



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

December 29, 2020

The Honorable Karen Fann, President of the Senate

The Honorable Russell "Rusty" Bowers, Speaker of the House of Representatives

The Honorable Eddie Farnsworth, Chairperson  
Senate Judiciary Committee

The Honorable John Allen, Chairperson  
House of Representatives Judiciary Committee

The Honorable Kevin Payne, Chairperson  
House of Representatives Public Safety Committee

The Honorable Mark Brnovich, Attorney General  
Office of the Attorney General

Transmitted herewith is a report of the Auditor General, *Attorney General's Office Anti-racketeering Revolving Fund*, for the 2-year period ended June 30, 2020. This review was conducted pursuant to Arizona Revised Statutes §13-2314.01(M).

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry, CPA, CFE  
Auditor General

## Attorney General's Office Anti-racketeering Revolving Fund

As required by law, we conducted a review of the Attorney General's Office use of anti-racketeering monies deposited in the Anti-racketeering Revolving Fund (Revolving Fund) in fiscal years 2019 through 2020. We did not identify any improper use. We also followed up on the recommendation in our previous report and determined that it was implemented.<sup>1</sup>

### Attorney General's Office administers State anti-racketeering monies

Anti-racketeering monies are awarded through court order to law-enforcement agencies that performed investigations of racketeering crimes or crimes committed for financial gain. Federal guidelines and State laws define permissible uses of anti-racketeering monies. State law also requires the Attorney General's Office to administer State anti-racketeering monies, and it administers them through its Revolving Fund. The Revolving Fund is composed of 3 component funds: 1) the operating fund holds monies awarded to the Attorney General's Office that may be used for its operating, case-related, and community-based program expenditures; 2) the cases fund holds all case-specific forfeited anti-racketeering monies pending distribution as directed by an order of forfeiture; and 3) the pass-through fund holds monies that have been awarded to other law enforcement agencies responsible for the seizure until they are requested by those agencies. The Attorney General's Office has developed a policies and procedures manual that guides its staff on how to process and monitor Revolving Fund expenditures.

#### Use of anti-racketeering monies Fiscal years 2019 and 2020

	2019	2020
Operating expenditures and transfers out	\$ 2,867,516	\$ 1,720,905
Case expenses	136,073	
Passed through to other law enforcement agencies	5,350,205	5,677,637
<b>Total use</b>	<b>\$ 8,353,794</b>	<b>\$ 7,398,542</b>

### Operating fund's fund balance has remained steady

The Revolving Fund's operating fund's fund balance decreased \$54,944, or less than 1 percent, from the beginning of fiscal year 2019 to the end of fiscal year 2020. However, revenues—primarily court orders of forfeiture awards—decreased by \$1.5 million from fiscal year 2019 to fiscal year 2020. This decrease was due to fewer cases being adjudicated, in part because of the COVID-19 pandemic. This was offset by a \$531,246 decrease in expenditures and a \$615,365 decrease in transfers out. Expenditures decreased largely because the Attorney General's Office had fewer employees due to a change in statute that limited the number of full-time equivalent positions funded by the Revolving Fund.<sup>2</sup> Transfers out primarily decreased because the Attorney General's Office used the pass-through fund to support the Arizona Financial Crimes Task Force<sup>3</sup> instead of the operating fund.

#### Operating fund activity Fiscal years 2019 and 2020

	2019	2020
Beginning fund balance	\$ 6,141,872	\$ 6,275,824
Revenues	3,001,468	1,532,009
Less:		
Expenditures	2,048,832	1,517,586
Transfers out	818,684	203,319
<b>Ending fund balance</b>	<b>\$ 6,275,824</b>	<b>\$ 6,086,928</b>

<sup>1</sup> Our review procedures included all Attorney General's Office use of Revolving Fund monies from July 1, 2018, to June 30, 2020, including data analytics and a detailed examination of a judgmental expenditure sample. We verified that the Attorney General's Office had procedures to properly record and classify all expenditures and that the expenditures complied with applicable statutes; reviewed federal guidelines and State laws; and interviewed Attorney General's Office staff.

<sup>2</sup> Arizona Revised Statutes §13-2314.01(G).

<sup>3</sup> The Arizona Financial Crimes Task Force was established to investigate and interdict the money laundering activities of complex national and international organized crime and to mitigate the violence associated with the smuggling activities that fund these organizations.

## Followup

We also followed up on our recommendation from our previous report (Report 19-303), issued March 26, 2019:

The Attorney General's Office should follow its policies and procedures to ensure law enforcement agencies are spending advanced anti-racketeering monies for requested permissible purposes and unspent monies are returned and redeposited into the Revolving Fund.

This recommendation was implemented.

## Auditor General website report link

This and the previous Attorney General's Anti-racketeering Revolving Fund report are available at this [link](#).