



OFFICE OF INTERNAL AUDIT

**REPORT TO THE
BOARD OF SUPERVISORS**

**COUNTY ATTORNEY
ANTI-RACKETEERING FUND
AUDIT**

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September, 2014

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Date: September 29, 2014
To: Pinal County Board of Supervisors
From: Office of Internal Audit
Subject: Anti-racketeering fund audit

The Pinal County Office of Internal Audit has completed an audit of the internal controls for the Pinal County Attorney's office anti-racketeering (RICO) funds. The audit was included in the FY 2014-2015 Internal Audit Plan approved by the Pinal County Board of Supervisors. The Board of Supervisors is charged with supervising the official conduct of all county officers and inspecting their books and accounts; as per A.R.S §11-251 (1). The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes the evidence obtained provides a reasonable basis for findings and conclusions based on audit objectives.

The primary objective of this audit was, "To determine if internal controls are designed to ensure the orderly and efficient conduct of business; the completeness and accuracy of accounting records; and compliance with appropriate policies and procedures" Specific audit objectives were to:

- A. Review major enabling laws and determine compliance criteria
- B. Verify compliance with RICO criteria
- C. Analyze controlling Attorney General Opinion I90-013 (Application of the Constitutional expenditure limitation for RICO funds)
- D. Examine internal controls for RICO fund financial processes

Conclusion

The overall conclusion is the County Attorney's office (Office) has designed internal controls to ensure the orderly and efficient conduct of business; for example, all transactions in anti-racketeering funds are authenticated through the County Attorney's office, and the office verifies non-profit status for community outreach donations; however, Internal Audit identified the following areas for improvement:

- Community-based outreach donation guidelines
- Allowable expenditures using federal grant funded program income
- Allowable use of Equitable Sharing proceeds
- Anti-racketeering funds in Annual Expenditure Limitation report

Recommendations for improvements include:

1. Internal Audit recommends:

- The County Attorney's office considers requiring all entities with RICO funds under their administrative control adhere to Community Outreach award guidelines established by the Pinal County Attorney, to minimize county liability.

- The County Attorney's office document program compliance with all guideline criteria or note exceptions. A checklist based on guideline criteria included in recipient files would provide easy access to all compliance information.
2. Internal Audit recommends federal grant program income be accounted for in a manner to readily identify grant generated income and expenditures.
 3. Internal Audit recommends:
 - The Pinal County Attorney's office and the Pinal County Sheriff office review and adhere to the Guide to Equitable Sharing for State and Local Law Enforcement Agencies regarding community based program donations and follow all policies outlined in the Guide.
 - The County Attorney, the County Sheriff, and the County Finance Director, review administration of the federal equitable sharing fund and integrate the reconciliation process into a formal policy and procedure.
 4. Internal Audit recommends the Pinal County Finance Director ensures anti-racketeering monies are properly reported in the Annual Expenditure Limitation report.

Internal Audit would like to thank the management and staff of the Pinal County Attorney's office, and the Pinal County Sheriff's office, for their assistance and cooperation during the course of this audit. The following report provides additional details of audit observations and recommendations.

Audit Scope and Methodology

The scope of the audit was to determine if the County Attorney's office has designed internal controls to ensure the orderly and efficient conduct of business; the completeness and accuracy of accounting records; and compliance with appropriate policies and procedures. The following methodologies were used to complete the examination:

- Review and analyze financial reports and data for FY2013 through FY2014
- Review applicable federal and state laws and regulations
- Review written internal policies and procedures
- Analyze department RICO expenditures for compliance with applicable laws and regulations
- Interview department management and staff
- Analyze Arizona Criminal Justice grant agreements and determine compliance
- Review RICO expenditure reports submitted to the Arizona Criminal Justice Commission (ACJC)
- Analyze compliance of report to applicable state law
- Review Equitable Sharing Agreement and Certification reports submitted to the U. S. Department of Justice (DOJ)
- Analyze compliance of report expenditures to applicable federal equitable sharing guidelines

Background

In 1970, the federal Racketeer Influenced and Corrupt Organizations Act¹ (RICO) criminalized a pattern of racketeering activity under a list of federal crimes. The law allowed assets (property, vehicles, and money) derived from, or involved in racketeering crimes, to be forfeited to an individual harmed by the crime, and the federal agency investigating and prosecuting the crime. The federal Department of Justice administers RICO accounts in the Department of Treasury.

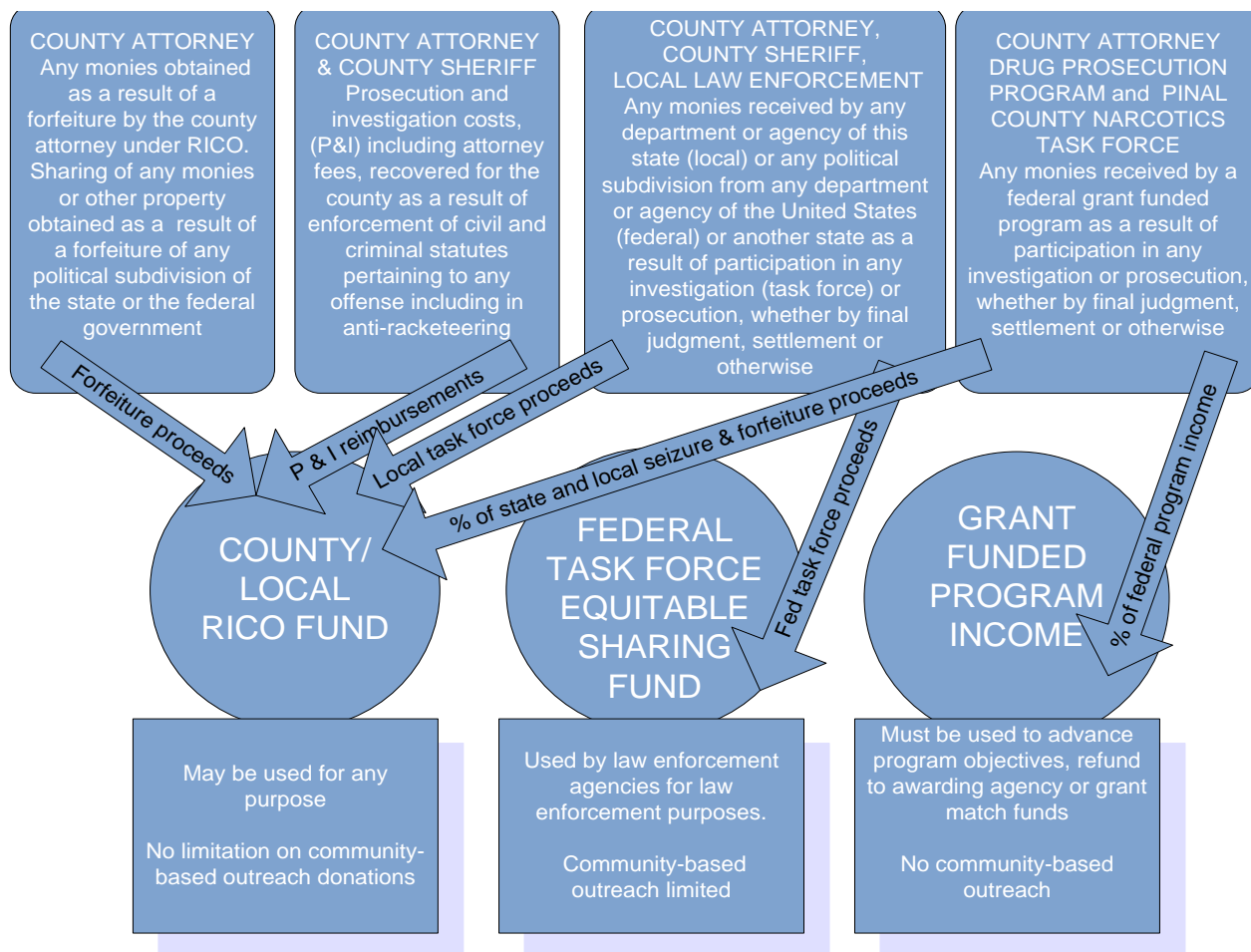
Arizona enacted a state anti-racketeering law in 1977. The original version of the law instructed counties could (may) deposit any funds generated by the enforcement of federal and state RICO laws directly into the county general fund. A subsequent version of the law enacted in 1987, (A.R.S. §13-2314.03) mandated (shall) the county Board of Supervisors establish a County RICO fund, and directed the fund be administered by the County Attorney. Administrative duties are not defined. A complete chronological listing of all statutory revisions related to Arizona state RICO laws, is provided in Appendix I, on page 14 of this report.

The current county RICO law, Arizona state statute A.R.S. §13-2314.03 Section (C) states, "Any monies received by any department or agency of this state or any political subdivision of this state as a result of participation in any investigation or prosecution, whether by final judgment, settlement or otherwise, shall be deposited in the (RICO) fund." This includes all forfeiture proceeds generated by the County Attorney's office, the County Attorney's Drug Prosecution program, the Pinal

¹http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/110mcrim.htm

County Sheriff office, the Pinal County Narcotics Task Force, and all local municipal police departments.

Due to a requirement in federal law, two funds for forfeitures proceeds have been established; one for state and local anti-racketeering proceeds and one for federal equitable sharing proceeds. Equitable sharing proceeds are received from participation in a multi-agency task force directed by a federal agency. Program income is generated through the federally funded portion of forfeiture proceeds received by local task force operations.



Equitable sharing proceeds are annually reported to the federal Department of Justice. Reports are reviewed and signed by the Chairman of the Pinal County Board of Supervisors. State revenues and expenditures are reported to the Arizona Criminal Justice Commission.² The following table shows reported federal and state information for Pinal County departments for the past three years.

Fiscal Year	2012	2013	2014
Federal Equitable Sharing revenue	\$405,925.54	\$322,968.18	\$ 79,519.89
State Revenues (from County budget)	\$2,151,411.00	\$2,123,894.00	\$1,324,495.00

² <http://azcjc.gov/ACJC.Web/finance/ricomain.aspx>

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Allowable expenditures and required reporting of state/local anti-racketeering funds

Criteria - The only legal parameters discussing the allowable expenditure of forfeiture proceeds deposited in the state/local RICO fund is in state statute A.R.S. 13-2413.03 Section (E).³ The statute reads, “*Monies in the fund may be used for the funding of gang prevention programs, substance abuse prevention programs, substance abuse education programs, and witness protection pursuant to section 11-536, or for any purpose permitted by federal law relating to the disposition of any property that is transferred to a law enforcement agency. Monies in the fund may be used for the investigation and prosecution of any offense included in the definition of racketeering in section 13-2301, subsection D, paragraph 4 or section 13-2312, including civil enforcement.*”

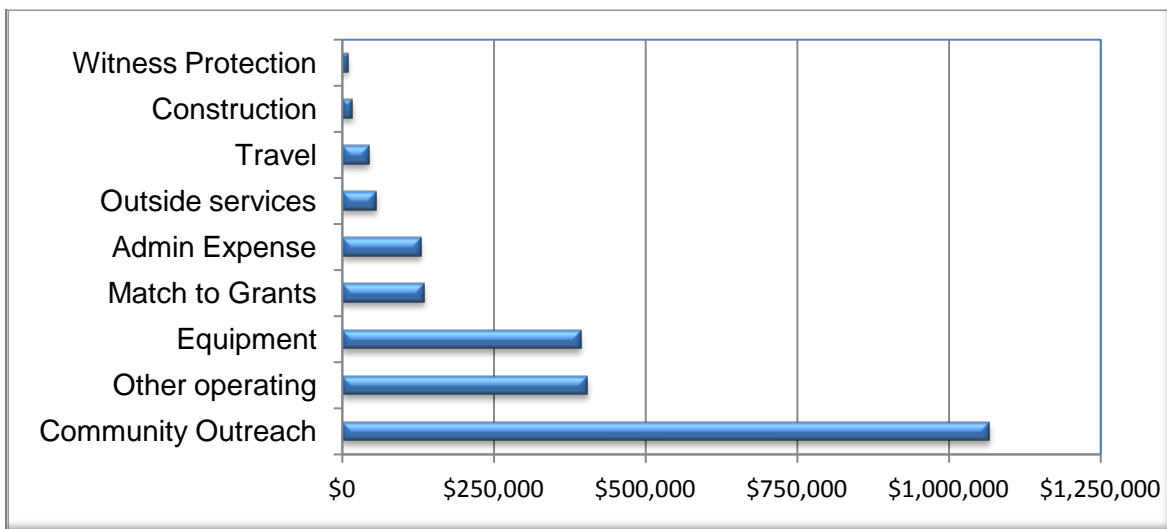
The permissive language (may) in this statute leaves the decision of expenditures of anti-racketeering proceeds to the prosecuting or investigating agency’s discretion without prescribing any parameters; for example, all of the forfeiture proceeds in the state/local RICO fund may be used for community-based outreach donations.

The requirement to use “remaining” monies in the fund to reimburse the County for investigation and prosecution costs was removed from statute in 1994. See a complete chronology of statutory changes on page fourteen (14) of this report, (Appendix I).

Condition - The Pinal County Attorney’s office (PCAO) is required by statute (A.R.S. 13-2413.03 Sections F and G) to file quarterly reports of revenues and expenditures for anti-racketeering funds with the Arizona Criminal Justice Commission (ACJC).⁴ Internal Audit reviewed ACJC reports from April 1, 2013 through March 30, 2014, and determined the County Attorney’s office has filed all required reports for the period under review.

Recommendation - No recommendation

Expenditures reported for all Pinal County law enforcement included in ACJC reports reviewed totaled \$2,261,637. The following chart shows expenditures reported by category.



³ <http://www.azleg.state.az.us/ars/13/02314-03.htm>

⁴ <http://www.azleg.state.az.us/ars/13/02314-03.htm>

B. Award guidelines for community-based outreach

The County Attorney's office website explains Community Outreach is monies received from anti-racketeering activities awarded to non-profit community organizations that educate and assist, "in drug and gang activity prevention." Internal Audit analyzed community outreach awards issued on behalf of the County Attorney's office, the County Sheriff's office and the Pinal County Narcotics Task Force, from January 12, 2012 to April 16, 2014. Total monies expended for community outreach awards were \$1,720,253. A complete listing of these awards can be found on pages 15 through 19, (Appendix II).

Criteria – The County Attorney has developed a required list of information a community agency needs to submit to be considered for RICO Community Outreach funds.⁵ These guidelines include nine criteria; such as, a description of program participants, program budget information, and information about program hiring and screening of staff and volunteers who interact with juveniles. The office also requires and maintains documented approval and verification of nonprofit status (EIN numbers).

Internal Audit reviewed a sample of community outreach files for fiscal year 2014, maintained by the County Attorney's office. Expenditures reviewed totaled approximately \$389,200. All files contained documented approval for expenditures; however, determining compliance with all criteria was difficult since some files did not include required documentation and did not provide an explanation of why the information was missing. For example, some files did not include a description of program participants, or an explanation of the process in place for hiring staff or screening volunteers even though they appeared to be programs that interacted with juveniles; such as, Arizona Public Safety Foundation, Reach USA, and Copper Basin YMCA.

Condition – The County Attorney's office is the only office following these guidelines. The County Attorney does not require other law enforcement entities to follow the guidelines. If the chief law enforcement officer of a participating law enforcement entity approves their community-based outreach expenditures, and the funds are available, the County Attorney's office confirms the entity has a nonprofit tax ID number and pays the requested expenditure.

Cause – State statute requires anti-racketeering funds are to be administered by the County Attorney; however, administrative duties are not defined. As a result, the Pinal County Attorney does not require adherence to community-based outreach guidelines developed by the office.

Effect – Not requiring all Pinal County departments to follow guidelines developed by the County Attorney's office; such as, confirming hiring and screening of staff and volunteers who interact with juveniles in sponsored organizations could expose the County to unnecessary liability.

Recommendation #1

Internal Audit recommends:

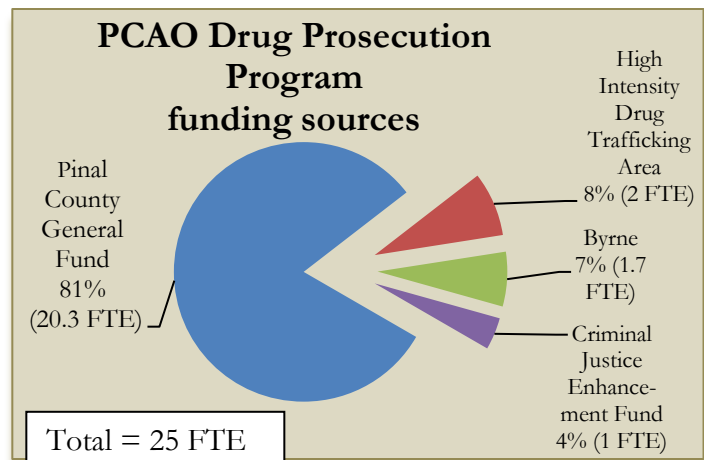
- ***The County Attorney's office consider requiring all county entities with RICO funds under their administrative control adhere to the Community Outreach award guidelines established by the Pinal County Attorney, to minimize county liability.***
- ***The County Attorney's office document program compliance with all guideline criteria or note exceptions. A checklist based on guideline criteria included in recipient files would provide easy access to all compliance information.***

⁵ <http://www.pinalcountyaz.gov/CountyAttorney/Pages/RICOCCommunityOutreachFund.aspx>

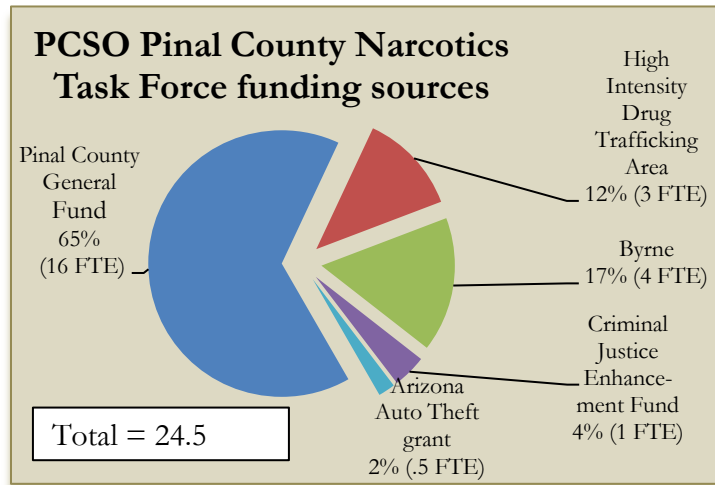
C. Allowable expenditures using federal grant funded program income

While state statute leaves the decision of how and where to expend state and local forfeiture proceeds to the prosecuting or investigating agency's discretion; federal grant regulations are more restrictive.

According to the Arizona 2013 Enhanced Drug and Gang Enforcement (EDGE) report,⁶ the PCAO Drug Prosecution program handles drug and gang prosecutions for the Pinal County Narcotics Task Force (see below). The program has twenty-five (25) full-time employees. Funding for the program is provided by the County general fund, federal grants and state grants. Program income is used to provide required grant matching funds.



The Pinal County Narcotics Task Force (PCNTF)⁷ is a local multi-agency task force. Page sixty-three (63) of the EDGE report states the task force is "... administered by the Pinal County Sheriff Office." The program has twenty-four fulltime employees and one part-time employee (24.5). Funding for the program is provided by the County general fund, federal grant funds (Byrne/JAG), and state (ACJC) grants funds. Program income is used to provide required matching funds.



A grant agreement (DC-14-019) between Pinal County, the Arizona Criminal Justice Commission, and the federal Department of Justice; accepting Federal (Byrne/JAG) and state (ACJC) grant funds to partially pay for operating costs of the Pinal County Narcotics Task Force (PCNTF), is annually approved by the Pinal County Board of Supervisors. In fiscal year 2013, Pinal County received \$151,343 in grant awards. The agreement is through the Pinal County Sheriff's office. According to intergovernmental agreements with other law enforcement entities, task force members are under the, "... command of the Pinal County Sheriff's Office Criminal Investigations Bureau Commander," and Pinal County agrees to provide office space, equipment, and vehicles (including fuel and maintenance) for all task force members.

Additionally, the Pinal County Board of Supervisors approves a grant agreement (DC-14-004) between Pinal County, the Arizona Criminal Justice Commission (ACJC) and the federal Department of Justice (DOJ). The agreement is through the Pinal County Attorney's office (PCAO) and establishes a Drug Prosecution Program within the PCAO. According to the Arizona

⁶ <http://azcjc.gov/ACJC.Web/Pubs/Home/Edge%20Report%202013.pdf>

⁷ <http://pinalcountyaz.gov/SHERIFF/ORGANIZATIONS/CRIMINALINVESTIGATIONSBUROU/Pages/NarcoticsTaskForce.aspx>

Enhanced Drug and Gang Enforcement (EDGE)⁸ report, the program provides drug and gang case prosecution for PCNTF. In fiscal year 2013, the unit received \$198,598 in federal and state grant awards.

Criteria - Section sixty-nine (69) in both grant award agreements states, "... all income generated as a direct result of this award shall be deemed program income," and accounted for and used for the purposes stated in the Office of Justice Programs (OJP) Financial Guide (Guide).⁹ Uses for program income are restricted to (1) advance program objectives; (2) refund back to the awarding agency; or (3) provide grant match monies. Office of Justice Financial Guide, Section 3.4 *Program Income*, states, "Any income you make from your award is considered program income." The Guide specifically states attorney's fees or costs, and asset forfeitures, are program income.

Internal Audit discussed this issue with the State Arizona Criminal Justice Commission (ACJC) Program Manager (the grant award agency) and learned the Commission uses a program income formula to compute the percentage of program employees that are federally-funded, and applies the same percentage to forfeiture proceeds generated by the program to determine federal "program income." For example, seven percent (7%) of the PCAO Drug Prosecution program employees are funded using federal grant monies, so only seven percent (7%) of forfeiture proceeds are deemed federal 'program income' and subject to restricted use. Internal Audit verified current grant matching funds are sufficient to account for the federal portion of 'program income.'

Also, federal guidelines require award recipients to submit a financial report (SF-425) showing actual funds spent. Internal Audit confirmed the Arizona Criminal Justice Commission files this report for Pinal County. Additionally, Internal Audit discussed language in Section (12) with the ACJC Grant Program Manager, that requires, "...Grantee must ensure that funds from this award are not commingled with funds from any other source;" to determine if this was a state or local requirement for these funds.

Condition - The County Attorney's office deposits all RICO seizure and forfeiture proceeds, including those generated through investigations and prosecution activities conducted by federal grant funded programs; such as, the Pinal County Narcotics Task Force and the Pinal County Attorney's office Drug Prosecution program, into the state/local RICO fund. These deposits comprise the majority of monies used for community-based outreach donations.

Cause - Monies received by the Pinal County Attorney's office for investigations and prosecution activities are separated by entity; for example, PCNTF or PCAO, but are not separated by grant program income; unless the money is a result of participation in a federal task force. Federal equitable sharing proceeds are discussed in the following observation (C).

Effect – Current practices depositing program income into the state/local anti-racketeering fund are not compliant with federal grant guidelines prohibiting commingling. The Arizona Criminal Justice Commission grant Program Manager suggested separation of these monies is strongly preferred.

Recommendation #2

Internal Audit recommends federal grant program income be accounted for in a manner to readily identify grant generated income and expenditures.

⁸ <http://staging.azcjc.gov/ACJC.Web/pubs/Edge%20Report%202013.pdf>

⁹ <http://ojp.gov/financialguide/index.htm>

D. Allowable expenditures using Equitable Sharing proceeds

Criteria – Equitable sharing proceeds¹⁰ can be applied for, and received, as the result of participating in a multi-agency task force directed by a federal agency that generates forfeiture proceeds.

The criteria for allowable use for federal equitable sharing proceeds are discussed in detail in the 2009 U.S. Department of Justice Guide to Equitable Sharing (Guide).¹¹ Allowable uses for federal equitable sharing anti-racketeering proceeds include; expenditures for law enforcement equipment, training, improvement of detention facilities, drug and gang awareness programs by law enforcement agencies, and support of community-based programs.

At the time audit fieldwork was conducted, the 2009 Guide restricted support of community-based programs to fifteen percent (15%) of the total of shared monies received in the last two fiscal years. A law enforcement agency was allowed to purchase supplies, equipment and/or services for eligible community-based programs; or reimburse such programs for eligible expenditures with a valid, itemized receipt. Under permissible uses, Section VIII (m) the guide stated, “Law enforcement agencies are prohibited from making cash transfers or donations to support community-based programs.”

The Pinal County Attorney’s office has not received equitable sharing funds for the past three years; however, the Pinal County Sheriff’s office currently participates in federal task force operations and, as a result, regularly requests and receives federal equitable sharing proceeds generated through task force activities. As a requirement of receiving equitable sharing proceeds, the Pinal County Sheriff’s office (PCSO) is required to submit an annual report to the U.S. Department of Justice. The report must be approved by the County Board of Supervisors and signed by the Board Chairman.

Condition – Internal Audit reviewed PCSO’s federal anti-racketeering reports for fiscal year end 2012 and 2013, and found expenditures to community-based programs on both reports. Expenditures were to non-profit entities and did not exceed the allowable 15% of total shared monies received in the last two year; however, expenditures claimed ranged from \$1,500 to \$10,000 and were not for reimbursable expenses. After a discussion with PCSO staff, Internal Audit confirmed these funds were used to make donations to community-based programs.

Currently, accounting for the federal equitable sharing fund is performed by the Pinal County Attorney’s office; however, authorization for equitable sharing fund expenditures is left solely to the discretion of the Pinal County Sheriff’s office (PCSO) and PCSO files the annual equitable sharing report. The annual report is not reconciled to accounting records in the County Attorney’s office.

Cause - Due to recent staff changes, Pinal County Sheriff office staff were not aware of the prohibition against making cash transfers or donations to support community-based programs.

Effect – According to the federal Guide non-compliance may subject the recipient agency to one or more of the following sanctions:



¹⁰ <http://online.wsj.com/news/articles/SB10001424053111903480904576512253265073870?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2F%2FSB10001424053111903480904576512253265073870.html>

¹¹ <http://www.justice.gov/usao/ri/projects/esguidelines.pdf>

1. Denial of an agency's sharing request;
2. Temporary or permanent exclusion from further participation in equitable sharing programs;
3. Offsets from future sharing in amounts equal to impermissible uses;
4. Civil enforcement action in U.S. District Court for breach of contract;
5. Federal criminal prosecution for false statements, or other sections of the criminal code, as applicable.

Note - As of July 31, 2014, the support of community-based program section of the Federal Equitable Sharing guide was amended to allow donations to community-based programs but restricts the transferable amount to \$25,000 annually.

Recommendation #3

Internal Audit recommends:

- *The Pinal County Attorney's office and the Pinal County Sheriff office review and adhere to the Guide to Equitable Sharing for State and Local Law Enforcement Agencies regarding community-based program donations and follow all policies outlined in the Guide.*
- *The County Attorney, the County Sheriff, and the County Finance Director review administration of the federal equitable sharing fund and integrate the reconciliation process into a formal policy and procedure.*

E. Anti-racketeering funds in Annual Expenditure Limitation report

On June 3, 1980, Arizona voters approved Arizona Constitution Article IX, Sections 20 and 21,¹² prescribing an expenditure limitation for each county, city, town, and community college district. The purpose of this constitutional change was to limit future increases in expenditures. Allowable spending increases would be limited by a formula based on a number of factors; including but not limited to, a permanent base adjustment, population growth and annual inflation/deflation percentage. State statute A.R.S. § 41-1279.07 directs the state Auditor General to prescribe a uniform expenditure reporting system for all political subdivisions.

Criteria – In 1991, the Arizona Auditor General requested a formal Attorney General (AG) Opinion regarding the application of the constitutional county expenditure limitations (AEL) to county anti-racketeering (RICO) monies.

The Attorney General issued Opinion (I90-013) determined some RICO monies were included in the expenditure limitations and some RICO monies were excluded from the expenditure limitations. The AG made a distinction between monies that are received as a reimbursement for prosecution and investigation costs (excluded) and monies that are received through forfeiture (included).

Condition – Pinal County may be incorrectly excluding anti-racketeering forfeiture proceeds (on line B.11) from the County Annual Expenditure Limitation amount claimed in the annual county Arizona Expenditure Limitation report (AELR) submitted to the State Auditor General.

Internal Audit reviewed the Pinal County Annual Expenditure Limitation Report for fiscal year end (FYE) June 30, 2013. The examination is conducted by an independent accounting firm¹³ and the

¹² http://www.auditorgen.state.az.us/Reports/Counties/Counties_UERS_FAQs.htm

¹³ Walker and Armstrong, L.L.P.

public report was issued to the Arizona Auditor General and the Pinal County Board of Supervisors on April 25, 2014.

The report claimed \$2,808,000 was excluded as “Refunds, reimbursements, and other recoveries.” A note to the report (Note 10) states this amount consists of “...prior year voided warrants and refunds, insurance reimbursements, and recoveries for prosecution and investigation costs recorded as revenues in the County Attorney’s anti-racketeering fund. Such items are recorded as fines and forfeitures (\$2,011,000), miscellaneous revenues (\$187,000) and other financing uses (\$610,000).”

Internal Audit contacted the Auditor General’s office to discuss the report and received written confirmation regarding forfeiture revenues. The office instructed, “...forfeiture revenues do not fit into the definition of any non-local revenue described in Article IX§20 of the Arizona Constitution. Therefore, any forfeiture revenues received from the county attorney are not excludable.”

Further, it did not appear anti-racketeering monies maintained in accounts for other political subdivisions were properly excluded on line B.3 under “Amounts received in the capacity of trustee, custodian or agent.”

Cause – Instructions in the Uniform Expenditure Report System guide issued by the Auditor General discuss the Attorney General’s Opinion and the exclusion or inclusion of anti-racketeering monies. This information, and fund revenue sources, may need to be clarified to ensure future correct reporting of these monies.

Effect – The Auditor General defines an erroneous report as “...one that contains a material misstatement.” The dollar amount misreported is not material.

Recommendation #4

Internal Audit recommends the Pinal County Finance Director ensures anti-racketeering monies are properly reported in the Annual Expenditure Limitation report.

APPENDIX I - Complete chronology of statutory changes

1977 – (Establish State Organized Crime law) Arizona Legislature enacted a massive revision to the state criminal code (Title 13) and added Organized Crime (Sections 13-2301 to 13-2308). Section 13-106 (Forfeiture) declared forfeitures provided under Title 13 were to follow specific procedures and stated if no claimant made the required proof of claim the court was to declare “the thing” forfeited to the state or political subdivision responsible for the forfeiture. The law also mandated, “...if the thing declared forfeited is money” the court “...shall order it deposited to the credit of the general fund of the state or political subdivision.” The statute directed guns should be sold, and the money deposited in the general fund, and all other usable and unencumbered assets should be “...retained for official political subdivision law enforcement use...”

1978 – (Add crimes) Arizona RICO statutes were amended to add additional crimes

1980 – (Approve constitutional county spending limit) Arizona voters approved Constitution Article IX, prescribing an expenditure limitation for each county, city, town and community college district.

1984 – (Establish a county anti-racketeering fund/permissive) Arizona enacted A.R.S. 13-2314.03 directing, “The Board of Supervisors of a county may establish a county anti-racketeering revolving fund (CARF),” and “... any prosecution and investigation costs, including attorney fees, recovered for the county” as a result of the racketeering statutes, “...may be deposited, as directed by a court of competent jurisdiction” in the fund. The law further stated monies in excess of fifty thousand dollars (\$50,000), “...shall be deposited in the county general fund.” The monies “...shall be used for the investigation and prosecution ...” of any racketeering offense.

1987 – (Establish a county anti-racketeering fund/mandatory) A.R.S. 13-2314.03, the County anti-racketeering revolving fund statutes was amended to require, “The board of supervisors of a county shall establish a county anti-racketeering revolving fund” and added the fund would be, “... **administered by the county attorney under the conditions and for the purposes provided by this section.**” Additional changes in the statute included removing the court’s direction; mandating any costs recovered by the county as a result of enforcement of racketeering offenses, “...shall be deposited in the fund...” and removed the language requiring monies exceeding fifty thousand be deposited in the county general fund. Additions to the statute allowed monies obtained as a result of federal or state forfeiture to be deposited in the fund, “for the benefit of the agency or agencies responsible for the enforcement action...” and retained the language requiring “...monies in the fund shall be used for the investigation and prosecution of any offense included in racketeering statutory sections. A new section (E) required the County Attorney to file a quarterly report with the Governor and the Legislature, of “...a full and complete account of specific receipts and disbursements from the fund”

1991 – (Attorney General Opinion) The Arizona State Auditor General requested, and received, an Attorney General’s Opinion (I90-013) stating a constitutional county expenditure limitation, approved in 1980, did include some county anti-racketeering funds.

1991- (Adding additional fund uses) A.R.S. 13-2314.03 was amended to add Section (D), “**Monies in the fund may be used for the funding of gang prevention programs, substance abuse prevention programs and substance abuse education programs...**” The word “remaining” was added to the fund uses section (D) which now read, “The remaining monies in the fund shall be used for the investigation and prosecution of any offense...” The amendment also allowed the County Attorney and/or the political subdivision to transfer money to the state drug and gang policy council and changed the reporting requirement section.

1994 – (Significant changes including adding new fund sources, removing requirement to use the fund for investigation and prosecution, and add witness protection) A.R.S. 13-2314.03 was amended by two separate bills. The first legislation was significant, adding a Section (C) that expended fund revenue sources stating, “**Any** monies received by **any** department or agency of this state or **any** political subdivision of this state from **any** department or agency of the United States or another state as a result of participation in **any** investigation or prosecution, whether by final judgment, settlement or otherwise, shall be deposited in the fund established by this section or section 13-2314.01 (State anti-racketeering fund)” A new Section (D) was amended to add any monies obtained as a result of forfeiture by the county attorney under this title or “under federal law shall be deposited in the fund...” and allowed the fund to accrue interest. A new Section (E) (which was the old Section D) was amended to include, “Monies in the fund may be used for funding gang prevention programs, substance abuse programs, and substance abuse education programs, or for any purpose permitted by federal law relating to the disposition of any property that is transferred to a law enforcement agency.” The word “**remaining**” was removed and shall was changed to “...may be used for the investigation and prosecution...” of any offense in the racketeering section. The reporting section was also amended to add mostly clarifying language.

The second bill simply added “...**and witness protection pursuant to section 11-536**” to the revised list of permitted fund uses in the new Section (D).

APPENDIX II (pages 15-19)

The following list identifies community outreach awards issued on behalf of the County Attorney's office, the Pinal County Narcotics Task Force, and the Pinal County Sheriff's Office, from January 12, 2012 to April 16, 2014.

PINAL COUNTY ATTORNEY RICO COMMUNITY OUTREACH DONATIONS			
Payee	2012	2013	2014
Action Alliance Network Inc	\$ 350.00		
Against Abuse, Inc	\$ 6,000.00	\$ 10,000.00	\$ 3,000.00
American Legion Auxiliary Unit 133			\$ 4,300.00
Arizona Aces	\$ 650.00		
Arizona Hammers Soccer Club		\$ 3,000.00	
Arizona Public Safety Foundation		\$ 18,025.75	\$ 366,753.00
Arizona Rural Education Alliance	\$ 7,200.00		
AZ Coalition Against Domestic Violence		\$ 1,500.00	
AZ Rage Baseball Club			\$ 1,000.00
Bank Of America	\$ 131.87		
Barcelona AZ			\$ 1,000.00
Black And Gold Youth Football League	\$ 1,000.00		\$ 1,000.00
Blazers Softball	\$ 800.00		\$ 1,000.00
Boy Scouts of America			\$ 300.00
Boys & Girls Club Of Casa Grande	\$ 18,075.00	\$ 25,001.00	
Boys & Girls Club Of The East Valley			\$ 13,000.00
BPOE San Manuel Elks			\$ 2,000.00
Casa Grande Alliance	\$ 1,500.00		
Casa Grande Chamber Of Commerce		\$ 100.00	
Casa Grande Heat	\$ 1,000.00		
Casa Grande Pony League		\$ 3,000.00	
Celebrating Women Of Today And Tomorrow Conference	\$ 1,000.00		
Central Arizona College Foundation		\$ 27,100.00	\$ 12,500.00
Central AZ College	\$ 2,100.00		
Cesar E. Chavez Memorial Committee Of Pinal County	\$ 3,000.00		
Circle Cross Ranch K-8 School			\$ 400.00
City Of Coolidge		\$ 825.00	
City Of Maricopa	\$ 8,003.00	\$ 500.00	
Colossal Cave Mountain Park	\$ 135.00		
Community Action Human Resources Agency	\$ 6,000.00	\$ 100.00	
Community Alliance Against Family Abuse		\$ 1,150.00	
Community Outreach Of Robson Ranch		\$ 4,000.00	\$ 5,000.00
Coolidge Chamber Of Commerce	\$ 15.00		
Coolidge Police Dept		\$ 75.00	
Coolidge Volunteer Firefighter	\$ 750.00		
Coolidge Youth Coalition	\$ 7,800.00		
Copper Basin Chamber Of Commerce	\$ 25.00		
Copper Basin YMCA		\$ 10,400.00	\$ 1,000.00
Copper Town Assoc		\$ 40.00	
Corazon De Latino Unidos	\$ 2,000.00	\$ 1,000.00	
County Of Salt Lake			\$ 1,000.00
DARE For The Kids Of Apache Junction	\$ 1,500.00		
East Valley Boys & Girls Club, A.J.	\$ 20,500.00		
Eastern Pinal Regional Coalition	\$ 5,000.00	\$ 1,000.00	
El Centro For The Study Of Primary & Secondary	\$ 10,000.00		
Eloy Crush ASA Softball Club	\$ 1,500.00		
Eloy Governor's Alliance Against Drugs	\$ 1,000.00		
Environmental Concerns Organization Inc	\$ 21,000.00	\$ 2,000.00	
Family First	\$ 100.00	\$ 20.00	
Family First Pregnancy Care Center		\$ 5,000.00	
FBINAA - AZ CHAPTER			\$ 1,000.00

PINAL COUNTY ATTORNEY'S OFFICE RICO COMMUNITY OUTREACH DONATIONS (continued)			
Payee	2012	2013	2014
FC Barcelona Penya La Arizona		\$ 5,000.00	
Florence Football Booster Club			\$ 1,000.00
Florence Fudge Company		\$ 500.00	
Florence High School	\$ 2,500.00	\$ 5,000.00	
Florence Little League	\$ 300.00	\$ 200.00	
Florence True Value Hardware	\$ 253.31		
Florence Unified School District			\$ 2,000.00
Friends Of Apache Junction			\$ 50.00
Friends Of Oracle State Park	\$ 2,500.00		
Friends Of San Tan Mountain Regional Park	\$ 1,000.00		
Gabriel's Angels		\$ 10,000.00	
Global Teen Challenge		\$ 5,000.00	
Grand Canyon Council-Boy Scouts Of America		\$ 2,500.00	
Greater San Tan Chamber Of Commerce		\$ 5,500.00	
Hayden High School	\$ 585.00		
HOHP-Honoring/Hiring/Helping Our Heroes Of Pinal			\$ 10,000.00
Hope Womens Center		\$ 8,960.00	
Imagine Eagles Wrestling Club	\$ 1,000.00		
Inter-Agency Council Of Pinal County	\$ 2,000.00		
J.O. Combs Unified School Dist.			\$ 197.20
Mammoth Little League	\$ 500.00	\$ 200.00	
Mammoth Thunder	\$ 500.00		
Mammoth/Hayden ASA Softball League		\$ 1,000.00	
Maricopa 1ST Ward		\$ 1,000.00	\$ 1,000.00
Maricopa Ak-Chin CAASA	\$ 12,000.00	\$ 17,000.00	
Maricopa American Legion Auxiliary Unit 133		\$ 500.00	
Maricopa Dance And Fitn3ess 2 LLC		\$ 10,000.00	
Maricopa Golf Classic		\$ 500.00	\$ 1,000.00
Maricopa Little League		\$ 5,001.00	
Maricopa Police Foundation Inc		\$ 600.00	
Maricopa Unified School District		\$ 2,500.00	
Maricopa Wells Middle School	\$ 500.00		
MASH Anti Substance Abuse Coalition		\$ 10,700.00	\$ 4,560.00
Miners Football Team	\$ 3,000.00		
Miss City Of Maricopa		\$ 5,000.00	
Mothers Against Drunk Driving		\$ 600.00	
National Organization Of Parents Of Murdered Children		\$ 500.00	
National Resource Education Center	\$ 2,500.00		
National Latino Children's Institute	\$ 1,100.00		
Natural Resource Education Center			\$ 2,500.00
Old Town Custom Framing And Gifts	\$ 235.14	\$ 435.91	
One More Step Coalition	\$ 2,000.00		\$ 2,500.00
Optimist International	\$ 2,000.00		
Oracle Schools PTO	\$ 500.00		
Oracle Softball League	\$ 500.00	\$ 500.00	
Over The Top RC	\$ 500.00	\$ -	
Paladin Sports Outreach		\$ 10,000.00	
Pan De Vida	\$ 5,000.00		
Pinal Council For CASA/Foster Inc	\$ 1,000.00	\$ 100.00	
Pinal County Juvenile Community Advisory Board	\$ 1,250.00		
Pinal County Town Hall	\$ 1,000.00	\$ 175.00	
Pinal Gila Community Child Services		\$ 500.00	
Pinal Hispanic Council	\$ 4,300.00		\$ 2,000.00
Polarfest	\$ 500.00	\$ 1,000.00	
Poston Butte High School	\$ 2,500.00	\$ 14,000.00	
Project Harmony			\$ 1,000.00
Rancho Linda Vista Oracle Art	\$ 3,200.00		

PINAL COUNTY ATTORNEY'S OFFICE RICO COMMUNITY OUTREACH DONATIONS (continued)			
Payee	2012	2013	2014
Ray Bearcat Booster Club	\$ 5,000.00		\$ 1,000.00
Ray High School	\$ 750.00		
Reach USA		\$ 5,000.00	
Rebels 16 Under	\$ 2,000.00		
Red Rock Elementary School	\$ 91.33		
Rotary Club Of Maricopa	\$ 6,000.00		
Saddlebrooke Rotary Club Foundation			\$ 100.00
San Manuel Elks Lodge #2007	\$ 2,500.00	\$ 5,001.00	
San Manuel Girls Softball League	\$ 500.00	\$ 200.00	
San Manuel Little League	\$ 500.00	\$ -	
San Tan Valley American Legion	\$ 4,500.00	\$ 1,000.00	
San Tan Valley Little League		\$ 5,000.00	
San Tan Valley Substance Abuse Coalition	\$ 13,000.00	\$ 7,950.00	\$ 7,200.00
San Tan Youth Football League	\$ -	\$ 10,000.00	
Santa Cruz Union High School	\$ 1,500.00		
Sea Lions Swim Team	\$ 6,000.00		
Seeds Of Hope Inc	\$ 500.00		
Silent Witness Of Casa Grande	\$ 6,000.00		
Spartan Promotional Group	\$ 6,009.88		
Superior Little League	\$ 300.00	\$ 300.00	\$ 1,000.00
Superior Substance Abuse Coalition	\$ 1,500.00		
Teen Challenge-Home Of Hope		\$ 30,216.00	\$ 5,448.00
Town Of Superior	\$ 5,000.00		
Tri City Archers Association	\$ 1,500.00		
Tucson Youth Sports Club, Inc	\$ 1,250.00		
United Way Of Pinal County		\$ 1,000.00	
Valley Of The Sun YMCA		\$ 1,000.00	
Wells Fargo - Credit Card	\$ 453.02		
YMCA	\$ 5,000.00		

PINAL COUNTY SHERIFF'S OFFICE RICO COMMUNITY OUTREACH DONATIONS			
Payee	2012	2013	2014
Adelante Juntos Coalition		\$ 5,000.00	
Against Abuse, Inc	\$ 5,000.00	\$ 1,500.00	
American Legion Auxiliary Unit 133		\$ 2,500.00	\$ 5,000.00
Arizona Public Safety Foundation		\$ 75,000.00	\$ 1,500.00
ASIS International Phoenix Chapter		\$ 1,000.00	
AZ Quicksilver		\$ 1,000.00	
AZ Rage Baseball Club		\$ 2,000.00	
Bearcat Booster Club		\$ 2,500.00	
Boys & Girls Club Of The East Valley		\$ 2,500.00	\$ 5,000.00
BPOE San Manuel Elks			\$ 5,000.00
Brian Terry Foundation		\$ 5,000.00	
Calvary Chapel Of Coolidge		\$ 2,000.00	
Casa Grande Heat		\$ 1,000.00	
Casa Grande Pony League		\$ 3,000.00	
Casa Grande Rotary Club		\$ 2,500.00	
Casa Grande Union High School District		\$ 2,000.00	
Community Outreach Of Robson Ranch		\$ 1,000.00	
Coolidge Unified School District		\$ 5,000.00	
Coolidge Youth Coalition		\$ 10,000.00	
Copper Basin YMCA		\$ 10,800.00	
Entertainment Special Productions Inc		\$ 500.00	
Florence Baptist Church		\$ 2,500.00	
Florence High School		\$ 7,500.00	
Florence K-8		\$ 1,500.00	

PINAL COUNTY SHERIFF'S OFFICE RICO COMMUNITY OUTREACH DONATIONS (continued)			
Payee	2012	2013	2014
Florence Little League		\$ 2,500.00	
Friends Of San Tan Mountain Regional Park		\$ 1,500.00	
Girl Scout Troop #1571		\$ 3,000.00	
Girl Scout Troop #2067		\$ 2,500.00	
Global Teen Challenge		\$ 20,000.00	
Harvest Track Classic		\$ 1,000.00	
Hope Womens Center		\$ 2,500.00	
Living Word Chapel		\$ 2,500.00	
Mammoth Christian Youth Center		\$ 5,000.00	
Mammoth/Hayden ASA Softball League		\$ 2,000.00	
Maricopa 1ST Ward		\$ 1,001.00	
Maricopa High School		\$ 5,000.00	
Maricopa Little League		\$ 5,000.00	
Maricopa Mustangs Soccer Club		\$ 3,000.00	
Medreturn		\$ 111.44	\$ 995.00
Mission Heights Phantom Football		\$ 2,500.00	
Operation Graduation		\$ 5,000.00	\$ 5,000.00
Oracle Little League		\$ 1,000.00	
Pappas Kids Schoolhouse Foundation		\$ 2,000.00	
Parents Of Murdered Children Inc - Valley Of The Sun Chapter		\$ 5,000.00	
Pinal Council For CASA/Foster Inc	\$ 3,000.00	\$ 3,000.00	
Poston Butte High School	\$ 5,000.00	\$ 10,000.00	\$ 17,500.00
Poston Butte High Theatre Booster		\$ 11,500.00	
Poston Butte Youth Football And Cheer		\$ 5,000.00	
Poston Butte Youth Football Association		\$ 5,000.00	\$ 10,000.00
Reach USA		\$ 15,000.00	
Saddlebrooke Rotary Club Foundation		\$ 1,000.00	
Safe Journey House		\$ 2,500.00	
San Manuel Elks Lodge #2007		\$ 5,000.00	
San Tan United Sports Academy		\$ 12,500.00	
San Tan Valley American Legion		\$ 16,500.00	
San Tan Valley Little League		\$ 15,000.00	\$ 10,000.00
San Tan Youth Football League		\$ 5,000.00	
Santa Cruz Union High School		\$ 3,000.00	
Santa Cruz Valley Little League		\$ 2,000.00	
SNAP		\$ 2,500.00	
Stranfield Elementary School		\$ 2,500.00	
Superior High School Robotics Program		\$ 2,500.00	
Superior Junior/Senior High		\$ 5,000.00	
Superior Little League		\$ 6,000.00	
Superior Substance Abuse Coalition		\$ 5,000.00	
Superior Unified School District		\$ 5,000.00	
Teen Challenge-Home Of Hope		\$ 15,000.00	
Town Of Superior		\$ 5,000.00	
Town Of Superior Recreation Program		\$ 15,000.00	
Tucson League Of Mexican American Women		\$ 300.00	
Usual Suspects LEMC-Arizona		\$ 5,000.00	
Veterans Of Foreign Wars, District 10		\$ 5,000.00	
Winged Hope Family Advocacy Foundation		\$ 10,000.00	
Wings Of Life		\$ 5,000.00	

PINAL COUNTY NARCOTICS TASK FORCE RICO COMMUNITY OUTREACH DONATIONS			
Payee	2012	2013	2014
Against Abuse, Inc	\$ 5,000.00	\$ 4,000.00	
Arizona Public Safety Foundation			\$ 15,000.00
Boy Scouts of America			\$ 3,000.00
Boys & Girls Club Of Casa Grande	\$ 20,400.00	\$ 25,000.00	
Casa Grande Pony League	\$ 3,000.00		
Casa Grande Pony Little League			\$ 3,000.00
Central AZ College	\$ 500.00		
Community Outreach Of Robson Ranch		\$ 5,000.00	\$ 6,000.00
Coolidge Youth Coalition	\$ 5,500.00		\$ 5,000.00
Eastern Pinal Regional Coalition	\$ 2,500.00		
Family First Pregnancy Care Center		\$ 1,000.00	
FBINAA - AZ CHAPTER		\$ 2,000.00	
First Assembly Of God		\$ 5,000.00	
Florence High School		\$ 7,500.00	
Florence K-8	\$ 500.00		
Florence Unified School District	\$ 5,000.00		\$ 1,500.00
Friends Of San Tan Mountain Regional Park			\$ 1,000.00
Grand Canyon Council-Boy Scouts Of America		\$ 3,000.00	
Honey Badger Girls Club		\$ 1,000.00	
Mammoth San Manuel Unified School Dist		\$ 2,000.00	
Pinal Council For CASA/Foster Inc	\$ 5,000.00		
Pinal County Juvenile Community Advisory Board	\$ 5,000.00		\$ 5,000.00
Pinal County Mounted Posse	\$ 500.00		
Polarfest	\$ 500.00	\$ 1,000.00	
Poston Butte High School	\$ 5,000.00	\$ 4,000.00	
Reach USA		\$ 5,000.00	\$ 10,000.00
San Tan Foothills High School	\$ 2,500.00		
San Tan Valley Little League	\$ 5,000.00		
San Tan Valley Substance Abuse Coalition		\$ 6,350.00	
Santa Cruz Union High School	\$ 1,000.00		
Special Olympics Arizona	\$ 1,000.00		
Teen Challenge-Home Of Hope			\$ 10,000.00
Town Of Superior	\$ 5,000.00		
Tri City Archers Association		\$ 2,000.00	
Tucson League Of Mexican American Women		\$ 300.00	
Valley Of The Sun YMCA			\$ 10,000.00

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p><i>1. Internal Audit recommends:</i></p> <ul style="list-style-type: none"> ▪ <i>The County Attorney's office consider requiring all county entities under their administrative control adhere to the Community Outreach award guidelines established by the Pinal County Attorney, to minimize county liability.</i> ▪ <i>The County Attorney's office document program compliance with all guideline criteria or note exceptions. A checklist based on guideline criteria included in recipient files would provide easy access to all compliance information.</i> 	<p>Yes</p>	<p>Pinal County Attorney Lando Voyles established and implemented a formal process, for review and approval of RICO Community Outreach Fund requests, after taking office in January, 2013. This included the development of the RICO Community Outreach Fund Guidelines, Application, and Memorandum of Understanding, as part of a comprehensive process that would ensure that proper controls and procedures were followed in the review and approval of RICO Community Outreach Fund requests made to the Pinal County Attorney's Office (PCAO). While PCAO has adopted these sound guidelines and procedures for its management of the RICO Community Outreach Fund, such measures are not statutorily required. Furthermore, other law enforcement entities whose RICO monies are included under the fiduciary care of the PCAO cannot be statutorily required to follow such guidelines and procedures.</p> <p>The PCAO will recommend that such guidelines and protocols be adopted by the respective participating law enforcement entities.</p> <p>The guidelines developed by the PCAO for the RICO Community Outreach Fund require certain criteria for program funding approval. A review committee meets twice a year to carefully evaluate and discuss each application and to determine program awards. The PCAO makes best efforts to ensure that recipients of Community Outreach Funds follow established guidelines and maintain program compliance. Recipients are required to sign a Memorandum of Understanding acknowledging the guidelines and program requirements for acceptance of Community Outreach Funds. Although not required, PCAO will make an effort, depending on staffing availability, to review and/or audit recipient financial records on a case-by-case basis.</p>	<p>Immediate and Ongoing</p>	<p>Dwight Fujimoto Chief of Staff</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p><i>2. Internal Audit recommends federal grant program income be accounted for in a manner to readily identify grant generated income and expenditures.</i></p>	Yes	<p>The Arizona Criminal Justice Commission (ACJC) informed PCAO that it is not necessary to maintain a separate account for income generated by federal grant funded activities. The requirement is to maintain records in such a manner the income and expenditures of the grant generated income be readily identifiable. The program income is explicitly identified, calculated and reported monthly to ACJC and included on the annual report for all of PCAO's federal grants.</p>	Immediate and Ongoing	Dwight Fujimoto Chief of Staff
<p><i>3. Internal Audit recommends:</i></p> <ul style="list-style-type: none"> ▪ <i>The Pinal County Attorney, and the Pinal County Sheriff, review and adhere to the Guide to Equitable Sharing for State and Local Law Enforcement Agencies regarding community-based program donations and follow al policies outlined in the Guide.</i> ▪ <i>The County Attorney, the County Sheriff, and the County Finance Director review administration of the federal equitable sharing fund and integrate the reconciliation process into a formal policies and procedures.</i> 	Yes	<p>Since taking office in January, 2013, Lando Voyles has ensured that the Pinal County Attorney's Office maintains adherence to policies governing the use of federal and state forfeiture monies including the disbursement of equitable sharing funds to community based programs. The Pinal County Attorney's Office will continue to ensure that community based program donations from federal and/or state forfeiture monies are made pursuant to governing policies and guidelines.</p> <p>The Pinal County Attorney's Office has adopted a formal policy and process for reconciling federal equitable sharing funds for the Pinal County Sheriff's Office and Pinal County Narcotics Task Force accounts under their administration.</p>	Immediate and Ongoing	Dwight Fujimoto Chief of Staff
<p><i>4. Internal Audit recommends the Pinal County Finance Director ensures anti-racketeering monies are properly reported in the Annual Expenditure Limitation report.</i></p>	Yes	<p>The Pinal County Finance Department seeks to comply with all statutorily mandated requirements including, but not limited to the Annual Expenditure Limitation report. Additional steps will be implemented to ensure that all anti-racketeering monies are properly reported in the Annual Expenditure Limitation report.</p>	December 31, 2014	Levi D. Gibson Finance Director