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Oct. 02, 2013

Oct. 01 — A long-running embezzlement scheme by the former city comptroller in Dixon, Ill., uncovered last year, will end up costing Minneapolis-based accounting firm CliftonLarsonAllen \$35.15 million.

The payment from one of the nation's leading accounting firms stems from work that it started doing for Dixon in 1988. That was a few years before Rita Crundwell — the comptroller — began quietly looting city coffers.

Crundwell stole about \$54 million over 22 years, siphoning city funds into bogus accounts that she controlled. When she was arrested in April 2012, federal authorities said she had used the money "to finance her own lavish lifestyle, including operating a horse farm."

Authorities seized her home, farms near Dixon and Beloit, Wis., two bank accounts, a \$2.1 million motor home, seven trucks and trailers, three pickup trucks and a Ford Thunderbird convertible.

Crundwell, 60, had earned an annual salary of \$80,000.

She is serving a prison term of almost 20 years at the federal facility in Waseca, Minn. That followed her guilty plea to one count of wire fraud.

CliftonLarsonAllen had served as the city's auditor, Paula Meyer, Dixon's finance director, said Tuesday. The accounting firm didn't have an office in city hall, but it did the bookkeeping monthly and did the payroll a couple of times a month as well, she said.

There was a high level of trust in Crundwell, Dixon Mayor Jim Burke said Tuesday. And to cover, she also told people she was selling show horses — sometimes for

\$400,000 or more, he said. “But how she got around all the stuff with the annual

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In a statement issued on Sept. 25, CliftonLarsonAllen CEO Gordon Verc said the fraud allegations against Crundwell present “an opportunity for all the affected parties to evaluate how they occurred.”

He added that the firm believes “there was a shared responsibility that resulted in Ms. Crundwell’s fraud continuing undetected, and the right thing to do is reduce the harm experienced by the taxpayers of Dixon and put this matter behind us. Reaching a fair settlement for taxpayers is important to CliftonLarsonAllen.”

A merger with another firm last year brought in more expertise in working with public bodies, “increasing the likelihood that such fraud will be detected promptly,” the company said in its Sept. 25 statement.

The firm that exists today resulted from numerous mergers and acquisitions. But the Larson and Allen in the name refer to Rholan Larson and John Allen, who started an accounting firm in the Minneapolis suburbs in 1953.

CliftonLarsonAllen now employs 3,600 professionals, including more than 1,500 CPAs. The firm has clients across the country, including businesses and government, and has offices in 14 Minnesota cities.

Dixon, population 15,700, is about 100 miles west of Chicago. In addition to the \$40 million settlement, Dixon also hopes to recover about \$10 million from the sale of Crundwell’s assets. But the city owes attorneys who worked on the case about \$10 million, Mayor Burke said. The bottom line settlement for Dixon still will be near \$40 million, which compares to the city’s operating budget of about of about \$10 million.

Burke, on Tuesday, was cautious. With the settlement, “there’s this common perception that we’ll have all kinds of money to throw around,” he said. “And people wonder, how did we get by while this was going on?”

But in fact, he said, the city was incurring a lot of debt over the years to keep

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