



Ethics and Local Government

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First goal

Community Chest

**GET OUT
OF JAIL, FREE**



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The story in a nutshell

- City Clerk Rita Crundwell steals \$53 million dollars over 30 years from Dixon, IL
- Fake account, fake invoices, personal use of money
- The Deputy Clerk eventually sees the irregularity and the FBI
- Rita goes to jail for almost 20 years

Lesson 1 from film



The Paradox of Smallness

- The smaller the city the more tasks and roles fall to the City Clerk
- The smaller the city the less likely it is that Council Members or Mayor devote much time to the city and their oversight roles.
- The more a city depends on a single individual the more vulnerable it is to corruption

Lesson 2 from film



Don't ignore lavish lifestyle

- You know what the salary is: unexplained wealth might be the first clue that something is wrong.

Lesson 3 from film



Oversight of our work is critical

- In Dixon, IL's case, no one was reviewing all of the city's accounts and so no one saw the fake account
- No one checked on Rita's work
 - Not the Mayor
 - Not the Council
 - Not the Deputy Clerk
 - Not the Auditor

Lesson 4 from the film



Blowing the Whistle

- The Deputy Clerk saw something and said something.
- 39% of fraud cases were the result of someone noticing and only 5% from audits.
- The Deputy Clerk's experience illustrates the emotional stress of reporting someone you've worked with a long time.
- Points to importance of knowing who to call!

Lesson 5 from the film



Separating tasks, Rotating tasks

- Having only one person handling all the financial actions, for example preparing bills, receiving payments, making payments is higher risk.
- Only having one set of eyes on a process can be prevented by separating the parts of the financial task or rotating who does which parts

Lesson 6 from film



Who does what?

- Litigation after the case broke involved the bank who opened the fake account and the auditing firm who did audits
- It wasn't really either of those entities' roles to find embezzlement