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Preventing Corruption in Local Government



**SCHOOL OF
GOVERNMENT**



Introduction

- Corruption is in the news
- Trust in government is low
- What can we learn from corruption cases?

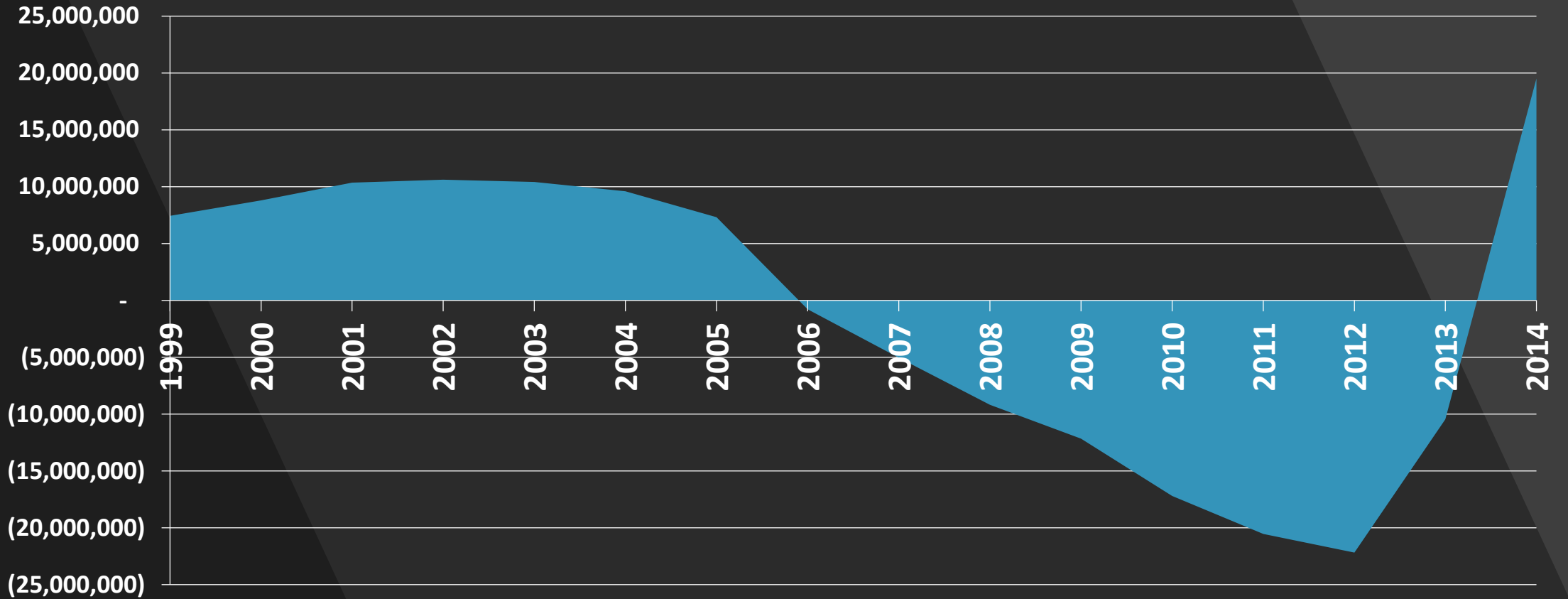




What happened in Dixon?

- Estimated \$53.7 M stolen
- City's annual budget averaged \$7M annually
- Began in 1990
- Uncovered in 2011

Dixon Fund Balance



What does the data say about corruption risk?

- Fewer cases than you might expect
- 1990-2010
- Corruption risk 57% lower with council-manager form



Lessons Learned...

Professional leadership
is important



Lessons Learned....

Pay attention to the
lifestyles of employees
who have access to
funds



Lessons Learned...

Trust is not an internal
control



Lessons Learned...

The board **MUST**
engage in some level of
oversight



Lessons Learned...

One person should not
be given too much
authority



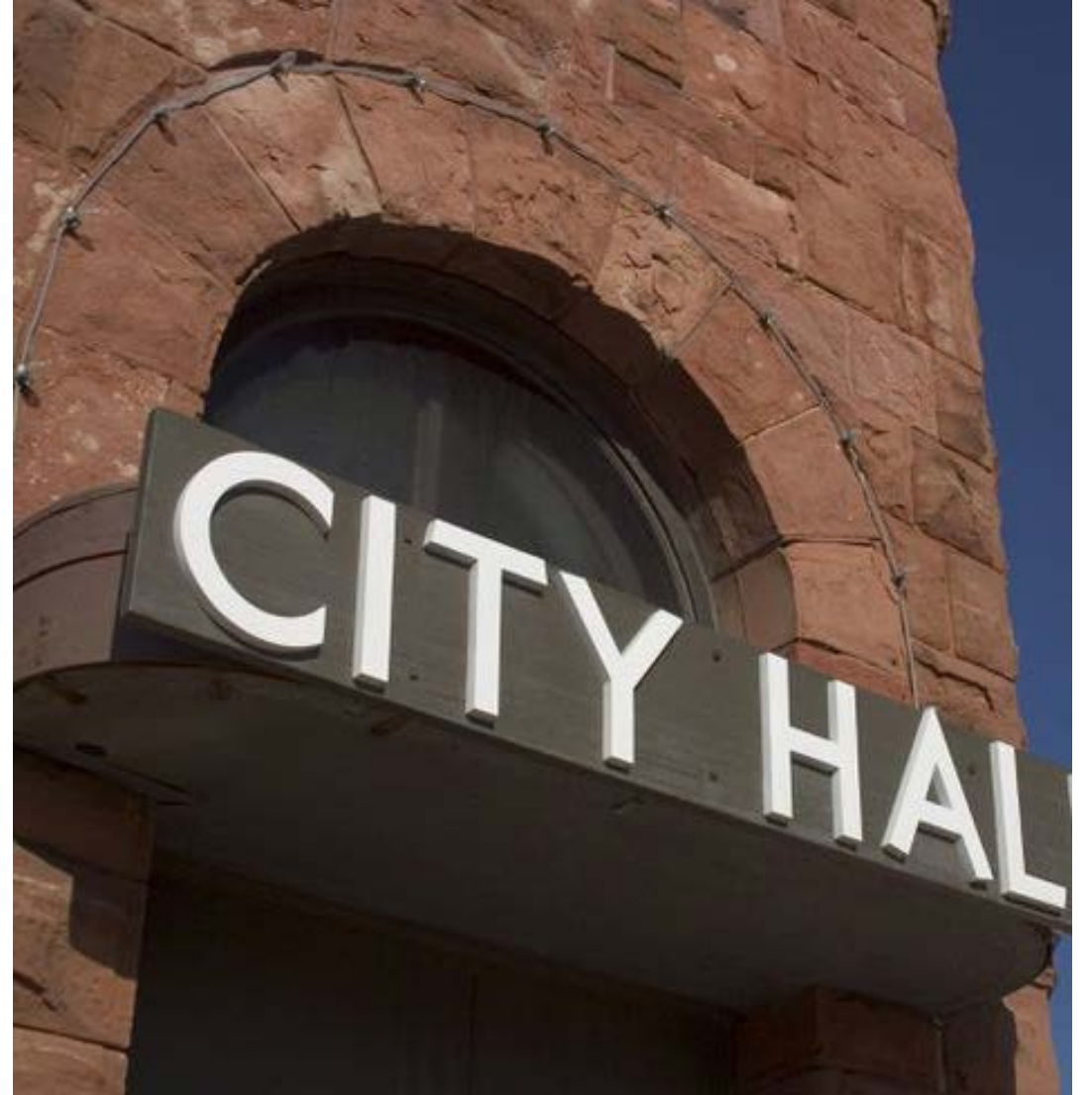
Conversation topics for with a new manager

- Explain your legal responsibilities
- Obtain permission to:
 - Evaluate internal controls
 - Examine the external auditing function
- Suggest training for board members on fraud/fraud detection
- Anonymous whistle blowing method



How did the Dixon organization change?

- Hired two retired finance directors in 2012
- Permanent finance director hired 2012
- Changed from commission to council-manager form in 2016



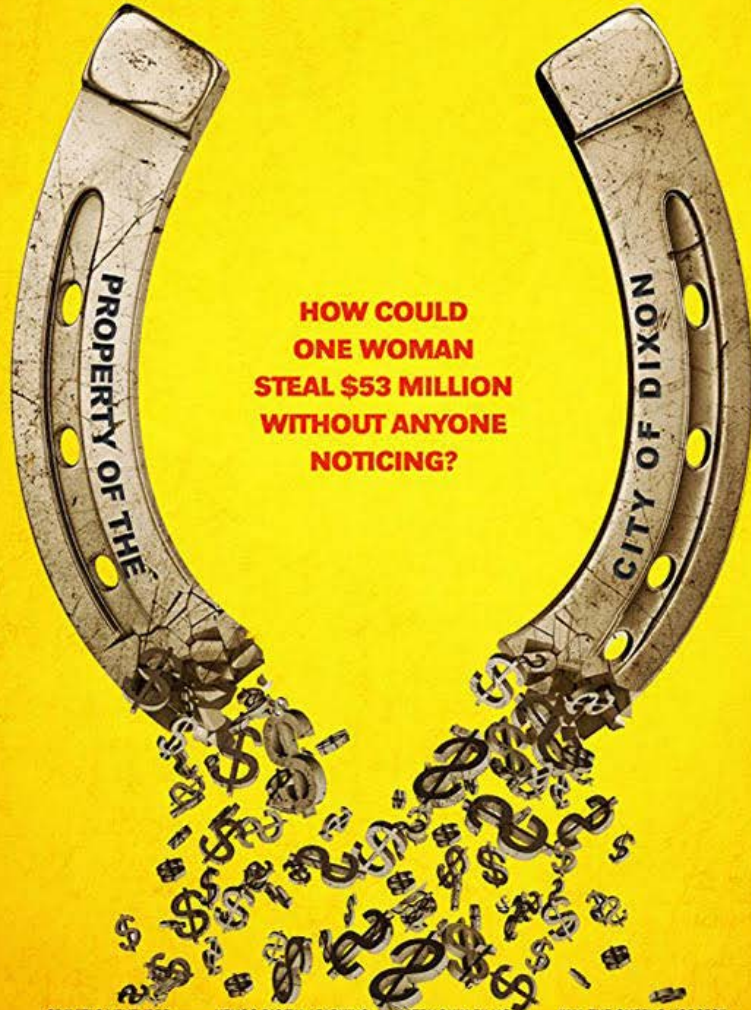


Dixon Recovery

- Crundwell arrested in 2012
- Plead guilty to fraud
- Sentenced to 19 years, 7 months federal prison
- Federal marshals seized & liquidated assets ~\$9M
- City sued auditing firm—settled for \$40M (netted \$30M)
- Net loss: ~\$14M

A FILM BY KELLY RICHMOND POPE

ALL THE QUEEN'S HORSES



HOW COULD
ONE WOMAN
STEAL \$53 MILLION
WITHOUT ANYONE
NOTICING?

GRAVITAS VENTURES PRESENTS A HELIOS DIGITAL LEARNING AND KARTEMQUIN FILMS PRODUCTION "ALL THE QUEEN'S HORSES"
EDITED BY LESLEY KUBISTAL MUSIC BY ERIC KUHN EXECUTIVE PRODUCERS LESLEY KUBISTAL CINEMATOGRAPHY BY KEITH WALKER BING LIU AND MARGARET BYRNE
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Questions?

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