

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

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Review of the Attorney General's Office use of anti-racketeering monies deposited in the Anti-racketeering Revolving Fund in fiscal years 2023 and 2024



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April 16, 2025

The Honorable Warren Petersen, President of the Senate

The Honorable Steve Montenegro, Speaker of the House of Representatives

The Honorable Wendy Rogers, Chairperson  
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The Honorable Quang H. Nguyen, Chairperson  
House of Representatives Judiciary Committee

The Honorable David Marshall, Sr., Chairperson  
House of Representatives Public Safety and Law Enforcement Committee

The Honorable Kris Mayes, Attorney General  
Arizona Attorney General's Office

Transmitted herewith is a report of the Auditor General, *Attorney General's Office use of anti-racketeering monies deposited in the Anti-racketeering Revolving Fund in fiscal years 2023 and 2024*. 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*

Lindsey A. Perry, CPA, CFE  
Auditor General

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

As required by Arizona Revised Statutes (A.R.S.) §13-2314.01(M), we conducted a review of the Attorney General's Office (Office) use of anti-racketeering monies deposited in the Anti-racketeering Revolving Fund (Revolving Fund) in fiscal years 2023 and 2024. We did not identify any improper use. We also followed up on the recommendations in our previous report and determined that they were implemented.<sup>1</sup>

### Office administers State anti-racketeering monies

Anti-racketeering monies are awarded through court order to law enforcement agencies that perform investigations of racketeering crimes or crimes committed for financial gain. Federal guidelines and State laws define permissible uses of anti-racketeering monies.<sup>2</sup> State law also requires the 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 Office that may be used for its operating, case-related, and community based program expenditures; (2) 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; and (3) the cases fund holds all case-specific forfeited anti-racketeering monies pending distribution as directed by an order of forfeiture.

As part of its responsibilities for administering the Revolving Fund, the Office is responsible for ensuring that anti-racketeering monies are expended in accordance with federal guidelines and State laws.<sup>1</sup> This includes monies held on behalf of other law enforcement agencies in the pass-through fund. To meet its responsibility, the Office has developed a policies and procedures manual that guides its staff on how to process and monitor Revolving Fund expenditures, including distributing monies from the pass-through fund to applicable law enforcement agencies. Specifically, the law enforcement agencies must submit supporting documentation showing how the monies were spent to demonstrate they meet the reimbursement requirements. The Office reviews these reimbursement requests and supporting documentation to ensure the expenditures complied with State laws and federal guidelines. In addition, the Office has developed procedures to ensure that quarterly Revolving Fund financial reports required by A.R.S. §13-2314.01(H) and (I) are filed with the Arizona Criminal Justice Commission, including

<sup>1</sup> We conducted procedures to review if the Office appropriately accounted for, used, and managed Revolving Fund monies from July 1, 2022 to June 30, 2024, including data analytics and a detailed examination of a judgmental expenditure sample. We reviewed Office policies and procedures, federal guidelines, and State laws; interviewed Office staff; and verified that the Office had procedures to properly record and classify expenditures and that the expenditures complied with applicable statutes and federal guidelines (U.S. Departments of Justice and the Treasury. [2024]. Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies. Retrieved 3/26/2025 from <https://www.justice.gov/criminal/media/1044326/dl?inline=>). We also reviewed the Office's compliance with reporting requirements outlined in A.R.S. §13-2314.01(H) and (I) by testing the completeness, accuracy, and timely filing of the fiscal year 2023 fourth-quarter and fiscal year 2024 second-quarter reports filed with the Arizona Criminal Justice Commission.

<sup>2</sup> A.R.S. §13-2314.01(F) defines how the anti-racketeering monies for operating and pass-through funds may be spent. These monies are for items such as (1) funding gang prevention programs, substance abuse education programs, assistance to victims, and witness protection; (2) investigating and prosecuting any offense defined as racketeering, including civil enforcement; (3) paying relocation expenses for law enforcement officers and family members when there is a threat related to the officer's duties; and (4) costs of reports, audits, and application approvals outlined in the statute.

compiling information from reports of other law enforcement agencies who have monies in the pass-through fund.

## **Fiscal years 2023 and 2024 Revolving Fund financial activity**

As shown in Table 1 on page 3, the Revolving Fund had approximately \$5.6 million and \$4.2 million of receipts for fiscal years 2023 and 2024, respectively, primarily from court orders of forfeiture awards. Compared to the previous biennial report, the Revolving Fund's receipts decreased for both fiscal years 2023 and 2024. According to the Office, receipts for court orders and forfeitures change each fiscal year based on the number of court orders the Office receives and monies received from other agencies to deposit into their Revolving Fund accounts. According to the Office, there were significantly fewer forfeitures in fiscal year 2024 compared to fiscal year 2023, resulting in a \$1.4 million decrease in receipts from fiscal year 2023 to fiscal year 2024.

As shown in Table 1 on page 3, the Revolving Fund had approximately \$2.3 million and \$2.7 million of administrative costs for fiscal years 2023 and 2024, respectively, primarily for payroll and related costs. These costs were paid from the Revolving Fund's operating fund. In addition, the Revolving Fund had distributions of approximately \$4.0 million and \$6.1 million in fiscal years 2023 and 2024, respectively, to local and State law enforcement agencies from the Revolving Fund's pass-through and cases funds. Distributions to law enforcement agencies are reimbursed for eligible expenditures, such as police officers' salaries and employee-related expenses for allowable anti-racketeering investigations, bullet proof vests, training, and travel. There was an increase of \$2.0 million in distributions to law enforcement agencies between fiscal years 2023 and 2024. Finally, on June 25, 2024, as required by Laws 2024, Ch. 209, §133, the State transferred unspent monies from the Revolving Fund's operating and pass-through funds of \$2.6 million and \$10 million, respectively, to the State General Fund to cover fiscal year 2024 budget deficits.<sup>3</sup> The \$10 million transferred from the pass-through fund was in accounts administered by the Office on behalf of 32 law enforcement agencies. As a result of the changes in receipts and uses, there was a decrease in the Revolving Fund's fund balance of \$17.2 million from fiscal year 2023 to fiscal year 2024.

On July 19, 2024, the Governor's Office restored the \$10 million transferred from the pass-through fund with American Rescue Plan Act (ARPA) grant monies.<sup>4</sup> Specifically, the Governor's Office entered into an interagency service agreement (ISA) with the Office allowing the Office to spend ARPA grant monies during the period July 11, 2024 through September 30, 2026, when the ISA terminates. Subsequently, on July 19, 2024, the Office replaced the \$10 million for the same amount swept for each of the 32 law enforcement agencies' accounts to record the ARPA federal revenues.<sup>5,6</sup>

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<sup>3</sup> Based on a 2010 Arizona Court of Appeals ruling, the State Legislature can legally authorize fund transfers except when those funds are constitutionally mandated, voter protected, or held by the State in trust or as a custodian. *Arizona Farm Bureau Fed'n v. Brewer*, 226 Ariz. 16, 243 P.3d 619 (Ct. App. 2010). Retrieved 3/15/2025 from <https://www.azcourts.gov/Portals/89/opinionfiles/CV/CV090756.pdf>.

<sup>4</sup> Obtained by Auditor General staff analysis of the AZ360 Accounting Event Transaction File for fiscal year 2025 and Office-provided information.

<sup>5</sup> The allowability and use of the transfer of the \$10 million in ARPA federal monies to the Revolving Fund's pass-through fund will be subjected to audit during the fiscal year ended June 30, 2025, State of Arizona Single Audit.

<sup>6</sup> HB 2102 was introduced during the 2025 legislative session, which if made law would prohibit monies in the Revolving Fund from being transferred into the State General Fund. As of the report's publication, this bill has not passed.



**Table 1****Schedule of Revolving Fund financial activity**

Fiscal years 2023 and 2024

	2023	2024
<b>Beginning fund balance amount</b>	<b>\$30,601,966</b>	<b>\$29,873,899</b>
<b>Receipts</b>		
Court orders of forfeiture awards	4,415,755	2,960,713
Investment income	964,680	1,198,173
Transfers from the Attorney General's Trust Fund <sup>1</sup>	232,831	31,996
<b>Total receipts</b>	<b>5,613,266</b>	<b>4,190,882</b>
<b>Uses</b>		
<b>Administrative costs</b>		
Payroll and related benefits	1,750,625	1,529,108
Professional and outside services	25,902	6,641
Travel	75,052	179,025
Other operating costs <sup>2</sup>	125,599	260,405
Equipment and software <sup>3</sup>	121,502	429,725
Transfers to the Office's Indirect Cost Fund <sup>4</sup>	206,045	274,323
<b>Total administrative costs</b>	<b>2,304,725</b>	<b>2,679,227</b>
<b>Distributions to:</b>		
Law enforcement <sup>5</sup>	2,175,802	3,646,212
Transfers to other State law enforcement agencies	1,704,990	2,432,439
Victims	155,816	
<b>Total distributions</b>	<b>4,036,608</b>	<b>6,078,651</b>
State mandated legislative sweep		12,600,000
<b>Total uses</b>	<b>6,341,333</b>	<b>21,357,878</b>
<b>Deficit of receipts over uses</b>	<b>(728,067)</b>	<b>(17,166,996)</b>
<b>Ending fund balance</b>		
Pass-through fund	22,083,307	8,283,956
Operating fund	7,741,756	4,160,071
Cases fund	48,836	262,876
<b>Total ending fund balance</b>	<b>\$29,873,899</b>	<b>\$12,706,903</b>

- <sup>1</sup> Transfers from the Attorney General's Trust Fund was monies returned to the Revolving Fund's operating fund for unspent monies related to the Arizona Financial Investigative Resources Group, which is a Task Force that includes the Attorney General's Office, City of Phoenix, and Arizona Department of Public Safety.
- <sup>2</sup> Other operating costs consist of various costs such as telecommunications, vehicle repair and automotive costs, security supplies, conference registration and attendance fees, and software support and maintenance.
- <sup>3</sup> Equipment and software costs included purchases of communication and computer equipment, and weapons.
- <sup>4</sup> Transfers to the Office's Indirect Cost Fund were monies transferred for the Revolving Fund's share of Office administrative personnel and overhead costs. The Office used its federally approved indirect cost rate to calculate the Revolving Fund's share
- <sup>5</sup> Distributions to law enforcement consist of monies that the law enforcement agencies elected to have deposited into the pass-through anti-racketeering revolving fund established by A.R.S. §13-2314.03(C).

Source: Auditor General staff analysis of the Arizona Financial Information System Accounting Event Transaction File and the State of Arizona Annual Financial Report for fiscal years 2023 and 2024, and Office-provided information.

## Followup

We also followed up on our recommendations from our previous report (Report 23-101), issued January 31, 2023:

The Attorney General's Office should (1) train staff to properly process and review procurements using subcontractors; (2) revise policies requiring law enforcement agencies to submit support for expenditures it is seeking reimbursement for from the Revolving Fund; and (3) ensure staff responsible for reviewing and approving reimbursement requests follow Office policies and verify reimbursements are appropriately supported prior to approving them.

The Office has implemented all 3 recommendations.