

United States Department of Justice

For Immediate Release

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Northern District of California

North Bay Woman Sentenced to 33 Months in Federal Prison for Defrauding Author Danielle Steel Out of \$768,000

SAN FRANCISCO—Kristy S. Watts (aka Kristy Siegrist) was sentenced today to 33 months in prison and ordered to pay \$60,677 in restitution after being convicted of wire fraud and tax evasion, United States Attorney Joseph P. Russoniello announced.

Watts, 48, formerly of San Rafael, Calif., but now living in Tiburon, Calif., was charged by Information filed on Aug. 19, 2009, with one count of wire fraud and four counts of tax evasion. She pleaded guilty on Sept. 24, 2009, to all five counts.

According to court documents, Watts worked as a bookkeeper for author Danielle Steel for approximately 15 years. Watts was trusted with significant oversight of and day-to-day responsibility for Steel's personal and professional financial management, including overseeing bank accounts and credit card statements, handling payroll, overseeing the petty cash operations, obtaining foreign currency for international travel, and paying bills. While handling those duties, Watts devised a scheme to steal more than \$760,000 from Steel. The scheme encompassed three main facets:

First, the defendant raided petty cash funds; she took checks that had been made payable to "Cash" and deposited them in her own personal bank account, then used that money for her personal benefit.

Second, the defendant handled payroll responsibilities for other employees of Steel. In that capacity, the defendant had access to the online payroll distribution service Steel used—Automatic Data Processing, Inc. Watts abused this access by instructing ADP to cause additional salary and bonus payments to Watts that she had not earned. To conceal this aspect of her scheme, the defendant made false entries in the computer accounting system used to authorize and to track payments, such as falsely reporting that certain checks were payable to legitimate vendors for seemingly legitimate expenses.

Third, because of her access to Steel's financial records and mail, Watts knew that Steel was enrolled in a rewards program through American Express. Again without authorization, Watts converted hundreds of thousands of Steel's reward points to her own use. She used these points to fund trips for herself and her family to several domestic locations, as well as international trips to England, Spain, and Italy. She also used these reward points to purchase gift cards from various merchandisers for the use of herself and her family.

In all, Watts used the various components of her scheme to fleece Steel out of approximately

\$768,000. She paid no taxes on any of these embezzled funds. Watts admitted that she used the stolen funds to finance a lavish lifestyle. For example, in November 2004, Watts and her husband purchased a home in San Rafael for \$1,275,000, and then proceeded to spend in excess of \$1 million on remodeling and furnishing the home and the grounds. Watts and her husband also drove luxury vehicles and high-end motorcycles.

As part of her plea agreement, Watts agreed to forfeit assets to Steel; according to court documents, Watts already has turned over more than \$969,000 to Steel as a result of the criminal case and a civil lawsuit Steel filed immediately after Watts pleaded guilty in the criminal case. This figure includes funds generated by the sale of the defendant's San Rafael home and its furnishings, as well as Watts' and her husband's cars.

The sentence was handed down by U.S. District Court Judge Vaughn R. Walker following Watts' guilty plea to one count of wire fraud, in violation of Title 18, United States Code, Section 1343, and four counts of tax evasion, in violation of Title 26, United States Code, Section 7201. Judge Walker also sentenced Watts to a three-year period of supervised release, during which Watts must perform 400 hours of community service. In addition, Watts was ordered to pay \$60,677 to the United States as a result of the tax evasion convictions. The defendant will begin serving her prison sentence on June 4, 2010.

Doug Sprague and Robin Harris are the Assistant U.S. Attorneys who are prosecuting the case with the assistance of Rayneisha Booth and Jennifer Hiwa. The prosecution is the result of a seven-month investigation by the Federal Bureau of Investigation and the Internal Revenue Service - Criminal Investigation.