



County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROLS

ADMINISTRATOR OF ELECTIONS

2016

CTAS.TENNESSEE.EDU

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:

(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 administrator of election's office are safeguarded against waste, loss, unauthorized use or misappropriation and (III) Whether revenues and expenditures in the AOE's office are properly recorded and accounted for in the general fund 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.

INTERNAL CONTROLS

May 2016

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ADMINISTRATOR OF ELECTIONS
SAMPLE INTERNAL CONTROLS QUESTIONNAIRE
May 2016

Sample Internal Control Assessment Questions

Administrator of Elections (AOE)

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 AOE's office are safeguarded against waste, loss, unauthorized use or misappropriation and (III) Whether revenues and expenditures in the county general fund (as it relates to the AOE'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 it 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 AOE's office?
- b) Who has a key to the main door of the county office that AOE's office is located in?
- c) How often are the locks changed?
- d) Is the office secured with security cameras?

Purchasing:

- a) Does the county have an adopted purchasing policy?
- b) Who is responsible for filling out purchase order requisitions with the county finance department/county mayor's office?
- c) Who signs the requisition?
- d) Who coordinates with the finance department/mayor's office to ensure there is funding available in the line item for the purchase, and that the vendor is on the approved vendor list?

- e) Who authorizes the purchase by issuing the purchase order?
- f) Who places the order?
- g) Who verifies the goods received are itemized on the invoice?
- h) Who signs the invoice and forwards it to the finance department?
- i) Are blanket purchase orders utilized? If so, for what purpose are they used?
- j) Does the office have an adopted policy which addresses emergency purchases?
- k) How are emergency purchases documented?

Store cards:

- a) Does the office have an assigned store card (e.g., Walmart, Lowe's)? If so, which stores? If not, does the office have access to a store card?

Contracts:

- a) Who signs all county contracts dealing with purchasing in the AOE's office?
- b) Are there certain contracts that require county legislative body approval?
- c) Is there a requirement for the county attorney to review proposed contracts?
- d) Who serves as the contract monitor?
- e) How is the contract monitored for vendor compliance?

Payroll:

- a) Who in the AOE's office receives a copy of the office's adopted budget and a monthly year-to-date expenditure vs. budget report from the finance/mayor's office each month and reviews for anticipated overages?
- b) Do all employees required to fill out timesheets?
- c) Does the AOE review and approve these timesheets prior to payroll being run?
- d) Do any employees receive compensatory or overtime? Which ones?
- e) Who in the AOE's office maintains an accurate leave/comp time liability accrual for the office staff?
- f) How are payroll payments made to employees?

II. Whether county funds, property and other assets that are designated/assigned to the AOE's office are safeguarded against waste, loss, unauthorized use or misappropriation

Cash with fee account:

- a) Who enters daily receipting of payments into the county office?
- b) 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.
- c) Do deputies who receipt funds maintain separate cash boxes? How are they secured?
- d) How often are the boxes counted and balanced?
- e) How are the correct amounts in the boxes verified?
- f) Does the office have an adopted overage policy? What is it?
- g) How are shortages in the cash boxes handled?
- h) Are all employees aware of these procedures?
- i) Can receipts be voided?
- j) Who is authorized to void receipts?
- k) How often are voids reviewed?
- l) Who takes receipted funds in the AOE's office to the county trustee/finance/mayor's office to have these funds deposited into the county general fund?
- m) How often is a deposit (number of days) made?
- n) Who takes the deposit in the event of an absence?
- o) How much petty cash/cash on hand, if any, is authorized in the AOE's office?
- p) How are the cash boxes secured?
- q) Where are the cash boxes stored at the end of the work day?

Inventory of office equipment:

- a) Who is responsible for maintaining an updated inventory list and coordinating with the county finance office to conduct an annual physical inventory of all office and election equipment assigned to the AOE?
- b) Is a copy of the most recent inventory available and secured at the AOE's office?
- c) Does the office have any assets assigned to the office that meet the capitalization thresholds for external financial reporting?
- d) Has the AOE verified that all voting machines are covered by the county insurance policy?

Payroll:

- a) Do all AOE employees have an updated personnel file?

- b) Who maintains the files?
- c) How do employees log hours?
- d) Are employees allowed to work off the clock?
- e) How often are employees paid?
- f) Who is responsible for running timecard totals for each employee and preparing payroll?
- g) How are employees paid?
- h) Do all employees review and authorize their payroll deductions each year?

Election Poll Workers:

- a) Do the Election Commission review a list of all poll workers and alternates and approve the list prior to the AOE being able to utilize these workers?
- b) Has the county adopted a Section 218 agreement for the treatment of poll workers wages for social security/IRS purposes? If so, does the AOE have this on file?
- c) Do the poll workers receive a W2 or a 1099 (if over required amount for 1099)?
- d) Who at the AOE coordinates with the county finance/mayor's office to ensure accurate FICA/tax withholding and reporting for poll workers when applicable?
- e) Who is responsible for monitoring early vote poll workers to be sure overtime is paid if workers go over regular work hours?
- f) Who signs off and approves election poll workers pay prior to payroll being run?

III. Whether revenues and expenditures in the county general fund (as it relates to the AOE'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 trustee's office and finance department to ensure all receipted funds are coded to the correct object code and expenditure budget?
- b) Who reviews the month-to-date budget expenditure report that county finance sends them to ensure the AOE's office expenditures are accurate and in line with the approved budget?
- c) Who verifies that the approved original annual budget for the office, along with any approved budget amendments have been posted to the county finance software correctly?

ADMINISTRATOR OF ELECTIONS
SAMPLE INTERNAL CONTROLS ASSESSMENT
May 2016

Sample Internal Controls Assessment

Administrator of Elections

Purpose: To document an understanding and to assess the internal controls of the Sample County Administrator of Elections (AOE) as it pertains to the following:

1. The obligations and costs of the operation are in compliance with applicable law.
2. To ascertain if county funds, property and other assets that are designated/assigned to the AOE are safeguarded against waste, loss, unauthorized use, or misappropriation.
3. Revenues and expenditures in the AOE office and county general fund (as it relates to the AOE) 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 AOE office consists of the election administrator (EA), assistant administrator (AA), and a deputy (DEA). An in-depth analysis of the internal control environment for the operations of the sample AOE office was performed by the EA, the EA's employees, and a CTAS County Government Consultant.

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

Human Resources: The AOE office has an organizational chart and written job descriptions for all of the office employees. The AOE office has an updated personnel policy and a copy of the county's ethics policy on file. The EA ensures all of the employees receives a copy of the personnel policy as well as any approved amendments.

Physical Security: The EA and office employees have a key to the county election office. Locks are rekeyed every four years in accordance with county policy unless the EA requests an additional rekey between the regular changes. The office is does not use any type of surveillance

equipment in the office, however there is a camera system that monitors the hallway outside the office door.

Purchasing: The AOE office complies with the county purchasing policy that is in effect for Sample County, adopted under the Financial Management System of 1981.

Purchase Orders: The EA will fill out all purchase order requisitions with the county finance department. The EA 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. The EA will then place the order with the vendor. When goods arrive, the EA verifies that the goods received 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 AOE office does not have an assigned store card, however, the EA is authorized to utilize Walmart and Lowe's cards that are assigned to the county finance office. When the office needs to purchase an item from Walmart or Lowe's, the EA will prepare a purchase order requisition and will then get a purchase order from county finance along with the store card. The EA will purchase the goods and bring the receipt and card back to county finance. Any unspent amount of the purchase order is closed after the EA initials the purchase order to verify that goods were received.

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 reviewed by the county attorney then approved by the county commission. The EA coordinates with the county finance department to ensure contract compliance per county purchasing policy. The EA does not sign any contracts as outlined in the county purchasing policy and 1981 Financial Management System purchasing laws. The EA monitors the copier lease contract against invoices to ensure that the vendor is not overcharging the county (operating lease with variable charge based on number of copies over a certain amount).

Emergency Purchases: The EA will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding and/or purchasing procedures to be circumvented because of the nature of the emergency at hand (i.e., purchase of fans for polling place when HVAC suddenly failed during August election). The county purchasing policy addresses emergency purchases, and the AOE office complies with these policies. Emergency purchases, however, would be a rare occurrence in the AOE office.

Payroll: Payroll is authorized each fiscal year through the adoption of the county budget. The EA receives a copy of the adopted budget after the county commission approves it then receives a monthly year-to-date expenditure vs. budget report from mayor's office. The county finance department processes the AOE office payroll after receiving the payroll time-sheets from the EA. Each employee prepares their own time-sheet. Time-sheets are reviewed and approved by the EA before submission to the county finance office. The AOE office provides overtime to all non-exempt employees that work over the normal scheduled workweek hours. 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, worker comp laws and Tennessee Consolidated Retirement System requirements.

2. To ascertain if county funds, property, and other assets that are designated/assigned to the county AOE are safeguarded against waste, loss, unauthorized use, or misappropriation.

Analysis of Expenditures: The audited financial report detailed expenditure statements was reviewed to identify expenditures of material amounts. In the AOE office, material expenditure amounts were found in office payroll and poll worker pay. Internal controls over these material costs were scrutinized.

Office Cash Operations (receipt/deposit/reconcile/segregation of duties over cash): The AOE office utilizes an official pre-numbered receipt book to receipt all funds received in the office. The AOE office receives revenues for paper copies and CDs of voter rolls. The county election commission sets the charge for CDs at \$35 per CD. The DEA is assigned to receipt funds for the office and if he is out of the office for a day, the EA would receipt funds. Both are included in the county employee dishonesty insurance policy. A receipt is issued for all funds received and all receipted funds are stored in a bank bag that is placed in a locked filing cabinet. Every Tuesday and Thursday afternoon, the EA deposits all receipted funds with the county trustee's office and verifies that the deposit equals the total of receipts. The EA brings the trustee office's receipt of deposit back to the AOE office and paperclips the trustee's receipt to the AOE office receipts that make up the deposit. All voided receipts are kept in the office for audit purposes after the EA reviews them for legitimacy. The AOE office maintains no cash on hand or petty cash in the office.

Inventory of Office Equipment: The EA keeps an updated inventory list of all county computer equipment, voting machines, printers and office equipment that is assigned to the office. The EA also reviews office inventory listing once a year with the county finance office to ensure accuracy (track additions and surplus) and to be sure all voting machines are covered by county insurance.

Internal controls over material expenditure line items:

Office Payroll: To protect against fraud (ghost employees, unauthorized bonus payments, etc.), all AOE office employees have a personnel file maintained by the county finance office. The EA does not allow employees to perform any work off the clock. The EA maintains an accrual of vacation and sick time for all her employees. The EA reviews each employee's manual time-sheet for the pay period and signs off on the time-sheet for payment by the county finance office. The EA reviews the end-of-year vacation and sick leave accrual for the office to ensure accuracy and forwards this accrual to county finance. Each year at benefit enrollment time, all AOE employees are provided a list of payroll deductions and are required to sign an authorization form to approve these deductions for the upcoming year.

Election Poll workers: All poll workers and alternate poll workers have to be reviewed and approved by the county election commission before the EA can schedule them for work. Poll workers that work on Election Day receive a \$100 stipend. Poll workers that work early voting are set up as seasonal employees and are paid \$8 per hour and have FICA withheld from their pay along with a W2 for tax purposes in accordance with the adopted Section 218 agreement that is on file. The early voting poll workers are provided overtime if they work over 40 hours a week.

3. Revenues and expenditures in the county general fund (as it relates to the AOE 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.

The EA is responsible for coordinating with the county trustee's office to ensure that all receipted funds are coded to the correct revenue line items (voter roll CDs and document copies). The EA reviews the month-end revenue and expenditure report for the office to ensure that revenues and expenditures are properly recorded. If the EA sees that a foreseen budget amendment is needed, the EA brings this issue to the attention of the election commission prior to the overage occurring. The EA reviews the original approved annual budget on file in the county clerk's office minute book to be sure that the approved county election office budget was entered into the county accounting software accurately

APPENDIX



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.

- 1983: The city of Dixon, Ill., names Rita Crundwell comptroller and treasurer.
- 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.
- 1992: Crundwell steals \$121,367.

- 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