INTERNAL CONTROLS
January 2016

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INTRODUCTION

As governmental entities across the county have seen an increase with waste, fraud and abuse the Tennessee General Assembly took proactive steps this legislative session by passing Public Chapter 112 which amended T.C.A. 9-18-102(a). The amendment provides the following:

- Whether obligations and costs of the operation are in compliance with applicable law;
- Whether county funds, property and other assets that are designated/assigned to the clerk and master’s office are safeguarded against waste, loss, unauthorized use or misappropriation and
- Whether revenues and expenditures in the clerk and master’s office fee account and county general fund (as it relates to the clerk and master’s office) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

To assist TN counties with compliance CTAS has worked diligently to prepare an Internal Controls toolbox. The toolbox consists of the following tools: (1) internal controls questionnaire, (2) internal controls assessment, (3) segregation of duties checklist, and 4) sample internal controls risk assessment. In addition to the tool box CTAS has prepared a 4-hour internal control class. Beginning January 7, 2016, CTAS will begin the internal controls training on a statewide basis and concluding in March.

We at CTAS hope each elected official and their staff take advantage of our training and our tool box to prepare their internal controls that will allow them to comply with PC 112 and to provide a better system of financial management.
CLERK AND MASTER
SAMPLE INTERNAL CONTROLS QUESTIONNAIRE
January 2016
Sample Internal Control Assessment Questions

Clerk & Master

Summary: The following assessment questions are divided into three parts to address the changes in T.C.A. 9-18-102(a): (I) Whether obligations and costs of the operation are in compliance with applicable law; (II) Whether county funds, property and other assets that are designated/assigned to the clerk & Master office are safeguarded against waste, loss, unauthorized use or misappropriation; and (III) Whether revenues and expenditures in the clerk’s office fee account and county general fund (as it relates to the clerk’s office) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

I. Whether obligations and costs of the operation are in compliance with applicable laws

General:

a) Does the office have a written organizational chart?
b) Do the office employees have written job descriptions?
c) Does the office have a written, updated personnel policy and is this provided to the office employees?
d) Does the office have a copy of the adopted county ethics policy available for the official and the office employees?

Physical security of the office:

a) Who has a key to the clerk’s office?
b) Who has a key to the main door of the courthouse?
c) How often are the locks changed?
d) Is the office secured with cameras?
e) Is there a vault in the office?
f) When is it locked?
g) Who has access to the vault?

Purchasing:

a) Does the clerk and master’s office have an adopted policy relating to county purchasing?
b) Who is authorized to originate a purchase order requisition?
c) How does the office verify sufficient funding is available in the line item for the purchase?
d) Where are purchase orders submitted? (County finance/mayor)?
e) How does the office verify the vendor is on the approved vendor list?
f) Who issues the purchase order authorizing the purchase to be made?
g) Who places the order with the vendor?

h) Who verifies the goods received are what are itemized on the invoice or bill of lading?

i) Who are the reviewed purchase orders submitted to for payment?

j) What is the procedure taken when not all of the items listed on the invoice are delivered? (e.g., out of stock)

k) Is the office authorized to utilize charge accounts (blanket purchase orders) at local stores?

l) If authorized to utilize charge accounts, what vendors are approved?

m) How is the office invoiced for blanket purchase orders (e.g., upon purchase, weekly, monthly, etc.)?

n) To whom are the reviewed blanket purchase orders submitted for payment?

Store cards:

a) Does the clerk and master’s office have an assigned store card?

b) If so, where is it maintained?

c) If not, does the office have access to another store card (e.g., county finance)?

d) Is the store card used for blanket purchases or is a purchase order required prior to the purchase?

e) Who is authorized to use the store card?

f) What happens to any unspent amount on the purchase order (is it liquidated with county finance/mayor’s office)?

Contracts:

a) Who in the county is authorized to sign contracts dealing with purchases?

b) Are there certain contracts (by county policy) that require county legislative body approval?

c) If so, what is the county policy?

d) Is there a requirement for the county attorney to review them?

e) Who is designated as the contract monitor?

f) How is the contract monitored for vendor compliance?

Emergency purchases:

a) Who coordinates with the county finance department/mayor’s office in the case of emergency purchases?

b) Does the office have an adopted policy that addresses emergency purchases?

c) How are emergency purchases documented?

Payroll:

a) Does the clerk and master have a signed letter of agreement or salary suit to authorize current salaries?
b) Who in the office receives/reviews a copy of the adopted budget and a monthly year-to-date expenditure vs. budget report from the county finance/mayor’s office?

c) Who is responsible for checking to be sure the original budget/budget amendments authorized by the county commission are posted to the clerk and master’s monthly budget to actual reports?

d) Who is responsible for identifying anticipated budget overages?

e) To whom are these overages reported?

f) What is the procedure after the anticipated overages are reported?

g) How are payroll payments made to employees?

II. Whether county funds, property and other assets designated/assigned to the clerk and master are safeguarded against waste, loss, unauthorized use or misappropriation

Cash with fee account:

a) What type of system is used for receipting and accounting?

b) Are the checks pre-numbered?

c) Who is authorized to sign checks?

d) Does the office have a disaster recovery plan?

e) How often is it backed-up?

f) Where is it stored?

g) Who is authorized to enter receipted payments?

h) Are all individuals that are authorized to receipt and/or have access to county funds covered by the county blanket liability bond/insurance? This would include interns, temporary and seasonal employees, part time workers from a human resource agency.

i) Who maintains cash boxes?

j) How many people are assigned to a single cash box?

k) How are the cash boxes secured?

l) Who counts and balances the cash boxes each day?

m) How does the office ensure the balances are accurate?

n) Where are the cash boxes stored at the end of the work day?

o) What is the authorized amount for cash on hand authorized by the county commission?

p) How often are deposits made?

q) How are deposits verified to be accurate?

r) Who is authorized to prepare bank deposits?

s) Who approves/signs disbursements and reports?

t) Who verifies the pre-check register?

u) Who writes the checks?

v) How many signatures are required on a check?

w) Who signs the checks?

x) Who performs daily, monthly and yearly accounting functions for the general, child support, investments, court funds and tax funds?

y) Who maintains balance reports, works with the other court deputies to balance cash drawers daily, verifies all collected funds are receipted and works up the daily deposit?
z) Does anyone recount the collected funds? Who?
aa) How is it verified that the collected funds match with the daily receipt total report?
bb) Who takes the deposit to the bank?
c) Who takes the deposit in the absence of the designated person?
dd) Who verifies the deposit was made intact with what was posted in the accounting records?
e) Who reviews/analyzes accounts due to overpayments or other discrepancies, researches partial or duplicate payments, makes appropriate adjustments to accounts, and processes paperwork to issue refunds as appropriate?
ff) Who is notified of any discrepancies or adjustments made along with the proper footnote or journal entry? Who notifies this person?
gg) Who reviews any journal entries made during the month and the month-end reports?
hh) Who reviews TNCIS audit logs monthly to ensure any adjusted entries or voided receipts are legitimate?
ii) Who prepares various monthly and yearly financial reports including I.R.S., Tennessee Department of Revenue, etc.?
jj) Who prepares all financial reporting forms or other documentation, compiles data for report preparation, submits reports/forms to appropriate individuals as well as reconciles monthly budget reports?
k) Who is responsible for collecting the required I.R.S. information from the vested party(s), individual(s) or attorney(s) who are receiving a taxable settlement and/or compensation?
ll) Who reviews the documents, calculates and prepares all appropriate I.R.S. forms?
m) Who reviews these reports and signs them before they are forwarded?

1. Investments:
   a) Where are all court funds placed?
   b) Where are funds held for litigants without a specific court order placed?
   c) Where is the interest accrued from these funds placed?
   d) What type of investments are authorized?
   e) Who is contacted for questions pertaining to the legality of a potential investment?

2. Delinquent tax sales:
   a) Where are sales kept?
   b) Are supplemental payments made to court deputies for work performed?
   c) Who conducts and documents the tax sale?
   d) Who verifies authority for and the accuracy of documentation related to the sale?
   e) Who is authorized to issue receipts?
   f) Who posts receipts to accounting records?
   g) Who verifies the transaction was properly recorded?

3. Unclaimed funds:
a) Who is responsible for performing an in-depth review of the docket trial balance and the outstanding check list each year to identify any unclaimed funds that are greater than one year old?
b) Who prepares due diligence letters for all old, unclaimed funds?
c) Who reviews and signs these letters?
d) What is done with unclaimed funds after due diligence letters have been mailed?

4. Litigation taxes and fees:
   a) Who reviews the litigation taxes and fees that the office charges annually and coordinates with the AOC to ensure what is being assessed on each case is in compliance with the law and up to date?
b) Who maintains a folder with copies of certified county commission resolutions authorizing all county optional litigation taxes (e.g., courthouse renovation) and fees (archives, etc.) that the office collects?
c) Does the clerk utilize the flat fee system?
d) Who in the office keeps up with what the state files?
e) Who submits a reimbursement request to the State Department of Human Services?
f) Where are any unpaid taxes and fees turned over for collection?

5. Payroll:
   a) How often are the deputies paid?
b) How do they receive payments?
c) How are employees’ time and leave documented?
d) Who reviews it?
e) Where is it sent for processing? Who sends it?
f) Do the deputies utilize overtime or comp time?
g) Does each employee have a personnel file?
h) Who maintains these files?
i) How is the office protected against ghost employees and inaccurate payroll disbursements?

III. Whether revenues and expenditures in the clerk and master’s office are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Revenues and expenditures:
   a) Who is responsible for coordinating with the county trustee’s office to ensure all receipted funds are coded to the correct revenue line item each month?
b) Who coordinates with county finance to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget?
c) Who reviews the accrued leave liability for the employees at the end of the fiscal year and gives a copy to the finance department?
d) Who reviews the year-end trial balance, closing entries and bank reconciliations?

e) Where is this information placed?

f) Who is responsible for ensuring subsidiary ledgers (investments, docket trial balance, court funds, etc.) are detailed, reconciled to the general ledger trial balance, and do not contain “plug numbers” to balance?

g) Who completes the annual financial report and files it with the county mayor and county clerk?

h) Who coordinates with county finance to ensure capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies for any capital assets that are assigned to the clerk and master’s office and require tracking?
CLERK AND MASTER

SAMPLE INTERNAL CONTROLS ASSESSMENT

January 2016
Internal Control Assessment of Sample County Clerk & Master

Purpose: To document an understanding and assess the internal controls of the Sample County Clerk & Master as it pertains to the following:

1. Whether obligations and costs of the operation are in compliance with applicable law
2. Whether county funds, property and other assets that are designated/assigned to the clerk & master are safeguarded against waste, loss, unauthorized use, or misappropriation
3. Whether revenues and expenditures in the clerk and master’s fee account and county general fund (as it relates to the clerk and master) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Overview: Sample County Chancery & Probate Court Clerk’s Office consists of the clerk & master, a bookkeeper, three deputy clerks and one part-time clerk. An in-depth analysis of the internal control environment for the operations of the Sample County Clerk & Master’s office was performed by Clerk and Master Davy Crockett, his employees and a CTAS County Government Consultant.

1. Whether obligations and costs of the operation are in compliance with applicable law

Purchasing:

The clerk and master’s office complies with the county purchasing policy that is in effect for Sample County Government, adopted under the Financial Management System of 1981.

Purchase Orders:

Carly Fiorina (C&M bookkeeper) will fill out all purchase order requisitions with the county finance department. Davy will sign the requisitions and coordinate with the county finance department to ensure there is funding available in the line item for the purchase, and that the vendor is on the approved vendor list. The county finance department issues the purchase order which authorizes the purchase to be made. Davy and Carly will then place the order with the vendor. When goods arrive, the same people verify that the goods received are what are itemized
on the invoice. The invoice is then initialed as goods received and forwarded to county finance for payment by accounts payable. There are no charge accounts (blanket purchase orders) at local stores.

Store cards:

The clerk and master’s office does not have an assigned store card, however, Carly is authorized to utilize the Walmart card that is assigned to the county finance office. When the office needs to purchase an item from Walmart, Carly will prepare a purchase order requisition, Davy will sign it, and Carly will then get a purchase order from county finance along with the Walmart card. Carly will purchase the goods and bring the receipt and card back to county finance. Any unspent amount of the purchase order is closed after Carly initials the purchase order to verify that goods were received. Penny and Angela will go to these stores for needed purchases that are then applied to blanket purchase orders.

Contracts:

Per Sample County purchasing policy, the county finance director signs all county contracts dealing with purchasing. All contracts that are over one year in length are approved by the county commission after the county attorney reviews them. The clerk & master coordinates with the county finance department to ensure contract compliance per county purchasing policy. The clerk and master does not sign any contracts as outlined in the county purchasing policy and 1981 Financial Management System purchasing laws.

Emergency purchases:

Davy will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the emergency at hand. The county purchasing policy addresses emergency purchases, and the clerk & master's office complies with these policies. This would be a very rare occurrence in the office.
Payroll:

Payroll is authorized each fiscal year through a letter of agreement prepared by county finance and signed by the mayor and Davy after the adoption of the county budget. Davy receives a copy of the adopted budget after the county commission approves it. He then receives a monthly year-to-date expenditure vs. budget report from county finance each month. Carly is responsible for bringing any anticipated budget overages to Davy's attention so he can inform county finance that a budget amendment is needed. All payments to employees are paid through payroll accounts (not vendor accounts) in order to comply with IRS tax code for payroll taxes, state unemployment compensation, workers’ comp laws and TCRS requirements.

2. Whether county funds, property and other assets that are designated/assigned to the clerk & master are safeguarded against waste, loss, unauthorized use, or misappropriation.

See Excel Internal Control Checklist for more detail (the below information is in summary format).

Overview:

The audited financial report detailed expenditure statements were reviewed to identify expenditures of material amounts. In the clerk & master’s office, material expenditure amounts were payroll, data processing services, and in-service/staff development. Internal controls over these material costs were scrutinized in-depth.

Fee account and office cash operations (receipt/disburse/deposit/reconcile/segregation of duties over cash):

The clerk & master’s office utilizes a computerized accounting system (TNCIS) for receipting and accounting. The software will print checks from pre-numbered check stock that the clerk & master and one of the court deputies will sign (two signatures required on each check). The office has a written disaster recovery plan, and the system is backed-up daily. The backup disk is stored off-site in a safe deposit box.
Daily receipting of payments into the clerk & master’s office are entered by any deputy court clerk except the bookkeeper. Cash boxes with locks (each individual deputy has a key for the cash box assigned to them) are maintained by each deputy court clerk. The cash boxes are counted and balanced each day by the bookkeeper (bookkeeper and two deputies must initial in a journal that shows the balances match). The cash boxes with the authorized cash on hand ($100 per box, $400 total authorized for cash on hand by county commission resolution) are locked in the vault when the work day is done, and the daily work has been counted and balanced. Deposits are made no less than twice a week. Daily balances are crossed-checked with deposits. Bank deposits will be prepared by any deputy other than the bookkeeper. All disbursements and reports must be approved and signed by the clerk & master. Checks are written at various times during the month by the bookkeeper after the pre-check register has been verified. Checks require two signatures and may be signed by the clerk & master and any deputy clerk designated by the clerk & master (the bookkeeper is prohibited from signing checks). Court deputies Penny, Angela, Kelly Bean, and the clerk and master are the only bank authorized signers.

Carly performs daily, monthly, and yearly accounting functions for the general, child support, investments, court funds and tax funds. She also maintains balance reports, works with the other court deputies to balances cash drawers daily, verifies that all collected funds are receipted and works up the daily deposit. Amy then recounts the collected funds and verifies that the collected funds match with the daily receipt total report. Davy then takes the deposit to the bank. If Davy is out on vacation or sick, then Tina takes the deposit after Amy reviews the collections. When Davy returns from the bank, Carly will initial deposit slips after she checks that the deposit was made intact with what is posted as the deposit in the accounting records.

Carly reviews/analyzes accounts due to overpayments or other discrepancies, researches partial or duplicate payments, makes appropriate adjustments to accounts and processes paperwork to issue refunds as appropriate. Carly must notify Davy of any discrepancies or adjustments made along with the proper footnote or journal entry. Davy reviews any journal entries made during the month when he reviews the month-end reports. Davy also reviews TNCIS audit logs monthly to ensure that any adjusted entries or voided receipts are legitimate and identified by him.
Carly prepares various monthly and yearly financial reports including I.R.S., TN. Department of Revenue, etc. She prepares all financial reporting forms or other documentation, compiles data for report preparation, submits reports/forms to appropriate individuals as well as reconciles monthly budget reports. When applicable, Carly is responsible for collecting the required I.R.S. information from the vested party(s), individual(s), or attorney(s) who are receiving a taxable settlement and/or compensation. In addition, Carly the court accountant reviews the documents, and calculates and prepares all appropriate I.R.S. forms. Davy will review these reports and sign them before they are forwarded on to the appropriate state/federal agency.

Investments:

All court funds (with a court order to place in interest bearing funds for the benefit of the litigant) are placed in interest bearing investment accounts. Investments are limited to state authorized investment accounts (CDs, Money Market Accounts, CDARS program, etc.). If Davy had a question about the legality of a potential investment, he would contact the state treasurer’s office.

Delinquent tax sales:

All sales are authorized by a court order which are kept on file at the clerk’s office. Since these sales are done during regular work hours, no supplemental payments are made to court deputies for work performed.

Unclaimed funds:

Carly does an in-depth review of the docket trial balance and the outstanding check list each year to identify any unclaimed funds that are greater than one year old. Carly prepares due diligence letters for all old, unclaimed funds. Davy will review and sign these letters. Any funds still not claimed after due diligence letters have been mailed are filed with the State Unclaimed Property Division.

Litigation taxes and fees:

Davy reviews the litigation taxes and fees that his office charges annually and coordinates with the AOC to ensure what is being assessed on each case is in compliance with the law and up to
date. Davy maintains a folder with copies of certified county commission resolutions authorizing all county optional litigation taxes (courthouse renovation, etc.) and fees (archives, etc.) that his office collects. Davy utilizes the flat fee system. The majority of cases filed in the clerk and master’s office require all taxes and fees to be paid up front (except indigent cases with a court order). Therefore there are very little taxes or fees (e.g., continuances, show causes) that are not paid on the front end of filing the original motion. The small amount of unpaid taxes and fees are turned over to a third party collection company to attempt collection as authorized under T.C.A. 20-12-144.

Payroll:

The clerk and master’s office deputies are paid every two weeks through the county finance department and receive their pay via direct deposit. Each court clerk deputy prepares a manual timesheet that includes hours worked and any annual/sick leave taken. At the end of the pay period, Davy will review and approve each employee’s timesheet and updates an office leave accrual Excel spreadsheet for annual/sick time earned and used. Davy then forwards the signed timesheets to the county finance office for payroll processing. Davy does not utilize overtime but provides his deputies comp time in the rare occurrences they work greater than 40 hours a week. County finance maintains a personnel file for each employee with a copy of the authorization for the current pay level for each employee along with signed copies of the forms authorizing any payroll deduction. To guard against ghost employees and to ensure accuracy of payroll disbursements, Davy reviews the itemized check listing each pay period.

3. Whether revenues and expenditures in the clerk and master’s office are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Carly is responsible for coordinating with the county trustee office to ensure all receipted funds are coded to the correct revenue line item each month. Davy coordinates with the county finance department to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget. Davy reviews the accrued leave liability for his deputies at the end of the fiscal year and gives a copy of this to the finance department. Davy reviews the year-end
trial balance, closing entries and bank reconciliations with Carly, and this information is placed with the month-end and year-end reports for the independent auditors. Davy pays particular attention to ensure that subsidiary ledgers (investments, docket trial balance, court funds, etc.) are detailed, reconciled to the general ledger trial balance, and do not contain “plug numbers” to balance. Carly completes the annual financial report and files this with the county mayor and county clerk. Carly coordinates with the county finance office to ensure capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies for any capital assets that are assigned to the clerk and master’s office and require tracking.
CLERK AND MASTER

SAMPLE SEGREGATION OF DUTIES CHECKLIST

January 2016
## Clerk and Master
### Internal Control Checklist

**Receipts**

**Checks Received in the Mail**

<table>
<thead>
<tr>
<th>Checks Received in the Mail</th>
<th>Daily Receipting and Depositing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open Mail</strong></td>
<td><strong>Stamp All</strong></td>
</tr>
<tr>
<td>(1) Open Mail, Stamp Checks for &quot;Deposit Only&quot;, Official's Account Number should be on the Stamp. Record the date, Make a List of All Checks by Name and Amount. (Checks can be scanned as an alternative to making a list)</td>
<td>(2) Present Checks to person responsible for issuing the receipt. Keep the List secure until all receipts are verified as posted (Column 6).</td>
</tr>
</tbody>
</table>

### Column Instructions:

- XX The Person indicated by the XX is the preferred person to perform the procedure.
- ** For computerized systems. Always follow guidance from Division of County Audit Information Systems Auditors with regard to Passwords, Computer Access, Backups, etc.
- *** Note: A Sign should be conspicuously posted in the office that states, "You must receive an official receipt or your transaction is not complete".

**Five-Person Office:**

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</tbody>
</table>

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(1) Open Mail, Stamp Checks for "Deposit Only", Official's Account Number should be on the Stamp. Record the date, Make a List of All Checks by Name and Amount. (Checks can be scanned as an alternative to making a list)

(2) Issue receipts for the mail-in checks.

(3) Each employee should have a separate cash drawer. (Employees should not share passwords) (It is preferable for each cash drawer to have a lock.)

(4) Issue Receipts for Collections. (Notice that in the Two Person Office both employees are allowed to receipt)

(5) Stamp All Checks for "Deposit Only" immediately upon receipt. Do not wait until the end of the day.

(6) When a manual receipt book is utilized. (The use of a manual receipt book is discouraged when a computerized system is utilized.)

(7) If a manual receipt book is utilized, it must be bound, include the Official's Title, and be prenumbered. (Receipt books that can be purchased at local stores such as Walmart should not be utilized.) The receipt should have a place to indicate whether the payment was by cash, check, money order, or credit card and a place to indicate the name of the person who issued the receipt.

(8) Update the accounting system for the day's receipts or manually post receipts to accounting records. (It is preferable for the bookkeeper to perform this procedure at the end of the day, but in many computerized systems receipts are posted automatically. This is why all employees who write receipts are included in this column.)

(9) Examine accounting records. Determine that all mail-in (use list prepared in Column 1) and manual receipts were recorded.

(10) Each employee should check out to a certain amount of cash (e.g. $100). This procedure should be performed daily if practicable. In a manual system, use of a standard check-out sheet is advised. The computer may generate the check-out sheet in a computerized system. Each employee should sign or initial his/her check-out sheet.

(11) Combine the money from all drawers and complete a deposit slip. The deposit slip should be itemized. The total deposit amounts should agree with the check-out sheets in Step 9. The Deposit should be made "intact". This means that the deposit should equal all receipts for a given day. (As an alternative, a deposit could be made up for each cash drawer rather than making a combined deposit)

(12) Carry the deposit to the bank and obtain a deposit slip.

(13) Verify that the amount on the slip agrees with the check-out sheets and the amount recorded on the accounting records. Initial and date the deposit slip to indicate the review.

(14) Examine the audit log from the computerized system. Determine why transactions were deleted or changed. (It is preferable to perform this procedure daily, but the procedure should be performed at least each month. It is also preferable to print the report and write a brief explanation.) Initial and date the report after review or otherwise document that you examined the audit log if it was not printed.

(15) The Employes who made the errors should also correct the errors, but under the supervision of the bookkeeper, this would not apply to the two person office.
### Clerk and Master
#### Internal Control Checklist
#### Delinquent Tax Sales

**Verify Authority for and the Accuracy of Documentation related to the Sale**

**Issue Receipts**

**Post Receipts to Accounting Records**

**Verify that the Transaction was properly Recorded**

<table>
<thead>
<tr>
<th>Conduct and Document the Tax Sale</th>
<th>Verify Authority for and the Accuracy of Documentation related to the Sale</th>
<th><strong>Issue Receipts</strong></th>
<th>Post Receipts to Accounting Records</th>
<th>Verify that the Transaction was properly Recorded</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
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<td>(2)</td>
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<td>(4)</td>
</tr>
</tbody>
</table>

#### Five-Person Office:

<table>
<thead>
<tr>
<th>Official</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<tr>
<td>Official</td>
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<td>Employee #1</td>
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<td>Employee #3</td>
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<tr>
<td>Employee #4 - Bookkeeper</td>
<td>X</td>
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<td>XX</td>
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</tbody>
</table>

#### Column Instructions:

- **XX**: The Person indicated by the XX is the preferred person to perform the procedure.
- **For computerized systems. Always follow guidance from Division of County Audit Information Systems Auditors with regard to Passwords, Computer Access, Backups, etc.**

1. **Conduct the sale as authorized by a Judge and State Statutes.** It is preferable to have a witness to the sale. This could be an employee or a disinterested third party. The witness should initial bid documentation, receipts, and other documents.
2. **Verify Sale Amount to Court Order and Other Sale Documents such as bids.**
3. **Issue receipts for the sale deposit/downpayment or proceeds.** Since the sale is planned in advance, there should be no need for the Official to have the option to write the receipt.
4. **Post receipts to the accounting records.** (It is preferable for the bookkeeper to perform this procedure at the end of the day, but in many computerized systems receipts are posted automatically. This is why all employees who write receipts are included in this column.)
5. **Verify that the Transaction was properly recorded to the General Ledger and Tax Records.**
### Clerk and Master

#### Internal Control Checklist

#### Issuing Non-Payroll Checks and Reconciling Bank Statements

<table>
<thead>
<tr>
<th></th>
<th>Issuing Checks</th>
<th>Monthly Bank Reconciliation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Payroll Checks</strong></td>
<td>Non-Payroll Checks</td>
<td>Monthly Bank Reconciliation</td>
</tr>
<tr>
<td><strong>Signature Authority</strong></td>
<td>Signature Authority</td>
<td><strong>Review Bank Reconciliation</strong></td>
</tr>
<tr>
<td><strong>Verify Amt. Mail Checks</strong></td>
<td>Verify Amt. Mail Checks</td>
<td><strong>Balance to Acct. Records</strong></td>
</tr>
<tr>
<td><strong>Post Checks Accounting</strong></td>
<td>Post Checks Accounting</td>
<td><strong>Perform Bank Reconciliation</strong></td>
</tr>
<tr>
<td><strong>Write Checks</strong></td>
<td>Write Checks</td>
<td><strong>Receive, Open, and Review Bank Statements</strong></td>
</tr>
<tr>
<td><strong>Mail Checks</strong></td>
<td>Mail Checks</td>
<td><strong>and Cancelled Checks</strong></td>
</tr>
<tr>
<td><strong>Accounting Records</strong></td>
<td>Accounting Records</td>
<td><strong>Checks</strong></td>
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</tbody>
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#### Five-Person Office:

<table>
<thead>
<tr>
<th>Official</th>
<th>Employee #1</th>
<th>Employee #2</th>
<th>Employee #3</th>
<th>Employee #4 - Bookkeeper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official</td>
<td>XX</td>
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<td>X</td>
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<tr>
<td>Employee #1</td>
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<tr>
<td>Employee #2</td>
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<tr>
<td>Employee #3</td>
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</tr>
</tbody>
</table>

#### Column Instructions:

- **XX** The Person indicated by the XX is the preferred person to perform the procedure.

#### Issuing Checks -

1. **Physically prepare the checks for signature.**
2. **Determine the reason and examine documentation for the issuance of the check. Sign the checks and maintain possession of the checks. Mail the Checks.** (Blank Checks should never be signed.) (The Official should sign and mail checks except for brief periods when the Official is absent. The Official should examine all checks issued during his/her absence.)
3. **Record the checks in the accounting system.**

#### Monthly Bank Reconciliation -

4. **A person who is not responsible for reconciling the bank should open the bank statement and review it for unusual transactions, bank transfers, bad checks, and if possible, cancelled checks. Trace deposits-in-transit, bad checks, outstanding debits or credits, outstanding checks, etc. from the previous bank reconciliation to the current bank statement. Ensure that interest earned was posted to accounting records if applicable. Initial and date the statement indicating that you opened and reviewed the statement.**
5. **Obtain the Bank Statement after it has been initialed and reviewed as directed in Step 4. Perform the bank reconciliation. This should be done monthly.**
6. **The person who is not responsible for reconciling the bank should review the bank reconciliation. Trace the balance on the bank reconciliation to the general ledger. Make sufficient inquiries to understand reconciling items (i.e. Deposits-in-transit, bad checks, outstanding debits or credits, interest earned, large or unusual outstanding checks, etc.). Trace reconciling items to underlying accounting records if explanations are not adequate. Initial and date the reconciliation to indicate the review.**
### Internal Control Checklist

#### Investment Transactions

<table>
<thead>
<tr>
<th>Investment Purchases</th>
<th>Maturing Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Decision</strong></td>
<td><strong>Verify Investment Maturity</strong></td>
</tr>
<tr>
<td>Write Check for Investment</td>
<td>Retrieve Investment Document</td>
</tr>
<tr>
<td>Sign Check for Purchase Investment</td>
<td>Record in Investment Ledger</td>
</tr>
<tr>
<td>Inspect Investment and Record in Investment Ledger</td>
<td>Redeem or Renew Investment Ledger</td>
</tr>
<tr>
<td>Post Investment to the Accounting Records</td>
<td>Record in Investment Ledger</td>
</tr>
<tr>
<td>Determine that the Transaction has been Properly Recorded</td>
<td>Post Investment Maturity to the Accounting Records</td>
</tr>
<tr>
<td>Place Investment Document in a Secure Location</td>
<td>Determine that the Transaction has been Properly Recorded</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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</tr>
</tbody>
</table>

#### Five-Person Office:

- **Official**
  - X
- **Employee #1**
  - X
- **Employee #2**
  - X
- **Employee #3**
  - X
- **Employee #4 - Bookkeeper**
  - X

**Column Instructions:**

XX The Person indicated by the XX is the preferred person to perform the procedure.

### Investment Purchases:

1. The Official should make Investment decisions.
2. The Official should authorize the employee to issue a check for the amount of the Investment drawn on the appropriate bank.
3. The Official should purchase the Investment.
4. The particulars (i.e., Date, Maturity, Amount, Bank, Interest Rate, etc.) should be recorded in an Investment Ledger (if applicable). The balance for Investments on the Investment Ledger should agree with the Investment balance on the General Ledger after procedure 5 has been performed.
5. Determine that the Investment transaction has been correctly recorded in the Investment ledger and the general ledger. Determine that the Investment ledger and general ledger agree.
6. Place the Investment document in a secure location.

### Maturing Investments:

1. Retrieve the Investment document from the secure location.
2. Present the maturing Investment to the appropriate Employee(s) for verification of the maturity with the Investment ledger. Remove maturing Investment from the Investment ledger.
3. Redeem or renew the Investment at the bank.
4. Remove the matured Investment from the Investment ledger balance. Record any new Investment. The particulars (i.e., Date, Maturity, Amount, Bank, Interest Rate, etc.) should be recorded in the Investment ledger. The balance for Investments on the Investment Ledger should agree with the Investment balance on the General Ledger after procedure 12 has been performed.
5. Record the maturity and any renewal on the Accounting Records.
6. Determine that the Investment transaction has been correctly recorded in the Investment ledger and the general ledger. Determine that the Investment ledger and general ledger agree.
7. Place the Investment document in a secure location.
## Payroll Checks

### Issuing Payroll Checks

<table>
<thead>
<tr>
<th>Collect Time-sheets, Calculate Hours and Leave</th>
<th>Approve Leave Balances and Time-sheets</th>
<th>Write Checks</th>
<th>Record the Checks in the Payroll Ledger</th>
<th>Determine that Payroll Deductions Clear out for each Payroll</th>
<th>Determine Amount of Payroll Tax Deposit</th>
<th>Approve and Make Payroll Tax Deposit</th>
<th>Verify Amt. Sign and Mail/Deliver Checks</th>
<th>Post Checks to Accounting Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
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**Official**

<table>
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<tr>
<th>Employee #1</th>
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</thead>
<tbody>
<tr>
<td>X</td>
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</table>

**Finance**

- Finance
- Finance
- Finance
- Finance
- Finance
- Finance

### Column Instructions:

- **XX** The Person indicated by the XX is the preferred person to perform the procedure.

***Note that sample county is an 1981 Act County***

1. Collect the time sheets and calculate hours and leave balances if applicable.
2. Sign the time sheets indicating approval of the hours presented and leave calculations if applicable.
3. County Finance Office prepares and disburses payroll checks
4. County Finance Office records checks to county payroll ledger
5. Determine that all payroll deductions are paid to proper payee and that payroll deductions clear out for each payroll period.
6. Determine the amount of the Payroll Tax Deposit using the payroll ledger or other method.
7. Electronically make the payroll tax deposit.
8. Verify the amount and sign the payroll checks, mail payroll deduction checks, and mail or deliver payroll checks to employees. (Blank checks should never be signed.)
9. Record checks in the accounting system.

(The Official should sign and mail/deliver checks except for brief periods when the official is absent. The Official should examine all checks issued during his/her absence.)

### Five-Person Office:

- Official
- Employee #1
- Employee #2
- Employee #3
- Employee #4 - Bookkeeper

- Finance
- Finance
- Finance
- Finance
- Finance
- Finance
- Finance

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**See Column Instructions Below**
## Entering Journal Entries and Transfers

<table>
<thead>
<tr>
<th>Official</th>
<th>Prepare and Document the Journal Entry</th>
<th>Approve Journal Entries</th>
<th>Post Journal Entries to Accounting Records</th>
<th>Review Accounting Records for Proper Posting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
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<tr>
<td>Employee #1</td>
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<td>Employee #4 - Bookkeeper</td>
<td>X</td>
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</tr>
</tbody>
</table>

### Column Instructions:

- **XX** The Person indicated by the XX is the preferred person to perform the procedure.

### Entering Journal Entries and Transfers:

1. Use a journal entry form to record debits and credits and to explain the transaction. Attach documentation as necessary.
2. Sign the journal entry form to indicate approval of the journal entry, the explanation, and the documentation.
3. Record the journal entry in the accounting system.
4. Review the accounting records to determine that the journal entry was properly recorded.
State of Tennessee

PUBLIC CHAPTER NO. 112

SENATE BILL NO. 413

By Haile

Substituted for: House Bill No. 187

By Hawk

AN ACT to amend Tennessee Code Annotated, Section 9-18-102, relative to internal controls for local governments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-18-102(a), is amended by deleting the subsection in its entirety and by substituting instead the following language:

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

SECTION 2. This act shall take effect June 30, 2016, the public welfare requiring it.
SENATE BILL NO. 413

PASSED: March 30, 2015

RON RAMSEY
SPEAKER OF THE SENATE

BETH HARWELL
SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 10th day of April 2015

BILL HASLAM, GOVERNOR
Sample Risk Assessment for
TN County Office and/or Department

Review, gain an understanding of, and document the internal control procedures that your office already has in place and is currently practicing. Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal controls should address specific risks associated with the day-to-day operations and transactions in the county offices that will be utilizing or accounting for public funds and assets. The objectives of your internal controls should be to provide reasonable assurance that your office can document and demonstrate the following:

I The obligations and costs of the operation are in compliance with applicable law
II To ascertain if county funds, property and other assets that are designated/assigned to the office/department are safeguarded against waste, loss, unauthorized use, or misappropriation
III Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Hold a formal meeting with key employees of the county office, if a larger office. Consider including the county finance and/or county trustee office in the sections that deal with financial reporting issues that have an impact on their offices as well.

- Obtain the county’s most recent annual financial and compliance audit and review applicable audit findings that identified significant or material weaknesses in internal controls of the county office. Have these identified internal control weaknesses been corrected or has compensating internal controls been put into place to offset these identified weaknesses?
- Ask yourself (and the group if appropriate) their thoughts on how assets and funding assigned to the county office could possibly be misappropriated, wasted or abused. You, or the group, should brainstorm about the possibility of circumvention of the internal controls that are in place and discuss any needed changes to policies and procedures to eliminate/reduce significant internal control weaknesses that have been identified by the internal control assessment that was performed in-house.
- If delegating authority to make changes, determine who will be the senior level employee in your office designated for addressing internal control weaknesses identified by the external audit as well as issues that were identified by the internal control assessment that was performed in-house. Be sure to involve legal counsel to
review any updates to office written policies (personnel, purchasing, etc.) prior to any official policy change.

- Based on any corrective actions and updates to policies and procedures effecting internal controls of the office, update your written internal control assessment to reflect these changes made.

- Assign senior level staff (if not yourself) to continue to monitor the updated internal control procedures to help ensure compliance with adopted policies and procedures.

The group should have at least one formal 'follow up' meeting in the near future to determine if all the material identified internal control risks that were identified in the first meeting have been mitigated. The group should also consider having at least an annual management meeting to ensure that any concerns that arise dealing with internal control issues are addressed, objectives of the office are being met, and proper accounting and reporting requirements are being achieved. If the office is currently receiving federal grant funding, it is recommended that the senior accounting official consult with the State or Federal department, which the grant funding is being received from, prior to each meeting to identify any new internal control or reporting issues that need to be addressed by county management at this time.
The $54 million fraud

What CPAs can learn from the fleecing of Dixon, Ill.

July 31, 2013
by Kelly Richmond Pope, CPA, Ph.D.

In the wake of the largest municipal fraud in U.S. history, the questions still swirl. How could the treasurer of an Illinois town with an annual budget of $6 million to $8 million embezzle nearly $54 million over two decades? How could such a scam go undetected in annual audits by two independent accounting firms and in annual audit reviews by state regulators?

What can the accounting profession learn to prevent or catch similar schemes in the future?

This article looks at how a quarter horse enthusiast named Rita Crundwell drained the coffers of Dixon, Ill. It examines the circumstances that laid the foundation for the fraud, the strategies she used to perpetrate it, and the red flags that should have signaled something was amiss.

The Crundwell chronicle
Crundwell was a longtime employee of the city of Dixon, her hometown, before she started stealing from its coffers. She began working for the town in 1970, while she was still in high school, and quickly moved into a finance role. In 1983, she was named treasurer and comptroller.

She launched the fraud scheme on Dec. 18, 1990, when she opened a secret bank account in the name of the City of Dixon. Crundwell was the only signatory on the account, which was called the RSCDA - Reserve Fund. The initials stood for Reserve Sewer Capital Development Account, and Crundwell was the only person who knew it existed.

She began transferring funds from city accounts into the RSCDA account in 1991. That year, Crundwell transferred more than $181,000 into the RSCDA account.

The rate of theft escalated over the 21 years she pilfered money from the town.

Trust is not an internal control
The city of Dixon placed a great deal of trust in Crundwell—too much, as it turned out. The city, which does not have a city manager, gave Crundwell wide rein over its finances and set the stage for her massive fraud.

Occasionally, Dixon employees or leaders would question Crundwell about financial shortfalls. She would respond that the state of Illinois was late with payments to the city. The excuse was believable because the state sometimes was as much as a year late with payments. The problem was that no one independently verified Crundwell’s story. City officials relied on annual audits by independent audit firms as well as annual reviews by the state of Illinois. The town’s finances were given the OK in those reviews, and Crundwell continued to move city money into her accounts.
“Raising questions is a start, but making sure these questions are answered appropriately is key,” said Kelly Paxton, a licensed private investigator for Denver-based Financial CaseWorks LLC.

Crundwell built trust with the community by building a large quarter horse breeding operation that employed many residents and through her interactions with her neighbors and co-workers. People asked to describe Crundwell often said things such as:

- She was sweet as pie;
- You couldn't find a nicer person on the face of the planet to talk to;
- She was the nicest person in the world to work for;
- If you needed something, she'd give it to you; and
- If you thought something needed to be done, she did it.

The lesson painfully learned by Dixon was that trust without verification is a recipe for disaster. CPAs can learn from that mistake as well as a couple of fraud red flags that warranted, but failed to receive, closer scrutiny.

**Red Flag No. 1: Failure to segregate duties**

The segregation of duties is a critical aspect of any organization’s internal control program. In Dixon, Crundwell controlled too much of the financial reporting process. She was able to receive, sign, and deposit checks with little oversight from any other city official. Under the Dixon commissioned government, the mayor and four part-time officers oversee their own divisions, which enabled Crundwell to oversee the majority of city financial functions. Crundwell balanced the checkbook, made deposits, and obtained all financial statements sent to the city of Dixon mailbox, over which she had full control. While the city of Dixon was suffering through yearly budget deficits and spending cuts (see “The Dixon Fraud Timeline”), Crundwell had the opportunity to embezzle amounts as large as $5.8 million in 2008.

Dixon’s failure to segregate duties allowed Crundwell to set up and operate a fairly simple fraud scheme. In December 1990, Crundwell opened the aforementioned RSCDA bank account in the name of the city of Dixon, with the city of Dixon as the primary account holder and “RSCDA c/o Rita Crundwell” stated as the second account holder. Between December 1990 and April 2012, Crundwell transferred funds from Dixon’s money market account to various other city bank accounts and transferred city funds into her RSCDA account. The Illinois Fund, a money market mutual fund available to Illinois municipalities, contained revenues from taxes, fees, and federal grants that were deposited by each city. Crundwell would regularly wire money from the Illinois Fund into several city accounts and then transfer money from the accounts into the Capital Development account.

With the increase in Capital Development funds, Crundwell would write checks made out to “Treasurer” and deposit the funds into the RSCDA account. 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 legitimate purposes. She repeatedly transferred city funds 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.
Red Flag No. 2: Lavish lifestyle
Exactly what prompted Crundwell to start stealing from Dixon has not been revealed, but she spent much of her ill-gotten gains in building a quarter horse breeding operation that produced 52 world champions as recognized by the American Quarter Horse Association (AQHA). The AQHA named Crundwell its breeder of the year eight consecutive years before her arrest in 2012.

Crundwell poured millions of dollars in stolen funds into RC Quarter Horses LLC, building a large ranch in Dixon, traveling to competitions, and buying horse trailers with price tags in the six figures and motor homes with price tags north of $1 million. She was willing on several occasions to spend well into the six figures to buy individual horses. The total she spent on her operation is not known, but when federal authorities seized Crundwell’s assets after her arrest, she owned 400 horses.

After the asset seizure, the U.S. Marshals Service was in charge of maintaining the care of her quarter horses. Jason Wojdylo, chief inspector of the Asset Forfeiture Division of the U.S. Marshals Service, said that the government spent approximately $200,000 per month caring for the horses before they were sold at auction.

Crundwell’s spending was not limited to her quarter horse operation. She lived an extravagant lifestyle for someone who received an $80,000 annual salary. In addition to the horse farm, she owned several family residences, including one in Florida, approximately 80 acres of land, and numerous impressive personal vehicles. In addition, she shelled out tens of thousands of dollars for jewelry purchases.

Some Dixon residents raised questions about Crundwell’s lavish living, but they were answered by a number of rumors that explained her income, including one that Crundwell had an investor in her horse business and another that her family was in the satellite business and her family owned all of the cellphone towers in Illinois.

Crundwell pleaded guilty to the fraud and on Feb. 14 was sentenced to 19 ½ years in prison. The 60-year-old must serve at least 16 ½ years, or 85%, of her sentence, which was slightly less than the maximum 20 years sought by prosecutors. Crundwell, who also was ordered to repay the nearly $54 million she stole, is appealing the sentence. The town is unlikely to see more than a fifth or so of that money returned, according to prosecutors on the case.

The Dixon fraud timeline
A timeline of major events in the Rita Crundwell fraud scheme.

- 1990: Crundwell opens a secret bank account in the name of the city of Dixon.
- 1991: Crundwell steals $181,000 from the city of Dixon. She spends $18,728 in July to buy a 28-foot Suncruiser Pontoon boat with a deluxe buggy top, wet bar, propane grill, and playpen cover. She also spends more than $3,000 on diamond stud earrings and other jewelry.
1993: Crundwell steals $225,287. The city of Dixon reports a deficit of nearly $415,000 and makes budget cuts totaling $195,000.
1994: Crundwell steals $117,281. Dixon cuts more than $150,000 from budget.
1995: Crundwell steals $103,664. Dixon reports a deficit of $322,214 and slashes the budget by more than $185,000.
1996: Data not available.
1997: Crundwell steals $328,622 and uses stolen funds to pay for a custom saddle, enclosed golf cart, and a horse named Two Thumbs Up. The city reports deficits as high as $232,600 and makes more than $100,000 in budget cuts.
1998: Crundwell steals $767,487 and uses stolen funds to buy a motor home for $100,000, a deck boat for $50,000, and a 1998 Chevy pickup truck for $28,000.
1999: Crundwell steals nearly $1.1 million and buys a horse named Can’t Fool Patty for $125,000.
2000: Crundwell steals $1.9 million and spends $450,000 to remodel and expand her home in Dixon. The city reports a deficit of $370,674 before making tens of thousands in budget cuts.
2001: Crundwell steals $2.6 million and buys three horses for a combined $525,000. The city reports a deficit of $730,576 before another round of budget cuts.
2002: Crundwell steals a shade under $3 million and uses stolen funds to buy a motor home for $400,000, purchase a horse for $200,000, and buy her boyfriend a 1967 Chevy Corvette for $56,000. The city of Dixon institutes a hiring freeze due to budget deficits.
2003: Crundwell steals slightly more than $3 million. The city reports a deficit of nearly $1.3 million blamed in large part on state funding cuts.
2004: Crundwell steals almost $3.5 million and buys a new motor home costing $1.7 million. Dixon reports a deficit of $1.6 million before additional budget cuts are made.
2005: Crundwell steals $4.6 million and builds a horse ranch facility in Dixon, writing checks to construction companies totaling about $650,000. She also trades in the motor home she bought 11 months earlier and pays a $235,000 balance to buy a new motor home for $1.82 million.
2006: Crundwell steals $4.4 million. The city reports a deficit of $1.7 million and announces a budget freeze plus $700,000 in cuts from the capital equipment budget.
2007: Crundwell steals $4.75 million. She trades in the motor home she bought in 2005 and pays a balance of $545,000 to buy a new motor home costing $1.96 million. The city reports a deficit of more than $1.1 million.
2008: Crundwell steals $5.8 million. She spends $425,000 and trades in the motor home she bought the previous year to purchase a new motor home costing $2.1 million.
2009: Crundwell steals $5.6 million. She spends $335,000 to buy a pair of horses and $260,000 to buy a new horse trailer. She also wires $105,097 for the purchase of a home in Englewood, Fla.
2011: A Dixon city clerk opens the mail while Crundwell is on vacation, discovers the RSCDA account and immediately alerts the mayor, who then contacts the FBI.
2012: Crundwell is arrested and pleads guilty to fraud charges.
2013: A judge sentences Crundwell to 19 years, 7 months in prison.