only has records of weeded books back to 2001.

The Executive Director stated that she has read the various newspaper stories regarding the Wareham Free Library pertaining to books being taken from the shelves of the Library and given to the Friends of the Wareham Free Library to be sold at their book sales. She does not believe this ever happened because for this to be correct, the Wareham Library would have to borrow the books given to the Friends from other Libraries who are members of the SAILS Network so that the Wareham Library could satisfy its customers. There are no records in the SAILS system to indicate this ever happened.

The OIG interviewed an individual who is employed by the Wareham Town Accountant's office in August 2011. The employee has been working in this office for sixteen years. During the interview she was informed that the Observer story alleged that persons involved in the donor kickback conspiracy were taking new books from Library shelves that had been purchased with public funds and selling them at Friends sponsored book sales. She was asked whether she had observed any kind of pattern involving the Library purchase of new books and reordering many of the same books during the next fiscal year. She advised that she reviews the invoices submitted for payment regarding Library purchases and has never observed this kind of pattern of purchases engaged in by Library personnel. She advised that her office does not keep records of purchases beyond seven years.

Donations to the Wareham Free Library

As mentioned earlier in this letter, "The Wareham Observer" (Observer) newspaper published a story on November 5, 2009 which alleged that at least 123 people were participants in a kickback scheme involving donations to the Wareham Free Library between 1995 and 2005. The Observer further alleged that large portions of these donations were immediately returned to the donors in cash. The story alleged that the donors reported the full amount of their original donations on their tax returns. The story claimed that the donor kickbacks amounted to 50 to 75 percent of each donation and stated "[m]any donors preferred making frequent smaller donations so not to alert the attention of the Internal Revenue Service." The OIG reviewed the bank account information provided to us by the Trustees' Corporation and the Friends. This review disclosed no evidence to support or corroborate the allegations set forth in the Observer story. If there was a scheme to kickback large amounts of cash to certain Library donors, one would expect there to

be large unexplained cash withdrawals from some or all of the bank accounts under the control of the Trustees' Corporation and the Friends. This was not the case.

The OIG review of the Wareham Free Library donor records disclose for the most part, small one or two time donations from single individuals rather than frequent small repetitive donations from the same individuals. This finding contradicts the claim made in the Observer that many of the 123 donors in the alleged kickback scheme made multiple small donations to avoid Internal Revenue Service scrutiny. The records disclose that most of the recorded donations were made to the Friends for the construction of the Spinney Memorial Library.

During interview with the OIG, the Publisher of the Observer provided the names of eleven individuals whom he recalled were among the 123 donors involved in the alleged donor kickback conspiracy. The OIG compared the names provided by the Publisher with the names of Library donors obtained from the records furnished to us by the Trustees' Corporation and the Friends. One of the names provided by the Publisher appeared in the donor records twice in 2005. This donor gave two gifts of \$100.00, one in July 2005 and the other in December 2005. One year later, in December 2006, the same person donated another \$50.00 gift. Two of these gifts were earmarked for the Spinney Memorial Library project. A second name provided by the Publisher appeared in the donor records once in June 2005. This person donated \$70.00. A third name provided by the Publisher appeared in the donor records once in September 2006. This person donated \$5,000.00 for the Spinney Memorial Library. The names of the other eight alleged participants in the donor kickback scheme that were provided to the OIG by the Publisher were not found in the donor records reviewed by the OIG.

As mentioned earlier in this letter, the Publisher has informed the OIG that he wrote down about 40 names of those involved in the alleged donor kickback scheme in a notebook that he has in his office. He was asked to provide the OIG with a copy of this notebook. The notebook has never been provided to the OIG.

Investigative Summary and Conclusions

This investigation was initiated by the Office of the Inspector General (OIG) after allegations were made in the Wareham Observer newspaper that 123 donors of the Wareham Free Library, the former Library Director, the members of the Library Trustees' Corporation, and the Friends of the Wareham Free Library were engaged in a donor kickback and embezzlement conspiracy between 1995 and 2005. The Observer alleged that these 123 persons made frequent small donations to the Library and received substantial portions of their donations back in cash payments. The Observer further alleged that these donors cheated on their income tax returns by reporting the full amount of their donations as charitable gifts. Moreover, it was alleged that some of the conspirators laundered in excess of three million dollars through the Library and pocketed a substantial portion of the money. According to the story, 1.5 million dollars was embezzled from the Library in order to replenish the donor kickbacks and that the embezzled money came from used book sales and coin operated copy machines located in the Library.

During the investigation the OIG conducted a substantial number of interviews with persons in a position to have knowledge of or participation in the alleged conspiracy. Persons interviewed included current and former Library officials; numerous past and present members and officers of the Wareham Free Library Trustees' Corporation and the Friends of the Wareham Free Library Corporation; Wareham Town Officials; and donors to the Wareham Free Library. OIG investigators reviewed hundreds of pages of documents containing bank account, investment account, financial donation and other miscellaneous records pertaining to the Trustees' Corporation, the Friends and the Wareham Free Library.

The OIG investigation did not reveal any evidence to substantiate or corroborate the allegations contained in the Observer story. The investigation revealed the primary sources for the monetary funds in the possession and control of the Trustees' Corporation and the Friends. It also revealed in general how these entities utilized these funds and what they did with them.⁴ The investigation also disclosed the approximate amount of money these entities had available to them in the critical time frame between

⁴ The OIG did not perform a forensic audit of the financial records of the Trustees' Corporation and the Friends. Nonetheless, the OIG review provided a significant picture of the funds available to these groups and how they were utilized.

1995 and 2005 when the alleged conspiracy was going on. The review of these financial records during the critical time frame shows that the persons involved in the alleged scheme never had access to funds amounting to more than three million dollars or funds anywhere close to that amount. For example, in 2004 the records disclose that the Trustees' Corporation and the Friends had approximately \$473,250.00 in financial assets under their control. The OIG review did not disclose any suspicious withdrawals of these financial assets.

The investigation disclosed no evidence that cash was being withdrawn from any accounts controlled by the Trustees' Corporation and the Friends to be used as kickbacks to donors. Moreover the investigation did not show any evidence of embezzlement of funds, cash kickbacks to donors, multiple repeat donations of money by 123 individuals or anything remotely suggesting sustained organized criminality involving multiple conspirators. In fact, eight of the eleven donors alleged by the Publisher to be involved in the kickback scheme were not found in the donor lists reviewed by the OIG. Moreover, the three persons whose names were provided to us by the Publisher that did make donations were not serial donors who gave repeatedly over the years from 1995 to 2005. In fact one of these donors gave a total of \$250.00 in 2005 and 2006, a second donor made a onetime gift of \$70.00 in 2005 and a third made a onetime gift of \$5,000.00 to the Spinney Memorial Library in 2006.

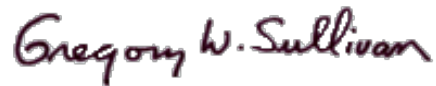
As mentioned above, the Observer story alleges that the primary sources for the 1.5 million dollars in embezzled funds were the book sales carried out by the Friends and the removal of money from the coin operated copy machines at the Library. The OIG investigation has demonstrated that the money obtained from the coin operated copy machines never went to Library personnel. The money collected from the two coin operated machines located in the Library for an eight month period in 2010-2011 was only \$917.00.

The amount of money obtained from book sales by the Friends was deminimus and did not come anywhere close to the amount of the alleged embezzled money mentioned in the Observer story. Persons involved with the Friends' book sales estimated that during the time period when there was one annual sale, the proceeds ranged from approximately \$2000.00 to \$3000.00 per year. During the time frame of 1995 to 2005 anecdotal reports indicate that one annual book sale was held by the Friends during the

majority of that period. When the book sales were held ten times per year, annual total revenue varied from approximately \$11,000.00 to \$21,000.00 per year. Suffice it to say that the amount of revenue generated by these sales could never have supported the kind of widespread organized criminal scheme detailed in the Observer story.

In summary, this investigation disclosed no evidence that a donor kickback and embezzlement conspiracy ever took place. Absent the production of compelling new evidence to the contrary, this investigation is considered closed.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive style with a clear, legible font.

Gregory W. Sullivan
Inspector General

cc: Mark Andrews
Town Administrator
Town of Wareham
54 Marion Road
Wareham, MA 02571

Denise Medeiros
Director
Wareham Free Library
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